Abbot Group Limited

Annual report and financial statements

for the year ended 31 December 2022

Registered Number 00623285

Abbot Group Limited

Annual report and financial statements

for the year ended 31 December 2022

Contents

Abbot Group Limited

Corporate information

Board of Directors

J Elkhoury	
N Gilchrist	
O Maier	
L Clow	(resigned 28 February 2022)
S Drew	
S Branston	
A Ramsay	(appointed 21 December 2022)
S J Walters	(appointed 3 October 2022)
N Polson	(appointed 1 January 2022, resigned 21 December 2022)

Registered office

1 Park Row
Leeds
England
LS1 5AB

Independent Auditors

Ernst & Young LLP
4th Floor
2 Marischal Square
Broad Street
Aberdeen
AB10 1BL

Abbot Group Limited

Strategic Report

The Directors present their Strategic Report of the Company for the year ended 31 December 2022.

Review of the Business

At the Balance Sheet date, the Company is a wholly owned subsidiary undertaking of KCA Deutag Alpha Limited. The ultimate parent company is KCA Deutag International Limited.

References to the Group are in relation to KCA Deutag Alpha Limited. Please refer to Note 24 for further information on group structure.

The principal activity of the Company are those of a holding company and lessor of land drilling rigs to other group companies. In the future we expect the Company to continue operations as described above.

Market Dynamics and Positioning

As shown in the Company's Profit and Loss Account on page 18, the Company made a loss of $81,830k (2021: $47,103k) during the year. The additional losses are largely a result of the Group's exit from it's land drilling business in Russia. The business was abandoned completely in July 2022 in line with the requirements of the sanctions regime and no longer forms part of current or future plans.

Principal risks and uncertainties

As with any business, the Group faces a number of risks and uncertainties in its day-to-day operations. The principal risks and uncertainties, and mitigating actions that are employed by the Group to manage those risks, are noted below. During the year the Group continued to apply an enterprise risk management framework to drive the ongoing identification and monitoring of risks and to develop mitigation strategies to manage those risks. The methodology used to identify key risks is both a bottom up approach from the country and functional organisations as well as a top down review of the key strategic risks.

Asset integrity & compliance regime

We are subject to increasingly stringent laws and regulations relating to environmental protection as well as being exposed to potentially substantial liability claims due to the hazardous nature of our business and the businesses to whom we provide services. An accident or a service failure can cause personal injury, loss of life, damage to property, equipment or the environment, consequential losses or the suspension of operations or possibly the termination of a contract. Furthermore, we may be liable for damages resulting from pollution both on land and in offshore waters. During the last few years, we have also seen many of our customers seek to pass on risk to their suppliers which may have historically been borne by the operator.

We have put in place robust processes and procedures to support each of the principal activities which we undertake. We seek to employ personnel with the relevant experience, qualifications and competencies and have the appropriate tracking mechanisms to ensure that our staff have demonstrable competencies for each of the tasks that they perform. We have a governance structure which ensures that our compliance with processes is validated periodically and that a culture of continuous improvement is reinforced. We have robust reporting mechanisms to report safety and environmental data at each operating unit and escalation processes to investigate incidents. We have a pre-defined contracting strategy with our clients setting out what exposures are acceptable and escalation mechanisms where we are asked to agree to contractual positions which fall outwith these set parameters. We have a comprehensive package of insurance coverage to further protect us from potential claims or incidents.

As well as our personnel, the provision of assets such as drilling rigs is a key component of our product and service offering. We offer a range of drilling rigs from new state of the art rigs designed for specific climates or for speed of movement, through to older assets which have been in operation for a number of years.

Abbot Group Limited

Strategic Report (continued)

Asset integrity & compliance regime (continued)

These assets need to be regularly maintained and key components replaced over time to maintain the asset integrity of our equipment. We maintain a team of personnel specialised in maintaining these assets to ensure that they provide our clients with safe, effective and trouble-free operations with low levels of non-productive time. To remain competitive in the long term
we must continue to invest in our assets and refresh our rig fleet on a periodic basis.

Compliance requirements continue to increase across the broad range of territories in which we operate. For example, during the past few years, we have seen new data privacy and data protection rules with large potential fines and other sanctions for non-compliance. We seek to address any new compliance requirements proactively using both our own internal resources as well as external advice.

Business continuity and sanctions risk

Many of the key markets in which we operate are potentially at a higher risk of conflict and political upheaval. Over the past few years we have witnessed the impact of conflict in Ukraine, in Azerbaijan with neighbouring Armenia, terrorist incidents in Algeria and Saudi Arabia and the threat of terrorism or unrest in Kurdistan and Iraq. In addition, there is the potential threat of political and economic sanctions against certain sovereign states which by their very nature can be both unpredictable and potentially disruptive. Over the past 12 months, for example, we have seen significant sanctions imposed against specific types of business activities in Russia from the EU, the UK and the US. Following a review of how to proceed the Group took the decision to exit its Russian businesses during the course of 2022.

The impact of COVID-19 was also significant over recent years with ever changing restrictions being placed upon the movements of people to minimise the spread of the virus in all countries as governments attempted to limit the number of people affected, to manage the capacity of health services and minimise the impact upon local economies. The Group has developed procedures to seek to protect our personnel during any outbreak including providing additional testing and PPE. The development of vaccines has brought an improvement but the emergence of new variants could bring a return of restrictions and challenges to operate.

Certain markets in which we operate are also susceptible to governmental and political influence around contract award, local content requirements and bidding processes which may not always be transparent. We maintain robust processes to ensure that our staff have been trained to follow our own approved guidelines and ethical practices.

Before we enter a new country, we carry out risk assessments and third-party security reviews. To mitigate risks once operating in each country we have a robust emergency response system to ensure that we are able to move our personnel rapidly and safely in the event of an unplanned incident. We work with specialist third parties to maintain a good understanding of the security risks and how to react in each set of circumstances. Where possible we seek to limit our exposure to higher risk regions such that an emergency in one location does not have a material impact on the ability of the Group to continue operating. In the past we have been able to rapidly redeploy personnel when required and reduce costs in impacted countries to a minimum. We have access as required to specific legal and advisory expertise to support regulatory compliance in all our operations across disciplines such as export control and adherence to sanctions. We work with various governmental authorities to get assistance with ensuring compliance and the appropriate awareness of rules and regulations.

Abbot Group Limited

Strategic Report (continued)

Changes in the market for Drilling & Engineering services

Our core operations continue to be focused on delivering drilling and well engineering services to the oil and gas industry. We believe we provide high-quality services to our clients supported by a skilled workforce and high-quality assets. However, the technology, commercial models and ways of delivering services continue to evolve.

In North America there has been an increasing commoditisation of drilling services with consequent reductions in pricing and increased competition from providers offering very similar services. Although the position in North America is different to the rest of the world, given the relative ease of access to oil and gas reserves through good transport infrastructure, certain of our other markets may move in a similar direction in the future. In the eastern hemisphere we have seen increasing competition from lower cost providers such as Chinese companies who are able to offer low-cost services and over time have provided an improving quality of assets and personnel.

As a result of inflationary pressures on the Group's cost base, remaining competitive against low-cost participants has been a greater challenge for the Group in 2022 and has also put pressure on operating margins across our Business Units.

In a number of markets, we are also seeing the way in which our customers are procuring services change. Integrated service companies, who can provide a full spectrum of service offerings, are securing contracts as a one stop shop for their clients. Other service companies are broadening the scope of their offerings potentially threatening work which KCA Deutag may have traditionally provided in the past.

Current trends across the oil and gas industry, and indeed our drilling peers, show a movement towards greater use of IT, drilling optimisation software and operational technology data to gain better insight into operating performance, to drill wells more efficiently or to identify improvement opportunities. These tools and data driven insights can be used to identify cost savings, efficiency gains and revenue opportunities which could have a tangible impact on our financial bottom line. Increasingly clients are placing maximum age limits on rigs as well as looking for higher specification and technology supported rigs. This would be a risk to the business if we were to lag behind our competitors in the provision of digital services or if we are not able to recover the investments made to develop these solutions through the commercialisation of our digital offering.

In response to these threats we must ensure that we offer a compelling reason for our customers to procure our products and services through providing excellent service quality, which is cost competitive and industry leading. With the launch of the Kenera business unit, we believe we have enhanced our proposition to customers. We have to be a Group that is easy to do business with, which has a flexible commercial model and is able to form new alliances that can be mutually beneficial.

We also have to continually challenge ourselves to look at new ways of working, to develop new service offerings and to look at new sourcing models as markets continue to mature and evolve. A high focus on sourcing and costs in general is now particularly important as many of the markets in which we operate are seeing the return of significant levels of inflation and extended delivery lead times. The supply chain organisation is therefore spending more time with the operations, commercial and finance teams to plan, source and negotiate supply agreements as favourably as possible.

Credit related risk

Although many of our customers have historically been blue chip international oil companies, we also work for National Oil Companies, as well as independent operators. Because of the significant capital expenditure requirements for our clients to develop oil and gas assets, and the cyclical nature of commodity prices, some of our clients can become financially distressed. We have also seen some sovereign states heavily dependent upon oil and gas struggling to balance their budgets and consequently being unable to access sufficient foreign currencies such as US Dollars to settle liabilities. In some cases, local currencies have become illiquid and very difficult to convert to other currencies.

In some markets, particularly those where we may have a low level of activity or only a single rig operating, it can be difficult to consistently make acceptable levels of return. In some markets, we also experience tax and other local laws and rules being inconsistently applied which can result in additional and unexpected costs of doing business. In each of the countries in which we operate we are potentially subject to changes in tax laws, treaties or regulations which could have a material impact on our business.

We seek to mitigate credit risk through continuous monitoring of exposures to individual clients as well as overall exposure to particular geographies. Financial credit checks are required to be performed on new clients prior to tendering submissions and where possible we will seek payments in advance of services or protection via bank guarantees and similar mechanisms. We have robust escalation processes to chase overdue accounts including regular reviews with our senior management team. In some cases, we are able to leverage our position to push for the release of payments but where this is not possible early and robust legal processes are used to accelerate a conclusion to the process.

Negotiating power can be limited once a contract has ended and there have been a few cases where payment of final invoices has taken longer than expected to resolve. We are also sometimes approached by customers for extended credit terms which we negotiate in order to obtain an acceptable resolution. We also structure contracts to be paid in US Dollars where possible. We seek appropriate professional advice before entering new markets and have internal review and approval mechanisms to challenge the returns we expect on new contracts. In some cases we have decided to exit markets where we have been unable to make a consistent level of acceptable return.

Currency related risks

We carry out our operations in a number of countries and are exposed to currency risk as those currencies become stronger or weaker against the US Dollar. Some of the countries in which we operate are heavily reliant on oil and gas and have historically seen significant exchange rate volatility as a result of commodity price variations. Our financial results are presented in US Dollars and these results are sensitive to either a relative strengthening or weakening against the US Dollar of the major currencies to which we are exposed. In general, we prefer to be paid in US Dollars but there are many markets where this is not possible and we also need to consider costs that will be payable in local currencies.

The Group employs a number of mechanisms to manage elements of exchange risk at a transaction, translation and economic level. Where possible we will seek to naturally hedge our exposures through matching currency revenue and expenditure which we are able to do by adjusting the proportion of our revenues paid in either US Dollar or local currency. In some situations, we have been able to hedge our Balance Sheet exposure by matching local currency assets with local currency liabilities. Where this is not possible, we may seek to hedge our currency exposures through the purchase of forward contracts. In terms of the overall economic risk we monitor our exposure to all of the key markets in which we operate. We aim to maintain a diversified geographical exposure without being overly reliant on any single country of operation.

Abbot Group Limited

Strategic Report (continued)

Cyber security risk

Cyber security risk has been increasing over recent years due to the increasing prevalence of cyber-attacks around the world. However, as a result of the cyber-attack we experienced at the end of 2021, cyber security came to the forefront of our business and additional security measures have been implemented to enhance our environment to minimise the potential of such an attack happening again. We engaged with third parties who worked on projects through 2022 to strengthen our IT environment both from a security point of view as well as business recovery planning. Additional security software was purchased and implemented as well as rolling out training to staff in this area.

Our operations continue to be increasingly dependent upon various IT systems, especially with an increased number of employees working from home. Threats to IT systems associated with cyber security risks continue to grow and evolve including targeted attacks through viruses, malware, phishing as well as potentially by employees within our network. An increased area of interest and risk is the requirement to make key rig control systems remotely accessible and therefore a potentially bigger target for malicious activities with larger impacts (e.g. financial, reputational, environmental and safety). The risks associated with cyber security include the loss of revenue, key back office systems, penalties for loss of sensitive personnel and customer data, as well as a potential loss or misappropriation of funds, damage to our reputation and potential for litigation.

Energy Transition risk

Oil as an energy source is going through a period of major change where it will eventually no longer maintain its dominant position and over time will be replaced with alternative energy sources such as gas, hydrogen, nuclear, solar, wave and wind. The political and public awareness focus on this has increased driven by rising concerns around climate change. It is driving public opinion and consumer decision making which is increasingly influencing business and political policy. Over the medium to long term this will mean a reduction in global drilling activity, although it is expected that this will take longer in our core Middle Eastern markets.

Investors are now increasingly focusing on a company's approach towards policies on Environment, Social and Governance (ESG). There is a strong push from many clients towards environmental sustainability, e.g. reducing carbon footprint, eliminating waste, recycling and alternative energy sources. In 2022 we issued our first Sustainability Report which focused on measuring our corporate carbon footprint and using this baseline data to inform our Sustainability Strategy. Annually, we will issue an update to this report.

To be sustainable as a business in the medium to long term and ensure access to markets, business opportunities and investors it is becoming essential to diversify into the wider alternative energy market. The risk of not doing this would be to impair our ability to have a profitable and sustainable long-term future as a business.

Ethics and violation of applicable anti-corruption laws

We are an international business with operations in developing countries and in countries which are high on the Corruption Perceptions Index published by Transparency International. Violation of anti-corruption laws may result in criminal and civil sanctions and could subject us to other liabilities in the UK, the US and elsewhere. Legislation in the areas of ethics, bribery and tax evasion continue to evolve and place increasing responsibility on businesses to behave to a very high standard supported by the appropriate processes, controls and other safeguards.

We have developed an ethics and compliance programme which is supported by policies and procedures designed to assist our compliance with applicable laws and regulations and have trained our employees to comply with such laws and regulations. We have enshrined business integrity as one of our six Core Values and foster a compliance culture within our operations. We have put in place appropriate assurance processes to monitor compliance and seek to continuously improve our systems of internal controls and to remedy any weaknesses.

Abbot Group Limited

Strategic Report (continued)

Financial and Working Capital risk

Our ability to service our debt and other financial obligations depends in large part on the levels of cash flow generated in our business. A surplus of cash would allow the Group to grow and manage the changes in business activity levels over time.

Where possible the Group seeks to secure long term debt financing which provides access to funds for a number of years into the future. The Group has sought to diversify its access to debt markets away from wholly traditional bank debt towards institutional debt by way of the corporate bond markets. Periodic reviews of fixed rate and variable rate interest rate exposures are also made with the aim of maintaining a balance between the two.

From time to time, we may need to access the capital markets to obtain long term and short-term financing. Our ability to access these financial markets could be limited by, amongst other things, oil and gas prices, our capital structure, credit ratings issued on our debt by credit rating agencies, the overall health of the global oil and gas market or the global economy in general. Whilst we
try to access markets when conditions are favourable there is no guarantee of our ability to access these capital markets in the future.

Careful monitoring of cashflows and forecasts equips the business with the necessary analytics to monitor the situation and deal with any underperformance using tools such as further cost savings or capex reductions. The Group have continued to utilise and expand upon a number of 'self-help' mechanisms, including, but not limited to proactive working capital management and detailed monitoring of EBITDA forecasts, inventory optimisation, cost reduction initiatives and weekly cash forecasts and cash calls. All significant growth capital expenditure is approved by the Board.

Human capital risk

All of the services and operations which we perform require a diverse highly skilled and well-trained work force to provide the front-line services, as well as to support the fundamental business processes and control mechanisms. Across the oil and gas industry generally there has been an aging of the workforce which has been compounded in recent years by the industry downturn and a large reduction in the number of new recruits entering the sector. Continued access to a diverse pipeline of talent to be able to provide skilled staff and future management resources for the Group are critical.

During 2022 the Group has continued to see an increased focus on nationalisation in several of the markets in which we operate. The business must also position itself to source and deploy the right skills and experience to support operational growth as we target opportunities in the energy transition space.

Over the past few years, the Group has invested significantly in enhancing our processes and systems around human resources. We seek to provide our staff with a dynamic and supportive work environment and to remunerate them fairly in each of the markets in which we operate. Where the employees have the appropriate skills, ability and desire to progress we have put in place the necessary management tools to help them pursue their career ambitions with KCA Deutag. We have succession planning tools to assist in identifying and developing a diverse future talent pool and to help to ensure that we have the appropriate management resources to lead the Group in the future.

Local market risk

All the markets in which we operate continue to change and evolve as local political and economic influences impact the industry in which we operate. Globalisation is slowing down and we are seeing increasing protectionism across the globe. In certain core markets, such as in the Middle East, we have also seen an increasing trend and pressure from governments to increase the local content of the services which we provide, both in terms of the provision of local skilled personnel as well as the focus on in-country value through the use of local suppliers or supply chain for the provision of goods or services. Where this can be achieved in a planned and structured way it can have benefits both for the local economies in which we operate, as well as allowing us to provide a more efficient and effective service to our clients.

We have a good track record of training and developing local staff in many of the countries in which we operate and so far as possible sourcing equipment locally, where this is cost effective and quality can be assured. As a result we have achieved a high rate of staff nationalisation in the markets in which we operate.

In some of our markets we have seen increasing influence from National Oil Companies where governments have sought to secure greater control and increased future participation in the economic benefits of their oil and gas assets. These companies have started to change the nature of the relationships with service companies and increasingly look to work through joint ventures or alliances which are also often closely aligned to local content. We will have to be prepared to work with these new models if we are to retain and grow our future business in these locations.

Oil and Gas Market Risk

The Group operates in the oil and gas sector which is a market driven, cyclical industry where activity is closely correlated with the market prices for oil and gas. Changes in these prices may lead to an increase or decrease in our activity levels. In recent years, the global COVID-19 pandemic had a negative impact on oil prices, the global economy, market conditions, customers and governments. This had a material negative impact on our business as almost all customers either reduced their level of operation or sought pricing discounts, although we have in recent times seen some recovery. Often in these circumstances we also see an increase in litigation and customer claims as clients attempt to minimise their costs and manage budgets.

We mitigate the impact of this risk through endeavouring to secure longer term contracts with our clients where possible, together with contractual protection for early termination. Many of our clients own oil and gas assets where the lifting costs are at the lower end of the spectrum and hence are still able to make positive returns even at lower energy prices. Most of our activity is in the eastern hemisphere where the economic cycles have historically been less volatile than in the western hemisphere. Where possible we employ a flexible resourcing model so that we are able to change manning levels as activity changes. Each of our business units has different exposure and sensitivity to changes in energy prices with the Kenera business being the most susceptible to reduced activity as their work is generally linked to new capex spend by our clients.

We operate a governance structure which aims to ensure that potential risks on contracts and projects are identified through review and challenge prior to execution. Our internal commercial and legal processes ensure that deviations to standard contracting principles must have the appropriate review and approval prior to commitment. This, together with robust contract assurance programmes and effective record retention, provides us with the ability to rigorously defend commercial claims as and when they arise.

Abbot Group Limited

Strategic Report (continued)

Key performance indicators

The Directors of KCA Deutag Alpha 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. See note 24 for details of where copies of the Group's financial statements can be obtained.

On behalf of the Board

Neil Gilchrist

N Gilchrist
Director
31 May 2023

Abbot Group Limited

Directors' report for the year ended 31 December 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Further information regarding the Company, including important events and its progress during the year, events since the year end and likely future development is contained in the Strategic Report on pages 3 to 9. The information that fulfils the requirements of the Directors' Report (as required the Companies Act 2006), which is incorporated in this Directors' Report by reference, can be found on the following pages of this Annual Report:

Information	***Location***	***Pages***
Development and performance during the financial year	Strategic Report	3
Position at the year end including analysis and key performance indicators	Strategic Report	3, 10
Other performance including environmental and employee matters	Strategic Report	3
Principal risks and uncertainties facing the business	Strategic Report	3
Explanation of amounts included in the financial statements	Notes to the Financial Statements	21

Results and dividends

The loss for the year from continuing operations transferred to reserves was $81,830k (2021: loss of $47,103k).
The Directors do not propose the payment of a final dividend (2021: $nil).

Principal risks and uncertainties

The principal risks and uncertainties are discussed within the Strategic Report on page 3. The Company's operational risks are aligned with those faced by the rest of the Group and are disclosed in the Strategic Report.

Environment

The Company provides 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

The Company is committed to involving employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through internal newsletters, briefings and well-established formal consultation procedures.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant. If employees become disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Details of the number of employees and related costs can be found in note 20 to the financial statements on page 40.

Substantial shareholdings
The Company's ultimate parent undertaking and ultimate controlling company is KCA Deutag International Limited, which is registered in Jersey.

At 31 December 2022, the Company's ordinary shares were wholly owned by KCA Deutag Alpha Limited.

Directors
The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

J Elkhoury	
N Gilchrist	
O Maier	
L Clow	(resigned 28 February 2022)
S Drew	
S Branston	
A Ramsay	(appointed 21 December 2022)
S J Walters	(appointed 3 October 2022)
N Polson	(appointed 1 January 2022, resigned 21 December 2022)

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

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

The directors are 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.

Statement of directors' responsibilities in respect of the financial statements (continued)

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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Company has net current liabilities at the Balance sheet date of $454,731k (2021: $505,596k). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have obtained confirmation from a fellow group undertaking that it will provide the necessary support to enable the Company to meet its obligations as they fall due. This confirmation is valid from the date of approval of the financial statements through to 31 December 2024. On this basis, the Directors consider that it is appropriate to prepare these financial statements on a going concern basis. Further details are provided in Note 2 to the financial statements.

The funding of the Company is dependent upon the overall funding position of the KCA Deutag Alpha Group ("the Group"). The Group regularly monitors its funding position throughout the year to ensure that it has access to sufficient funds to meet its forecast cash requirements. Forecasts are regularly produced to give management's best estimates of forward liquidity, leverage and forecast covenant compliance as defined in the Group's loan documentation. This is done to identify risks to liquidity and covenant compliance and to enable management to formulate appropriate and timely mitigation strategies.

During the year, the Group secured bank loan borrowings of $100 million, issued $250 million of floating rate notes and received $175 million from its ultimate parent company to fund the acquisition of the Saipem Onshore Drilling business.

The acquisition will positively impact the future cash generation of the Group.

The Directors have reviewed the most recent projections and forecasts as prepared as part of its budgeting and strategic planning process along with assessing severe but plausible downside sensitivity scenarios and their potential impacts on Group profitability and cash generation over the same period.

Underpinning the directors' assessment of going concern is:

- $231 million of cash at year end
- $275 million of RCF/overdraft and guarantee facilities currently in place, with only $100 million of RCF drawn at year end
- Positive cash generation from operations during the going concern period
- A strong liquidity position and significant headroom under its financial covenants

Going concern (continued)

Management have considered the following severe but plausible downside sensitivity cases which include:

- Delays in delivery of new build rigs, lower utilisation, and higher costs in our Land business
- Lower activity and ability to pass on cost escalations in our Offshore business
- Lower activity in the main pillars of our Kenera business
- Adverse GBP/USD exchange movements impacting our corporate cost base
- Inability to source external finance for new build rigs

Based on these scenarios, the Group would be able to remain compliant with its debt/EBITDA and liquidity covenants and would have sufficient cash throughout the going concern period and could implement further mitigations, such as cancellation of controllable capex and management of working capital, if required.

Following the Group's exit from Russia and subsequent impairment of goodwill and associated assets, management considered the Group's financial covenants. These covenants do not include any tests, such as tests based on Group net assets, which may be impacted by any such impairments.

The Directors have also performed reverse stress testing which the Directors consider remote given the implausible reduction in EBITDA forecast required to trigger a covenant breach in the context of the current firm contract backlog. Based upon the analysis described above, the Directors have a reasonable expectation that the Group has sufficient covenant headroom as well as adequate cash resources to meet all its liabilities as they fall due for the period analysed, which is to 31 December 2024. As a result, the Directors consider it appropriate to prepare the Company's financial statements on a going concern basis.

On behalf of the Board

Neil Gilchrist

N Gilchrist
Director
31 May 2023

Independent auditors' report to the members of Abbot Group Limited

Opinion

We have audited the financial statements of Abbot Group Limited for the year ended 31 December 2022 which comprise the Income Statement, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report to the members of Abbot Group Limited (continued)

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the company operates. In addition, we concluded that there are certain significant laws and regulations relation to health and safety, employee matters, environments and bribery and corruptions practices. Further to this, we inquired of management to understand how they were complying with Russia sanction risks and read the external legal advice made available to us;.
- We understood how Abbot Group Limited is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and noted that there was no contradictory evidence;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by performing procedures on management override of controls and determining the revenue recognition may present a fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, a review of the reporting to the Audit Committee on compliance with regulations, enquiries of general counsel and management as well as utilisation of data analytical tools to review for potential non-compliance with laws and regulations with a focus on manual journals which have heightened risk by nature.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Tom Sanders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
31 May 2023

Abbot Group Limited

Income Statement for the year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Turnover		**11,315**	15,110
Cost of Sales		**(5,435)**	(17,722)
Operating profit/(loss) before exceptional items		**5,880**	(2,612)
Exceptional items - Property, Plant & Equipment impairment	11	**(31,486)**	-
Exceptional items - net gain on abandonment	5	**12,676**	-
Exceptional items - administrative expenses	5	**(564)**	(225)
Operating loss		**(13,494)**	(2,837)
Interest receivable and similar income	6	**7,507**	5,965
Interest payable and similar charges	7	**(75,727)**	(81,521)
Exceptional items - loss on refinancing and extinguishment of debt	5	**-**	(21,422)
Income from shares in subsidiary undertakings	8	**-**	52,177
Loss before taxation		**(81,714)**	(47,638)
Taxation	10	**(116)**	535
Loss for the year		**(81,830)**	(47,103)

The results have been derived wholly from continuing operations.

The Company has no recognised gains or losses during the year other than those included in the Profit and Loss Account.

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Loss for the year		**(81,830)**	(47,103)
Other comprehensive income (expense):			
Remeasurements on defined benefit pension schemes	21	**524**	911
Total other comprehensive income for the year - net of tax		**524**	911
Total comprehensive expense for the year - net of tax		**(81,306)**	(46,192)

All items, with the exception of the remeasurements on defined benefit pension schemes, may subsequently be reclassified to the Profit and Loss Account.

Abbot Group Limited
Balance Sheet as at 31 December 2022

	Note	2022 $'000	Restated 2021 $'000
Non-current assets			
Tangible fixed assets	11	**24,953**	65,985
Intangible assets	12	**-**	29
Investments	13	**800,100**	800,040
		825,053	866,054
Current assets			
Debtors	14a	**446**	1,817
Amounts owed by subsidiaries - Due after more than one year	14b	**1,197,147**	1,011,455
Cash at bank and in hand	15	**143,054**	42,936
		1,340,647	1,056,208
Current liabilities			
Creditors: amounts falling due within one year	16	**(1,795,378)**	(1,561,804)
		(1,795,378)	(1,561,804)
Net current liabilities		**(454,731)**	(505,596)
Total assets less current liabilities		**370,322**	360,458
Non-current liabilities			
Creditors: amounts falling due after more than one year	17	**(92,327)**	-
Retirement benefit obligations	21	**623**	163
Net assets		**278,618**	360,621
Capital and reserves			
Called up share capital	18	**-**	-
Share premium account	19	**-**	-
Currency translation reserve		**(123,617)**	(122,521)
Hedging reserves		**399**	-
Profit and loss account		**401,836**	483,142
Total shareholder's funds		**278,618**	360,621

Following a review of the intercompany balances, the company has restated the prior year to correctly designate $1,011,455k of Intercompany Receivables/Loans as being due after more than one year, but disclosed within current assets in line with the requirements of the statutory formats of FRS 101. The intercompany balances are repayable on demand but they are not expected to be repaid within 12 months.

The financial statements on pages 18 to 51 were approved by the Board of Directors on 31 May 2023 and signed on its behalf by:

Neil Gilchrist

N Gilchrist
Director

Registered number 00623285

Abbot Group Limited

Statement of changes in equity for the year ended 31 December 2022

	Called up share capital	Share premium account	Currency translation reserve	Hedging reserve	Capital contribution reserve	Profit and loss account	Total Shareholders' funds
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2022	-	-	(122,521)	-	-	483,142	**360,621**
Comprehensive expense							
Loss for the year	-	-	-	-	-	(81,830)	**(81,830)**
Other comprehensive income/(expense)							
Remeasurements on defined benefit pension schemes	-	-	-	-	-	524	**524**
Exchange differences on foreign operations	-	-	(1,096)	-	-	-	(1,096)
Fair value movement on cash flow hedges	-	-	-	399	-	-	399
Total other comprehensive income	-	-	(1,096)	399	-	524	**(173)**
Total comprehensive expense	-	-	(1,096)	399	-	(81,306)	**(82,003)**
Transactions with owners							
At 31 December 2022	-	-	(123,617)	399	-	401,836	**278,618**
At 1 January 2021	66,288	1,364,070	(122,521)		110,000	(1,011,024)	**406,813**
Comprehensive expense							
Loss for the year	-	-	-		-	(47,103)	**(47,103)**
Other comprehensive income/(expense)							
Remeasurements on defined benefit pension schemes	-	-	-	-	-	911	**911**
Total other comprehensive income	-	-	-	-	-	911	**911**
Total comprehensive expense	-	-	-	-	-	(46,192)	**(46,192)**
Transactions with owners							
Capital contribution		110,000			(110,000)		
Capital reduction	(66,288)	(1,474,070)	-		-	1,540,358	-
At 31 December 2021	-	-	(122,521)		-	483,142	**360,621**

The Notes on pages 21 to 51 are an integral part of these financial statements.

During the year ended 31 December 2021 the sum of US$110,000,000 standing to the credit of the capital contribution reserve of the Company was capitalised and applied in issuing one fully paid up new ordinary share of £0.15 which was issued at a premium to KCA Deutag Alpha Limited, immediately after the Company undertook a reduction of the share capital to cancel and extinguish 232,371,673 ordinary shares of £0.15 each, registered in the name of KCA Deutag Alpha Limited, and cancel the entire sum standing to the credit of the Company's share premium account.

Abbot Group Limited

Notes to the financial statements for the year ended 31 December 2022

1 General information

The principal activity of Abbot Group Limited (the Company) are those of a holding company and lessor of land drilling rigs to other group companies.

The Company is a private company, limited by shares, incorporated in England and Wales and domiciled in Scotland. The address of its registered office is 1 Park Row, Leeds, England, LS1 5AB.

2 Basis of preparation

These financial statements of the Company have been prepared in accordance with United Kingdom Accounting Standards - in particular FRS 101 and the Companies Act 2006 ("the Act"). FRS 101 sets out a reduced disclosure framework for a "qualifying entity", as defined in the Standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRSs"). The financial statements have been prepared under the historic cost convention.

The Company is a qualifying entity for the purposes of FRS 101. Note 24 gives details of the Company's ultimate parent and from where the consolidated financial statements prepared in accordance with IFRS may be obtained.

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 KCA Deutag Alpha Limited, which prepares consolidated financial statements that are publicly available.

Adoption of Financial Reporting Standard 101 has enabled the Company to take advantage of certain disclosure exemptions, most notably in respect of financial instruments (IFRS 7 requirements) and related party transactions with fellow 100% subsidiaries of KCA Deutag International Limited. Furthermore the Company is no longer required to prepare a cash flow statement. The below provides a summary of the disclosure exemptions adopted in the preparation of these financial statements, in accordance with FRS 101:

- *IFRS 7: Financial Instruments: Disclosures;*
- *IFRS 13: Fair value measurement in respect of the disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities;*
- *IAS 1: Presentation of financial statements' comparative information requirements in respect of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets;*
- *IAS 1: Presentation of financial statements in respect of: statement of cash flows including comparatives and statement of compliance with all IFRS;*
- *IAS 8: Accounting policies, changes in accounting estimates and errors' for the disclosure of new standards not yet effective;*
- *IAS 24: Related party disclosures in respect of key management compensation;*
- *IAS 24: Related party disclosures to disclose related party transactions entered into between two or more wholly owned members of a group; and*
- *IAS 36: Impairment of assets in respect of the assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts.*

2 Basis of preparation (continued)

The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

Going concern

The Company has net current liabilities at the Balance sheet date of $454,731k (2021: $505,596k). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have obtained confirmation from a fellow group undertaking that it will provide the necessary support to enable the Company to meet its obligations as they fall due. This confirmation is valid from the date of approval of the financial statements through to 31 December 2024. On this basis, the Directors consider that it is appropriate to prepare these financial statements on a going concern basis. Further details are provided in Note 2 to the financial statements.

The funding of the Company is dependent upon the overall funding position of the KCA Deutag Alpha Group ("the Group"). The Group regularly monitors its funding position throughout the year to ensure that it has access to sufficient funds to meet its forecast cash requirements. Forecasts are regularly produced to give management's best estimates of forward liquidity, leverage and forecast covenant compliance as defined in the Group's loan documentation. This is done to identify risks to liquidity and covenant compliance and to enable management to formulate appropriate and timely mitigation strategies.

During the year, the Group secured bank loan borrowings of $100 million, issued $250 million of floating rate notes and received $175 million from its ultimate parent company to fund the acquisition of the Saipem Onshore Drilling business.

The acquisition will positively impact the future cash generation of the Group.

The Directors have reviewed the most recent projections and forecasts as prepared as part of its budgeting and strategic planning process along with assessing severe but plausible downside sensitivity scenarios and their potential impacts on Group profitability and cash generation over the same period.

Underpinning the directors' assessment of going concern is:

- $231 million of cash at year end
- $275 million of RCF/overdraft and guarantee facilities currently in place, with only $100 million of RCF drawn at year end
- Positive cash generation from operations during the going concern period
- A strong liquidity position and significant headroom under its financial covenants

2 Basis of preparation (continued)

Going concern (continued)

Management have considered the following severe but plausible downside sensitivity cases which include:

- Delays in delivery of new build rigs, lower utilisation, and higher costs in our Land business
- Lower activity and ability to pass on cost escalations in our Offshore business
- Lower activity in the main pillars of our Kenera business
- Adverse GBP/USD exchange movements impacting our corporate cost base
- Inability to source external finance for new build rigs

Based on these scenarios, the Group would be able to remain compliant with its debt/EBITDA and liquidity covenants and would have sufficient cash throughout the going concern period and could implement further mitigations, such as cancellation of controllable capex and management of working capital, if required.

Following the Group's exit from Russia and subsequent impairment of goodwill and associated assets, management considered the Group's financial covenants. These covenants do not include any tests, such as tests based on Group net assets, which may be impacted by any such impairments.

The Directors have also performed reverse stress testing which the Directors consider remote given the implausible reduction in EBITDA forecast required to trigger a covenant breach in the context of the current firm contract backlog. Based upon the analysis described above, the Directors have a reasonable expectation that the Group has sufficient covenant headroom as well as adequate cash resources to meet all its liabilities as they fall due for the period analysed, which is to 31 December 2024. As a result, the Directors consider it appropriate to prepare the Company's financial statements on a going concern basis.

3 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 years presented, unless otherwise stated.

(a) Foreign currency translation

(i) Functional and presentation currency

These financial statements are presented in US Dollars (USD), which is also the functional currency of the Company and the primary economic environment in which it operates.

(ii) Transactions and balances

Transactions denominated in a foreign currency are converted to the functional currency at rates 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. The resulting exchange gains and losses are dealt with through the Profit and Loss Account for the period.

3 Summary of significant accounting policies (continued)

(b) Investments and intercompany loans

Investments held as fixed assets are shown at cost less appropriate provision where the Directors consider that impairment in value has occurred. Intercompany loans are accounted for at their amortised cost with provisions for Expected Credit Losses ("ECLs") being booked when considered necessary. The ECLs are calculated with reference to the expected timescale for repayment and the effective rate of interest applicable to each loan. A discounted value of the loan receivable is derived and consequently any applicable impairment charge is reflected in the Profit and Loss Account.

Following a review of the intercompany balances, the company has restated the prior year to correctly designate $1,011,455k of Intercompany Receivables/Loans as being due after more than one year, but disclosed within current assets in line with the requirements of the statutory formats of FRS 101. The intercompany balances are repayable on demand but they are not expected to be repaid within 12 months.

(c) Intangible assets

Intangible assets are recognised at cost less accumulated amortisation. Amortisation is provided to write off the cost of each asset over its estimated useful life, using the straight-line method, on the following bases:

Trade names	up to 21 years
Customer relationships and contracts	up to 13 years
Technology	up to 10 years

(d) Tangible fixed assets

Tangible fixed assets held for use in the Company's operations, or for administrative purposes, are stated in the Balance Sheet at cost net of accumulated depreciation and any provisions for impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset over their estimated useful lives.

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.

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 Profit and Loss Account.

3 Summary of significant accounting policies (continued)

d) Tangible fixed assets (continued)

Assets are depreciated by the straight line method on the following basis:

Plant, machinery and vehicles 2 - 10 years

Assets in the course of contruction are not depreciated until ready for 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 Profit and Loss Account.

Asset lives and residual values are assessed at each Balance Sheet date. Where an impairment trigger is identified with relation to specific assets, a review is undertaken to confirm the appropriateness of the carrying value taking into account factors such as comparable asset values and available third party valuations.

(e) Impairment

The Company performs impairment reviews in respect of investments and tangible fixed assets 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 recoverable amount and its value per an independent third party valuation, is less than its carrying amount. In the absence of comparable market transactions, a discounted cash flow model is used to value the assets, as such a model is equivalent to what a market participant would use as a methodology for asset valuation.

(f) Investments in subsidiary undertakings

Investments in subsidiary undertakings comprise of shares (at cost) and loans, net of provisions for impairment. Investments are considered for impairment when there are indicators that impairment may exist.

(g) 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.

(h) Trade debtors

Trade debtors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for an expected credit loss, if applicable. When determining the level of expected credit loss provision management consider the age of the outstanding receivable along with prior experience in relation to the specific customer and the jurisdiction in which the balance is due before booking any provision. When determining the level of expected credit loss provision required in respect of trade debtor balances, management also consider the creditworthiness and probability of future default of the customer.

3 Summary of significant accounting policies (continued)

(i) 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 Profit and Loss Account due to items that are not taxable or deductible in any year and also due to items that are taxable or deductible in a different year. 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 tangible fixed assets, tax losses carried forward and, in relation to acquisitions, the difference between the fair value of the net assets acquired and their tax base. Tax rates enacted, or substantively 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.

(j) Employee benefits - pension obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company 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.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The interest income on scheme assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in finance income/expense.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the Profit and Loss Account.

3 Summary of significant accounting policies (continued)

(j) Employee benefits - pension obligations (continued)

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(k) 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 foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes.

The Company have elected to carry financial assets investments in listed equity investments at fair value through OCI.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. 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 hedged 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 on-going 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 Company performs effectiveness testing on an annual basis.

3 Summary of significant accounting policies (continued)

(k) Financial assets and liabilities (continued)

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.

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.

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 year 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.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

- The fair value of the interest rate swaps is estimated based on the discounting of expected future cash flows at prevailing interest rates at the Balance Sheet date, which is classified as level 2.

The fair value of forward currency contracts has been estimated based on market forward exchange rates at the Balance Sheet date, which is classified as level 2.

(ii) Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value including directly attributable transaction costs. 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 and are amortised over the period of the loan.

(l) Provisions

Provisions are measured at the present value of the Directors' best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. A discount is applied to the provision for the time-value of money where this is significant. Provisions are recognised where there is a present obligation based on past events, it is probable that an outflow of resources will be required to settle the obligation and the financial outcome can be reliably measured.

3 Summary of significant accounting policies (continued)

(m) Turnover

Turnover is recognised based on the gross amount received or receivable for services provided in the normal course of business, net of value-added tax and other sales related taxes.

Income from the leasing of onshore drilling rigs to other group companies is recognised in the accounting period in which the services are rendered, typically based on a day rate. The Company recognises flow-through turnover, which relates to reimbursable costs, based on the gross amount received or receivable in respect of its performance under the sales contract with the customer.

Mobilisation costs that are incurred in relation to the mobilisation of new rigs are capitalised and depreciated over the life of the rig. Mobilisation costs incurred on moving rigs to locations under a new customer contract are amortised on a straight-line basis over the primary period of the new contracts.

Costs and revenues that are expected to be incurred or earned in relation to the demobilisation of rigs are accrued over the primary term of the drilling contract.

Any rig move costs for moving rigs to new locations whilst operating under a drilling contract are expensed as incurred, with the relevant revenue being recognised when the rig move is complete.

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

(n) Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as creditors falling due within one year 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 creditors due within more than one year. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3 Summary of significant accounting policies (continued)

(o) Leases

Company as a lessee

Where the Company is a lessee almost all leases are recognised on the Balance Sheet. An asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The lease liability is measured at the present value of the future lease payments. The lease term includes all periods covered by extension options, if exercise of the extension is reasonably certain. The present value is calculated based on an appropriate discount rate being the Company's incremental borrowing rate.

The right of use asset is initially measured based on the calculated lease liability plus any indirect costs, payments at or prior to lease commencement, dilapidation provisions, less any lease incentives. Subsequent measurement is at cost less depreciation and any provision for impairment. The right of use asset is also adjusted based on any re-measurement of the lease liability.

The Company has chosen to take advantage of the exemptions as allowed in the standard for certain short-term leases and leases of low-value assets:

(i) Short term leases

This is defined as a lease which has a lease term of 12 months or less and does not contain a purchase option. In terms of assessing the duration of a lease, if a lease is more likely than not to be extended to a duration in excess of 12 months, then lessee accounting under IFRS 16 will apply;

(ii) Low-value assets

The standard does not specify a value that would ensure an asset was of low-value, however this is likely to apply to items such as tablets and personal computers and small items of office furniture and telephones. An asset can only be low-value if the lessee can benefit from the use of the asset on its own and the asset is not highly dependent on other assets.

Leases that meet the exemptions above continue to be charged to profit or loss on a straight-line basis over the period of the lease (net of any incentives received from the lessor).

Company as a lessor

The Company recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Initial direct costs incurred in obtaining an operating lease are added to the initial carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income.

The depreciation policy for depreciable underlying assets subject to operating leases is consistent with the Company's normal depreciation policy for similar assets.

3 Summary of significant accounting policies (continued)

(p) Disclosure of impact of accounting standards

(i) New and amended standards adopted by the group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Reference to the Conceptual Framework - amendments to IFRS 3
- Property, Plant & Equipment - Proceeds before Intended Use - amendments to IAS 16
- Onerous Contracts - Cost of Fulfilling a Contract - amendments to IAS 37
- Annual Improvements to IFRS Standards 2018 - 2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

ii) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Company impact of new standards

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those applied in the preparation of the Group's financial statements, except for investments in subsidiaries that are stated at cost, which is the fair value of the consideration paid, less provision for impairment. These policies have been consistently applied to all the years presented.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the KCA Deutag Group and are not managed separately.

(q) Exceptional items

Exceptional items are those significant non-recurring items that are separately disclosed by virtue of their size or incidence to enable a full understanding of the financial performance of the Company. Transactions that may give rise to exceptional items include write-downs or impairments of assets including goodwill, refinancing costs, restructuring costs and litigation settlements.

(r) Dividends

Dividend distributions on ordinary shares are recognised as a liability in the Company's financial statements when they have been approved by the Company's shareholders or paid in the case of interim dividends. Dividend income is recognised when the right to receive payment is established.

4 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. Significant judgements and estimates in these financial statements have been made with regard to tax balances (note 10) and depreciation on tangible fixed assets (note 11). An explanation of key uncertainties or assumptions used by the management in accounting for these items is explained, where material, in the respective notes.

Intercompany receivables

The Company makes an estimate of the recoverable value of intercompany receivables. When assessing impairment of intercompany receivables management consider factors including the the availability of funds within the Group to allow the balances to be settled on demand. See Note 14 for the net carrying amount of intercompany receivables.

5 Exceptional items

(a) Exceptional items included in operating loss	**2022** **$'000**	2021 $'000
Reorganisation costs	**(564)**	(225)
Net gain on abandonment	**12,676**	-
	12,112	(225)

Reorganisation costs in 2022 and 2021 primarily relate to the Group's cost reduction, restructuring, redundancy expenditure and COVID-19 expenditure along with professional fees associated with the Group's strategic activities looking at potential mergers and acquisitions.

Gain on abandonment relates to the write off of the intercompany balances with the Group's Russian entities due to the exit from the country in order to comply with sanctions announced on 21 July 2022.

(a) Exceptional items after operating profit	**2022** **$'000**	2021 $'000
Exceptional loss on refinancing and extinguishment of debt	-	(21,422)
	-	(21,422)

During 2021 $21.4 million of costs incurred in 2020 in relation to the restructuring were recharged from a fellow Group company.

6 Interest receivable and similar income

	2022 $'000	2021 $'000
Bank interest receivable	**1,145**	3
Interest receivable from group undertakings	**6,245**	5,927
Other finance income	**117**	35
	7,507	5,965

Net exchange gains represent mainly the exchange movements during the year on non-functional currency funding balances held with other group undertakings.

7 Interest payable and similar charges

	2022 $'000	2021 $'000
Interest payable to group undertakings	**(73,428)**	(73,114)
Interest payable on borrowings	**(1,093)**	(69)
Other interest payable	**(496)**	(1,207)
Amortisation of arrangement fees	**(265)**	-
Exchange losses - net	**(445)**	(7,131)
	(75,727)	(81,521)

Net exchange losses represent mainly the exchange movements during the year on non-functional currency funding balances held with other group undertakings.

8 Income from shares in subsidiary undertakings

Investments comprise the cost of shares in subsidiary undertakings and associates as follows:

	2022 $'000	2021 $'000
Dividends received from subsidiary undertaking	**-**	52,177

9 Operating loss

The following items have been included in arriving at operating loss:

	2022 $'000	2021 $'000
Employee benefits expense (note 20)	**41**	36
Depreciation of tangible fixed assets (note 11)	**9,673**	17,022
Net foreign exchange gain	**(8,248)**	(733)

9 Operating loss (continued)

Audit remuneration

During the year the Company obtained the following services from the Company's auditor at the following cost:

	2022	2021
	$'000	$'000
Audit services	**35**	39

10 Taxation

(a) Analysis of charge in year

	2022	2021
	$'000	$'000
Current tax		
Total current tax (credit)/charge (note 10(b))	**116**	(535)

(b) Factors affecting tax (credit)/charge in year

The tax assessed for both years is lower than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022	2021
	$'000	$'000
Loss before taxation	**(81,714)**	(47,638)
Loss at standard rate of corporate tax in the UK 19.00% (2021: 19.00%)	**(15,526)**	(9,051)
Effects of:		
Dividends received not subject to tax	**-**	(9,913)
Exempt amounts	**23**	
Group relief for nil consideration	**(4,796)**	-
Expenses not deductible for tax purposes	**151**	43
Income not taxable	**(2,462)**	
Other permanent differences	**3,506**	3,937
Foreign taxation	**406**	407
Adjustments in respect of prior year taxes	**(385)**	(943)
Deferred tax not recognised	**19.199**	14,985
Total tax (credit)/charge for the year (note 10(a))	**116**	(535)

The Company has not recognised potential deferred tax assets of $226,719k (2021: $203,603k) as at the year end, which is the tax effect at 25% (2021: 25%) on deductible temporary differences, unused tax losses and unused tax credits of $nil (2021: $nil) as it may not be possible to utilise the potential benefit in future years.

Notes to the financial statements for the year ended 31 December 2022 (continued)

11 Tangible fixed assets

	Drilling, rigs and equipment $'000	Plant, machinery and vehicles $'000	Total $'000
Cost			
At 1 January 2022	338,319	188	338,507
Additions	128	-	128
Disposals	(157,408)	-	(157.408)
At 31 December 2022	**181,039**	**188**	**181,227**
Accumulated depreciation			
At 1 January 2022	272,346	176	272,522
Charge for the year	9,667	6	9,673
Impairment	31,486	-	31,486
On Disposals	(157,408)	-	(157,408)
At 31 December 2022	**156,092**	**182**	**156,274**
Net carrying amount			
At 31 December 2022	**24,947**	**6**	**24,953**
At 31 December 2021	65,973	12	65,985

During the year ended 31 December 2022 an impairment review was undertaken on assets due to sanctions imposed with Russia.This resulted in an overall impairment charge of $31,486k being recognised in the year.

The key accounting estimate in determining the depreciation charge in management's view of the economic useful lives of the Company's tangible fixed assets.

12 Intangible assets

	Technology and software $'000
Cost	
At 1 January 2022	12,811
Additions	-
At 31 December 2022	12,811
Accumulated amortisation	
At 1 January 2022	12,782
Charge for the year	29
At 31 December 2022	12,811
Net carrying amount	
At 31 December 2022	-
At 31 December 2021	29

13 Investments

Investments comprise the cost of shares in subsidiary undertakings and associates as follows:

	2022 $'000	2021 $'000
At start of year	**800,040**	800,000
Funding to associate undertaking	**60**	40
At 31 December	**800,100**	800,040

During the year to 31 December 2022 the Company made funding contributions to its joint venture KCA Deutag Kazakhstan LLP.

During the year management performed a review of the carrying value of investments. In both 2022 and 2021, the reviews identified no impairment and therefore no write down to investments was required.

A list of subsidiary undertakings is given in Note 25.

14 Debtors: amounts falling due within one year

a) Debtors: amounts falling due within one year

	2022	2021
	$'000	$'000
Other debtors	166	335
Prepayments and accrued income	280	1,482
	446	1,817

b) Debtors: amounts falling due after more than one year

	2022	2021
	$'000	$'000
Amounts owed by Group undertakings	1,197,147	1,011,455

The amounts owed by group undertakings are unsecured and repayable on demand. Interest is receivable on a total of $167,623k (2021: $154,478k) of the amounts owed by group undertakings as at 31 December 2022.

Interest is charged based on base rates plus appropriate margins. The remaining amounts owed by group undertakings are interest free. Group trading balances are settled on a monthly basis, therefore no impairment provision is required.

The fair value of debtors are approximate to carrying amounts given that they are short term in nature.

15 Cash at bank and in hand

	2022	2021
	$'000	$'000
Cash at bank and in hand	143,054	42,936

The cash value includes £28,554k (2021 : £11,922k) held on bank accounts within the Group's working capital facility. This is a notional cash pooling working capital facility in which individual entities such as KCA DEUTAG Drilling Limited can hold overdraft balances provided that the overall cash value held by all companies within the facility is in net credit.

16 Creditors: amounts falling due within one year

	2022 $'000	2021 $'000
Trade creditors	**107**	9
Amounts owed to group undertakings	**1,786,844**	1,541,165
Bank overdraft	**1,114**	18,117
Accruals and deferred income	**7,311**	2,295
Financial liabilities - derivative financial instruments	**2**	218
	1,795,378	1,561,804

The amounts owed to group undertakings are unsecured and repayable on demand. Interest is payable on a total of $1,009,647k (2021: $955,109k) of the amounts owed to group undertakings as at 31 December 2022. Interest is charged on base rates plus appropriate margins. The remaining amounts owed to group undertakings are interest free.

The bank overdraft value wholly consists of overdrawn cash balances held on bank accounts within the Group's cash pooling working capital facility. This is a facility in which individual entities such as the Company can hold overdrawn balances provided that the overall cash value held by all companies within the facility is in net credit. This is a notional cash pooling facility. Debit interest is applied by the bank only where the overall cash value of the Group on an individual currency cash pool is in net overdraft. Any such bank interest is applied based on the base rate or foreign equivalents appropriate to the currency denomination of each net overdraft.

The fair value of creditors due within one year are approximate to carrying amounts given that they are short term in nature.

17 Creditors: amounts falling due after more than one year

	2022 $'000	2021 $'000
Bank loans - secured	**100,000**	-
	100,000	-
Less : net capitalised arrangement fees	**(7,673)**	
	92,327	-

As at 31 December 2022, the secured bank loans are wholly denominated in US Dollars. The secured bank loan borrowings comprise of term loan borrowings of $100 million (2021: $ nil), which bear interest payable on 3 month terms based on Term SOFR plus margins ranging from 6.25% to 6.50%. The maturity date of the bank loan facilities is in October 2027.

18 Called up share capital

	2022 $'000	2021 $'000
Authorised		
nil (2021: 74,294,995) ordinary shares of 15p each	-	20,617

	2022	2021
Issued and fully paid		
1 (2021: 1) ordinary shares of 15p each	-	-

The shares rank pari passu and have the rights normally attaching to ordinary shares as prescribed by law - i.e. each share confers the right to one vote upon the holder with other matters being determined by the Companies Act, 2006.

On 29th April 2021, Abbot Group Limited completed a capital reduction to convert Share Capital and Share Premium balances to retained earnings leaving one outstanding share at par value.

19 Share premium account

	2022 $'000	2021 $'000
At 1 January	-	1,364,070
Share premium arising on refinancing	-	110,000
Capital reduction	-	(1,474,070)

During the year ended 31 December 2021 one new ordinary share of £0.15 was issued at a premium to KCA Deutag Alpha Limited, immediately after the Company undertook a reduction of the share capital to cancel and extinguish 232,371,673 ordinary shares of £0.15 each, registered in the name of KCA Deutag Alpha Limited, and cancel the entire sum standing to the credit of the Company's share premium account.

20 Directors and employees

The aggregate remuneration of all employees, including Directors, of the Company comprised:

	2022	2021
	$'000	$'000
Wages and salaries	34	31
Social security costs	4	3
Other pension costs – defined benefit scheme	3	2
	41	36

The average monthly number of persons employed by the Company was:

	2022 Number	2021 Number
Administration	1	1

The Directors neither received nor waived any emoluments during the year from the Company (2021: nil). Their remuneration is allocated to companies in the Group as part of an overall management charge and therefore it is not possible to determine the elements of directors' remuneration relevant to this Company in a practical manner.

21 Retirement benefit obligations

During the year, the Company operated a number of different pension schemes and arrangements, details of which are shown below.

(a) Defined benefit scheme

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

The most recent actuarial valuation of the scheme was carried out at 31 December 2022 by the Company's pension advisers and the principal assumptions made by the actuaries were:

	2022	2021
	%	%
Rate of increases in pensions in payment and deferred pensions	3.3	3.4
Discount rate	4.9	1.8
Inflation assumption	3.4	3.6

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 40, retiring at age 65 is 89 years. The life expectancy of a female member currently aged 40, retiring at 65, is 92 years.

21 Retirement benefit obligations (continued)

The amounts recognised in the Balance Sheet are determined as follows:

	2022	2021
	$'000	$'000
Present value of funded obligations	**(4,662)**	(13,402)
Fair value of scheme assets	**5,285**	13,565
Net asset	**623**	163

The amounts recognised in the Profit and Loss Account are as follows:

	2022	2021
	$'000	$'000
Current service cost	**77**	42
Interest cost	**199**	164
Interest Income	**(201)**	(156)
Total included within the Profit and Loss Account	75	50

Changes in the present value of the defined benefit obligation are as follows:

	2022	2021
	$'000	$'000
Present value of obligations, 1 January	**13,402**	13,721
Service cost	**77**	42
Interest cost	**199**	164
Remeasurements:		
(gain) loss from change in financial assumptions	**(4,987)**	(696)
(gain) loss from change in demographic assumptions	**(2)**	544
(gain) loss effect of experience adjustments	**146**	224
Benefits paid	**(2,769)**	(427)
Exchange difference	**(1,404)**	(170)
Present value of obligations, 31 December	**4,662**	13,402

21 Retirement benefit obligations (continued)

Changes in the fair value of plan assets are as follows:

	2022	2021
	$'000	$'000
Fair value of plan assets, 1 January	**13,565**	13,002
Interest Income	**201**	156
Benefits paid	**(2,769)**	(427)
Remeasurement:return on plan assets, excluding amounts included in interest expense/income	**(4,319)**	983
Exchange difference	**(1,393)**	(149)
Fair value of plan assets, 31 December	**5,285**	13,565

Analysis of the movement in the Balance Sheet liability:

	2022	2021
	$'000	$'000
At 1 January	**163**	**(719)**
Total expense as above	**(75)**	**(50)**
Remeasurements	**524**	**911**
Exchange difference	**11**	**21**
At 31 December	**623**	**163**

Contributions expected to be paid to the plan during the year beginning after the Balance Sheet date are $nil (2021: $nil).

Average life expectancy:

	2022	2021
Longevity at age 65 for current pensioners		
- Men	**23**	23
- Women	**24**	24
Longevity at age 65 for future pensioners		
- Men	**24**	24
- Women	**27**	26

21 Retirement benefit obligations (continued)

The sensitivity of the defined obligation to changes in the weighted principle assumption is:

	Impact on obligations	
	Increase in assumption	Decrease in assumption
	$'000	$'000
Discount Rate	(285)	316
Inflation Rate	235	(247)

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the Balance Sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.

The fair value of the plan assets was:

	2022	2021
	$'000	$'000
Cash	**1,175**	1,432
Equity	**335**	4,576
Debt	**3,775**	7,557
	5,285	13,565

22 Related party transactions

The Company has taken advantage of the exemptions within Financial Reporting Standard 101 not to disclose transactions and balances with KCA Deutag International Limited and its wholly owned subsidiaries, for which consolidated financial statements are publicly available.

During the year to 31 December 2022 the Company made funding contributions of $60k (2021: $40k) to its joint venture KCA Deutag Kazakhstan LLP.

23 Capital commitments

	2022	2021
	$'000	$'000
Contracts placed for future capital not provided in the financial statements	**1,129**	-

24 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of KCA Deutag Alpha Limited.

The Company's ultimate parent undertaking and ultimate controlling company is KCA Deutag International Limited, which is registered in Jersey.

At 31 December 2022 the smallest and largest groups in which the results of the Company are consolidated are those headed by KCA Deutag Alpha Limited and KCA Deutag International Limited. Copies of financial statements of KCA Deutag Alpha Limited are available from Group Headquarters, Bankhead Drive, City South Office Park, Portlethen, Aberdeenshire, AB12 4XX.

25 Subsidiaries and associates

A full list of subsidiaries is shown below.

The Group's subsidiaries registered at 1 Park Row, Leeds, LS1 5AB are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Rig Co. Limited	Indirect subsidiary	England and Wales	100%
KCA DEUTAG (Land Rig) Limited	Indirect subsidiary	England and Wales	100%
KCA DEUTAG UK Finance Plc	Indirect subsidiary	England and Wales	100%
KCA DEUTAG Enterprises Limited	Indirect subsidiary	England and Wales	100%
Rig Design Services Holdings Limited	Indirect subsidiary	England and Wales	100%
RDS Technical Services Limited	Indirect subsidiary	England and Wales	100%
Abbot Investments (North Africa) Limited	Indirect subsidiary	England and Wales	100%
Abbot Holdings Limited	Indirect subsidiary	England and Wales	100%
KCA DEUTAG Drilling Group Limited	Indirect subsidiary	England and Wales	100%
KCA European Holdings Limited	Indirect subsidiary	England and Wales	100%
KCA DEUTAG Caspian Limited	Indirect subsidiary	England and Wales	100%

The Group's subsidiaries registered at Group Headquarters, Bankhead Drive, City South Office Park, Portlethen, Aberdeenshire, AB12 4XX are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Europe BV	Indirect subsidiary	Scotland	100%
Kenera Energy Solutions Limited	Indirect subsidiary	Scotland	100%
SET Drilling Company Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Drilling Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Drilling Services (UK) Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Offshore UK Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Technical Support Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Rig Design Services Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Limited	Indirect subsidiary	Scotland	100%
ProRig Limited	Indirect subsidiary	Scotland	100%
Abbot Keystone Limited	Indirect subsidiary	Scotland	100%

25 Subsidiaries and associates (continued)

The Group's subsidiary registered at 10 Anson Road, #32-15 International Plaza, Singapore 079903 is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Drilling PTE Limited (in liquidation)	Indirect subsidiary	Singapore	100%

The Group's subsidiaries registered at 11757 Katy Freeway, Suite 600, Houston, TX, 77079, USA are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG LLC	Indirect subsidiary	USA	100%
KCA DEUTAG US Finance LLC	Indirect subsidiary	USA	100%

The Group's subsidiaries registered at Elenion Building, 2nd Floor, 5 Themistocles Dervis Street, Nicosia 1066, Cyprus are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Overseas Limited	Indirect subsidiary	Cyprus	100%
KCA DEUTAG Holdings Limited	Indirect subsidiary	Cyprus	100%
KCA DEUTAG (Cyprus) Limited	Indirect subsidiary	Cyprus	100%

The Group's subsidiaries registered at Deilmannstrasse 1, 48455 Bad Bentheim, Germany are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Abbot Verwaltungsgesellschaft mbH	Indirect subsidiary	Germany	100%
KCA DEUTAG GmbH	Indirect subsidiary	Germany	100%
KCA DEUTAG Tiefbohrgesellschaft mbH	Indirect subsidiary	Germany	100%
KCA DEUTAG Drilling GmbH	Indirect subsidiary	Germany	100%
Bentec GmbH Drilling and Oilfield Systems	Indirect subsidiary	Germany/Great Britain	100%
Bentec Personalservice GmbH	Indirect subsidiary	Germany	100%

25 Subsidiaries and associates (continued)

The Group's subsidiaries registered at Espehaugen 37, 5258 Blomsterdalen, 1201 Bergen, Norway are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Holdings Norge AS	Indirect subsidiary	Norway	100%
KCA DEUTAG Drilling Norge AS	Indirect subsidiary	Norway	100%
KCA DEUTAG MODU Operations AS	Indirect subsidiary	Norway	100%
Abbot Holdings Norge AS	Indirect subsidiary	Norway	100%
KCA DEUTAG Offshore AS	Indirect subsidiary	Norway	100%
KCA DEUTAG Drilling Offshore Services AS	Indirect subsidiary	Norway/Great Britain	100%

The Group's subsidiaries registered at Jan Tinbergenstraat 432, 7559 ST, Hengelo, the Netherlands are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Nederland BV	Indirect subsidiary	Netherlands	100%
KCA DEUTAG Investments BV	Indirect subsidiary	Netherlands	100%
KCA Deutag Rider Cooperatief U.A.	Indirect subsidiary	Netherlands	100%

The Group's subsidiaries registered at One Marina Boulevard # 28-00 Singapore 018989 are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Tender Barges (Offshore) Pte Ltd	Indirect subsidiary	Singapore	100%
KCA DEUTAG PTE Limited	Indirect subsidiary	Singapore/Great Britain	100%

The Group's associate registered at 23B, Jalan 52/1, 46200 Petaling Jaya, Selangor, Malaysia is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Global Tender Barges Malaysia Sdn Bhd (in liquidation)	Indirect subsidiary	Malaysia	30%

The Group's subsidiary registered at San Blas 2 San Joaquin, Ciudad del Carmen, Campeche 24157 is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Global Tender Barges Mexico, S. de R.L. de C.V.	Indirect subsidiary	Mexico	99%

25 Subsidiaries and associates (continued)

The Group's subsidiary registered at 5-9 Main Street, Gibraltar, GX11 1AA is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
International Air Drilling Company Limited	Indirect subsidiary	Gibraltar	100%

The Group's subsidiary registered at Erbil, English Village, Villa 357, Kurdistan is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Performance Drilling for Oil Services Limited	Indirect subsidiary	Iraq	100%

The Group's subsidiary registered at Caledonian House, PO Box 1043, George Town, Grand Cayman, KY1-1102 Cayman Islands is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
ILI Corporation Limited	Indirect subsidiary	Cayman Islands	100%

The Group's subsidiary registered at Lot 1, 2nd Floor, Wisma Siamloh, Jalan Kemajuan, 87007 Federal Territory of Labuan, Malaysia is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Global Tender Barges Labuan Limited (in liquidation)	Indirect subsidiary	Labuan	100%

The Group's subsidiary registered at BC # 672960, PO Box 3340, Road Town, Tortola, British Virgin Islands is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Investments Limited	Indirect subsidiary	British Virgin Islands	100%

The Group's subsidiary registered at Oman KCA DEUTAG Drilling Company LLC, P.O. Box 74, Postal Code 328, Rumais, Sultanate of Oman is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Oman KCA DEUTAG Drilling Company (LLC)	Indirect subsidiary	Oman	70%

Abbot Group Limited
Notes to the financial statements for the year ended 31 December 2022 (continued)

25 Subsidiaries and associates (continued)

The Group's associate registered at Km 16, PH-Aba Expressway, Opposite INTELS, Rumukurusi, Port Harcourt, Nigeria is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Nigeria Limited	Indirect subsidiary	Nigeria	30%

The Group's subsidiary registered at Lot 5475, Simpang 68, Jalan Kerma Negara, Kuala Belait KA1931, Brunei Darussalam is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Drilling (Brunei) Sdn Bhd	Indirect subsidiary	Brunei	100%

The Group's subsidiary registered at 2km of Stary Tobolsky trakt, 8, building 111, 625014 Tyumen, Russia is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
*Bentec Drilling and Oilfield Systems LLC	Indirect subsidiary	Russia	100%
*KCA DEUTAG Russia LLC	Indirect subsidiary	Russia	100%

The Group's subsidiary registered at Ulitsa im. Kosmanavta Popvicha 100, Yuzhno-Sakhalinsk, Russia, 693007 is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
*KCA DEUTAG Drilling LLC	Indirect subsidiary	Russia	100%

The Group's subsidiary registered at Schottegatweg Oost 44, Willemstad, Curaçao is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Deutag Overseas (Curaçao) NV	Indirect subsidiary	Netherlands Antilles	100%

The Group's subsidiary registered at PO Box 4327, Al Khobar 31952, Kingdom of Saudi Arabia is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Drilling Saudi Arabia Limited	Indirect subsidiary	Saudi Arabia	100%

25 Subsidiaries and associates (continued)

The Group's subsidiary registered at 45 Hebron Way, Suite 201, St. John's NF, A1A 0P9, Canada is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Drilling Canada Inc.	Indirect subsidiary	Canada	100%

The Group's subsidiary registered at No.4 Rajeyan St., Goyabadi St., Zafar Ave., Tehran, Iran is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Iran Kish Drilling Company (in liquidation)	Indirect subsidiary	Iran	100%

The Group's subsidiary registered at Unit No. 302, Swiss Tower, Plot No. Y3, Jumeirah Lakes Towers, Dubai, UAE is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Operations Services DMCC	Indirect subsidiary	UAE	100%

The Group's joint venture registered at 15 Chaikovsky Street, Almaty, Republic of Kazakhstan is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Bentec Kazakhstan Limited Liability Partnership	Joint venture	Kazakhstan	50%

The Group's subsidiary registered at P.O. Box 12 78, PC 133 Al-Khuwair / Sultanate of Oman is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
International Drilling Technology LLC	Indirect subsidiary	Oman	51%

The Group's subsidiary registered at 14th Floor ISR Plaza, 69 Nizami Street, Baku, AZ 1000 Azerbaijan is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Turan Drilling & Engineering Company LLC	Indirect subsidiary	Azerbaijan	49%

The Group's subsidiaries registered at Al Qurm, Bawshar, P.O. Box 739, 116 Muscat Governorate, Sultanate of Oman are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Energy Global LLC	Indirect subsidiary	Oman	99%
KCA Deutag Energy National LLC	Indirect subsidiary	Oman	99%

25 Subsidiaries and associates (continued)

The Group's subsidiary registered at Ghala, Bawshar, P.O. Box 739, 116, Muscat Governorate, Sultanate of Oman is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Energy LLC	Indirect subsidiary	Oman	70%

The Group's subsidiary registered at Mina Al Fahel, Al Qurm, Bawshar, P.O.Box 739, 116, Muscat Governorate, Sultanate of Oman is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Energy International LLC	Indirect subsidiary	Oman	99%

The Group's subsidiary registered at Third Floor, Gulf Axis Dana Office Building, Al Dana Al Shamalia, P.O Box: 79707, Dhahran 34258, Kingdom of Saudi Arabia is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Gulf Drilling Limited	Indirect subsidiary	Saudi Arabia	100%

The Group's subsidiary registered at 04050, Ukraine, Kyiv, Mykoly Pymonenka Street 13, build. 1-B, office 31 is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Bentec TOB	Indirect subsidiary	Ukraine	100%

The Group's joint venture registered at Republic of Kazakhstan, Atyrau Region, Atyrau, Sharipova Street, 26A, Block 1 ground floor is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Kazakhstan LLP	Joint Venture	Kazakhstan	51%

During the year the company also liquidated its 100% owned subsidiary KCA DEUTAG Drilling (Thailand) Limited.

* The Russian entities noted above were subsidiaries during 2022 and have been deconsolidated subsequent to the exit from our Russian businesses.