

**KCA DEUTAG Drilling Group Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2013**

**Registered Number 01059871**

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**KCA DEUTAG Drilling Group Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2013**

**Contents**

Corporate Information	1
Strategic and Operating Review	2
Directors' Report for the year ended 31 December 2013	4
Independent auditors' report to the members of KCA DEUTAG Drilling Group Limited	7
Profit and Loss Account for the the year ended 31 December 2013	9
Balance Sheet as at 31 December 2013	10
Statement of Changes in Equity at 31 December 2013	11
Notes to the financial statements for the year ended 31 December 2013	12

# **KCA DEUTAG Drilling Group Limited**

## **Corporate Information**

### **Board of Directors**

N McKay

N Gilchrist

L Thomson

G Paver

### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

32 Albyn Place

Aberdeen

AB10 1YL

### **Registered office**

3 Colmore Circus

Birmingham

B4 6BH

# **KCA DEUTAG Drilling Group Limited**

## **Strategic and Operating Review**

The Directors present their strategic report of the Company for the year ended 31 December 2013.

### **Review of the Business**

The Company is a wholly owned subsidiary undertaking of Abbot Holdings Limited. The ultimate parent company is KCAD Holdings I Limited.

KCA DEUTAG Drilling Group Limited is a holding company whose principal subsidiary undertakings provide drilling and related well and facilities engineering services, both offshore and onshore, on a worldwide basis, principally to the energy industry. The Company will continue to operate as a holding company for the foreseeable future.

The principal subsidiary undertakings are set out in note 19 to the financial statements

### **Market Dynamics and Positioning**

On page 10 of the financial statements, the Balance Sheet shows that the net asset position of the Company at the year end has decreased compared to the previous year. This is largely due to the amounts written off investments in subsidiary undertakings following the liquidation of the following dormant companies: KCA Europe Limited and Deutag UK Limited.

### **Principal Risks and Uncertainties**

The undernoted principal risks and uncertainties are monitored at Group level and are not specific to KCA DEUTAG Drilling Group Limited.

Strong processes around Health, Safety and the Environment (HSE) have always been a core value of the Company. Significant investments have been made in the training of staff and the development of high quality systems and processes. We routinely work with our customers and suppliers to ensure that HSE is at the core of everything we do. Keeping our people safe and protecting the environment is a key value and one that we view as fundamental to our ability to provide services to our clients.

During 2013 KCA Deutag continued to place significant focus on the enhancement of its corporate governance activities – especially around the management of risk and internal audit. Driven by the Board of Directors down to line management, we further developed the internal audit function during 2013.

Working with the Board, the Audit Committee, and using our existing risk management and risk awareness and assessment processes, the internal audit function has conducted a wide ranging review of the Group's principal operations and key functions and processes. Staffing of the Internal Audit group has been strengthened during the year and is to be supplemented by the creation of an internal controls function and enhanced corporate governance procedures in 2014.

In a tightening international drilling market, with high tender activity, we managed to maintain a high level of asset utilisation and increase order backlog on strong contractual terms, in line with our standard contracting principles and with good early termination protection. This allows us to mitigate the downside risk and exposures on new and existing contracts.

# **KCA DEUTAG Drilling Group Limited**

## **Strategic and Operating Review (continued)**

The proactive management and detailed interrogation of the Group's cost base has always been part of the Group's culture and we have continued our efforts in cost and working capital management to maintain a strong underlying business and competitive position. During 2013 we started to deliver on the business efficiency process which was commenced in 2012 with the assistance of external advisers. We remain on track to deliver the expected savings through improved procurement processes, as well as a wide range of cost reduction and other process improvement initiatives.

The Group has always been exposed to political risk due to the nature of the markets in which we operate. This exposure is mitigated through the broad spread of geographies in which we carry out operations, as well as the customer base with whom we contract. Where possible we put in place contractual mechanisms to protect our revenues in the event of political or other events impacting operations. In addition we have access to specialist security advisers to support our decision making and assist in the event of significant civil or political unrest.

The buoyant international drilling market does of course present challenges, especially in the recruitment and retention of experienced and competent staff. The Group has a number of specific strategies to address this challenge, successfully demonstrated in the past with the rapid growth seen in our Caspian and Russian operations. In 2013 we have continued our efforts and investment in our training and development plan and in succession planning for our key supervisors and management.

### **Key Performance Indicators**

The Directors of KCAD Holdings I 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 KCA DEUTAG Drilling Group Limited.



**G Paver**

**Director**

**11 September 2014**

# KCA DEUTAG Drilling Group Limited

## Directors' Report for the year ended 31 December 2013

The Directors present their Directors' Report and the audited financial statements of the Company for the year ended 31 December 2013.

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 and Operating Review on pages 2 to 3. The information that fulfils the requirements of the Strategic and Operating Review (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 and Operating Review	2
Position at the year end including analysis and key performance indicators	Strategic and Operating Review	2
Other performance including environmental and employee matters	Strategic and Operating Review	2
Principal risks and uncertainties facing the business	Strategic and Operating Review	2
Explanation of amounts included in the financial statements	Notes to the Financial Statements	12

### Results and Dividends

The loss for the year transferred to reserves was £31,283,000 (2012: loss £1,292,000) A dividend of £nil was paid in the year (2012: £nil). The redeemable preference shareholder waived the right to its preference dividend as at 31 December 2013 and 31 December 2012.

### Principal Risks and Uncertainties

The principal risks and uncertainties are discussed within the Strategic and Operating Review on page 2. The Company's operational risks are aligned with those faced by the rest of the Group and disclosed in the Strategic and Operating Review.

### Directors

The Directors who served during the year and up to the date of this report were as follows:

N Stevenson	(resigned 21 January 2013)
M Walker	(resigned 31 January 2013)
L Andrew	(resigned 31 March 2014)
A Bigman	(resigned 21 January 2013)
N McKay	
N Gilchrist	(appointed 15 January 2013)
L Thomson	(appointed 31 March 2014)
G Paver	(appointed 22 April 2014)

# **KCA DEUTAG Drilling Group Limited**

## **Directors' Report for the year ended 31 December 2013 (continued)**

### **Substantial Shareholdings**

On 30 March 2011, the KCAD Holdings I Limited Group completed a debt restructuring which resulted in a change of ownership of the Group. The Company's ultimate controlling company, is PHM Holdco 14 S.a.r.l., which is registered in Luxembourg. PHM Holdco 14 S.a.r.l. is in turn controlled by Pamplona Capital Partners II L.P. At 31 December 2012, the Company's ordinary shares were wholly owned by Abbot Holdings Limited.

### **Employees**

The Company had no employees at any time during the current or preceding year.

### **Environment**

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

### **Statement of Directors' Responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **KCA DEUTAG Drilling Group Limited**

### **Directors' Report for the year ended 31 December 2013 (continued)**

#### **Directors' Statement as to Disclosure of Information to Auditors**

- a) So far as each Director is aware, there is no relevant audit information of which the auditors are unaware and
- b) Each of the Directors has taken all the steps that 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.

#### **Independent Auditors**

The Directors will place a resolution before the Annual General meeting to appoint PricewaterhouseCoopers LLP to hold office until the conclusion of the next General Meeting at which financial statements are laid before the Company.

#### **Going Concern**

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

#### **On behalf of the Board**



**G Paver**  
**Director**  
**11 September 2014**



# ***Independent auditors' report to the members of KCA Deutag Drilling Group Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

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### **What we have audited**

The financial statements, which are prepared by KCA Deutag Drilling Group Limited, comprise:

- Balance Sheet as at 31 December 2013;
- Profit and Loss Account for the year then ended;
- Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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## **Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion 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.

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## **Other matters on which we are required to report by exception**

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### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## **Responsibilities for the financial statements and the audit**

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### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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



Bruce Collins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen

16 September 2014

# KCA DEUTAG Drilling Group Limited

## Profit and Loss Account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Other operating income		23	129
<b>Operating income</b>		<b>23</b>	<b>129</b>
Income from shares in group undertakings	4	73	-
Exceptional items	5	(31,349)	-
Interest payable and similar charges	6	(30)	(1,477)
Interest receivable and similar income	7	-	56
<b>Loss on ordinary activities before taxation</b>	<b>8</b>	<b>(31,283)</b>	<b>(1,292)</b>
Tax on loss on ordinary activities	10	-	-
<b>Loss for the financial year</b>		<b>(31,283)</b>	<b>(1,292)</b>
<b>Other comprehensive expense</b>			
Exchange loss		(71)	(156)
<b>Total comprehensive loss for the year</b>		<b>(31,354)</b>	<b>(1,448)</b>

The results have been derived wholly from continuing operations.

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

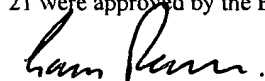
The notes on pages 12 to 21 are an integral part of these financial statements.

# KCA DEUTAG Drilling Group Limited

## Balance Sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
<b>Assets</b>			
<b>Fixed Assets</b>			
Investments	11	239,496	270,870
		<b>239,496</b>	270,870
<b>Current assets</b>			
Debtors	12	3,073	14,405
Cash at bank and in hand		1	1
		<b>3,074</b>	14,406
<b>Creditors: amounts falling due within one year</b>	13	<b>(28,417)</b>	(39,376)
<b>Net current liabilities</b>		<b>(25,343)</b>	(24,970)
<b>Total assets less current liabilities</b>		<b>214,153</b>	245,900
Creditors: amounts falling due after more than one year	14	(202)	(595)
<b>Net assets</b>		<b>213,951</b>	245,305
<b>Capital and reserves</b>			
Called-up share capital	16	144,424	144,424
Share premium account		120,414	120,414
Capital redemption reserve		800	800
Capital contribution reserve		164,424	164,424
Profit and loss account		(215,884)	(184,601)
Currency translation reserve		(227)	(156)
<b>Total shareholders' funds</b>		<b>213,951</b>	245,305

The notes on pages 12 to 21 are an integral part of these financial statements. The financial statements on pages 9 to 21 were approved by the Board of Directors on 11 September 2014 and signed on its behalf by:

  
G Paver  
Director

Registered number: 01059871

# KCA DEUTAG Drilling Group Limited

## Statement of Changes in Equity as at 31 December 2013

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2013	144,424	120,414	800	(156)	164,424	(184,601)	245,305
<b>Comprehensive expense</b>							
Loss for the year	-	-	-	-	-	(31,283)	(31,283)
<b>Other comprehensive expense</b>							
Exchange adjustment	-	-	-	(71)	-	-	(71)
<b>Total comprehensive expense</b>	-	-	-	(71)	-	(31,283)	(31,354)
<b>At 31 December 2013</b>	<b>144,424</b>	<b>120,414</b>	<b>800</b>	<b>(227)</b>	<b>164,424</b>	<b>(215,884)</b>	<b>213,951</b>
At 1 January 2012	144,424	120,414	800	-	-	(183,309)	82,329
<b>Comprehensive expense</b>							
Loss for the year	-	-	-	-	-	(1,292)	(1,292)
<b>Other comprehensive expense</b>							
Exchange adjustment	-	-	-	(156)	-	-	(156)
<b>Total comprehensive expense</b>	-	-	-	(156)	-	(1,292)	(1,448)
<b>Transactions with owners</b>							
Capital contribution	-	-	-	-	164,424	-	164,424
<b>At 31 December 2012</b>	<b>144,424</b>	<b>120,414</b>	<b>800</b>	<b>(156)</b>	<b>164,424</b>	<b>(184,601)</b>	<b>245,305</b>

The notes on pages 12 to 21 are an integral part of these financial statements.

The capital redemption reserve arose on the cancellation of the Company's deferred share capital in 1987 and was created in accordance with undertakings given to the High Court.

# KCA DEUTAG Drilling Group Limited

## Notes to the financial statements for the year ended 31 December 2013

### 1 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 addressed 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 EU-adopted International Financial Reporting Standards ("IFRSs").

The Company is a qualifying entity for the purposes of FRS 101. Note 20 gives details of the Company's ultimate parent and from where the consolidated financial statements prepared in accordance with IFRS may be obtained. These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 January 2012. The previous financial statements were prepared in accordance with IFRSs as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The adoption of FRS 101 has not resulted in any change to the measurement principles under IFRSs and therefore the comparatives have not been restated, other than for certain presentational changes to comply with the Act's requirements.

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 KCAD Holdings I 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 KCAD Holdings I 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 in respect of: statement of cashflows 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*

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.

The Company had net current liabilities of £25,343,000 due to net amounts owed to fellow group undertakings at the Balance Sheet date. However, the Directors have obtained confirmation that fellow group undertakings will not require or demand repayments of amounts due to them which would result in the Company being unable to meet its obligations. This confirmation is valid for a minimum of 12 months from the date of approval of the financial statements.

# **KCA DEUTAG Drilling Group Limited**

## **Notes to the financial statements for the year ended 31 December 2013 (continued)**

### **2 Summary of significant accounting policies**

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

#### **Investments**

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

#### **Impairment**

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

#### **Trade debtors**

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if applicable. A provision for impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all the amounts due.

#### **Taxation**

The tax charge represents the sum of tax currently payable and deferred tax and management estimated provision for a portfolio of tax claims. 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 period. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the Balance Sheet date.

Deferred income 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 consolidated 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 values 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 income 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.

A tax charge is created to reflect management best estimate of the amount payable in relation to a portfolio of tax claims and the risk of occurrence of each claim.

#### **Trade creditors**

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

# KCA DEUTAG Drilling Group Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 2 Summary of significant accounting policies (continued)

#### 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.

Interest-bearing bank loans and overdrafts are initially recorded at fair value including directly attributable transaction costs. Borrowings are subsequently measured at amortised cost net of the residual transaction costs.

#### Other interest-bearing loans and borrowings

Other interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Profit and Loss Account over the period of the borrowings on an effective interest basis.

#### Foreign currencies

Transactions denominated in foreign currencies are translated and recorded at the rate of exchange ruling at the date of the transaction or contracted rates where appropriate. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the Balance Sheet date. Translation gains or losses are included in the Profit and Loss Account for that period.

#### Exceptional items

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

### 3 Significant accounting judgments and estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Significant judgements and estimates in these financial statements have been made with regard to the carrying value of investments (note 11). An explanation of the key uncertainties or assumptions used by management in accounting for these items is explained, where material, in the respective notes.

### 4 Income from shares in group undertakings

	2013 £'000	2012 £'000
Dividends received from subsidiary undertaking	73	-



## KCA DEUTAG Drilling Group Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 5 Exceptional items

		2013 £'000	2012 £'000
Write back of amounts owed to group undertakings	(a)	(25)	-
Amounts written off investments	(b)	31,374	-
		<b>31,349</b>	<b>-</b>

- a) The write back of amounts owed to group undertakings relates to a loan from a subsidiary undertaking following the liquidation of the following dormant company: Deutag UK Limited.
- b) The amounts written off investments relate to the write off of the investments in subsidiary undertakings following the liquidation of the following dormant companies: KCA Europe Limited and Deutag UK Limited.

#### 6 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest payable to group undertakings	-	1,445
Interest payable on bank borrowings	17	32
Other finance costs	13	-
	<b>30</b>	<b>1,477</b>

Other finance costs represent exchange losses on non-functional currency debt which is denominated in US dollars.

#### 7 Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable from group undertakings	-	29
Other finance income	-	27
	<b>-</b>	<b>56</b>

Other finance income represent exchange gains on non-functional currency debt which is denominated in US dollars.

# KCA DEUTAG Drilling Group Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 8 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after crediting the following amounts:

	2013 £'000	2012 £'000
Foreign exchange gain	23	139

Audit fees are borne by another company in the group. For the purposes of disclosure a fair allocation of the audit fee would be \$5,000 (2012: \$5,000).

### 9 Directors and employees

None of the Directors who served during the year received any emoluments in respect of their services to the Company (2012: £nil).

The Company had no employees at any time during the year (2012: none).

### 10 Tax on loss on ordinary activities

#### (a) Analysis of charge for year

	2013 £'000	2012 £'000
Total tax charge (note 10(b))	-	-

#### (b) Factors affecting tax charge to year

The tax assessed for the year is higher (2012: higher) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.50%). The differences are explained below:

	2013 £'000	2012 £'000
Loss before taxation	(31,283)	(1,292)
Loss before taxation at standard rate of corporation tax in the UK at 23.25% (2012: 24.50%)	(7,273)	(317)
Effects of:		
Additional tax in respect of controlled foreign companies	-	49
Dividends received from subsidiary undertakings not taxable	(17)	-
Other permanent differences	7,055	(55)
Group relief surrendered for nil consideration	235	323
<b>Current tax charge for the year (note 10(a))</b>	<b>-</b>	<b>-</b>

## KCA DEUTAG Drilling Group Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 10 Tax on loss on ordinary activities (continued)

A resolution passed by UK Parliament on 26 March 2012 reduced the main rate of UK corporation tax from 25% to 24% from 1 April 2012. The Finance Act 2012 reduced the UK Corporation tax rate from 24% to 23% with effect from 1 April 2013.

Further changes to the UK Corporation tax rates were enacted on 17 July 2013 in the Finance Act 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

#### 11 Investments

	2013 £'000	2012 £'000
<b>Shares in subsidiary undertakings</b>		
At 1 January	270,870	106,447
Additions	-	164,423
Amounts written off	(31,374)	-
<b>At 31 December</b>	<b>239,496</b>	<b>270,870</b>

During the year management performed a review of the carrying value of investments. During 2013 amounts were written off investments totalling £31,374,000 in relation to investments in subsidiary undertakings following the liquidation of these dormant companies.

During the prior year, the Company capitalised an intercompany loan which increased the Company's investment in KCA Deutag Drilling Limited by £164,424,000 and resulted in the creation of a Capital Contribution Reserve for the same amount.

#### 12 Debtors

	2013 £'000	2012 £'000
Amounts owed by group undertakings	3,073	14,405
	<b>3,073</b>	<b>14,405</b>

The amounts owed by group undertakings are unsecured, interest free and repayable on demand. All 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.

## KCA DEUTAG Drilling Group Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 13 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Accruals and deferred income	1	5
Amounts owed to group undertakings	28,416	39,371
	<b>28,417</b>	<b>39,376</b>

At 31 December 2013, the amounts owed to group undertakings are unsecured, interest free and repayable on demand. During 2012, interest was charged at base rates plus appropriate margins on a total of £31,542,000 of the amounts owed to group undertakings until September 2012.

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

#### 14 Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Non current bank loans - secured	152	545
Liability component of preference shares (see note 15)	50	50
	<b>202</b>	<b>595</b>

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

The non-current bank loan facility is part of an overall KCA Deutag Alpha Limited facility which matures in March 2017.

The average interest rates of the Company's borrowings at the Balance Sheet dates were:

	2013	2012
Bank borrowings	5.4%	5.5%

## KCA DEUTAG Drilling Group Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 15 Other interest – bearing loans and borrowings (including preference shares)

	2013 £'000	2012 £'000
<b>Shares classified as debt:</b>		
<b>Authorised</b>		
35,000,000 (2012: 35,000,000) redeemable preference shares of £1 each	35,000	35,000
<b>Allotted, called up and fully paid</b>		
50,000 (2012: 50,000) redeemable preference shares of £1 each	50	50

The redeemable preference shares have the following rights:

- (i) to receive first out of profits a dividend equal to the redemption yield on the 2016 2.50% Index Linked Gilt plus 4.25% increase each year in line with the Retail Prices Index from the date of issue of the initial preference shares of 22 December 2000;
- (ii) to attend and vote on any resolution at a general meeting of the company only on the question of abrogating, varying or modifying any of the rights or privileges of their owners;
- (iii) in a winding up, to receive payment of capital in preference to all other classes of share;
- (iv) the shares are redeemable on 3 January 2016 for £1.65 per share uplifted in line with the Retail Prices Index starting on the date of issue of the initial preference shares and ending 15 years thereafter.

#### 16 Called-up share capital

	2013 £'000	2012 £'000
<b>Authorised</b>		
14,703,817,700 (2012: 14,703,817,700) ordinary shares of 1p per share	147,038	147,038
	147,038	147,038
<b>Called up and fully paid</b>		
Ordinary shares of 1p per share		
At 1 January and at 31 December	14,442,374	144,424

## KCA DEUTAG Drilling Group Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 17 Related party transactions

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

No other significant related party transactions took place during the current year and prior year.

Key management compensation is borne by another group company.

#### 18 Capital commitments

The Company had no capital commitments at 31 December 2013 and 31 December 2012.

#### 19 Principal subsidiary undertakings

The Company's principal subsidiary undertakings are as follows:

Principal subsidiary undertaking	Country of incorporation	Principal activity
KCA DEUTAG Drilling Limited	Great Britain	Drilling services
KCA DEUTAG Caspian Limited	Great Britain	Drilling services
KCA DEUTAG Tiefbohrgesellschaft mbH *	Germany	Drilling services
KCA DEUTAG Drilling GmbH *	Germany	Drilling services
Bentec GmbH Drilling & Oilfield Systems *	Germany	Design engineering, fabrication of drilling and workover rigs
Oman KCA DEUTAG Drilling Company LLC*	Oman	Drilling services
KCA DEUTAG Drilling Inc*	USA	Design engineering, fabrication of drilling and workover rigs
KCA DEUTAG Drilling Norge AS*	Norway	Drilling services

The above companies are wholly owned with the exception of Oman KCA DEUTAG Drilling Company LLC which is 60% owned. An asterisk denotes an investment held indirectly.

## **KCA DEUTAG Drilling Group Limited**

### **Notes to the financial statements for the year ended 31 December 2013 (continued)**

#### **20 Ultimate parent undertaking**

The Company is a wholly owned subsidiary undertaking of Abbot Holdings Limited. The Company's ultimate parent undertaking is KCAD Holdings I Limited, which is registered in England and Wales and the ultimate controlling company, is PHM Holdco 14 S.a.r.l., which is registered in Luxembourg. PHM Holdco 14 S.a.r.l. is in turn controlled by Pamplona Capital Partners II L.P.

At 31 December 2013 the smallest and largest groups in which the results of the Company are consolidated are those headed by KCA Deutag Alpha Limited and KCAD Holdings I Limited respectively. Copies of financial statements of KCAD Holdings I Limited and KCA Deutag Alpha Limited are available from Minto Drive, Altens, Aberdeen, AB12 3LW, United Kingdom.

#### **21 Subsequent events**

During May 2014, the Group completed a refinancing of its bank borrowings and as a result the bank loan balances outstanding at 31 December 2013 have been repaid. The Company's external funding has been replaced with intercompany loan financing.