# Abbot Investments (North Africa) Limited

## Annual report and financial statements

## for the year ended 31 December 2007

**Registered Number 5246036**

# Abbot Investments (North Africa) Limited

# Annual report and financial statements

# for the year ended 31 December 2007

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# Abbot Investments (North Africa) Limited

## Board of Directors and other officers

**Board of Directors**
P J Milne
M A White
M J Walker (appointed 28 April 2008)

**Company Secretary**
A W J Banyard

**Auditors**
PricewaterhouseCoopers LLP
32 Albyn Place
Aberdeen
AB10 1YL

**Registered Office**
3 Colmore Circus
Birmingham
B4 6BH

# Abbot Investments (North Africa) Limited

## Directors' report for the period ended 31 December 2007

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2007

**Business review and principal activities**
The Company is a wholly owned subsidiary undertaking of Abbot Group Limited.

The Company's principal activity is a holding company whose principal subsidiary undertakings provide drilling and related well and facilities engineering services to the energy industry

The principal subsidiary undertaking is set out in note 17 to the financial statements

As shown in the Company's Income Statement on page 6, the Company's loss after tax has increased by 105% compared to the previous period

On page 7 of the financial statements, the Balance Sheet shows that the net liability position of the Company at the year end has increased, this is due to a bank loan, taken out by Abbot Group Limited, partly being allocated to this Company

Since the balance sheet date the Company's ultimate parent has changed, details can be found in note 19 and 20 There have been no other significant events since the balance sheet date

**Principal risks and uncertainties**
The principal risks and uncertainties are discussed within note 10 on page 16

**Key performance indicators (KPIs)**
The directors of Abbot Group 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 Investments (North Africa) Limited

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

**Employees**
The company had no employees at any time during the year nor preceeding year

**Results and dividends**
The loss for the financial year was $3,747,000 (2006 $1,826,000) and has been transferred to reserves

The directors do not recommend the payment of a dividend

# Abbot Investments (North Africa) Limited

**Directors and their interests**
The directors who served during the year were as follows

P J Milne
M J L Salter (resigned 31 July 2007)
M A White
G Cowperthwaite (resigned 28 April 2008)
M J Walker (appointed 28 April 2008)

**Statement of directors' responsibilities**
Company law requires the directors to prepare financial statements for each financial year that 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 year The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The directors confirm that suitable accounting policies have been used and applied consistently They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed

The directors are responsible for keeping proper accounting records which 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 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**Directors' statement as to Disclosure of Information to Auditors**

a) So far as each director is aware, there is no relevant audit information of which the auditors are unaware, and

b) Each of the directors has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

**By order of the Board**

**A W J Banyard**
**Secretary**
**3 June 2008**

# Independent auditors' report to the members of Abbot Investments (North Africa) Limited

We have audited the financial statements of Abbot Investments (North Africa) Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, 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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

# Abbot Investments (North Africa) Limited

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985,
- the information given in the Director's Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
4 June 2008

# Abbot Investments (North Africa) Limited

## Income statement for the year ended 31 December 2007

| | Note | 2007 $'000 | 2006 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Other operating expenses | | **(2)** | - |
| **Operating loss** | | **(2)** | - |
| Finance costs | 3 | **(5,061)** | (2,612) |
| Finance income | 3 | **-** | 4 |
| **Loss before taxation** | | **(5,063)** | (2,608) |
| Taxation | 5 | **1,316** | 782 |
| **Loss for the year from continuing operations** | 13 | **(3,747)** | (1,826) |

The Company has no recognised gains and losses other than the loss stated above and therefore no separate statement of recognised income and expense has been presented

There is no material difference between the loss before taxation and the loss for the year from continuing operations and their historical cost equivalents

# Abbot Investments (North Africa) Limited

## Balance sheet as at 31 December 2007

| | Note | 2007 $'000 | 2006 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | 6 | **67,201** | 60,304 |
| Deferred tax assets | 11 | **2,840** | 1,524 |
| | | **70,041** | 61,828 |
| **Current assets** | | | |
| Trade and other receivables | 7 | **7** | - |
| | | **7** | - |
| **Total assets** | | **70,048** | 61,828 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 8 | **(408)** | (2,341) |
| Financial liabilities – borrowings | 9 | **(22,668)** | (10,044) |
| Financial assets - derivative financial instrument | 10 | **(1,437)** | (725) |
| | | **(24,513)** | (13,110) |
| **Non-current liabilities** | | | |
| Financial liabilities – borrowings | 9 | **(54,285)** | (53,000) |
| **Total liabilities** | | **(78,798)** | (66,110) |
| **Net (liabilities)** | | **(8,750)** | (4,282) |
| **Capital and reserves attributable to Company's equity shareholder** | | | |
| Share capital | 12 | - | - |
| Hedging reserve | 13 | **(1,447)** | (726) |
| Retained deficit | 13 | **(7,303)** | (3,556) |
| **Deficit of shareholder's equity** | 13 | **(8,750)** | (4,282) |

The financial statements on pages 6 to 21 were approved by the board of directors on 3 June 2008 and signed on its behalf by

**P J Milne**
**Director**
**3 June 2008**

# Abbot Investments (North Africa) Limited

## Cash flow statement for the year ended 31 December 2007

| | Note | 2007<br>$'000 | 2006<br>$'000 |
|---|---|---|---|
| **Cash flows used in operating activities** | 14 | **(2)** | - |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries | | **(6,897)** | (9,573) |
| Interest paid | | **(5,887)** | (268) |
| **Net cash used in investing activities** | | **(12,784)** | (9,841) |
| **Cashflow from financing activities** | | | |
| Outflows to group undertakings | | **(1,123)** | - |
| Proceeds of bank loan | | **17,325** | 58,675 |
| **Net cash inflow from financing activities** | | **16,202** | 58,675 |
| **Net increase in cash and cash equivalents** | | **3,416** | 48,834 |
| Cash and cash equivalents at start of period | | **(4,369)** | (53,203) |
| **Cash and cash equivalents at 31 December** | 9 | **(953)** | (4,369) |

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

# Abbot Investments (North Africa) Limited

# Notes to the financial statements for the period ended 31 December 2007

## 1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS

These financial statements are presented in US dollars Items included in the financial statements are measured using the currency of the primary economic environment in which it operates (the functional currency) The exchange rate used in respect of the major currencies in which the Company operates are $1 = £0 5018 (2006 $1 = £0 5109)

The financial statements have been prepared under the historical cost convention A summary of the more important Company accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year

The parent company has agreed to provide the Company with financial support as required The directors therefore consider it appropriate to prepare the financial statements on the going concern basis

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Abbot Group Limited, its UK parent company which prepares consolidated financial statements, that are publicly available

## 2 Summary of significant accounting policies

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

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

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

**Foreign currencies**
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 have been translated at the rates ruling at the balance sheet date The resulting exchange gains and losses are dealt with through the income statements

**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 period Taxable profit differs from the profit reported in the income statement due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date

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

**Bank Borrowings**
Interest-bearing bank loans and overdrafts are initially recorded at fair value including directly attributable transaction costs Subsequent measurement is at amortised cost using the effective interest method

**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 interest rates The company uses interest rate swap contracts to hedge this exposure The Company does not use derivative financial instruments for speculative purposes

The Company has negligible foreign exchange risk as the vast majority of its assets and liabilities are denominated in US dollars

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured 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 hedging item, as well as its risk management objective and strategy for undertaking the hedge transaction

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

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

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

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

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

**Disclosure of impact of future accounting standards**

The following standards and interpretations were mandatory for the year ended 31 December 2007

- IFRS7 "Financial Instruments Disclosures"
  IFRS7 has resulted in additional disclosures in the Company accounts, however this standard has had no material effect on the Company's Income Statement, Balance Sheet or cash flow statement

- Amendment to IAS1
  The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages its capital

- IFRC 8 Scope of IFRS 2

- IFRIC 9 Reassessment of embedded derivates

- IFRIC 10 Interim financial reporting and impairment
  The application of IFRIC 8, IFRIC 9 and IFRIC 10 did not have a material impact on the financial statements

The future accounting standards that may effect the Company in 2008 and 2009 are as follow

- IFRS8 "Operating Segments" will replace IAS14 "Segment Reporting" and proposes that entities adopt a management approach to reporting financial performance We do not anticipate that this standard will have any material impact on the Company's financial statements

- IFRS3 (revised) "Business Combinations"
  This standard includes some significant changes to IFRS3 in respect of business combinations with all payments made to purchase a business recorded at fair value at acquisition date This standard will affect any acquisitions the Company makes from 1 January 2010

- IAS 1 (revised) Presentation of Financial Statements
  This standard prescribes the basis for presentation of financial statements and aims to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities

- IAS 23 (revised) Borrowing Costs
  The revised standard removes the option of immediately recognising an expense on borrowing costs that relate to assets that take a substantial period of time to get ready for use

- IFRIC 11 Group and Treasury Share Transactions
  This interpretation addresses how to apply IFRS 2 to share based payment arrangements involving an entity's own equity instruments or instruments of another entity in the same group

**Significant accounting judgments and estimates**

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

# 3 Finance costs - net

| | 2007<br>$'000 | 2006<br>$'000 |
|---|---|---|
| **Finance costs** | | |
| Interest payable to group undertakings | **(149)** | (1,007) |
| Interest payable on bank borrowings | **(4,912)** | (1,605) |
| Finance costs | **(5,061)** | (2,612) |
| **Finance income** | | |
| Other interest receivable | **-** | 4 |
| Finance income | **-** | 4 |
| **Finance costs – net** | **(5,061)** | (2,608) |

## 4 Loss before taxation

The followıng ıtems have been ıncluded ın arrıving at loss before taxatıon

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Foreıgn exchange loss | 2 | - |

Audıt fees are borne by another group company For the purposes of dısclosure, a faır allocatıon of the Company's audıt fee would be $10,000 (2006 $10,000)

## 5 Taxation

**(a) Analysis of charge (credit) in year**

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Current tax | - | - |
| Deferred tax at 28% (2006 30%) | (1,316) | (782) |
| Total tax credit (note 5(b)) | (1,316) | (782) |

(b) Factors affectıng tax (credıt) charge ın year

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Loss before taxatıon | (5.063) | (2,608) |
| Loss before taxatıon at standard rate of corporatıon tax ın the UK (30%) | (1,519) | (782) |
| Effects of | | |
| Adjustment ın respect of change to tax rates | 203 | - |
| Tax credıt for year (note 5(a)) | (1,316) | (782) |

The tax credıt for the year ıs at the future rate of corporate tax ın the UK (28%) (2006 30%) The changes to the UK corporatıon tax rates were substantıvely enacted ın the Fınance Act 2008, as the benefıt of the avaılable losses wıll occur when the rate ıs 28%, thıs rate has been used to calculate the deferred tax provısıon

## 6 Fixed asset investments

Investments comprise the cost of shares in subsidiary undertakings as follows

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| At start of period | **60,304** | 50,731 |
| Additions | **6,897** | 9,573 |
| **At 31 December** | **67,201** | 60,304 |

During the year the company provided Marlin Offshore International Limited with cash funding to finance its operations The company's shareholding remains at 10%

Marlin Offshore International Limited was incorporated in September 2006 and the figures below relate to the 16 months unaudited financial statements for the periods ended 31 December 2007

| Name | Country of Incorporation | Assets $'000 | Liabilities $'000 | Revenues $'000 | Profit $'000 | % Interest held |
|---|---|---|---|---|---|---|
| Marlin Offshore International Limited | British Virgin Islands – 2007 | 209,468 | 15,742 | 77,772 | 32,250 | 10 |
| Marlin Offshore International Limited | British Virgin Islands – 2006 | 113,195 | 15,934 | 10,356 | 3,000 | 10 |

## 7 Trade and other receivables

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Amounts owed by group undertakings | **7** | - |

The amounts owed by group undertakings are unsecured, interest free and repayable on demand All trading group balances are settled on a monthly basis, therefore no impairment provision is required

The fair value of trade and other receivables are approximate to their carrying amounts given that they are short term in nature

## 8 Trade and other payables

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Amounts owed to group undertakings | **6** | 1,128 |
| Accruals and deferred income | **402** | 1,213 |
| At 31 December | **408** | 2,341 |

The amounts owed to group undertakings are unsecured, interest free and repayable on demand

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

# Abbot Investments (North Africa) Limited

## 9 Financial liabilities - borrowings

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| **Current bank overdrafts** | | |
| Unsecured | **953** | 4,369 |
| **Current loans** | | |
| Bank loan – unsecured | **21,715** | 5,675 |
| | **22,668** | 10,044 |
| **Non current liabilities** | | |
| Bank loan - unsecured | **54,285** | 53,000 |

The bank overdrafts are denominated in US dollars and £ Sterling 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 with the exception of the interest rate swap included in note 10

As part of the interest rate management strategy, the Company has entered into an interest rate swap contract Details of the interest rate swap is included in note 10

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

| | 2007 % | 2006 % |
|---|---|---|
| Bank overdrafts | **6.3%** | 6 7% |
| Bank borrowings | **6.8%** | 6 9% |

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

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Pound Sterling | **130** | - |
| US dollar | **76,823** | 63,044 |
| | **76,953** | 63,044 |

# Abbot Investments (North Africa) Limited

## 10 Financial instruments

**Financial risk factors**

a) Market risk

i) Foreign exchange risk
The Company has negligible foreign exchange risk as the vast majority of its assets and liabilities are denominated in US dollars

A movement of 5% is considered to represent a material fluctuation of exchange rates Movements in all of the Company's exchange rate pairings against the US dollar have been considered as each has the potential to impact on the reported US dollar profits and net assets

If the US dollar became 5% stronger against all other currencies of the Company, then revaluation of the balance sheet position as at 31 December 2007 would give rise to exchange gains of $ 6,000 (2006 $ nil)

If the US dollar became 5% weaker against all other currencies of the Company, then revaluation of the balance sheet position as at 31 December 2007 would give rise to exchange losses of $ 6,000 (2006 $ nil)

ii) Interest rate risk
The Company is exposed to interest rate risk on its interest-bearing borrowings The Company's policy is to maintain a significant percentage of its borrowings at fixed interest rates to generate the desired interest profile This is, in part, achieved by using interest rate swaps to fix interest rate exposures on certain variable borrowings At 31 December 2007, approximately 69% (2006 84%) of current and non-current bank loans were at secured rates after taking account of interest rate swaps

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

If the average interest rate had been 1% higher or lower during 2007, then the profit before taxation would have been $ 183,000 lower or higher respectively (2006 $ 166,000)

iii) Price risk
The Company is not exposed to any significant price risk in relation to its financial instruments

b) Credit risk

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

c) Liquidity risk

Liquidity risk is monitored at a group level headed by the Company's ultimate UK parent company, Abbot Group Limited The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the group and individual companies including the Company have sufficient funds for operations and planned expansions At 31 December 2007, 71% (2006 84%) of the Company's borrowing facilities were due to mature in more than one year

In March 2008, the Company and the Group's bank facilities were repaid and replaced by new facilities pursuant to the acquisition of the group by First Reserve Corporation

d) Capital risk

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

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

## 10 Financial instruments (continued)

| At 31 December 2007 | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 |
|---|---|---|---|---|
| Borrowings | **23,514** | **24,263** | **38,691** | - |
| Derivative financial instruments | **1,451** | - | - | - |
| Trade and other payables | **408** | - | - | - |
| At 31 December 2006 | | | | |
| Borrowings | 10,778 | 17,098 | 47,311 | - |
| Derivative financial instruments | 739 | - | - | - |
| Trade and other payables | 2,341 | - | - | - |

The table below analyses the Company's derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows

| At 31 December 2007 | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 |
|---|---|---|---|---|
| **Interest rate swap** | | | | |
| Outflow - net settlement | **600** | **526** | **325** | - |
| At 31 December 2006 | | | | |
| **Interest rate swap** | | | | |
| Outflow - net settlement | 236 | 271 | 232 | - |

There were no forward foreign exchange contracts in place at either 31 December 2007 or 31 December 2006 The Company's interest rate swap is categorised as a cash flow hedge

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

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

| | **2007** | | 2006 | |
|---|---|---|---|---|
| | **Book value $'000** | **Fair value $'000** | Book value $'000 | Fair value $'000 |
| **Fair value of long-term borrowings** | | | | |
| Long-term borrowings (note 9) | **54,285** | **54,285** | 53,000 | 53,000 |

## 10 Financial instruments (continued)

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | **Book value** | **Fair value** | Book value | Fair value |
| | **$'000** | **$'000** | $'000 | $'000 |
| **Fair value of other financial assets and financial liabilities** | | | | |
| Primary financial instruments held or issued to finance the Group's operations | | | | |
| Trade and other receivables (note 7) | **7** | **7** | - | - |
| Trade and other payables (note 8) | **408** | **408** | 2,341 | 2,341 |
| Short-term borrowings (note 9) | **22,668** | **22,668** | 10,044 | 10,044 |

**Derivative financial instruments**

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

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | **$'000** | **$'000** | $'000 | $'000 |
| Interest rate swap - cash flow hedge | - | **1,437** | - | 725 |
| Total derivative financial instruments – current | - | **1,437** | - | 725 |

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

In March 2008, the interest rate swap was migrated into new facilities and therefore new swaps are now in place, and the interest rate swap derivative amount is categorised as being current at 31 December 2007

There was no ineffectiveness recognised in the income statement from cash flow hedges in either the current or preceding year

a) Forward foreign exchange contracts

There were no forward foreign exchange contracts in place at either 31 December 2007 or 31 December 2006

b) Interest rate swaps

The notional principal amounts of the Company's outstanding interest rate swaps at 31 December 2007 was $53,000,000 (2006 $53,000,000)

At 31 December 2007, the fixed interest rate excluding margin was 5 54% (2006 5 54%) and the floating rate was 5 59% (2006 5 42%)

The interest rate swap was for a period of 5 years in total and was due to expire in June 2011

However as noted above, the interest rate swap was migrated into new facilities in March 2008 and is therefore reflected as being current in nature

The fair value gains and losses relating to the interest rate swap which are deferred in equity at 31 December 2007 will reverse in the income statement over the term of the swap

The Company currently only uses cash flow hedges and did not enter into any fair value or net investment hedges during either the reporting period or the preceding period

## 11 Deferred tax

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| At 1 January | **1,524** | 742 |
| Credit to income statement | **1,316** | 782 |
| **At 31 December** | **2,840** | 1,524 |

The deferred tax asset is in respect of the tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable

## 12 Share capital

| **Authorised** | 2007 $'000 | 2006 $'000 |
|---|---|---|
| 1,000 ordinary shares of £1 each | **2** | 2 |

| **Issued** | **Shares** | **2007 $'000** | Shares | 2006 $'000 |
|---|---|---|---|---|
| Ordinary shares of £1 each | | | | |
| At 1 January | **1** | - | 1 | - |
| At 31 December | **1** | - | 1 | - |

## 13 Statement of changes in shareholder's equity

| | Hedging Reserve $'000 | Share Capital $'000 | Retained Deficit $'000 | Total $'000 |
|---|---|---|---|---|
| At 1 January 2006 | - | - | (1,730) | (1,730) |
| Loss for the year | - | - | (1,826) | (1,826) |
| Net movement on cashflow hedges | (726) | - | - | - |
| **At 31 December 2006** | **(726)** | - | **(3,556)** | **(4,282)** |
| **At 1 January 2007** | **(726)** | - | (3,556) | **(4,282)** |
| Loss for the year | - | - | (3,747) | **(3,747)** |
| Net movement on cashflow hedges | (721) | - | - | **(721)** |
| **At 31 December 2007** | (1,447) | - | (7,303) | **(8,750)** |

## 14 Cash flows from operating activities

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Loss before taxation for the year | **(5,063)** | (2,608) |
| Adjustments for | | |
| Net finance cost | **5,061** | 2,608 |
| **Cash flows from operating activities** | **(2)** | - |

## 15 Employees and directors

None of the directors who served during the year received any emoluments in respect of their services to the Company (2006 $nil)

The Company had no employees at any time during the year (2006 none)

## 16 Related party transactions

The following balances relate to transactions carried out with group undertakings

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Amounts owed by group undertakings | **7** | - |
| Amounts owed to group undertakings | **6** | 1,128 |

Significant transactions within group undertakings

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Interest payable | **149** | 1,007 |

Bank loans, overdraft and guarantee facilities available to Abbot Group Limited and certain subsidiaries of $1,300,000,000 are secured inter alia by a cross guarantee from the Company

No other significant related party transactions took place during the year

# Abbot Investments (North Africa) Limited

## 17 Principal subsidiary undertakings

Abbot Investments (North Africa) Limited is a company incorporated in England and Wales and domiciled in Scotland

The Company's principal subsidiary undertaking is as follows

| Principal subsidiary undertaking | Country of Incorporation | Principal activity | % of equity interest |
|---|---|---|---|
| ILI Corporation Limited * | Cayman Islands | Drilling Services | 100 |
| KCA DEUTAG Drilling (Thailand) Limited | Thailand | Drilling Services | 100 |

An asterisk denotes an investment held indirectly

## 18 Capital commitments

The Company had no capital commitments at 31 December 2007 and 31 December 2006

## 19 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of Abbot Group Limited, which is registered in England and Wales The Company's ultimate parent undertaking is FR XI-D Offshore AIV L P , which is registered in the Cayman Islands, a private equity fund advised by First Reserve Corporation, a corporation formed under the laws of the State of Delaware, USA The only financial statements in which the results of the Company are consolidated is that headed by Abbot Group Limited Copies of the financial statements of Abbot Group Limited are available from Minto Drive, Altens, Aberdeen, AB12 3LW

## 20 Post balance sheet events

The Company's ultimate parent was acquired by Turbo Alpha Limited, a company controlled by First Reserve Corporation, on 7 March 2008 Details of the arrangement can be found in the Abbot Group Limited financial statements which are publicly available, as per note 19

On 31st March 2008 the company received a capital contribution of $20,000,000 from its ultimate parent company, Abbot Group Limited