

**Abbot Investments (North Africa) Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2011**

**Registered Number 05246036**

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**Abbot Investments (North Africa) Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2011**  
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# **Abbot Investments (North Africa) Limited**

## **Corporate Information**

### **Board of Directors**

N Stevenson

M Walker

L Andrew

### **Company Secretary**

L Andrew

### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

32 Albyn Place

Aberdeen

AB10 1YL

### **Registered Office**

3 Colmore Circus

Birmingham

B4 6BH

# **Abbot Investments (North Africa) Limited**

## **Directors' report for the year ended 31 December 2011**

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2011

### **Business review and principal activities**

The Company is a wholly owned subsidiary undertaking of Abbot Group Limited. The ultimate parent company is KCAD Holdings I 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 undertakings are set out in note 18 to the financial statements.

During the year the Company disposed of its investment in Marlin Offshore International Limited for \$20 million, resulting in a loss on disposal of \$15.1 million. The company acquired the remaining 90% of the shares of KCA Deutag Tender Barges Pte Limited (formerly Global Tender Barges Pte Ltd) on 2 August 2011 for a deemed consideration of \$22 million, of which \$8 million has been deferred and is largely contingent on the settlement of certain pre-acquisition contractual arrangements. Following acquisition, a further \$100m was invested in the company to repay external borrowings, plus an additional \$7.8m rights issue to repay a shareholder loan.

As shown in the Company's Income Statement on page 7, the Company's loss after tax was \$20,782,000. This is largely due to the loss on disposal of Marlin Offshore International Limited.

On page 8 of the financial statements, the Balance Sheet shows a net liability position of \$71,675,000, an increase from a net liability position in the previous year of \$52,544,000. This is due to the operating loss incurred in the year.

### **Results and dividends**

The loss for the financial year was \$20,782,000 (2010: \$46,314,000) and has been deducted from reserves.

The Directors do not recommend the payment of a dividend.

### **Directors and their interests**

The Directors who served during the year were as follows:

N Stevenson

B Taylor (resigned 5 July 2012)

M Walker

D Wiest (resigned 3 May 2011)

L Andrew (appointed 5 July 2012)

### **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 2011, the Company's ordinary shares were wholly owned by Abbot Group Limited.

### **Employees**

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

# **Abbot Investments (North Africa) Limited**

## **Directors' report for the year ended 31 December 2011 (continued)**

### **Principal risks and uncertainties**

The principal risks and uncertainties are discussed within note 13 on page 20

### **Key performance indicators (KPIs)**

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 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.

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

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

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

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the 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.

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

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

## **Abbot Investments (North Africa) Limited**

### **Directors' report for the year ended 31 December 2011 (continued)**

#### **Independent Auditors**

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

#### **Going Concern**

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

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



**M Walker**

**Director**

**25 September 2012**

## **Abbot Investments (North Africa) Limited**

### **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 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

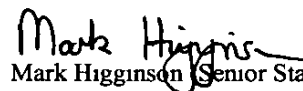
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Abbot Investments (North Africa) Limited**

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records 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



Mark Higginson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen  
25 September 2012



## Abbot Investments (North Africa) Limited

### Income statement for the year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
<b>Continuing operations</b>			
Operating expenses		(3,095)	(11)
<b>Operating loss</b>		<b>(3,095)</b>	<b>(11)</b>
Impairment on investments in subsidiaries	8	-	(40,778)
Income from shares in subsidiary undertakings	4	4,522	222
Loss on sale of associate	8	(15,099)	-
Finance costs	5	(7,069)	(5,725)
<b>Loss before taxation</b>	6	<b>(20,741)</b>	<b>(46,292)</b>
Taxation	7	(41)	(22)
<b>Loss for the year</b>		<b>(20,782)</b>	<b>(46,314)</b>

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

### Statement of comprehensive income for the year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
Loss for the year		(20,782)	(46,314)
Net movement on cash flow hedges		1,651	(557)
<b>Total comprehensive expense for the year</b>		<b>(19,131)</b>	<b>(46,871)</b>

The notes on pages 11 to 24 are an integral part of these financial statements

# Abbot Investments (North Africa) Limited

## Balance sheet as at 31 December 2011

	Note	2011 \$'000	2010 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	8	139,290	58,634
		<b>139,290</b>	<b>58,634</b>
<b>Current assets</b>			
Trade and other receivables	9	15,030	1,111
		<b>15,030</b>	<b>1,111</b>
<b>Total assets</b>		<b>154,320</b>	<b>59,745</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	(1,880)	(2,388)
Financial liabilities – borrowings	12	(14,629)	(14,522)
Amounts owing to parent company	17	(107,756)	-
Provisions	11	(8,000)	-
		<b>(132,265)</b>	<b>(16,910)</b>
<b>Non-current liabilities</b>			
Financial liabilities – borrowings	12	(90,715)	(90,715)
Financial liabilities- derivative financial instrument	13	(3,015)	(4,664)
		<b>(93,730)</b>	<b>(95,379)</b>
<b>Total liabilities</b>		<b>(225,995)</b>	<b>(112,289)</b>
<b>Net liabilities</b>		<b>(71,675)</b>	<b>(52,544)</b>
<b>Capital and reserves attributable to Company's owners</b>			
Share capital	14	-	-
Hedging reserve		(3,002)	(4,653)
Other reserves		20,000	20,000
Retained deficit		(88,673)	(67,891)
<b>Total</b>		<b>(71,675)</b>	<b>(52,544)</b>

The notes on pages 11 to 24 are an integral part of these financial statements

The financial statements on pages 7 to 24 were approved by the board of directors on 25 September 2012 and signed on its behalf by



**M Walker**

**Director**

Registered Number 05246036

## Abbot Investments (North Africa) Limited

### Statement of changes in equity as at 31 December 2011

	Share Capital \$'000	Hedging Reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
At 1 January 2011	-	(4,653)	20,000	(67,891)	(52,544)
<b>Comprehensive expense</b>					
Loss for the year	-	-	-	(20,782)	(20,782)
<b>Other comprehensive income</b>					
Net movement on cashflow hedges	-	1,651	-	-	1,651
<b>Total other comprehensive income</b>	-	1,651	-	-	1,651
<b>Total comprehensive income/(expense)</b>	-	1,651	-	(20,782)	(19,131)
<b>At 31 December 2011</b>	-	(3,002)	20,000	(88,673)	(71,675)

	Share Capital \$'000	Hedging Reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
At 1 January 2010	-	(4,096)	20,000	(21,577)	(5,673)
<b>Comprehensive expense</b>					
Loss for the year	-	-	-	(46,314)	(46,314)
<b>Other comprehensive expense</b>					
Net movement on cashflow hedges	-	(557)	-	-	(557)
<b>Total other comprehensive expense</b>	-	(557)	-	-	(557)
<b>Total comprehensive expense</b>	-	(557)	-	(46,314)	(46,871)
<b>At 31 December 2010</b>	-	(4,653)	20,000	(67,891)	(52,544)

Other reserves relates to a capital contribution received from Abbot Group Ltd

The notes on pages 11 to 24 are an integral part of these financial statements

## Abbot Investments (North Africa) Limited

### Cash flow statement for the year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
<b>Cash flows (used in)/ generated from operating activities</b>	15	<b>(16,470)</b>	<b>25</b>
Tax paid		(41)	(22)
<b>Net cash (used in)/generated from operating activities</b>		<b>(16,511)</b>	<b>3</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries	8	(107,755)	(5,000)
Proceeds from disposal of interest in associate		20,000	
Dividends received	4	4,522	222
Interest paid		(8,118)	(4,667)
<b>Net cash used in investing activities</b>		<b>(91,351)</b>	<b>(9,445)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings		107,755	-
<b>Net cash generated from financing activities</b>		<b>107,755</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(107)</b>	<b>(9,442)</b>
Cash and cash equivalents at 1 January		(14,522)	(5,080)
<b>Cash and cash equivalents at 31 December</b>	12	<b>(14,629)</b>	<b>(14,522)</b>

The notes on pages 11 to 24 are an integral part of these financial statements

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 year ended 31 December 2011**

### **1 Basis of preparation**

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

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

The Company had net liabilities at the balance sheet date of \$71,675,000. However, the directors have obtained confirmation from the Company's parent undertaking that it will provide the necessary support to enable the Company to meet its obligations as they fall due. This confirmation is valid for a minimum of 12 months from the date of approval of the financial statements. On this basis, the Directors consider that it is appropriate to prepare these financial statements on a going concern basis.

### **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 years presented, unless otherwise stated.

#### **Investments**

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

#### **Impairment**

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

#### **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.

#### **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. Dividend income is recognised when the right to receive payment is established.

# **Abbot Investments (North Africa) Limited**

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

### **Trade receivables**

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

### **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 year. Taxable profit differs from the profit reported in the income statement 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 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.

### **Trade payables**

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

### **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 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.

# **Abbot Investments (North Africa) Limited**

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

### **Financial assets and liabilities (continued)**

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

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 ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Company performs effectiveness testing on an annual basis.

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

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

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

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.

### **Provisions**

Provisions are measured at the net 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 provided where there is a present obligation based on past events that it is probable that an outflow will be required and the financial outcome can be reliably measured.

# **Abbot Investments (North Africa) Limited**

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

### **Disclosure of impact of accounting standards**

The following standards, amendments and interpretations to published standards were mandatory for the first time for the financial year beginning 1 January 2011

- IAS 24 Related Party Disclosures (Revised)
- IAS 1 Presentation of Financial Statements – Clarification of statement of changes in equity

The following new standards, amendments and interpretations to published standards were mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Company or have no impact on the financial statements

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

Amendments resulting from the following Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Company

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Accounting policy changes in the year of adoption
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Revaluation based as ‘deemed cost’

The following new standards, amendments and interpretations have been issued, but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income  
The amendment affects presentation only, with no impact on financial position or performance
- IAS 27 Separate Financial Statements (as revised in 2011)  
The Company is currently assessing the full impact of these changes
- IFRS 7 Financial Instruments Disclosures — Enhanced Derecognition Disclosure Requirements  
The amendment affects disclosure only and will have no impact on the Company’s financial position or performance
- IFRS 9 Financial Instruments Classification and Measurement  
The Company is currently quantifying the effects of IFRS 9 in relation to the financial instruments expected to be held when this standard becomes effective
- IFRS 12 Disclosure of Involvement with Other Entities  
A number of new disclosures will be required and assessed on an individual basis
- IFRS 13 Fair Value Measurement  
The Company is currently assessing the impact that this standard will have on the financial position and performance



## **Abbot Investments (North Africa) Limited**

### **3 Significant accounting judgments and estimates**

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Where significant estimates or assumptions have been applied in estimating balances in the financial statements, these have been disclosed in the relevant notes to those balances. Significant judgements and estimates in these financial statements have been made with regard to provisions (note 11) and tax balances (note 7). An explanation of 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 subsidiary undertakings**

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Dividends received from subsidiary undertaking	<b>4,522</b>	<b>222</b>

### **5 Finance costs**

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest payable to group undertakings	<b>(188)</b>	<b>(112)</b>
Interest payable on bank borrowings	<b>(6,881)</b>	<b>(5,613)</b>
	<b>(7,069)</b>	<b>(5,725)</b>

Interest payable to group undertakings includes amounts totalling \$188,000 (2010: \$112,000) which relate to bank interest payable on the Company's share of interest applied on the aggregated balances of the Group's current accounts as distributed by a parent undertaking.

### **6 Loss before taxation**

The following items have been included in arriving at loss before taxation:

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign exchange gain	<b>53</b>	<b>4</b>

Audit fees are borne by another group company. For the purposes of disclosure, a fair allocation of the Company's audit fee would be \$10,000 (2010: \$10,000).

# Abbot Investments (North Africa) Limited

## 7 Taxation

### (a) Analysis of charge in year

	2011 \$'000	2010 \$'000
<b>Current tax</b>		
Overseas tax	41	22
<b>Total tax charge (note 7(b))</b>	<b>41</b>	<b>22</b>

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

The tax assessed for both years is higher than the standard rate of corporation tax in the UK of 26.49% (2010 28%)

The differences are explained below

	2011 \$'000	2010 \$'000
Loss before taxation	(20,741)	(46,292)
Loss before taxation at standard rate of corporation tax in the UK at 26.49% (2010 28%)	(5,495)	(12,962)
Effects of		
Impairment of investments	-	11,418
Disposal of interest in associates	4,000	-
Expenses not deductible for tax purposes	830	-
Dividends received from subsidiary undertakings not taxable	(1,198)	(62)
Adjustment in respect of foreign taxes	41	22
Deferred tax not recognised	1,863	1,606
<b>Current tax charge for the year (note 7(a))</b>	<b>41</b>	<b>22</b>

At 31 December 2011, the company has not recognised potential deferred tax assets of \$1,319,000, calculated at 25% (2010 \$4,877,000, calculated at 27%) on the tax effect of unused tax losses as it may not be possible to utilise the potential benefit in future years

Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011 which received royal assent on 19 July 2011. A resolution passed by Parliament on 26 March 2012 has reduced the main rate of corporation tax by a further 1% to 24% from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

## Abbot Investments (North Africa) Limited

### 8 Investments

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

	2011 \$'000	2010 \$'000
At start of period	58,634	94,412
Additions	115,755	5,000
Disposal of associate	(35,099)	
Impairment on investment in subsidiary undertakings	-	(40,778)
<b>At 31 December</b>	<b>139,290</b>	<b>58,634</b>

During the year management performed a review of the carrying value of investments. In 2011 the review identified no impairment and in 2010 an impairment of \$40,778,000 was identified in Global Tender Barges Pte Limited and International Air Drilling Company limited and therefore the investments were written down to their recoverable amounts.

Included in additions above is an amount of \$8 million relating to the deferred consideration on the acquisition of Global Tender Barges Pte Limited. This amount is largely contingent on the settlement of certain pre-acquisition contractual arrangements.

#### Associated Undertakings

The Company's investment in Marlin Offshore International Limited was sold during the year for \$20 million, resulting in a loss on disposal of \$15.1 million. The Company acquired the remaining 90% of the shares of KCA Deutag Tender Barges Pte Limited (previously Global Tender Barges Pte Limited) on 2 August 2011.

2011

Name	Country of incorporation	Nature of activities	Assets \$m	Liabilities \$m	Revenues \$m	(Loss) Profit \$m	% Interest held
Marlin Offshore International Limited	British Virgin Islands	Drilling services	383.0	30.8	78.6	(3.4)	10
Global Tender Barges Pte Limited	Singapore	Drilling services	333.5	184.5	117.0	1.1	10

## Abbot Investments (North Africa) Limited

### 9 Trade and other receivables

	2011 \$'000	2010 \$'000
Amounts owed by associated undertakings	-	1,111
Trade receivables	10,000	-
Amounts owed by Group undertakings	5,030	-
	<b>15,030</b>	<b>1,111</b>

The trade receivable amount relates to deferred consideration receivable on the sale of Marlin Offshore International Limited of \$10.0 million, which were received in two instalments of \$5.0 million in each of the first two quarters of 2012. 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.

### 10 Trade and other payables

	2011 \$'000	2010 \$'000
Amounts owed to group undertakings	1,866	1,322
Accruals and deferred income	14	1,066
	<b>1,880</b>	<b>2,388</b>

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.

### 11 Provisions

	2011 \$'000	2010 \$'000
At 1 January	-	-
Deferred consideration	8,000	-
<b>At 31 December</b>	<b>8,000</b>	<b>-</b>

The deferred consideration of \$8.0 million relates to the acquisition of KCA Deutag Tender Barges PTE Limited which took place on 2 August 2011.

## Abbot Investments (North Africa) Limited

### 12 Financial liabilities - borrowings

	2011 \$'000	2010 \$'000
<b>Current bank overdrafts</b>		
Unsecured	14,629	14,522
	<b>14,629</b>	<b>14,522</b>
<b>Non current liabilities</b>		
Bank loan - secured	90,715	90,715
	<b>90,715</b>	<b>90,715</b>

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

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

As part of the interest rate management strategy, the Company has entered into an interest rate swap contract. Detail of the interest rate swap is included in note 13.

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

	2011 %	2010 %
Bank overdrafts	1.0%	1.0%
Bank borrowings	5.3%	6.7%

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

	2011 \$'000	2010 \$'000
Pound Sterling	1,035	109
US dollar	104,309	105,128
	<b>105,344</b>	<b>105,237</b>

## **Abbot Investments (North Africa) Limited**

### **13 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 10% 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 10% stronger against all other currencies of the Company, then revaluation of the balance sheet position as at 31 December 2011 would give rise to exchange gains of \$94,000 (2010 \$10,000)

If the US dollar became 10% weaker against all other currencies of the Company, then revaluation of the balance sheet position as at 31 December 2011 would give rise to exchange losses of \$104,000 (2010 \$11,000)

###### **(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 2011, approximately 47% (2010 47%) of current and non-current bank loans and overdrafts 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 during 2011, then the profit before taxation would have been \$616,000 lower (2010 \$529,000)

If the average interest rate had been 1% lower during 2011 assuming a floor rate of 0%, then the profit before taxation would have been \$209,000 higher (2010 \$191,000)

###### **(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 external credit risk as it does not trade externally and there is very low risk in relation to the inter-company balances as they are reviewed regularly for their recoverability

##### **c) Liquidity risk**

Liquidity risk is monitored at a group level headed by the Company's ultimate parent company, KCAD Holdings I 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 2011, 86% (2010 86%) of the Company's borrowing facilities were due to mature in more than one year

## Abbot Investments (North Africa) Limited

### 13 Financial instruments (continued)

#### d) Capital risk

The capital structure is monitored at a group level headed by Company's ultimate parent company, KCAD Holdings I Limited

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

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
<b>At 31 December 2011</b>				
<b>Interest rate swap</b>				
Outflow - net settlement	2,418	597	-	-
<b>At 31 December 2010</b>				
<b>Interest rate swap</b>				
Outflow - net settlement	1,895	2,217	552	-

There were no forward foreign exchange contracts in place at either 31 December 2011 or 31 December 2010. 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, and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments. Long-term borrowings are generally rolled over for periods of three months or less, and as a result, book value and fair value are considered to be the same.

	2011		2010	
	Book value \$'000	Fair Value \$'000	Book value \$'000	Fair Value \$'000
<b>Fair value of long-term borrowings</b>				
Long-term borrowings (note 12)	90,715	90,715	90,715	90,715

#### Fair value of other financial assets and financial liabilities

Primary financial instruments held or issued to finance the Group's operations

	2011		2010	
	Book value \$'000	Fair Value \$'000	Book value \$'000	Fair Value \$'000
Trade and other receivables (note 9)	15,030	15,030	1,111	1,111
Trade and other payables (note 10)	1,880	1,880	2,388	2,388
Short-term borrowings (note 12)	14,629	14,629	14,522	14,522

## Abbot Investments (North Africa) Limited

### 13 Financial instruments (continued)

#### Derivative financial instruments

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

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000
Interest rate swap - cash flow hedge	-	3,015	-	4,664
Total derivative financial instruments – non-current	-	3,015	-	4,664

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

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

#### Interest rate swaps

The notional principal amounts of the Company's outstanding interest rate swaps at 31 December 2011 were \$49,214,000 (2010 \$49,214,000)

At 31 December 2011, the fixed interest rate excluding margin was 4.76% (2010 4.09%) and the floating rate was 0.30% (2010 0.26%)

The interest rate swap is for a period of 5 years in total and is due to expire in March 2013

The fair value gains and losses relating to the interest rate swap which are deferred in equity at 31 December 2011 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

### 14 Share capital

Authorised		2011 \$'000	2010 \$'000
1,000 (2010 1,000) ordinary shares of £1 each		2	2

Issued	Shares	2011 \$'000	Shares	2010 \$'000
Ordinary shares of £1 each				
At 1 January	1	-	1	-
At 31 December	1	-	1	-



## Abbot Investments (North Africa) Limited

### 15 Cash flows from operating activities

	2011 \$'000	2010 \$'000
Loss before taxation for the year	(20,741)	(46,292)
Adjustments for		
Income from shares in group undertakings	(4,522)	(222)
Net finance cost	7,069	5,725
Loss on sale of associate	15,099	-
Impairment on investments in subsidiaries	-	40,778
Changes in working capital		
Increase in trade and other receivables	(13,920)	(1,111)
Increase in trade and other payables	545	1,147
<b>Cash flows (used in)/generated from operating activities</b>	<b>(16,470)</b>	<b>25</b>

### 16 Employees and directors

None of the directors who served during the year received any emoluments in respect of their services to the Company (2010 nil)

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

### 17 Related party transactions

The following balances relate to transactions carried out with group undertakings

	2011 \$'000	2010 \$'000
Amounts owed by associated undertakings (note 9)	-	1,111
Amounts owed by group undertakings (note 9)	5,030	-
Amounts owed to group undertakings (note 10)	1,866	1,322
Loans owed to group undertakings	107,756	-
Significant transactions with group undertakings	2011 \$'000	2010 \$'000
Interest payable to group undertakings	188	112

Bank loans, overdraft and guarantee facilities available to KCA Deutag Alpha Limited and certain subsidiaries, including the Company, of \$1,385,000,000 (2010 \$1,585,000,000) are secured inter alia by a cross guarantee and by a security agreement covering the assets of the Company

## **Abbot Investments (North Africa) Limited**

### **17 Related party transactions (continued)**

During the year, the Company acquired the remaining 90% of the shares of KCA Deutag Tender Barges Pte Limited (formerly Global Tender Barges Pte Limited) which was under common control by Pamplona Capital Partners II LP, also the ultimate controlling party of KCAD Holdings I Limited, the Company's ultimate parent undertaking. Further details are included at note 8. No other significant related party transactions took place during the year.

### **18 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:

<b>Principal subsidiary undertaking</b>	<b>Country of Incorporation</b>	<b>Principal activity</b>	<b>% of equity interest</b>
International Air Drilling Company Limited	Gibraltar	Drilling Services	100
KCA DEUTAG Drilling (Thailand) Limited	Thailand	Drilling Services	100
KCA DEUTAG Tender Barges Pte Ltd	Singapore	Drilling Services	100

### **19 Ultimate parent undertaking**

The Company is a wholly owned subsidiary undertaking of Abbot Group 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.

KCAD Holdings I Limited was incorporated during March 2011. At 31 December 2011 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.