Abbot Investments (North Africa) Limited

Annual report and financial statements

for the year ended 31 December 2013

Registered Number 05246036

Abbot Investments (North Africa) Limited

Annual report and financial statements

for the year ended 31 December 2013

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Abbot Investments (North Africa) Limited

Corporate Information

Board of Directors
L Thomson
N Gilchrist
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

Abbot Investments (North Africa) 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 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 principally in the Far East and Africa. The Company will continue as a holding company for the foreseeable future. During the year an impairment charge of $105.9m was made to the investment held in KCA DEUTAG Tender Barges Pte Limited to reflect the strategic review that took place to sell the self-erect barges business.

Market Dynamics and Positioning

Activity in 2014 for the holding company is expected to stay at a similar level to that of 2013.

Principal Risks and Uncertainties

The undernoted principal risks and uncertainties are monitored at Group level and are not specific to Abbot Investments (North Africa) 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.

Abbot Investments (North Africa) Limited

Strategic and Operating Review (continued)

Principal Risks and Uncertainties (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 Abbot Investments (North Africa) Limited.

G Paver
Director
11 September 2014

Abbot Investments (North Africa) Limited

Directors' report for the year ended 31 December 2013

The directors present their 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 financial year was £115,565,000 (2012: loss £16,886,000) and has been deducted from reserves.

The Directors do not recommend the payment of a dividend (2012: nil).

Principal risks and uncertainties

The principal risks and uncertainties are discussed within note 12 on pages 20-21. The Company's operational risks are aligned with those faced by the rest of the Group and disclosed in the Strategic and Operating Review.

Environment

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

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 2013, the Company's ordinary shares were wholly owned by Abbot Group Limited.

Employees

The Company had no employees at any time during the current year (2012: nil).

Directors

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

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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.

Abbot Investments (North Africa) 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

Based on the support of the Company's parent undertaking, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the forseeable future and the directors continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

G Paver
Director
11 September 2014

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

Report on the financial statements

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.

What we have audited

The financial statements, which are prepared by Abbot Investments (North Africa) Limited, comprise:

- Balance Sheet as at 31 December 2013;
- Profit and Loss Account and Statement of Comprehensive Income 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.

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.

Opinion on other matter prescribed by the Companies Act 2006

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.

Other matters on which we are required to report by exception

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.

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.

Responsibilities for the financial statements and the audit

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

Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
26 September 2014

Abbot Investments (North Africa) Limited

Profit and Loss Account for the year ended 31 December 2013

	Note	**2013** **$'000**	2012 $'000
Administrative expenses		-	(36)
Operating Loss		-	(36)
Interest receivable and other income	4	-	89
Interest payable and other charges	5	**(9,665)**	(16,930)
Exceptional items	6,8	**(105,900)**	-
Loss on ordinary activities before taxation	6	**(115,565)**	(16,877)
Tax on ordinary activities	7	-	(9)
Loss for the financial year		**(115,565)**	(16,886)

The results have been derived wholly from continuing operations.

Statement of comprehensive income for the year ended 31 December 2013

	Note	**2013** **$'000**	2012 $'000
Loss for the financial year		**(115,565)**	(16,886)
Other comprehensive income:			
Net movement on cash flow hedges		**621**	2,381
Total comprehensive expense for the year		**(114,944)**	(14,505)

All items may subsequently be reclassified to the Profit and Loss Account.

The notes on pages 12 to 23 are an integral part of these financial statements.

Abbot Investments (North Africa) Limited

Balance Sheet as at 31 December 2013

	Note	2013 $'000	2012 $'000
Investments	8	**8,635**	125,812
		8,635	125,812
Current Assets			
Investment held for sale	8,19	**11,277**	-
Debtors	9	-	5,000
Cash at bank and in hand		**1**	-
		11,278	5,000
Creditors: amounts falling due within one year	10	**(192,841)**	(124,000)
Net current liabilities		**(181,563)**	(119,000)
Total assets less current liabilities		**(172,928)**	6,812
Creditors: amounts falling due after more than one year	11	**(28,196)**	(92,992)
Net Liabilities		**(201,124)**	(86,180)
Capital and reserves			
Called-up share capital	13	-	-
Other reserves		**20,000**	20,000
Hedging reserve		-	(621)
Profit and loss account		**(221,124)**	(105,559)
Total shareholders' funds		**(201,124)**	(86,180)

The notes on pages 12 to 23 are an integral part of these financial statements.

The financial statements on pages 9 to 23 were approved by the board of directors on 11 September 2014 and signed on its behalf by:

G Paver
Director

Registered number 05246036

Abbot Investments (North Africa) Limited

Statement of changes in equity as at 31 December 2013

	Called-up share capital	Hedging reserve	Other reserves	Profit and loss account	Total shareholders' funds
	$'000	$'000	$'000	$'000	**$'000**
At 1 January 2013	-	**(621)**	**20,000**	**(105,559)**	**(86,180)**
Comprehensive expense					
Loss for the financial year	-	-	-	**(115,565)**	**(115,565)**
Other comprehensive income					
Net movement on cash flow hedges	-	**621**	-	-	**621**
Total other comprehensive income	-	**621**	-	-	**621**
Total comprehensive income (expense)	-	**621**	-	**(115,565)**	**(114,944)**
At 31 December 2013	-	-	**20,000**	**(221,124)**	**(201,124)**

	Called-up share capita	Hedging reserves	Other reserves	Profit and loss account	Total shareholders' funds
	$'000	$'000	$'000	$'000	**$'000**
At 1 January 2012	-	(3,002)	20,000	(88,673)	(71,675)
Comprehensive expense					
Loss for the financial year	-	-	-	(16,886)	(16,886)
Other comprehensive income					
Net movement on cash flow hedges	-	2,381	-	-	2,381
Total other comprehensive income	-	2,381	-	-	2,381
Total comprehensive income (expense)	-	2,381	-	(16,886)	(14,505)
At 31 December 2012	-	(621)	20,000	(105,559)	(86,180)

Other reserves relates to a capital contribution received from Abbot Group Limited.

The notes on pages 12 to 23 are an integral part of these financial statements.

Abbot Investments (North Africa) 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 17 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 cash flows including comparatives and statement of compliance with all IFRS;*
- *IAS 8: Accounting policies, changes in accounting estimates and errors' for the disclosure of new standards not yet effective;*
- *IAS 24: Related party disclosures in respect of key management compensation; and*
- *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 liabilities at the balance sheet date of $201,124,000 (2012: $86,180,000). The Directors have obtained confirmation from a fellow group undertaking that it will provide the necessary support to enable the Company to meet its obligations as they fall due. This confirmation is valid 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 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.

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.

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

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.

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 profit and loss account. The year end exchange rate of US Dollars to GBP sterling was $1.65262: £1 (2012: $1.61551: £1).

The functional currency of the Company is US dollar (USD) as this is the currency in which the Company operates and it reflects the economic substance of underlying transactions and circumstances of the Company.

2 Summary of significant accounting policies (continued)

Taxation

The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the profit and loss account due to items that are not taxable or deductible in any 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 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 substantially enacted, by the balance sheet date are used to determine deferred tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Trade creditors

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

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.

Provisions

Provisions are measured at the present value of the directors' best estimate of the expenditure required to settle the present obligation at the balance sheet date. A discount is applied to the provision for the time value of money where this is significant. Provisions are made 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.

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.

2 Summary of significant accounting policies (continued)

(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.

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 hedged 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 profit and loss account. 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 profit and loss account 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.

2 Summary of significant accounting policies (continued)

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. 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 tax balances (note 7) and the impairment during the year (note 6). An explanation of key uncertainties or assumptions used by management in accounting for these items is explained, where material, in the respective notes.

4 Interest receivable and other income

	2013	2012
	$'000	$'000
Dividends received from subsidiary undertaking	-	89

5 Interest payable and other charges

	2013	2012
	$'000	$'000
Interest payable to group undertakings	**(6,357)**	(9,198)
Interest payable on bank borrowings and interest rate swaps	**(3,308)**	(7,732)
	(9,665)	(16,930)

Interest payable on bank borrowings and interest rate swaps includes $628,000 relating to the settlement of the swaps in place at 31 December 2012.

6 Loss on ordinary activities before taxation

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

	2013	2012
	$'000	$'000
Release of contingent consideration	-	5,723
Exceptionals, net	**(105,900)**	-
Amounts written off investments	-	(5,723)
Foreign exchange (loss) / gain	-	(27)

An impairment charge of $105,900,000 was made to the investment held in KCA DEUTAG Tender Barges Pte Limited to reflect the strategic review that took place in 2013 to sell the self-erect barges business. The assets were written down to their fair value less costs of disposal and as such the decision was made to impair the investment to reflect the write down in the Tender Barges business.

During 2012 the contingent consideration in relation to the acquisition of GTB on 2 August 2011 of $8,000,000 was re-evaluated and resulted in a release of $5,723,000 which was no longer required. As a consequence, the carrying value of the company's investments was reduced by the same amount.

The audit fees are borne by another group company. For the purpose of disclosure, a fair allocation of the audit fee to the Company would be $10,000 (2012: $10,000).

Abbot Investments (North Africa) Limited

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

7 Tax on loss on ordinary activities

(a) Analysis of charge in year

	2013	2012
	$'000	$'000
Corporation tax for the year		
Overseas tax	-	9
Total current tax (note 7 (b))	-	9

(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 23.25% (2012: 24.50%).

The differences are explained below:

	2013	2012
	$'000	$'000
Loss before taxation	**(115,565)**	(16,877)
Loss before taxation at standard rate of corporate tax in the UK 23.25% (2012: 24.50%)	**(26,865)**	(4,135)
Effects of:		
Group relief for nil consideration	**2,695**	3,690
Expenses not deductible for tax purposes	**24,618**	-
Dividends received not subject to tax	-	(22)
Other permanent differences	**(448)**	467
Adjustments in respect of foreign taxes	-	9
Current tax charge for the year (note 7 (a))	-	9

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.

Abbot Investments (North Africa) Limited

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

8 Investments

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

	2013	2012
	$'000	$'000
At start of year	**125,812**	139,290
Impairment charge	**(105,900)**	-
Amounts written off investments (note 6)	-	(5,723)
Adjustment in respect of prior year	-	(7,755)
Classified as held for sale	**(11,277)**	-
At 31 December	**8,635**	125,812

During the year management performed a review of the carrying value of investments. During 2013 an impairment charge of $105,900,000 was made to the investment held in KCA DEUTAG Tender Barges Pte Limited to reflect the strategic review that took place in 2013 to sell the self-erect barges business. The assets were written down to their fair value less costs of disposal and as such the decision was made to impair the investment to reflect the write down in the Tender Barges business. As the sales process to sell the Company's shares in KCA DEUTAG Tender Barges Pte Limited is at an advanced stage this investment has been reclassified as being held for sale. In 2012, no impairment was identified and therefore no write down to investments was required.

The 2012 amounts written off investments arose from a reduction in the amount payable in relation to the GTB acquisition (note 6).

9 Debtors

	2013	2012
	$'000	$'000
Amounts owed by group undertakings	-	5,000

The amounts owned by group undertakings were unsecured and repayable on demand.

10 Creditors - amounts falling due within one year

	2013	2012
	$'000	$'000
Amounts owed to group undertakings	**192,601**	123,127
Accruals and deferred income	**240**	873
	192,841	124,000

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

11 Creditors: amounts falling due after more than one year

	2013	2012
	$'000	$'000
Financial liabilities -borrowings	**25,919**	90,715
GTB Provision	**2,277**	2,277
	28,196	92,992

The bank loans are denominated mainly in US dollars and bear interest based on LIBOR or foreign equivalents appropriate to the currency denomination of each borrowing. All bank loans 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 bank loan facility is part of an overall KCA Deutag Alpha Limited facility which matures in March 2016. As part of the Group's refinancing in 2014 this bank loan facility has been repaid post year end.

As part of the interest rate management strategy, the Company had entered into an interest rate swap contract which expired in March 2013. Detail of the interest rate swap is included in note 12.

The deferred consideration of $2.3 million relates to the acquisition of the GTB business which took place on 2 August 2011.

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

	2013	2012
	%	%
Bank borrowings	**5.4%**	5.5%

The carrying amounts of the Company's borrowings and net overdrafts are denominated in US dollars.

12 Financial instruments

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

	2013		2012	
	Assets $'000	**Liabilities $'000**	Assets $'000	Liabilities $'000
Interest rate swap - cash flow hedge (level 2)	-	-	-	(628)
Total derivative financial instruments – current	-	-	-	(628)

12 Financial instruments (continued)

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 asset or liability if the maturity of the hedged item is less than 12 months.

The Group's derivative financial instruments have been classified using the fair value hierarchy set out below The level in the fair value hierarchy that each instrument is categorised is detailed in the table above. There was no ineffectiveness recognised in the profit and loss account from cash flow hedges in either the current or preceding year.

Interest rate swaps

The Company had no outstanding interest rate swaps at 31 December 2013. The notional principal amount of the Company's outstanding interest rate swaps at 31 December 2012 was $49,214,000.

At 31 December 2012, the fixed interest rate excluding margin was 5.43% and the floating rate was 0.21%.

The interest rate swap was for a period of 5 years in total and expired in March 2013.

The Company only used cash flow hedges and did not enter into any fair value or net investment hedges during either the reporting year or the preceding year.

The level referred to in the table above relates to the following Fair Value hierarchy:
Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that can be accessed at the measurement date;

Level 2: Valuations containing inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly; and

Level 3: Valuations containing unobservable inputs.

13 Called-up share capital

Authorised	2013 $'000
1,000 (2012: 1,000) ordinary shares of £1 each	2

Issued	Shares	2013 $'000
Ordinary shares of £1 each		
At 1 January and 31 December	1	-

14 Employees and directors

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 current or prior year.

15 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.

16 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
International Air Drilling Company Limited	Gibraltar	Drilling Services	100
KCA DEUTAG Drilling (Thailand) Limited	Thailand	Drilling Services	100
KCA DEUTAG Tender Barges Pte Limited	Singapore	Drilling Services	100

17 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 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.

18 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.

19 Assets of disposal group held for sale

The Company's investment in its subsidiary KCA Deutag Tender Barges Pte Limited has been designated as held for sale as the Group has signed a Sale and Purchase Agreement for the sale of its shares. The carrying value of this investment at 31 December 2013 is $11,277,000 (2012: $117,177,000).