Maersk Drilling UK Limited

Directors' report and financial statements

Registered number 07672698

31 December 2012

Contents

Directors' report

The directors present their Directors' report and financial statements for the year ended 31 December 2012

Principal activity

The principal activity of the Company is to provide drilling rig and drilling services

Directors

The directors who held office during the year and up to the date of this report were as follows

D McLean	
J Kilby	
C M Valentin	(resigned 1 February 2013)
M Bosma	
J P Madsen	(appointed 1 February 2013)

Business review

The Company has been engaged in the management and operation of two drilling rigs, the *Maersk Resilient* and the *Maersk Resolve* on behalf of Conoco Phillips during the year

Turnover for the year of $92 7m (6 months period to 31 December 2011, $18 5m) reflects a full year of operation for the *Maersk Resilient* and the commencement of operation of the Company's second rig, the *Maersk Resolve* from July 2012

The Company achieved an operating profit for the year to 31 December 2012 of $6,033,000 *(6 month period ending 31 December 2011 $20,000)*

Proposed dividend

No dividends were paid in the year *(2011 $nil)* The directors do not recommend the payment of a final dividend

Principal risks and uncertainties

Customers At the year end the Company is reliant on two long term contractual arrangements with one customer for its revenues and profits, which periodically will be subject to renegotiation and extension The Company's current contractual arrangement for the Maersk Resilient extends to 2014 with the option for a further two years The Company's contractual arrangement for the Maersk Resolve extends to 2013

Environmental the Company places considerable emphasis upon environmental compliance and seeks to ensure full ongoing compliance with relevant legislation and strives to ensure that environmental best practice is incorporated into its key operating processes

Production downtime or interruption can significantly impact revenue and profitability

Key performance indicators

Health and safety The improvement notice, raised in respect of the Company s operation of the Maersk Resilient in 2011, was cleared by HSE and DECC (the relevant UK regulatory bodies) in 2012

Productivity uptime 2012 saw an improved performance on the Maersk Resilient, following repair to a crack in one of the rig's leg during a move in January The Maersk Resolve operated satisfactorily from delivery in July 2012

Environmental No environmental issues arose in respect of either rig during 2012

Political and charitable donations

The Company made no political or charitable donations during the year *(2011 $nil)*

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors report confirm that, so far as they are each aware there is no relevant audit information of which the Company s auditor is unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Directors' report (continued)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

J Kilby

John Kilby
Secretary

Maersk House
Braham Street
London
E1 8EP

17th July 2013

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards 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 proper 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 its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

KPMG

Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditor's report to the members of Maersk Drilling UK Limited

We have audited the financial statements of Maersk Drilling UK Limited for the year ended 31 December 2012 set out in pages 5 to 11 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' responsibilities statement 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of the audit of the financial statements is provided on the Financial Reporting Council's web-site at www frc org uk/auditscopeukprivate

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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, 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 period for which the financial statements are prepared is consistent with the financial statements

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 reports 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

David Day

David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

30 August 2013

Profit and loss account
for the year ended 31 December 2012

	Note	Year ended 31 December 2012 $000	6 Months Period ended 31 December 2011 $000
Turnover		**92,748**	18,518
Cost of sales		**(83,406)**	(17,160)
Gross profit		**9,342**	1,358
Administrative expenses		**(3,309)**	(1,338)
Operating profit		**6,033**	20
Interest payable and similar charges	*5*	**(191)**	(17)
Profit on ordinary activities before taxation	*2-4*	**5,842**	3
Tax on profit on ordinary activities	*6*	**(1,545)**	(1)
Profit for the financial year	*10*	**4,297**	2

Turnover and operating profit arises wholly from continuing activities

There were no recognised gains or losses other than the profits for the financial year / period above

Balance sheet
at 31 December 2012

	Note	2012		2011	
		$000	$000	$000	$000
Fixed assets					
Investments	7		-		-
Current assets					
Debtors	8	22,136		14,738	
		22,136		14,738	
Creditors: amounts falling due within one year	9	(16,837)		(13,736)	
Net current assets			5,299		1,002
Total assets less current liabilities			5,299		1,002
Net assets			5,299		1,002
Capital and reserves					
Called up share capital	10		1,000		1,000
Profit and loss account	11		4,299		2
Shareholders' funds	12		5,229		1,002

These financial statements were approved by the board of directors on 17th JULY 2013 and were signed on its behalf by

David McLean

D McLean
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items, which are considered material in relation to the Company's financial statements

Basis of preparation

Based the Company's projections, and taking account of reasonably possible changes in trading performance and contractual agreements, the directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and for at least twelve months after the date of approval of these financial statements Accordingly, the directors have adopted the going concern basis in preparing the financial statements

The company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the company as an individual undertaking and not about its group

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of A P Møller - Mærsk A/S, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the group headed by A P Møller - Mærsk A/S

Turnover

Turnover represents the amount receivable in respect of day rate and tariff from rig operations and management and is recognised on an accruals basis on delivery of the related services All Turnover was generated in the United Kingdom

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease Where the Company has a legal obligation arising under the terms of an operating lease, provision is made for maintenance and dry dock overhauls The provisions are discounted to present value, calculated on current factors including the lease terms and latest yard costs

Foreign currencies

The functional currency of the Company is US dollars The dollar is the prevalent currency used within the oil industry and the currency in which the Company's turnover is contracted and received

Transactions in currencies other than the Company s functional currency of US dollars are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in non-US dollar currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

2 Profit on ordinary activities before taxation

	Year ended 31 December 2012 $000	6 month period to 2011 $000
Profit on ordinary activities before taxation is stated after charging		
Net loss on foreign exchange transactions	**347**	-
Operating leases – bareboat charter	**44,974**	6,468
Auditors' remuneration		
Audit of these financial statements	**18**	16

3 Employees

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows

	Year ended 31 December 2012 $000	6 month period to 2011 $000
Administration	**11**	7

The aggregate payroll costs of these persons were as follows

	Year ended 31 December 2012 $000	6 month period to 2011 $000
Wages and salaries	**1,413**	212
Social security costs	**198**	28
Pension costs	**128**	30
	1,739	270

4 Directors

No emoluments were paid to the directors during the year *(2011 nil)*

5 Interest payable and similar charges

	Year ended 31 December 2012 $000	6 month period to 2011 $000
Bank charges and interest payable	**191**	17

Notes *(continued)*

6 **Taxation**

Analysis of charge in period	Year ended 31 December 2012 $000	6 month period to 2011 $000
Current tax		
Current tax on income for the year / period	1,346	1
Adjustment in respect of the prior period	588	-
Total current tax	1,934	1
Deferred tax		
Origination of timing differences	90	-
Change in rate of taxation	41	-
Adjustment in respect of the prior period	(515)	-
	(389)	-
Tax on profit on ordinary activities	1,545	1

Factors affecting the tax charge for the current year / period

The current tax charge for the year / period is higher than the standard rate of corporation tax in the UK of 24 5% The differences are explained below

	Year ended 31 December 2012 $000	6 month period to 2011 $000
Profit on ordinary activities before tax	5,842	3
Current tax at 24 5%	1,431	1
Effects of		
Expenses not deductible for tax and other short term timing differences	5	-
Capital allowances in excess of depreciation	(90)	-
Adjustment in respect of the prior period	588	-
Total current tax charge	1,934	1

Factors affecting the future tax charge

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement

7 **Fixed asset investments**

The Company holds the following interest in a subsidiary undertaking at 31 December 2012

	Country of incorporation	Principal activity	Class and percentage of shares
Maersk Resource Management Limited	United Kingdom	HR services	100% Ordinary

Notes *(continued)*

8 Debtors

	2012 $000	2011 $000
Trade debtors	11,007	5,804
Amounts due from group undertakings	3,326	1,686
Other debtors	344	78
Deferred tax	389	-
Prepayments and accrued income	7,070	7,170
	22,136	14,738

The elements of deferred tax, which is calculated at 23% *(2011 25%)* are as follows

	2012 $000	2011 $000
Other timing differences on expenditure deferred for taxation	389	-

9 Creditors: amounts falling due within one year

	2012 $000	2011 $000
Trade creditors	310	6
Amounts due to group undertakings	12,313	11,716
Corporation tax payable	1,934	1
Accruals and deferred income	2,280	2,013
	16,837	13,736

10 Called up share capital

	2012 $000	2011 $000
Authorised, allotted, called up and fully paid		
1,000,000 Ordinary shares of $1 each	1,000	1,000

11 Reserves

	Profit and loss account $000
Opening balance	2
Profit for the financial year / period	4,297
At end of year	4,299

Notes *(continued)*

12 Reconciliation of movements in shareholders' funds

	2012 $000	2011 $000
Opening shareholders funds	**1,002**	-
Issue of share capital	**-**	1,000
Profit for the financial year / period	**4,297**	2
Closing shareholders' funds	**5,299**	1,002

13 Commitments

The Company had no capital commitments at the end of the financial year *(2011 Nil)*

The Company's annual operating lease commitment in respect of the Maersk Resilient Rig is estimated at $39m at 31 December 2012 *(2011 $37m)*, subject to variations for specific operating costs The commitment is for a period falling between 2-5 years at the balance sheet date

The Company's annual operating lease commitment in respect of the Maersk Resolve Rig is estimated at $17m at 31 December 2012, subject to variations for specific operating costs The commitment is for a period falling between 2-5 years at the balance sheet date

14 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to $128,000 *(2011 $30,000)*

There were no outstanding or prepaid contributions at either the beginning or end of the financial year Contributions amounting to $nil *(2011 $nil)* were payable to the scheme and are included in creditors

15 Ultimate controlling party

The Company is a subsidiary undertaking of Maersk Drilling Services A/S which is the immediate parent company incorporated in Denmark This is by virtue of its 100% holding of the issued share capital of the company

Maersk Drilling Services A/S's immediate holding company is A P Moller Maersk A/S, a company incorporated and listed in Denmark

The results in are included in the accounts of Maersk Drilling Services A/S and are available on request from A P Moller Maersk A/S, Esplanaden 5, DK-1098 Copenhagen K, Denmark