

Registered number: SC232018 (Scotland)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
FOR
ODFJELL DRILLING (UK) Ltd

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COMPANY INFORMATION

DIRECTORS: S Lieungh
O Maier
L Mann

SECRETARY: Burness Paull LLP
Union Plaza (6 th Floor)
1 Union Wynd
Aberdeen
AB10 1DQ

REGISTERED OFFICE: Bergen House
Crawpeel Road
Aberdeen
AB12 3LG

REGISTERED NUMBER: SC232018 (Scotland)

INDEPENDENT AUDITORS: PricewaterhouseCoopers LLP
The Capitol
431 Union Street
Aberdeen
AB11 6DA

SOLICITORS: Burness Paull LLP
Union Plaza (6 th Floor)
1 Union Wynd
Aberdeen
AB10 1DQ

BANKERS: Det Norske Bank ASA
20 St Dunstan's Hill
London
EC3 8HY

STRATEGIC REPORT

REVIEW OF BUSINESS

The operations in Odfjell Drilling (UK) Ltd consist of three main business activities, platform drilling, engineering services and rig inspection services. Platform drilling operations are managed from the Aberdeen office and during 2017 we continued to operate long-term contracts for these services. Our engineering and rig inspection services also operate from Aberdeen for a number of customers in the UK and abroad.

KEY PERFORMANCE INDICATORS (KPIs)

During the year the average rig uptime on the platforms operated by the company was 99.34% (2016: 92.1%). The turnover during the year remained consistent with 2016 (2016: decrease of 12.85% on 2015). The drop in oil price has had a significant impact on drilling activity in the North Sea which has contributed to the reduction in revenue. Customer satisfaction surveys on the platforms also revealed that customers were satisfied with the services provided by the company on all platforms operated by the company with an average rating of 7.95/10 (2016: 7.7/10). Average sick leave during the year showed a decrease from 2016 at 1.55%% (2016: 4.6%).

The result for the year and the financial position of the company are shown in these financial statements.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Board has identified the following factors as principal potential risks to the successful operation of the company.


Operational risks

Odfjell Drilling (UK) Ltd provides drilling and maintenance services for the cyclical oil and gas industry. Activity levels in connection with oil and gas exploration and production fluctuate and the company endeavours to reduce this risk by securing long-term contracts. One of the major activity drivers is the level of oil and gas prices.

Commercial risks

Contracts in the offshore sector require high safety standards. It is important to note that all offshore contracts are associated with considerable risk and responsibilities, including technical, operational, commercial and political risks. The Company has insurance coverage deemed adequate in order to limit the above risks.

ON BEHALF OF THE BOARD


.....
L Mann - Director

Date: 30/4/18

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the company in the year was that of the provision of personnel and services to the offshore petroleum industry.

FUTURE DEVELOPMENTS

In addition to established long term contracts within platform drilling, the company commenced work with Taqa and Enquest in late 2017. The Rig Inspection Services division built on the initial success during 2016 with a very busy 2017 with the prospects looking good for further growth in future years. The more stable oil price throughout 2017 and early 2018 has led to increased tender activity as market confidence begins to build.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017 (2016: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:

S Lieungh

O Maier

L Mann

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

CREDIT RISK

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions and amounts due from related parties. For banks and institutions, only independently rated parties with a minimum of 'A' are accepted. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The company maintains flexibility in funding by keeping adequate cash balances generated from its operations.

REPORT OF THE DIRECTORS (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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.

DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved that:


(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) They have taken all the steps that they ought to have taken as directors 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 auditors, PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
L Mann - Director

Date: 30th April 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ODFJELL DRILLING (UK) LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Odfjell Drilling (UK) Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account for the year ended 31 December 2017, the statement of changes in equity for the year ended 31 December 2017; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ODFJELL DRILLING (UK) LTD
(CONTINUED)**

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
30 April 2018

Financial statements for the year ended 31 December 2017

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

| | Note | 2017 £000 | 2016 £000 |
|--|------|---------------------|---------------------|
| TURNOVER | 4 | 39,460 | 39,256 |
| Cost of sales | | <u>(31,460)</u> | <u>(28,959)</u> |
| GROSS PROFIT | | 8,000 | 10,297 |
| Administrative expenses | | (5,617) | (4,868) |
| Other operating (expense)/income | | (496) | 477 |
| OPERATING PROFIT | 6 | 1,887 | 5,906 |
| Interest receivable and similar income | 7 | <u>59</u> | <u>10</u> |
| PROFIT BEFORE TAXATION | | 1,946 | 5,916 |
| Tax on profit | 8 | <u>(243)</u> | <u>(17)</u> |
| PROFIT FOR THE FINANCIAL YEAR | 15 | <u><u>1,703</u></u> | <u><u>5,899</u></u> |

All items dealt with in arriving at the profit for the years stated above relate to continuing operations.


ODFJELL DRILLING (UK) LTD

Financial statements for the year ended 31 December 2017 (continued)

BALANCE SHEET AS AT 31 DECEMBER 2017

| | Note | 2017 £000 | 2016 £000 |
|---|------|---------------|---------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 144 | 195 |
| CURRENT ASSETS | | | |
| Debtors | 10 | 14,404 | 10,073 |
| Cash at bank and in hand | | <u>11,160</u> | <u>9,978</u> |
| | | 25,564 | 20,051 |
| CREDITORS | | | |
| Amounts falling due within one year | 11 | <u>7,497</u> | <u>3,571</u> |
| NET CURRENT ASSETS | | <u>18,067</u> | <u>16,480</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS | | 18,211 | 16,675 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 12 | <u>421</u> | <u>588</u> |
| NET ASSETS | | <u>17,790</u> | <u>16,087</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 5,200 | 5,200 |
| Profit and loss account | 14 | <u>12,590</u> | <u>10,887</u> |
| TOTAL SHAREHOLDERS' FUNDS | 15 | <u>17,790</u> | <u>16,087</u> |

The financial statements on pages 9 to 21 were approved by the Board of Directors on 30th Dec 2018 and signed on its behalf by:


L Mann – Director
(Scotland)

Reg No SC232018

Financial statements for the year ended 31 December 2017 (continued)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

| | Called up share capital | Profit and loss account | Total Shareholders' funds |
|--|----------------------------|----------------------------|------------------------------|
| | £000 | £000 | £000 |
| Balance as at 1 January 2016 | 5,200 | 4,988 | 10,188 |
| Profit for the financial year and total comprehensive income | - | 5,899 | 5,899 |
| Balance as at 31 December 2016 | 5,200 | 10,887 | 16,087 |
| Balance as at 1 January 2017 | 5,200 | 10,887 | 16,087 |
| Profit for the financial year and total comprehensive income | - | 1,703 | 1,703 |
| Balance as at 31 December 2017 | 5,200 | 12,590 | 17,790 |

Financial statements for the year ended 31 December 2017 (continued)

Notes to the Financial Statements

1. GENERAL INFORMATION

Odfjell Drilling (UK) Ltd is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Bergen House, Crawpeel Road, Aberdeen.

2. STATEMENT OF COMPLIANCE

The individual financial statements of Odfjell Drilling (UK) Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, (Accounts and Reports) Regulations 2008 (SI 2008/410). The reduced disclosure framework set out in FRS 102 was applied.

3. ACCOUNTING POLICIES

The principle accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity to FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed separately.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

The company has taken advantage of the following exemptions in its individual financial statements:-

- i. from preparing a statement of cash flows, on the basis that it is a qualifying entity;
- ii. from the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(ii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- iii. from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Foreign currencies

The national currency of the United Kingdom is ("GBP"). The reporting currency of the Company is the British Pound. In preparing the financial statements transactions in currencies other than the Company's reporting currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the year in which they arise.

Financial statements for the year ended 31 December 2017 (continued)

Notes to the Financial Statements (continued)

3. ACCOUNTING POLICIES (Continued)

Tangible fixed assets

Tangible fixed assets are presented at their original cost, net of accumulated depreciation and impairment (if any). Tangible fixed assets are recorded at their original cost and include expenditures incurred associated with the acquisition of the asset and in bringing it to a condition where it is ready for its intended use.

The Company depreciates property, plant and equipment using the following depreciation rates:

| | |
|------------------------------------|-------------------------------------|
| Tenancy improvements and equipment | 33% on straight line basis |
| Fixtures and fittings | 25 % on straight line basis |
| Computer equipment | 25 % to 50 % on straight line basis |

Exceptional items

The Company classifies charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable. Revenues are shown net of VAT and discounts. Incentive payments are included in revenue when it is probable that the specified performance standards will be met and the amount of the incentive payment can be measured reliably.

The Company recognises revenue at the time of delivery, which represents the point at which the significant risks and rewards of ownership are transferred to the customer, and when collection of the resulting consideration for those goods is reasonably assured. Turnover from services is recognised as the services are rendered including income based on day rates from drilling contracts and day/hour rates on other service contracts.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete sale.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Income taxes

The income tax expense represents the sum of tax currently payable and deferred income tax.

Current tax

Tax currently payable is based on taxable income for the year. Taxable income differs from net profit as reported in the profit and loss account as it excludes income or expense items that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates in effect at the balance sheet date.

Financial statements for the year ended 31 December 2017 (continued)

Notes to the Financial Statements (continued)

3. ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if a temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

A deferred tax asset or liability is calculated at tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised on the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company operates a defined contribution pension scheme provided and managed by an external service provider. Contributions payable for the year are charged in the profit and loss account.

Provisions

A provision is recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amounts of the obligations. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of management.

Financial statements for the year ended 31 December 2017 (continued)**Notes to the Financial Statements (continued)****4. TURNOVER**

The turnover and profit before taxation are attributable to the principal activity of the company, the supply of personnel and services to the offshore petroleum industry.

All the turnover was originated in the United Kingdom and an analysis of turnover by destination is given below:

| | 2017 £000 | 2016 £000 |
|----------------|----------------------------|----------------------------|
| United Kingdom | <u>39,460</u> | <u>39,256</u> |
| | <u><u>39,460</u></u> | <u><u>39,256</u></u> |

5. STAFF COSTS

| | 2017 £000 | 2016 £000 |
|---|----------------------------|----------------------------|
| Wages and salaries | 19,626 | 19,352 |
| Social security costs | 2,369 | 2,562 |
| Other pension costs | <u>601</u> | <u>465</u> |
| | <u><u>22,596</u></u> | <u><u>22,379</u></u> |
| Directors' emoluments | | |
| Aggregate emoluments | <u><u>334</u></u> | <u><u>330</u></u> |
| Highest paid director: | | |
| Aggregate emoluments including benefits | <u><u>244</u></u> | <u><u>241</u></u> |

The average monthly number of employees during the year was as follows:

| | | |
|----------------|-------------------|-------------------|
| Direct | <u><u>205</u></u> | <u><u>190</u></u> |
| Administration | <u><u>75</u></u> | <u><u>71</u></u> |

At 31 December 2017 £129,375 (2016:£117,654) was outstanding in respect of pension contributions due by the company.

Financial statements for the year ended 31 December 2017 (continued)**Notes to the Financial Statements (continued)****6. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Operating lease rental - building | 330 | 323 |
| Depreciation / owned assets | 203 | 317 |
| Auditors' remuneration - audit of the financial statements | 16 | 16 |
| Other fees to auditors - taxation and ad hoc services | 17 | 88 |
| Foreign exchange differences | 496 | (477) |

7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2017 £000 | 2016 £000 |
|---------------|--------------|--------------|
| Bank interest | 59 | 10 |
| | <u>59</u> | <u>10</u> |

8. TAX ON PROFIT**a) Taxation on profit**

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| The tax charge is made up as follows: | | |
| <i>Current tax:</i> | | |
| UK corporation tax @ 19.25% (2016: 20%) | 430 | - |
| Overseas tax | 5 | 17 |
| Adjustments to tax charge in respect of previous year | (22) | - |
| Total current tax | <u>413</u> | <u>17</u> |
| <i>Deferred tax:</i> | | |
| Origination and reversal of timing differences | (170) | - |
| Tax on profit | <u>243</u> | <u>17</u> |

Financial statements for the year ended 31 December 2017 (continued)**Notes to the Financial Statements (continued)****8. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)****b) Factors affecting the total tax charge**

The tax assessed for the year differs (2016: differs) from the standard rate of corporation tax in the UK. The difference is explained below:

| | 2017 £000 | 2016 £000 |
|--|-------------------|------------------|
| Profit before taxation | <u>1,946</u> | <u>5,916</u> |
| Profit multiplied by the standards rate of corporation tax in the UK of 19.25% (2016: 20%) | 375 | 1,183 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 55 | 46 |
| Deferred tax assets provided | (170) | - |
| Deferred tax assets not provided | - | 152 |
| Utilisation of tax losses/other reliefs | - | (1,381) |
| Overseas taxation | 5 | 17 |
| Adjustments to tax charge in respect of previous year | <u>(22)</u> | <u>-</u> |
| Total tax (note 8a) | <u><u>243</u></u> | <u><u>17</u></u> |

c) Taxation subsequent changes

At Summer Budget 2015, the UK government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

Financial statements for the year ended 31 December 2017 (continued)**Notes to the Financial Statements (continued)****8. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES (Continued)****d) Deferred tax**

The deferred tax position is as follows:

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Deferred tax asset: | | |
| Accelerated capital allowances | 37 | (67) |
| General provisions / not relieved in current year | 132 | (156) |
| Asset not booked | - | 223 |
| Deferred tax asset | <u>169</u> | <u>-</u> |

9. TANGIBLE ASSETS

| | Tenancy Improvements and equipment £000 | Fixtures and fittings £000 | Computer equipment £000 | Total £000 |
|---------------------------------|---|----------------------------------|-------------------------------|---------------|
| COST | | | | |
| At 1 January 2017 | 1,140 | 152 | 445 | 1,737 |
| Additions | 74 | - | 78 | 152 |
| Disposals | - | - | - | - |
| At 31 December 2017 | <u>1,214</u> | <u>152</u> | <u>523</u> | <u>1,889</u> |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 January 2017 | 964 | 151 | 427 | 1,542 |
| Charge of the year | 175 | 1 | 27 | 203 |
| Disposals | - | - | - | - |
| At 31 December 2017 | <u>1,139</u> | <u>152</u> | <u>454</u> | <u>1,745</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2017 | <u>75</u> | <u>-</u> | <u>69</u> | <u>144</u> |
| At 31 December 2016 | <u>176</u> | <u>1</u> | <u>18</u> | <u>195</u> |

Financial statements for the year ended 31 December 2017 (continued)**Notes to the Financial Statements (continued)****10. DEBTORS**

| | 2017 | 2016 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Trade Debtors | 9,446 | 2,696 |
| Amounts owed by group undertakings | 1,506 | 4,303 |
| VAT recoverable | 280 | 242 |
| Deferred tax asset | 169 | - |
| Other debtors | 2 | 2 |
| Corporation tax | - | 384 |
| Prepayments and accrued income | 3,001 | 2,446 |
| | <u>14,404</u> | <u>10,073</u> |

Amounts owed by group undertakings are unsecured, non-interest bearing and repayable on demand.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 | 2016 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Trade creditors | 3,402 | 957 |
| Amounts owed to group undertakings | 1,283 | 231 |
| Other taxation and social security | 807 | 1,230 |
| Corporation tax creditor | 30 | - |
| Other creditors | 129 | 124 |
| Accruals and deferred income | 1,846 | 1,029 |
| | <u>7,497</u> | <u>3,571</u> |

Amounts owed to group undertakings are unsecured, non interest bearing and repayable on demand.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2017 | 2016 |
|-------------------------------|-------------|-------------|
| | £000 | £000 |
| Contract termination payments | 136 | 222 |
| Other creditors | 285 | 366 |
| | <u>421</u> | <u>588</u> |

Other creditors includes amounts payable in respect of employee accrued service days which will be paid at the end of their service.

Financial statements for the year ended 31 December 2017 (continued)**Notes to the Financial Statements (continued)****13. CALLED UP SHARE CAPITAL**

Authorised, allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2017 £000 | 2016 £000 |
|----------------------------|-------------------|----------------|--------------|--------------|
| 5,000,000 (2016:5,000,000) | Preference Shares | £ 1 | 5,000 | 5,000 |
| 200,000 (2016:200,000) | Ordinary Shares | £ 1 | 200 | 200 |
| | | | <u>5,200</u> | <u>5,200</u> |

The preference shares are not cumulative, have a 0% coupon rate and are not redeemable. They rank pari passu with the ordinary share capital in all respects, save priority in a winding up of the company.

14. PROFIT AND LOSS ACCOUNT

| | 2017 £000 | 2016 £000 |
|-------------------------------|---------------|---------------|
| At January 1 | 10,887 | 4,988 |
| Profit for the financial year | <u>1,703</u> | <u>5,899</u> |
| At December 31 | <u>12,590</u> | <u>10,887</u> |

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2017 £000 | 2016 £000 |
|-------------------------------|---------------|---------------|
| At January 1 | 16,087 | 10,188 |
| Profit for the financial year | <u>1,703</u> | <u>5,899</u> |
| At December 31 | <u>17,790</u> | <u>16,087</u> |

Financial statements for the year ended 31 December 2017 (continued)**Notes to the Financial Statements (continued)****16. OTHER FINANCIAL LIABILITIES**

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

| | 2017 | 2016 |
|---|--------------|--------------|
| | £000 | £000 |
| Payments due | | |
| Not later than one year | 347 | 340 |
| Later than one year and not later than five years | 1,389 | 1,360 |
| Later than five years | 694 | 1,360 |
| | <u>2,430</u> | <u>3,060</u> |

17. CONTINGENT LIABILITIES

Employment claims:

The Company is aware of challenges to historic employment practices which may have an impact on the Company, including the application of National Insurance Contributions to workers in the UK Continental Shelf. At this point, we do not believe that it is probable that a liability, if any, will arise from any of these claims and therefore no provision has been made.

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available in FRS 102 not to disclose any transactions with entities that are part of the Group which qualify as related parties, on the grounds that it is a subsidiary where 100% of the voting rights are controlled with the Group.

19. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Odfjell Drilling AS (previously Odfjell Offshore AS), a company incorporated in Norway. In the directors' opinion the company's ultimate parent undertaking and controlling party is Odfjell Drilling Ltd, a company incorporated in Bermuda.

A copy of the group financial statements can be obtained from Odfjell Drilling Ltd, Sandslimarķa 63, PO Box 33 Kokstad, N-5863, Bergen, Norway.