

**Stena HSD Limited**

**Directors' report and financial  
statements**

**Registered number 2849743**

**31 December 2007**



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## Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2007

### Principal activities

The principal activity of the company was the ownership and operation of an offshore drilling rig, the *Stena Spey*. On 2 March 2007 the assets and liabilities of the company were sold to a sister company, Stena Spey Drilling Limited, at which point the company ceased trading

### Business review

The company owned the drilling rig, Stena Spey, which operates in the UK Sector of the North Sea. Stena Spey worked continuously during 2007 for Chevron Texaco (UK) until 2 March, when the assets and liabilities of the company were sold to a sister company, at which point the company ceased trading. Its results for the year, and the previous year, are summarised as follows

	2007	2006
	\$000	\$000
Turnover	7,736	40,006
(Loss) profit on ordinary activities before taxation	(584)	11,859
Taxation	4,284	(188)
Profit on ordinary activities after taxation	3,700	11,671

### Proposed dividend

The directors do not recommend the payment of a dividend

### Directors

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

TW Welo  
SW Carlsson (resigned 14 March 2008)  
SW Hultgren  
P Claesson (appointed 14 March 2008)  
J Banks (appointed 27 February 2007)

### Political and charitable contributions

The company made no political or charitable contributions during the year (2006 \$nil)

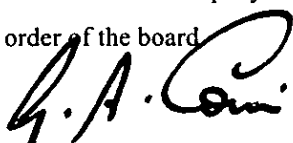
### Disclosure of information to auditors

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 auditors are unaware, and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



GA Cowie  
Secretary

45 Albemarle Street  
London  
W1S 4JL

4 August 2008

## **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)

The financial statements are required by law to 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 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 1985. 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



37 Albyn Place  
Aberdeen  
AB10 1JB  
United Kingdom

## **Independent auditors' report to the members of Stena HSD Limited**

We have audited the financial statements of Stena HSD Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

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

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG LLP*

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

4 August 2008

**Profit and loss account**  
*for the year ended 31 December 2007*

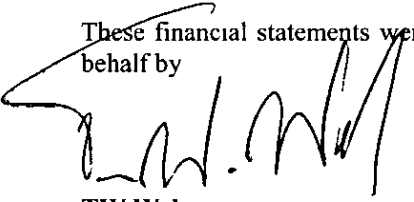
	<i>Note</i>	<b>2007</b> <b>\$000</b>	<b>2006</b> <b>\$000</b>
<b>Turnover</b>	<i>1 &amp; 2</i>	<b>7,736</b>	<b>40,006</b>
Operating costs		<b>(6,837)</b>	<b>(23,846)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>899</b>	<b>16,160</b>
Administrative expenses		<b>(1,595)</b>	<b>(4,942)</b>
		<hr/>	<hr/>
<b>Operating (loss) profit</b>		<b>(696)</b>	<b>11,218</b>
Other finance income	<i>6</i>	<b>112</b>	<b>641</b>
		<hr/>	<hr/>
<b>(Loss) profit on ordinary activities before taxation</b>	<i>3-5</i>	<b>(584)</b>	<b>11,859</b>
Tax on (loss) profit ordinary activities	<i>7</i>	<b>4,284</b>	<b>(188)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation being profit for the financial year</b>	<i>12</i>	<b>3,700</b>	<b>11,671</b>
		<hr/> <hr/>	<hr/> <hr/>

Turnover and operating (loss) profit in the current and prior year arose wholly from discontinued operations  
The company had no recognised gains or losses other than the results for the financial years reported above

**Balance sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>2007</b>	<b>2006</b>
		<b>\$000</b>	<b>\$000</b>
<b>Fixed assets</b>			
Tangible assets	8	-	18,727
<b>Current assets</b>			
Debtors	9	7,428	12,244
<b>Creditors</b> amounts falling due within one year	10	(2,548)	(29,791)
<b>Net current assets (liabilities)</b>		<b>4,880</b>	<b>(17,547)</b>
<b>Total assets less current liabilities</b>		<b>4,880</b>	<b>1,180</b>
<b>Net assets</b>		<b>4,880</b>	<b>1,180</b>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	4,880	1,180
<b>Shareholders' funds</b>	13	<b>4,880</b>	<b>1,180</b>

These financial statements were approved by the board of directors on 4 August 2008 and were signed on its behalf by

  
**TW Welo**  
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 financial statements

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard 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

The functional currency of the company (and the Stena Drilling (Holdings) Limited group) is United States Dollars. The dollar is the prevalent currency used within the oil industry and the Company has a significant level of dollar assets and financing. The financial statements are therefore presented in US dollars

As the company is a wholly owned subsidiary of Stena AB, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). A copy of the consolidated financial statements of Stena AB, within which this company is included, can be obtained from the address given in note 14

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign 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

#### ***Tangible fixed assets and depreciation***

Depreciation is provided on the drilling rig *Stena Spey* to write off the cost less estimated residual value by equal instalments over its estimated remaining useful economic life of 8 years

#### ***Taxation***

The charge or credit for taxation is based on the results for the year 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

#### ***Turnover***

Turnover represents the revenue generated (net of value added tax) from the operation and charter of an offshore drilling rig



## Notes (continued)

### 1 Accounting policies (continued)

#### *Classification of financial instruments issued by the company*

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (ie forming part of shareholders' funds) only to the extent that they meet the following two conditions

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

#### *Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 2 Analysis of turnover

The company's turnover and (loss) profit before taxation are derived entirely from its principal activities. Turnover in the current and previous financial year wholly arose in Europe.

### 3 Notes to the profit and loss account

	2007	2006
<i>(Loss) profit on ordinary activities before taxation is stated</i>	<b>\$000</b>	<b>\$000</b>
<i>after charging (crediting)</i>		
Depreciation written off tangible fixed assets	2,387	5,548
Exchange gains	(60)	(333)
	<hr/>	<hr/>

Auditors remuneration of \$7,000 (2006 \$20,000) was borne by a fellow group undertaking on behalf of the company in both the current and previous year.

### 4 Remuneration of directors

None of the directors received any remuneration in respect of their services to the company during the year (2006 \$nil).

## Notes (continued)

### 5 Staff numbers and costs

The company had no employees during the year (2006 none)

Crew for the rig are obtained through labour contractors and as such are not included in staff numbers and costs

### 6 Other finance income

	2007 \$000	2006 \$000
Pledge fees	52	308
Foreign exchange gains	60	333
	<u>112</u>	<u>641</u>

### 7 Taxation

Analysis of (credit) charge in year

	2007 \$000	2006 \$000
<i>Group relief</i>		
Current tax on income for the year	699	3,861
Adjustments in respect of prior years	(4,437)	4,206
Total current tax (credit) charge	<u>(3,738)</u>	<u>8,067</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(664)	(3,340)
Adjustments in respect of prior years	118	(4,539)
Total deferred tax credit	<u>(546)</u>	<u>(7,879)</u>
Tax on profit on ordinary activities	<u>(4,284)</u>	<u>188</u>

## Notes (continued)

### 7 Taxation (continued)

#### Factors affecting the tax (credit) charge for the current year

The current tax (credit) charge for the year is higher (2006 higher) than the standard rate of corporation tax in the UK 30% (2006 30%). The differences are explained below

	2007 \$000	2006 \$000
<i>Current tax reconciliation</i>		
(Loss) profit on ordinary activities before tax	(584)	11,859
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	(175)	3,558
<i>Effects of</i>		
Expenses not deductible for tax purposes	210	112
Difference between depreciation and capital allowances for the year	664	3,340
Release of deferred tax on capital gain held over	-	(3,149)
Adjustments in respect of prior years group relief	(4,437)	4,206
	<hr/>	<hr/>
Total current tax (credit) charge (see above)	(3,738)	8,067
	<hr/>	<hr/>

### 8 Tangible fixed assets

	Drilling rig \$000
<i>Cost</i>	
At beginning of year	96,417
Additions	1
Disposals	(96,418)
	<hr/>
At end of year	-
	<hr/>
<i>Depreciation</i>	
At beginning of year	77,690
Charge for year	2,387
Disposals	(80,077)
	<hr/>
At end of year	-
	<hr/>
<i>Net book value</i>	
At 31 December 2007	-
	<hr/>
At 31 December 2006	18,727
	<hr/>

## Notes (continued)

### 9 Debtors

	2007 \$000	2006 \$000
Trade debtors	-	4,361
Amounts owed by group undertakings	7,404	5,691
Group relief receivable	24	-
Other debtors	-	100
Prepayments and accrued income	-	188
Deferred tax asset	-	1,904
	<u>7,428</u>	<u>12,244</u>
		<b>Deferred tax asset \$000</b>
At beginning of year		1,904
Credit for year		546
Disposal		(2,450)
<b>At end of year</b>		<u>-</u>

The deferred taxation is calculated at 28% (2006 30%) and wholly relates to the difference between accumulated depreciation and capital allowance

### 10 Creditors: amounts falling due within one year

	2007 \$000	2006 \$000
Amounts owed to group undertakings	2,548	20,533
Group relief payable	-	8,067
Accruals and deferred income	-	1,191
	<u>2,548</u>	<u>29,791</u>

### 11 Called up share capital

	2007 \$	2006 \$
<b>Authorised</b>		
100 ordinary shares of £1 each	199	196
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	2	2

## Notes (continued)

### 12 Profit and loss account

	2007 \$000
At beginning of year	1,180
Profit for the year	3,700
	<hr/>
At end of year	<b>4,880</b>
	<hr/>

### 13 Reconciliation of movements in shareholders' funds

	2007 \$000	2006 \$000
Profit for the financial year being net addition to shareholders' funds	3,700	11,671
Opening shareholders' funds (deficit)	1,180	(10,491)
	<hr/>	<hr/>
Closing shareholders' funds	<b>4,880</b>	1,180
	<hr/>	<hr/>

### 14 Ultimate holding company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Stena AB, a company incorporated in Sweden, which is the company's ultimate parent company and ultimate controlling party

The largest group in which the results of the company are consolidated is that headed by Stena AB. Copies of the consolidated financial statements of Stena AB can be obtained from Patent och Registreringsverket, Bolagsavdelningen, 851 81 Sunsvall, Sweden

The smallest group in which the results of the company are consolidated is that headed by Stena Drilling (Holdings) Limited, a company incorporated in England and Wales. Copies of the consolidated financial statements of Stena Drilling (Holdings) Limited can be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ