Stena HSD Limited

Directors' report and financial statements

Registered number 2849743

31 December 2008

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2008.

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. As the directors do not intend to acquire a replacement trade, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

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	

Political and charitable contributions

The company made no political or charitable contributions during the year *(2007: $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

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

By order of the board

G.A. Cowie

GA Cowie
Secretary

45 Albemarle Street
London
W1S 4JL

28 July 2009

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 a going concern basis unless it is inappropriate to presume that the company will continue in business. (As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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.

KPMG

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 2008 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. As explained in note 1, these financial statements have not been prepared on the going concern basis.

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 2008 and of its loss 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

28 July 2009

Profit and loss account

for the year ended 31 December 2008

	Note	**2008** **$000**	2007 $000
Turnover	*1 & 2*	-	7,736
Operating costs		-	(6,837)
Gross profit		-	899
Administrative expenses		**(10)**	(1,595)
Operating loss		**(10)**	(696)
Other finance income	*6*	-	112
Loss on ordinary activities before taxation	*3-5*	**(10)**	(584)
Tax on loss on ordinary activities	*7*	**(3,906)**	4,284
(Loss) profit on ordinary activities after taxation being (loss) profit for the financial year	*11*	**(3,916)**	3,700

Turnover and operating loss 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 2008

	Note	2008 $000	2008 $000	2007 $000	2007 $000
Current assets					
Debtors	8	**2,987**		7,428	
Creditors: amounts falling due within one year	9	**(2,023)**		(2,548)	
Net current assets			**964**		4,880
Total assets less current liabilities			**964**		4,880
Net assets			**964**		4,880
Capital and reserves					
Called up share capital	10		**-**		-
Profit and loss account	11		**964**		4,880
Shareholders' funds	12		**964**		4,880

These financial statements were approved by the board of directors on 28 July 2009 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. In previous years, the financial statements have been prepared on a going concern basis. However on 2 March 2007 the directors took the decision to cease trading following the transfer of the company's trade to a fellow group company. As they do not intend to acquire a replacement trade, the directors have not prepared these financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

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 13.

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.

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 before taxation are derived entirely from its principal activities. Turnover in the previous financial year wholly arose in Europe.

3 Notes to the profit and loss account

	2008	2007
Loss on ordinary activities before taxation is stated after charging (crediting)	**$000**	$000
Depreciation written off tangible fixed assets	-	2,387
Exchange gains	-	(60)

Auditors remuneration of $3,000 *(2007: $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 *(2007: $nil)*.

Notes *(continued)*

5 Staff numbers and costs

The company had no employees during the year *(2007: none)*.

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

6 Other finance income

	2008	2007
	$000	$000
Pledge fees	-	52
Foreign exchange gains	-	60
	-	112

7 Taxation

Analysis of charge (credit) in year

	2008		2007	
	$000	**$000**	$000	$000
Group relief				
Current tax on income for the year	-		699	
Adjustments in respect of prior years	**3,906**		(4,437)	
Total current tax		**3,906**		(3,738)
Deferred tax				
Origination and reversal of timing differences	-		(664)	
Adjustments in respect of prior years	-		118	
Total deferred tax		-		(546)
Tax on loss on ordinary activities		**3,906**		(4,284)

Notes *(continued)*

7 Taxation *(continued)*

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

The current tax charge (credit) for the year is higher *(2007: higher)* than the standard rate of corporation tax in the UK of 28.5% *(2007: 30%)*. The differences are explained below:

	2008 $000	2007 $000
Current tax reconciliation:		
Loss on ordinary activities before tax	**(10)**	(584)
Current tax at 28.5% *(2007: 30%)*	**(3)**	(175)
Effects of:		
Expenses not deductible for tax purposes	**3**	210
Difference between depreciation and capital allowances for the year	**-**	664
Adjustments in respect of prior years: group relief	**3,906**	(4,437)
Total current tax charge (credit) (see above)	**3,906**	(3,738)

8 Debtors

	2008 $000	2007 $000
Amounts owed by group undertakings	**2,934**	7,404
Group relief receivable	**-**	24
Other debtors	**53**	-
	2,987	7,428

9 Creditors: amounts falling due within one year

	2008 $000	2007 $000
Amounts owed to group undertakings	**2,023**	2,548

Notes *(continued)*

10 Called up share capital

	2008	2007
	$	$
Authorised		
100 ordinary shares of £1 each	**199**	199
Allotted, called up and fully paid		
1 ordinary share of £1	**2**	2

11 Profit and loss account

	2008
	$000
At beginning of year	**4,880**
Loss for the year	**(3,916)**
At end of year	**964**

12 Reconciliation of movements in shareholders' funds

	2008	2007
	$000	$000
(Loss) profit for the financial year being net (reduction in) addition to shareholders' funds	**(3,916)**	3,700
Opening shareholders' funds	**4,880**	1,180
Closing shareholders' funds	**964**	4,880

13 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.