

Land Rig Parent Limited
Annual report and financial statements
for year ended 31 December 2007

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Land Rig Parent Limited
Annual report and financial statements
for the year ended 31 December 2007

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Land Rig Parent Limited

Board of Directors and other officers

Board of Directors

LDC Corporate Director No. 3 Limited
LDC Corporate Director No. 4 Limited

Company Secretary

Law Debenture Corporate Services Limited

Auditors

Anderson, Anderson & Brown LLP
9 Queens Road
Aberdeen
AB15 4YL

Registered office

Fifth Floor
100 Wood Street
London
EC2V 7EX

Land Rig Parent Limited

Directors' report for the year ended 31 December 2007

The directors present their directors' report and consolidated financial statements of Land Rig Parent Limited ("the Company") and its subsidiary undertaking (together "the Group") for the year ended 31 December 2007.

Date of incorporation

The Company was incorporated on 19th December 2005. This set of financial accounts is for the year 31 December 2007. The comparative figures are for the year from 19 December 2005 to 31 December 2006.

Business review and principal activities

The Company is a wholly owned subsidiary of The Law Debenture Intermediary Corporation PLC.

The Company's principal activity is that of a holding company, whose subsidiary undertaking's principal activity is the lease of drilling rigs to the oil and gas industry.

There have been no significant events since the balance sheet date.

The accounts are stated in dollars as the company conducts the majority of its affairs in that currency.

Principal risks and uncertainties

Recognising and managing risk is an inherent part of the management culture. The Group is exposed to foreign exchange risk as a result of the requirement to pay Russian VAT in the local currency, Roubles. For the year under review, exchange rate movements meant that there was a foreign exchange gain. The directors believe that, in the event of any future exchange rate losses, these will be recoverable from the lessee group in accordance with the terms of the legal documentation governing the Group's activities. The directors have concluded that the Group does not bear any interest rate risk, credit risk, liquidity risk or price risk, so long as its counterparts comply with their obligations under the transaction documentation in a timely way.

The Company has the benefit of a Residual Value Guarantee ("the Guarantee") from a parent company of the lessee of the rig which means that in the event that the value of the rig upon disposition is less than the liabilities owed by the Company to third parties in respect of the financing of the rig's purchase, the Company will receive any shortfall in accordance with the terms of the Guarantee.

Environment

The Company recognises the importance of its environmental responsibilities, and has policies in place to manage its impact on the environment.

Employees

Neither the Company nor the Group had any employees at anytime during the current or prior year.

Land Rig Parent Limited

Results and dividends

The Company did not trade during the year. The Group's loss after tax for the year transferred to reserves was \$3,006 (2006: profit \$10,216). The directors do not propose the payment of a dividend. The directors remain confident that, so long as the legal action for VAT recoverability is won, the Group's cash flow forecasts indicate that the Group will remain profitable and that it therefore remains a going concern.

Directors

The directors who served during the year were as follows:

LDC Corporate Director No. 3 Limited

LDC Corporate Director No. 4 Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement as to disclosure of information to auditors

- a) So far as each director is aware, there is no relevant audit information of which the auditors are unaware; and
- b) Each of the directors has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Anderson, Anderson & Brown LLP have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



~~Sharon Tyson~~

Sharon Martin

Representing Law Debenture Corporate Services Limited
Secretary

Land Rig Parent Limited

Independent Auditors' Report to the Members of Land Rig Parent Limited

We have audited the group and parent company's financial statements of Land Rig Parent Limited for the year ended 31 December 2007 which comprise of the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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.

Land Rig Parent Limited

Fundamental uncertainties

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of a Court case relating to recovery of Russian VAT amounting to \$4.46m. Failure to recover this amount would materially affect the ability of the company to continue as a going concern. Details of the circumstances relating to these fundamental uncertainties are described in note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion:-

- the accounts give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the group's and parent company's affairs as at 31 December 2007 and of the group's loss for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information provided in the directors' report is consistent with the accounts.

Anderson Anderson & Brown LLP

Anderson, Anderson & Brown LLP
Chartered Accountants and Registered Auditors
Aberdeen

7 SEPTEMBER 2007

Land Rig Parent Limited

Consolidated Income statement for the year ended 31 December 2007

	Note	Year ended 31 December 2007 US\$	Period ended 31 December 2006 US\$
Continuing operations			
Revenue		1,589,329	1,000,952
Administrative expenses		(323,238)	(112,012)
Exchange gain		295,708	105,547
Operating profit		1,561,799	994,487
Finance costs	4	(1,564,805)	(981,871)
(Loss)/profit before taxation	6	(3,006)	12,616
Taxation	7	-	2,400
(Loss)/profit for the year from continuing operations		(3,006)	10,216

The Group has no recognised gains and losses in the year other than those included within the income statement.

There is no material difference between the profit before taxation and the profit for the year from continuing operations stated above, and their historical cost equivalents.

The Company has taken advantage of the exemption in Section 230 of the Companies Act 1985 not to present its own profit and loss account.

Land Rig Parent Limited

Balance sheet as at 31 December 2007

	Note	Group 2007 US\$	Company 2007 US\$	Group 2006 US\$	Company 2006 US\$
Assets					
Non-current assets					
Investments	8	-	2	-	2
		-	2	-	2
Current assets					
Cash and cash equivalents		8,424	-	337,169	-
Trade and other receivables:					
Amounts falling due after one year	9	19,867,389	2	22,121,267	2
Amounts falling within one year	9	7,068,942	-	6,093,437	-
		26,944,755	2	28,551,873	2
Total Assets		26,944,755	4	28,551,873	4
Liabilities					
Current liabilities					
Trade and other payables	10	(678,143)	2	(386,013)	(2)
Financial liabilities – borrowings	11	(2,655,862)	-	(2,492,862)	-
		(3,334,005)		(2,878,875)	(2)
Non current liabilities					
Financial liabilities – borrowings	11	(23,603,538)	-	(25,662,780)	-
Total liabilities		(26,937,543)	2	(28,541,655)	(2)
Net assets		7,212	2	10,218	2
Capital and reserves attributable to company's equity shareholders					
Share capital	12	2	2	2	2
Retained earnings	13	7,210	-	10,216	-
Total shareholder's equity	14	7,212	2	10,218	2

The financial statements on pages 6 to 16 were approved by the board of directors and were signed on its behalf by:

Ian Bowden
Representing LDC Corporate Director No. 3 Limited
Director



7 September 2009

Land Rig Parent Limited

Cash flow statement for the year ended 31 December 2007

		Group Year ended 31 December 2007 US\$	Company Year ended 31 December 2007 US\$	Group 19 December 2005 to 31 December 2006 US\$	Company 19 December 2005 to 31 December 2006 US\$
	Note				
Cash flows from operating activities					
Net cash from (used in) operating activities	15	3,132,302	-	(27,106,604)	-
Cash flows from investing activities					
Investment in subsidiary		-	-	-	(2)
Interest paid		(1,564,804)	-	(711,871)	-
Net cash used in investing activities		1,567,497	-	(27,818,475)	(2)
Cash flows from financing activities					
Proceeds from share issues		-	-	2	2
Proceed from bank loan		-	-	24,415,000	-
Proceed from other loans		607,549	-	4,394,700	-
Repayment of capital of loans		(2,503,791)	-	(654,058)	-
Net cash (outflow)/inflow from financing activities		(1,896,242)	-	28,155,644	2
Net (decrease)/increase in cash and cash equivalents		(328,745)	-	337,169	-
Cash at beginning of year/period		337,169	-	-	-
Cash and cash equivalents at end of year/period		8,424	-	337,169	-

Cash and cash equivalents as set out above on the cash flow statement include overdraft facilities which form part of the Company's cash management.

Land Rig Parent Limited

Notes to the financial statements for the year ended 31 December 2007

1 Fundamental uncertainties

The accounts have been prepared on a going concern basis, which assumes that the group will continue to meet its liabilities as they fall due.

Within other receivables of the subsidiary, Land Rig SPV Limited, is an amount of \$4.46 million (2006: \$4.19 million) representing VAT recorded as recoverable in Russia. The Russian tax authorities are challenging reimbursement of this VAT and the matter is only capable of being resolved through the Russian court system. Failure to recover this sum would have a material effect on the accounts as presented and on the group's ability to continue as a going concern.

The subsidiary has a five year contract which is forecast to generate annual revenues of \$3.46 million. This is insufficient to meet its annual obligation under its commitments of \$3.84 million, (2006: \$4.06 million) in the event of non recovery of Russian VAT as noted above.

2 Basis of preparation

The financial statements have been prepared under the historical cost convention. A summary of the more important Company accounting policies is set out below.

3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated or deconsolidated from the effective date control is transferred to or from the Company. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any excess of the identifiable net assets over the cost of acquisition is recognised directly in the income statement.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Investments

Investments held as fixed assets are shown at cost less appropriate provision where the directors consider that impairment in value has occurred. Investments are considered for impairment at least annually.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits with maturities of less than three months held with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Land Rig Parent Limited

Fair values of non-derivative financial assets and financial liabilities

The fair value of trade and other receivables, and trade and other payables are approximate to carrying amounts.

Foreign currencies

Transactions denominated in foreign currencies are translated and recorded at the rate of exchange ruling at the date of the transaction or contracted rates where appropriate. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rates ruling at the balance sheet date. Translation gains or losses are included in the income statement for that period.

Functional and presentation currency

The financial statements are presented in US dollars, which is the functional currency.

Taxation

The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, tax losses carried forward and, in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantially enacted, by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Finance leases and hire purchase contracts

Amounts receivable under finance leases and hire purchase contracts are included in debtors and represent the total amount outstanding under lease agreements less unearned income. Finance lease income, having been allocated to accounting periods to give constant periodic rate of return on the net cash investment, is included in turnover.

Land Rig Parent Limited

Revenue

Revenue which excludes value added tax, represents the invoiced value of goods and services supplied in Russia and the United Kingdom.

Disclosure of impact of future accounting standards

We do not anticipate that pending standards will have any material impact on the Company's financial statements.

4 Finance costs and income

	Year ended 31 December 2007 US\$	Period ended 31 December 2006 US\$
Finance costs		
Bank interest paid	1,551,410	981,871
Interest on Russian VAT	13,395	-
Finance costs	1,564,805	981,871

5 Directors and employees

None of the directors who served during the current or prior year received any emoluments in respect of their services to the Company or Group.

The Company and Group had no employees at any time during the current or prior year.

6 (Loss)/profit before taxation

The following items have been included in arriving at profit before taxation:

	Year ended 31 December 2007 US\$	Period ended 31 December 2006 US\$
Hire purchase and finance lease interest income	1,589,330	1,000,952

Land Rig Parent Limited

Audit Remuneration

Services provided by the Company's auditors and network firms

During the year the Company obtained the following services from the Group's auditor at the following costs:

	Year ended 31 December 2007 US\$	Period ended 31 December 2006 US\$
Audit services		
Fees payable to Company's auditor for the audit of Company accounts	20,000	10,000
Non audit services		
Other services	-	2,894

7 Taxation

(a) Analysis of charge for year

	Year ended 31 December 2007 US\$	Period ended 31 December 2006 US\$
Current tax charge for year (note 7 (b))	-	2,400

(b) Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%) (2006: 20%). The differences are explained below:

	Year ended 31 December 2007 US\$	Period ended 31 December 2006 US\$
(Loss)/profit before taxation	(3,006)	12,616
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK 30% (2006 – 20%)	(902)	2,397
Effects of:		
Tax effect of timing differences not provided	896	3
Other	6	-
Current tax charge for year (note 7 (a))	-	2,400

Land Rig Parent Limited

8 Investments

	Company US\$
Shares in Group undertaking	
At 31 December 2006 and 31 December 2007	2

During 2006, the company acquired the whole of the share capital of Land Rig SPV Limited, a Company registered in England and Wales whose principal activity is the leasing of drilling rigs to the oil and gas industry.

9 Trade and other receivables

	Group 2007 US\$	Company 2007 US\$	Group 2006 US\$	Company 2006 US\$
Trade receivables	683,810	-	355,010	-
Amounts owed by Group undertaking	-	2	-	2
Other receivables	4,464,939	-	4,193,942	-
Net investments on hire purchase and finance leases	21,787,582		23,665,752	
	26,936,331	2	28,214,704	2

Included within net investments on hire purchase and finance leases is an amount of \$19,867,389 (2006: \$22,121,267) which is due in greater than one year.

10 Trade and other payables

	Group 2007 US\$	Company 2007 US\$	Group 2006 US\$	Company 2006 US\$
Trade payables	675,545	-	383,415	-
Amounts owed to group undertakings	198	2	198	2
Corporation tax	2,400	-	2,400	-
	678,143	2	386,013	2

Land Rig Parent Limited

11 Financial liabilities - borrowings

	Group 2007 US\$	Company 2007 US\$	Group 2006 US\$	Company 2006 US\$
Current loans				
Bank loan	1,988,504	-	1,863,582	-
Other loan - unsecured	667,358	-	629,280	-
	2,655,862	-	2,492,862	-
Non current loans				
Bank loan	20,119,581	-	22,108,086	-
Other loan - unsecured	3,483,957	-	3,554,694	-
	23,603,538	-	25,662,780	-
Total borrowings	26,259,400	-	28,155,642	-

The bank loan is secured over the assets of the Company. Interest is paid at the rate of 6.66% per annum. No interest is payable on unsecured loans.

12 Share capital

	Group 2007 US\$	Company 2007 US\$	Group 2006 US\$	Company 2006 US\$
Authorised				
100 ordinary shares of £1 each	195	195	195	195

	Group US\$	Company US\$
Issued		
At 31 December 2006 and 31 December 2007	2	2

Land Rig Parent Limited is a limited company incorporated and domiciled in England and Wales.

Land Rig Parent Limited

13 Retained earnings

	Group US\$	Company US\$
At 31 December 2006	10,216	-
Loss for the year	(3,006)	-
At 31 December 2007	7,210	-

14 Statement of changes in shareholders' equity

Group	Share Capital US\$	Retained Earnings US\$	Total US\$
At 31 December 2006	2	10,216	10,218
Loss for the year	-	(3,006)	(3,006)
At 31 December 2007	2	7,210	7,212

15 Cash generated from operations

	Group 2007 US\$	Company 2007 US\$	Group 2006 US\$	Company 2006 US\$
(Loss)/profit of the period	(3,006)	-	10,216	-
Adjustments for:				
Interest payable	1,564,805	-	711,871	-
Changes in working capital:				
(Increase) in trade and other receivables	1,278,373	-	(28,214,704)	(2)
Increase in trade and other payables	292,130	-	386,013	2
Cash from/(used in) operations	3,132,302	-	(27,106,604)	-

Land Rig Parent Limited

16 Related party transactions

The following balances relate to transactions carried out with group undertakings:

	Group 2007 US\$	Company 2007 US\$	Group 2006 US\$	Company 2006 US\$
Amounts owed to group undertakings	198	2	198	2
Amounts owed by group undertakings	-	2	-	2

There were no other related party transactions during the year.

17 Ultimate parent undertaking

The Company is a wholly owned subsidiary of The Law Debenture Intermediary Corporation PLC which is incorporated in England and Wales which is also the Company's ultimate parent undertaking, the shares being held under a trust arrangement. Copies of the financial statements of The Law Debenture Intermediary Corporation PLC may be obtained from Law & Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London, EC2V 7EX.