Turbo Gamma Limited

Annual report and financial statements

for the year ended 31 December 2009

Registered Number : 6433754

Turbo Gamma Limited

Annual report and financial statements

for the year ended 31 December 2009

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Turbo Gamma Limited

Board of Directors and other officers

Board of Directors

E T Bialas

J R Edwards

N J Hartley

A Schwartz

Company Secretary

L Cameron

Auditors

PricewaterhouseCoopers LLP
32 Albyn Place
Aberdeen
AB10 1YL

Registered Office

3 Colmore Circus
Birmingham
B4 6BH

Turbo Gamma Limited

Directors' report for the year ended 31 December 2009

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2009

Business review and principal activities
The Company is a wholly owned subsidiary undertaking of Turbo Delta Limited

The Company's principal activity is a holding company whose principal subsidiary undertakings provide drilling and related well and facilities engineering services both offshore and onshore on a worldwide basis, principally to the energy industry The Company will continue to operate as a holding company in the future

The principal subsidiary undertakings are set out in note 12 to the financial statements

Principal risks and uncertainties
The principal risks and uncertainties are discussed within note 7 on page 14

Key performance indicators
The directors of Turbo Cayman Limited manage the Group's operations on a divisional basis For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Turbo Gamma Limited

Environment
The company has various subsidiaries that provide drilling and related well and facilities engineering services both onshore and offshore In the execution of these services they undertake environmental risk assessments and site appraisals as standard These assessments are discussed with the clients to improve the environmental performance of the operation as a whole, through the preparation and implementation of site specific environmental plans

Employees
The Company had no employees at anytime during the year

Results and dividends
The Company made neither a profit nor a loss during the year The directors do not recommend payment of a dividend

Directors and their interests
The directors who served during the year were as follows

E T Bialas
J R Edwards
N J Hartley
K J Pringle (resigned 8 December 2009)
A Schwartz

Turbo Gamma Limited

Directors' report for the year ended 31 December 2009 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Director's report and 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 the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the accounts 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 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

The directors will place a resolution before the Annual General meeting to appoint PricewaterhouseCoopers LLP to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and the directors continue to adopt the going concern basis in preparing the accounts Refer to Note 1 of Notes to the Financial Statements

By order of the Board
L Cameron
Secretary
23 September 2010

Turbo Gamma Limited

Independent Auditors' Report to the Members of Turbo Gamma Limited

We have audited the financial statements of Turbo Gamma Limited for the year ended 31 December 2009 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its result and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union,
- have been prepared in accordance with the requirements of the Companies Act 2006

Turbo Gamma Limited

Independent Auditors' Report to the Members of Turbo Gamma Limited (continued)

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures set out in note 1 to the financial statements concerning the Company's ability to continue in operational existence for the foreseeable future

The Group in which the Company is a part breached one of its financial covenants during 2010 and the Group's directors have commenced discussions with its lenders to agree amended borrowing terms This indicates the existence of material uncertainty that may cast significant doubt on the Group and the Company's ability to continue as a going concern Should this uncertainty not be successfully resolved the going concern basis of preparation may no longer be applicable and adjustments to the financial statements may be required to record additional liabilities and write down assets to their recoverable amounts

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
23 September 2010

Turbo Gamma Limited

Income statement for the year ended 31 December 2009

During the year, and the prior period, the Company did not trade, received no revenue and incurred no expenditure Consequently, the Company made neither a profit nor a loss, nor were there any recognised income or expenses

Turbo Gamma Limited

Balance sheet as at 31 December 2009

	Note	2009 $m	2008 $m
Assets			
Non-current assets			
Investments	4	**25.7**	25 7
Current assets			
Trade and other receivables	5	**1,370.3**	1,370 3
Total assets		**1,396.0**	1,396 0
Liabilities			
Current liabilities			
Trade and other payables	6	**1,382.0**	1,382 0
Total liabilities		**1,382.0**	1,382 0
Net current liabilities		**(11.7)**	(11 7)
Net assets		**14.0**	14 0
Capital and reserves attributable to Company's equity shareholder			
Share capital	8	**-**	-
Share premium reserve		**14.0**	14 0
Total shareholder's equity		**14.0**	14 0

The financial statements on pages 6 to 17 were approved by the board of directors on 23 September 2010 and signed on its behalf by

E Bialas

Director

23 September 2010

Registered number 6433754

Turbo Gamma Limited

Statement of changes in equity as at 31 December 2009

	Share capital $m	Share premium reserve $m	Total $m
At 1 January 2009	-	14 0	14 0
At 31 December 2009	**-**	**14.0**	**14.0**

	Share capital $m	Share premium reserve $m	Total $m
At date of incorporation	-	-	-
Issue of share capital	-	14 0	14 0
At 31 December 2008	-	14 0	14 0

Turbo Gamma Limited

Cash flow statement for the year ended 31 December 2009

	Note	**2009** **$m**	2008 $m
Cash from operating activities			
Changes in working capital			
Increase in trade and other receivables	5	-	(1,370 3)
Increase in trade and other payables	6	-	1,382 0
Net cash generated from operating activities		-	11 7
Cash flows from investing activities			
Acquisition of subsidiary, including overdraft acquired	4	-	(25 7)
Net cash (used in) investing activities		-	(25 7)
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of expenses		-	14 0
Net cash generated from financing activities		-	14 0
Net increase in cash and bank overdrafts		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

Turbo Gamma Limited

Notes to the financial statements for the year ended 31 December 2009

1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention A summary of the more important Company accounting policies is set out below

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Turbo Cayman Limited, which prepares consolidated financial statements that are publicly available

The Company had net current liabilities at the balance sheet date of $11 7 million However, the directors have obtained confirmation that fellow group undertakings will not require or demand repayment of amounts due to them which would result in the Company being unable to meet its obligations This confirmation is valid for a minimum of 12 months from the date of approval of the financial statements

Basis of accounting

The Company's ultimate parent company which prepares consolidated financial statements that are publicly available is Turbo Cayman Limited ("the Group") The Directors of the Company are aware of the disclosure in the Group accounts for the year ended 31 December 2009 with regards to the significant uncertainty surrounding the going concern status of the Group, and have taken this into account when assessing the going concern basis of preparation of these financial statements

The Group is funded through its Senior and Mezzanine lending facilities, which incorporate a working capital facility The Group's facility agreements include a number of financial covenants which are measured on a quarterly basis If any of these covenants are breached, the facilities could be cancelled and the debt would be repayable on demand If these facilities were cancelled, the Group would have insufficient funds to meets its debts as they fall due and therefore would be unable to continue as a going concern The working capital facility of the Company is dependent on the availability of the Group facility

Due to the tightening of the Group's debt covenants in 2010, the Group deferred its Senior debt covenant of Net Debt to EBITDA for quarter 2 2010, by obtaining a covenant waiver for a period of 3 months until mid-November 2010 One of the conditions of the waiver is that further potential draw downs on the working capital facility during the 3 month period are reduced from $ 40 mm to $ 20 mm

Management have engaged Morgan Stanley to assist with the restructuring of the Group's finances and have commenced discussions with its lenders and shareholders to agree amended terms In the view of the Directors there are no fundamental issues which would prevent such amended terms from being agreed

The Directors have reviewed the Group's revenue, EBITDA, cashflow projections and resultant debt levels, as a consequence they are of the view that a satisfactory conclusion to these negotiations will be reached and are confident that the Group will have adequate resources to meet all its liabilities as they fall due for the foreseeable future For these reasons the Directors consider it appropriate to continue to prepare the Group's financial statements on a going concern basis

As a result, these financial statements have been prepared on a going concern basis and do not contain any adjustments that would result from the going concern basis not being appropriate

Turbo Gamma Limited

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below

Investments

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

Impairment

The Company performs impairment reviews in respect of investments when circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than its carrying amount

Taxation

The tax charge represents the sum of tax currently payable Tax currently payable is based on the taxable profit for the period 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

Financial Instruments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate The Company determines the classification of its financial assets at initial recognition

The Company's financial assets include only trade and other receivables

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate The Company determines the classification of its financial liabilities at initial recognition

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs

The Company's financial liabilities include only trade and other payables

2 Summary of significant accounting policies (continued)

The following standards and interpretations were mandatory for the year ended 31 December 2009 and had no significant impact on the financial statements:

- IAS 1 (revised) Presentation of financial statements The standard prescribes the basis for presentation of financial statements and aims to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities Comparative information has been re-presented so that it also is in conformity with the revised standard This has only a presentational impact on the financial statements

- IFRS 7 Financial Instruments Disclosures' (amendment) The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy This amendment does not have a material impact of the financial statements as all derivative instruments are classified as level 1 in the fair value measurement hierarchy

- IAS 23 (revised) Borrowing Costs The revision to this standard removes the option of immediately recognising borrowing costs as an expense where borrowing costs relate to qualifying assets that take a substantial period of time to get ready for use This revision has not had any impact on the Company's financial statements because such borrowing costs have not historically been expensed

The future accounting standards that may affect the Company in 2010 and 2011 are as follows:

- IFRS 3 (revised), Business combinations (effective from 1 July 2009) The revised standard continues to apply the acquisition method to business combinations, with some significant changes For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets All acquisition-related costs should be expensed The Company will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010

- IAS 38 (amendment), Intangible Assets The amendment is part of the IASB's annual improvements project published in April 2009 and the Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives The amendment will not result in a material impact on the Company's financial statements

- IFRS 5 (amendment), Non-current assets held for sale and discontinued operations The amendment is part of the IASB's annual improvements project published in April 2009 The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1 The Company will apply IFRS 5 (amendment) from 1 January 2010 It is not expected to have a material impact on the Company's financial statements

2 Summary of significant accounting policies (continued)

The future accounting standards that may affect the Company in 2010 and 2011 continued:

- IAS 1 (amendment), Presentation of financial statements The amendment is part of the IASB's annual improvements project published in April 2009 The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time The Company will apply IAS 1 (amendment) from 1 January 2010 It is not expected to have a material impact on the Company's financial statements

Significant accounting judgments and estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates Where significant estimates or assumptions have been applied in estimating balances in the financial statements, these have been disclosed in the relevant notes to those balances

3 Profit before taxation

Audit fees are borne by another group company For the purposes of disclosure a fair allocation of the audit fee would be $10,000

4 Investments

Investments comprise the cost of shares in subsidiary undertakings as follows

	2009 **$m**	2008 $m
At 1 January	**25.7**	-
Additions	-	25.7
At 31 December	**25.7**	25.7

A list of principal subsidiary undertakings is given in note 12 This investment consists of 50% of Turbo Beta Limited

5 Trade and other receivables

	2009 **$m**	2008 $m
Amounts owed by group undertakings	**1,370.3**	1,370 3

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

6 Trade and other payables

	2009 **$m**	2008 $m
Amounts owed to group undertakings	**1,382.0**	1,382 0

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

Management consider that there is no difference between the carrying value and the fair value of the liabilities due to the short term nature of the balances

7 Financial instruments

Financial risk factors

a) Market risk

i) Foreign exchange risk
The Company has no foreign exchange risk as all its assets and liabilities are denominated in US dollars

ii) Interest rate risk
The Company is not exposed to interest rate risk

iii) Price risk
The Company is not exposed to any price risk

b) Credit risk

The Company is not exposed to any credit risk as it does not trade

c) Liquidity risk

Liquidity risk is monitored at a group level headed by the Company's ultimate parent company, Turbo Cayman Limited The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the group and individual companies including the Company have sufficient funds for operations and planned expansions

7 Financial instruments (continued)

d) Capital risk

The capital structure is monitored at a group level headed by the Company's ultimate UK parent company, Turbo Cayman Limited, and disclosure is provided in the consolidated statutory accounts of Turbo Cayman Limited

The table below analyses the Company's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2008 and 2009	**$m**	**$m**	**$m**	**$m**
Trade and other payables	1,382 0	-	-	-

There were no forward foreign exchange contracts in place at 31 December 2009 (2008 none)

Fair value of non-derivative financial assets and financial liabilities
The fair value of trade and other payables, and trade and other receivables approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments

Fair value of financial assets and financial liabilities

Primary financial instruments held or issued to finance the Company's operations

	2009		2008	
	Book value	**Fair value**	Book value	Fair value
	$m	**$m**	$m	$m
Trade and other receivables (note 5)	**1,370.3**	**1,370.3**	1,370 3	1,370 3
Trade and other payables (note 6)	**(1,382.0)**	**(1,382.0)**	(1,382 0)	(1,382 0)

Derivative financial instruments
There were no derivative financial instruments in place at 31 December 2009 (2008 none)

8 Share capital

Authorised	No of shares
At 31 December 2008 and 2009	10,000

Issued	No of Shares 2009	Share capital $m 2009	No of Shares 2008	Share capital $m 2008
At 1 January	6,831	-	-	-
At date of incorporation	-	-	1	-
Issue of shares	-	-	6,830	-
At 31 December	6,831	-	6,831	-

9 Directors and employees

None of the directors who served during the year received any emoluments in respect of their services to the Company

The Company had no employees at any time during the year

10 Related party transactions

The following balances relate to transactions carried out with group undertakings

	2009 $m	2008 $m
Amounts owed by group undertakings (note 5)	1,370.3	1,370 3
Amounts owed to group undertakings (note 6)	1,382 0	1,382 0

Key management compensation is borne by another group company No other significant related party transactions took place during the period

11 Capital commitments

The company had no capital commitments at 31 December 2009 (2008 none)

12 Principal subsidiary undertakings

Turbo Gamma Limited is a private company, incorporated in England and Wales and domiciled in Scotland

The Company's principal subsidiary undertakings are as follows

Principal subsidiary undertakings	Country of Incorporation	Principal activity
Turbo Beta Limited (50%)	Great Britain	Holding Company
Turbo Alpha II Limited *	Great Britain	Holding Company
Turbo Alpha Limited *	Great Britain	Holding Company
Abbot Group Limited *	Great Britain	Holding Company
KCA DEUTAG Drilling Group Limited *	Great Britain	Investment in oil and gas
KCA DEUTAG Drilling Limited *	Great Britain	Drilling services
KCA DEUTAG Caspian Limited*	Great Britain	Drilling services
KCA DEUTAG Tiefbohrgesellschaft mbH *	Germany	Drilling services
KCA DEUTAG Drilling GmbH *	Germany	Drilling services
Bentec GmbH Drilling & Oilfield Systems *	Germany	Design engineering, fabrication of drilling and workover rigs
Oman KCA DEUTAG Drilling Company LLC*	Oman	Drilling services
KCA DEUTAG Nigeria Limited*	Nigeria	Drilling services
KCA DEUTAG Drilling Inc*	USA	Design engineering, fabrication of drilling and workover rigs
KCA DEUTAG Drilling Norge AS*	Norway	Drilling services
KCA DEUTAG Offshore AS*	Norway	Drilling services
KCA DEUTAG PTE Limited*	Singapore	Drilling services

An asterisk denotes an investment held indirectly

13 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of Turbo Delta Limited The Company's ultimate parent undertaking is Turbo Cayman Limited, which is registered in the Cayman Islands The only financial statements in which the results of the Company are consolidated is that headed by Turbo Cayman Limited Copies of the financial statements of Turbo Cayman Limited are available from Minto Drive, Altens, Aberdeen, AB12 3LW, United Kingdom