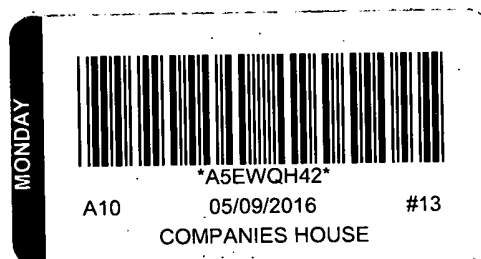


SET Drilling Company Limited
Annual report and financial statements
for the year ended 31 December 2015

Registered Number SC167498



SET Drilling Company Limited

Annual report and financial statements

for the year ended 31 December 2015

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SET Drilling Company Limited

Corporate Information

Board of Directors

G Paver

N McKay

A Byrne

Registered office

c/o Abbot Group Limited

Minto Drive

Altens

Aberdeen

AB12 3LW

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

32 Albyn Place

Aberdeen

AB10 1YL

SET Drilling Company Limited

Strategic and Operating Review

The Directors present their Strategic and Operating Review of the Company for the year ended 31 December 2015.

Review of the Business

The Company is a wholly owned subsidiary undertaking of KCA DEUTAG GmbH. The ultimate parent company is KCAD Holdings I Limited.

References to the Group are in relation to KCAD Holdings I Limited. Please refer to note 19 for further information.

The Company's principal activities are the provision of onshore drilling services. In the future we expect the Company to continue operations as described above.

Development and Performance during the financial year and Market Dynamics

On 17 March 2015, the Dubai branch of the Company signed a contract with Dubai Petroleum Establishment to drill three firm wells in Dubai, with the option to drill two further wells. Operations commenced on 2nd September 2015 with the contract earning a strong operating day rate given the downturn in the industry.

Looking forward the business outlook is extremely uncertain with a general air of pessimism over the short term outlook for the industry. The rapid and sustained fall in oil prices has resulted in the cancellation or deferral of many projects for many of our peers, significant reductions in spend by customers and pressure on all contractors to reduce costs.

Within this difficult environment we believe that the fundamentals of our business remain strong in the long term. We are not immune from the impact of the wider market and expect that 2016 will bring further pressure to reduce costs and changing requirements from our client. We must remain focused on what we can control as a business. We must strive for best in class service delivery with exceptional safety performance and we must work with our employees and other stakeholders to be as efficient and cost effective as we can.

Principal Risks and Uncertainties

The undernoted principal risks and uncertainties are monitored at Group level and are not specific to SET Drilling Company Limited.

Market risk

The Group operates in the oil and gas sector which is a market driven, cyclical industry where activity is closely correlated with the market price for oil and gas. Changes in such prices may lead to an increase or decrease in our activity levels. From mid-2014 and continuing through 2015 we saw a rapid and sustained reduction in market prices for oil and gas which has reduced activity throughout the industry as new projects are cancelled or delayed. Often in these circumstances we also see an increase in litigation and customer claims as clients attempt to minimise their costs and manage budgets.

We mitigate the impact of this risk through endeavouring to secure longer term contracts with our clients where possible together with contractual protection for early termination. Our client owns oil and gas assets where the lifting costs are at the lower end of the spectrum and hence are still able to make positive returns even at lower energy prices. Our activity is in the eastern hemisphere where the economic cycles have historically been less volatile than in the western hemisphere. Where possible we employ a flexible cost model such that we are able to change manning levels as activity changes.

SET Drilling Company Limited

Strategic and Operating Review (continued)

Market risk (continued)

We operate a governance structure which should help to ensure that potential risks on contracts and projects are identified through review and challenge prior to execution. Our internal commercial and legal processes ensure that deviation to standard contracting principles must have the appropriate review and approval. This, together with robust record retention processes, provides us with the ability to rigorously defend commercial claims as and when they arise.

Financial risk

Our operations and growth plans require access to Group capital to allow the Company to grow and to manage the changes in business activity levels over time. The Group is financed through a combination of equity and debt. At the year end the Group has total net debt of \$1,216 million which requires to be refinanced periodically.

Currency related risks

We presently carry out our operation in a country where the exchange rate is pegged to the US Dollar. Our financial results are presented in US Dollars and these results are sensitive to either a relative strengthening or weakening of the major currencies we are exposed to against the US Dollar.

Business continuity risk

Before we enter a new country we carry out risk assessments and third party security reviews. To mitigate risks once operating in each country we have a robust emergency response system to ensure that we are able to move our personnel rapidly and safely in the event of an unplanned incident. We work with specialist third parties to maintain a good understanding of the security risks and how to react in each set of circumstances. Where possible we would seek to limit our exposure to higher risk regions such that an emergency in one location does not have a material impact on the ability of the Company to continue operating.

We have access as required to specific legal and compliance expertise associated with export compliance and adherence to sanctions. We work with the various governmental authorities to assist with ensuring compliance and the appropriate awareness of rules and regulations.

Ethics and violation of applicable anti-corruption laws

We operate in a country which is relatively low on the Corruption Perceptions Index published by Transparency International. Violation of anti-corruption laws may result in criminal and civil sanctions and could subject us to other liabilities in the UK, the US and elsewhere.

We have policies and procedures designed to assist our compliance with applicable laws and regulations and have trained our employees to comply with such laws and regulations. We have enshrined business integrity as one of our six core values and foster a compliance culture within our operations. We have put in place appropriate governance processes to monitor compliance and seek to continuously improve our systems of internal controls to remedy any weaknesses.

SET Drilling Company Limited

Strategic and Operating Review (continued)

Asset integrity, environmental and employee compliance regime

We are subject to increasingly stringent laws and regulations relating to environmental protection as well as being exposed to potentially substantial liability claims due to the hazardous nature of our business. An accident or a service failure can cause personal injury, loss of life, damage to property, equipment or the environment, consequential losses or the suspension of operations or possibly the termination of a contract. Furthermore we may be liable for damages resulting from pollution on land.

We have put in place robust processes and procedures to support each of the principal activities which we undertake. We seek to employ personnel with the relevant experience, qualifications and competencies and have the appropriate tracking mechanisms to ensure that our staff have demonstrable competencies for each of the tasks that they perform. We have a governance structure which ensures that our compliance with processes is validated periodically and reinforce a culture of continuous improvement. We have robust reporting mechanisms to report safety and environmental data at each operating unit and escalation processes to investigate incidents. We have a pre-defined contracting strategy with our clients setting out what exposures are acceptable and escalation mechanisms where we are asked to agree to contractual positions which fall out with these set parameters. We have a comprehensive package of insurance coverage to further protect us from potential claims or incidents.

Credit related risk

We seek to mitigate this risk through continuous monitoring of exposures to our client as well as overall exposure to the particular geography. We have robust escalation processes to chase overdue accounts with regular reviews with our senior management team.

Key performance indicators

The Directors of KCAD Holdings I 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 SET Drilling Company Limited. See note 19 for details of where copies of the Group's financial statements can be obtained.

On behalf of the Board



G Paver
Director

29 August 2016

SET Drilling Company Limited

Directors' report for the year ended 31 December 2015

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2015.

Further information regarding the Company, including important events and its progress during the year, events since the year end and likely future development is contained in the Strategic and Operating Review on pages 2 to 4. The information that fulfils the requirements of the Strategic and Operating Review (as required the Companies Act 2006), which is incorporated in this Directors' Report by reference, can be found on the following pages of this Annual Report:

Information	Location	Pages
Development and performance during the financial year	Strategic and Operating Review	2
Position at the year end including analysis and key performance indicators	Strategic and Operating Review	4
Other performance including environmental and employee matters	Strategic and Operating Review	4
Principal risks and uncertainties facing the business	Strategic and Operating Review	2-4
Explanation of amounts included in the financial statements	Notes to the Financial Statements	13-22

Results

The profit for the financial year from continuing operations transferred to reserves was \$101,860 (2014: result \$nil). The Directors do not propose the payment of a final dividend (2014: \$nil).

Principal risks and uncertainties

The principal risks and uncertainties are discussed within the Strategic and Operating Review on page 2. The Company's operational risks are aligned with those faced by the rest of the Group and are disclosed in the Strategic and Operating Review.

Environment

The Company provides onshore drilling services. In the execution of these services they undertake environmental risk assessments and site appraisals as standard. These assessments are discussed with the client to improve the environmental performance of the operation as a whole, through the preparation and implementation of site specific environmental plans.

Substantial Shareholdings

The Company's ultimate controlling Company, is PHM Holdco 14 S.a.r.l., which is registered in Luxembourg. PHM Holdco 14 S.a.r.l. is in turn controlled by Pamplona Capital Partners II L.P. At 31 December 2015, the Company's ordinary shares were wholly owned by KCA DEUTAG GmbH.

Employees

The Company is committed to involving employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through internal newsletters, briefings and well-established formal consultation procedures.

SET Drilling Company Limited

Directors' report for the year ended 31 December 2015 (continued)

Employees (continued)

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant. If employees become disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Details of the number of employees and related costs can be found in note 9 to the financial statements on page 18.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

G Paver
A Hendry (appointed 18 June 2014, resigned 9 July 2015)
N McKay
A Byrne

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic and Operating Review and 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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statement; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SET Drilling Company Limited

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving this report are listed on page 1. Having made enquiries of fellow Directors, each of these Directors confirm that:

- 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.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and the Directors consider that it is appropriate to prepare these financial statements on a going concern basis. Further details are provided in note 2 to the financial statements.

On behalf of the Board



G Paver

Director

29 August 2016

Independent auditors' report to the members of SET Drilling Company Limited

Report on the financial statements

Our opinion

In our opinion, SET Drilling Company Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and Loss Account and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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 and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of SET Drilling Company Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
29 August 2016

SET Drilling Company Limited

Profit and Loss Account for the year ended 31 December 2015

		2015	2014
	Note	\$'000	\$'000
Turnover	5	8,987	-
Cost of Sales		(8,934)	-
Gross Profit		53	-
Operating Profit	8	53	-
Other interest receivable and similar income	6	56	-
Interest payable and similar charges	7	(7)	-
Profit on ordinary activities before taxation		102	-
Tax on profit on ordinary activities	10	-	-
Profit for the financial year		102	-

The results have been derived wholly from continuing operations.

Statement of comprehensive income for the year ended 31 December 2015

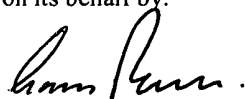
	2015	2014
	\$'000	\$'000
Profit for the financial year	102	-
Total comprehensive income for the year	102	-

SET Drilling Company Limited

Balance Sheet as at 31 December 2015

	Note	2015 \$'000	2014 \$'000
Current Assets			
Stocks	11	1,841	-
Debtors	12	4,128	35
Cash at bank and in hand	13	1	-
		5,970	35
Creditors: amounts falling due within one year	14	(5,833)	-
Net current assets		137	35
Total assets less current liabilities		137	35
Other interest-bearing loans and borrowings	16	(26)	(26)
Net assets		111	9
Capital and reserves			
Called up share capital	17	9	9
Profit and loss account		102	-
Total shareholders' funds		111	9

The financial statements on pages 10 to 22 were approved by the Board of Directors on 2nd August 2016 and signed on its behalf by:



G Paver
Director

Registered number SC167498

SET Drilling Company Limited

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital	Profit and loss account	Total Shareholders' funds
	\$'000	\$'000	\$'000
At 1 January 2015	9	-	9
Comprehensive income			
Profit for the financial year	-	102	102
Total comprehensive income	-	102	102
At 31 December 2015	9	102	111
At 1 January 2014	9	-	9
Total comprehensive expense	-	-	-
At 31 December 2014	9	-	9

The notes on pages 13 to 22 are an integral part of these financial statements.

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015

1 General information

SET Drilling Company Limited ('the Company') provides onshore drilling and related well and facilities engineering.

The Company is a limited company incorporated and domiciled in Scotland. The address of its registered office is Minto Drive, Altens, Aberdeen, AB12 3LW.

2 Basis of preparation

These financial statements of the Company have been prepared in accordance with United Kingdom Accounting Standards - in particular FRS 101 and the Companies Act 2006 ("the Act"). FRS 101 sets out a reduced disclosure framework for a "qualifying entity", as defined in the Standard, which addressed the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRSs").

The Company is a qualifying entity for the purposes of FRS 101. Note 19 gives details of the Company's ultimate parent and from where the consolidated financial statements prepared in accordance with IFRS may be obtained.

The Company has transitioned from IFRS to FRS101 but there have been no changes as a result of the transition.

Adoption of Financial Reporting Standard 101 has enabled the Company to take advantage of certain disclosure exemptions, most notably in respect of financial instruments (IFRS 7 requirements) and all related party transactions with fellow 100% subsidiaries of KCAD Holdings I Limited. Furthermore the Company is no longer required to prepare a cash flow statement. The below provides a summary of the disclosure exemptions adopted in the preparation of these financial statements, in accordance with FRS 101:

- *IFRS 7: Financial Instruments: Disclosures;*
- *IFRS 13: Fair value measurement in respect of the disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities;*
- *IAS 1: Presentation of financial statements' comparative information requirements in respect of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets;*
- *IAS 1: Presentation of financial statements in respect of: statement of cash flows including comparatives and statement of compliance with all IFRS;*
- *IAS 8: Accounting policies, changes in accounting estimates and errors' for the disclosure of new standards not yet effective;*
- *IAS 24: Related party disclosures in respect of key management compensation;*
- *IAS 24: Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group; and*
- *IAS 36: Impairment of assets in respect of the assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts.*

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Basis of preparation (continued)

The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

The financial statements have been prepared under the historic cost convention.

The Company had net assets at the Balance Sheet date of \$111k (2014: \$9k). On this basis, the Directors consider that it is appropriate to prepare these financial statements on a going concern basis.

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 years presented, unless otherwise stated.

Trade debtors

Trade debtors are recognised initially at fair market value and subsequently measured at amortised cost using the effective interest method, less provision of impairment, if applicable. A provision of impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due.

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 Profit and Loss Account 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 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 tangible fixed assets, 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 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.

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

Provisions

Provisions are measured at the present value of the Directors' best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. A discount is applied to the provision for the time value of money where this is significant. Provisions are made where there is a present obligation based on past events that it is probable that an outflow will be required and the financial outcome can be reliably measured.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as creditors falling due within one year if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as creditors due within more than one year. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Turnover

Turnover is recognised based on the gross amount received or receivable for services provided in the normal course of business, net of value-added tax and other sales related taxes.

Turnover from land drilling operations is recognised in the accounting period in which the services are rendered, typically based on a day rate for rigs or manpower provided to the customer. In land drilling, the Company provides the drilling rig and crew to the customer on a day rate which fluctuates dependent on activity.

The Company recognises flow through turnover based on the gross amount received or receivable in respect of its performance under the sales contract with the customer.

Incentive income is recognised when earned.

Mobilisation income on significant contracts is recognised over the period of the contract to which it relates. Other mobilisation income is credited to income as received.

Mobilisation costs incurred to start a contract are expensed on the contract commencement date. Any subsequent transportation costs for moving the rig to new locations are expensed as incurred.

Dividends

Dividend distributions on ordinary shares are recognised as a liability in the Company's financial statements when they have been approved by the Company's shareholders or paid in the case of interim dividends. Dividend income is recognised when the right to receive payment is established.

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

Foreign currency translation

(i) Functional and presentation currency

These financial statements are presented in US Dollars (USD) which is also the functional currency of the Company and the primary economic environment in which it operates. The directors have determined the Company, having registered two new branches for contracts awarded in the Middle East, is now a USD functional company and prior year comparatives have been represented accordingly. Management believe that this currency is more useful for the users of the financial statements as it is consistent with the presentation currency of the KCAD Holdings I Limited consolidated financial statements.

(ii) Transactions and balances

Transactions denominated in a foreign currency are converted to the functional currency at rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the Balance Sheet date. The resulting exchange gains and losses are dealt with through the Profit and Loss Account for the period

Stocks

Stocks of spare parts which are held for use in the Company's operations are stated at weighted average cost less a provision in respect of those spares attached to the older equipment.

4 Significant accounting judgements 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 year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

In addition to the significant accounting policies outlined in note 3 the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accruals and deferred income

For the significant accounting estimates and judgements on accruals and deferred income, refer to note 14.

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

4 Significant accounting judgements and estimates (continued)

Stocks

The amount of stocks recognised as an expense when the stocks were consumed and included in cost of sales amounted to \$112k (2014: \$nil).

As a result of the write-off of unusable stock, the Company recognised a cost of \$341k (2014: \$nil). The costs are included in cost of sales.

5 Turnover

	2015	2014
	\$'000	\$'000
Middle East	8,987	-
	8,987	-

6 Interest receivable and similar income

	2015	2014
	\$'000	\$'000
Other finance income	56	-
	56	-

7 Interest payable and similar charges

	2015	2014
	\$'000	\$'000
Interest payable to group undertakings	7	-
	7	-

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

8 Operating Profit

The following items have been included in arriving at operating profit:

	2015	2014
	\$'000	\$'000
Net foreign exchange gains	316	-

9 Directors and employees

Employee remuneration

The aggregate remuneration of all employees of the Company comprised:

	2015	2014
	\$'000	\$'000
Wages and salaries	4,768	-
	4,768	-

The average monthly number of persons employed by the Company was:

	2015 Number	2014 Number
Production	69	-
Administration	6	-
	75	-

The Directors neither received nor waived any emoluments during the year from the Company (2014: \$nil). Their remuneration is allocated to companies in the Group as part of an overall management charge and therefore it is not possible to determine the elements of directors' remuneration relevant to this Company in a practical manner.

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

10 Tax on profit / result on ordinary activities

(a) Analysis of charge in year

	2015	2014
	\$'000	\$'000
Current tax	-	-
Total current tax charge (note 10 (b))	-	-

(b) Factors affecting tax charge in year

The tax assessed for both years is lower than the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015	2014
	\$'000	\$'000
Profit / result on ordinary activities before taxation	102	-
Profit / result on ordinary activities before taxation at standard rate of corporate tax in the UK 20.25% (2014: 21.49%)	21	-
Effects of:		
Group relief for nil consideration	(21)	-
Total tax charge for the year (note 10 (a))	-	-

The Finance Act 2013, enacted on 17 July 2013, reduced the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015.

Further changes to the UK corporation tax rates were enacted on 26 October 2015 in the Finance (No. 2) Bill 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2018.

There is no foreign tax charge.

There is no unprovided deferred tax.

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

11 Stocks

	2015 \$'000	2014 \$'000
Materials and consumables	1,841	-

12 Debtors

	2015 \$'000	2014 \$'000
Trade debtors	4,046	-
Amounts owed by group undertakings	30	35
Prepayments and accrued income	52	-
	4,128	35

The amounts owed by group undertakings are unsecured and repayable on demand. The amounts owed by group undertakings are interest free. All group trading balances are settled on a monthly basis, therefore no impairment provision is required.

As of 31 December 2015, trade debtors of \$2,716k (2014: \$nil) were fully performing, and no provision was necessary for 2015 (2014: \$nil). The other classes within debtors do not contain impaired assets.

As of 31 December 2015, trade debtors of \$1,330k (2014: \$nil) were past due but were not impaired. Management is confident that the trade debtor balance will be fully received in due course.

The fair value of debtors are approximate to carrying amounts given that they are short term in nature.

13 Cash at bank and in hand

	2015 \$'000	2014 \$'000
Cash in hand	1	-

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

14 Creditors: amounts falling due within one year

	2015 \$'000	2014 \$'000
Trade creditors	68	-
Amounts owed to group undertakings	5,560	-
Accruals and deferred income	205	-
	5,833	-

The amounts owed to group undertakings are unsecured and repayable on demand. Interest is payable on a total of \$3,265k (2014: nil) of the amounts owed to group undertakings as at 31 December 2015. Interest is charged on LIBOR plus a margin of 4%. The remaining amounts owed to group undertakings are interest free.

The fair value of creditors due within one year are approximate to carrying amounts given that they are short term in nature.

15 Auditor's remuneration

The audit fees are borne by another Group company. For the purpose of disclosure, a fair allocation of the audit fee to the Company would be \$5k (2014: \$nil).

16 Other interest-bearing loans and borrowings

	2015 \$'000	2014 \$'000
Shares classified as debt	26	26
Authorised		
60,000 (2014: 60,000) redeemable preference shares of 25p each	26	26
Allotted, called up and fully paid		
60,000 (2014: 60,000) redeemable preference shares of 25p each	26	26

The redeemable preference shares carry no voting rights. Dividends shall be determined at the discretion of the ordinary shareholders.

The redeemable preference shares can be redeemed at any time at par provided six months' notice is given.

On a return of assets on liquidation or otherwise, the assets of the Company remaining after the payment of its liabilities shall be applied as follows:

- 1) To the holders of the preference shares – 25p per share;
- 2) To the holders of the ordinary shares – 25p per share;
- 3) Any remaining assets will be distributed to the ordinary shareholders according to the number of shares held by them respectively.

SET Drilling Company Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

17 Called up share capital

	2015 \$'000	2014 \$'000
Authorised		
- 339,000 (2014: 339,000) ordinary shares of 25p each	145	145
Issued and fully paid		
- 21,000 (2014: 20,000) ordinary shares of 25p each	9	9

SET Drilling Company Limited is a limited company incorporated and domiciled in Scotland.

18 Capital commitments

The Company had no capital commitments at 31 December 2015 and 31 December 2014.

19 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of KCA DEUTAG GmbH. The Company's ultimate parent undertaking is KCAD Holdings I Limited, which is registered in England and Wales and the ultimate controlling company, is PHM Holdco 14 S.a.r.l., which is registered in Luxembourg. PHM Holdco 14 S.a.r.l. is in turn controlled by Pamplona Capital Partners II L.P.

At 31 December 2015 the smallest and largest groups in which the results of the Company are consolidated are those headed by KCA Deutag Alpha Limited and KCAD Holdings I Limited respectively. Copies of financial statements of KCAD Holdings I Limited and KCA Deutag Alpha Limited are available from Minto Drive, Altens, Aberdeen, AB12 3LW, United Kingdom.