

Financial Statements

LMR Drilling UK Limited

For the year ended 31 December 2012



Registered number: 03765177

LMR Drilling UK Limited

Company Information

Directors	H F Janz J Seamans E G Fengler
Company secretary	J Seamans
Registered number	03765177
Registered office	C/o Grant Thornton UK LLP Royal Liver Building Liverpool L3 1PS
Independent auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Royal Liver Building Liverpool L3 1PS
Bankers	Royal Bank of Scotland Plc 1 Dale Street Liverpool L2 2PP

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Directors' report

For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activity and review of business

The company is principally engaged in contract work regarding underground pipes and cables

The directors are satisfied with the result for the year and consider this to be a positive result considering the current difficult economic climate

Results and dividends

The loss for the year, after taxation, amounted to £260,513 (2011 - profit £387,686)

Particulars of dividends paid are detailed in note 14 to the financial statements

Directors

The directors who served during the year were

H F Janz
J Seamans
E G Fengler

Financial risk management objectives and policies

The company uses various financial instruments these include intra-group loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below

The main risks arising from the company's financial instruments are currency risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years

Currency risk

The company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The company policy throughout the year has been to ensure continuity of funding, achieved by the availability of overdraft facilities as necessary. In addition, the company has access to funding support from its parent company

Directors' report

For the year ended 31 December 2012

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and accounting estimates that are reasonable and prudent,
- 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.

Provision of information to auditor

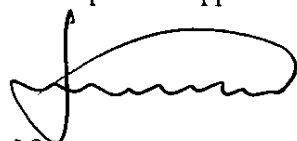
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

This report was approved by the board and signed on its behalf



J Scamans
Director

Date: 5TH JUNE 2013



Independent auditor's report to the members of LMR Drilling UK Limited

We have audited the financial statements of LMR Drilling UK Limited for the year ended 31 December 2012, which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

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 2012 and of its loss 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.

Opinion on other matter 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.



Independent auditor's report to the members of LMR Drilling UK Limited

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 and 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

Grant Thornton UK Ltd

Emma Stoddart (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor

Liverpool

Date *5 June 2013*

Profit and loss account

For the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	1,2	1,075,656	5,485,766
Cost of sales		<u>(1,097,663)</u>	<u>(4,579,522)</u>
Gross (loss)/profit		(22,007)	906,244
Administrative expenses		<u>(318,311)</u>	<u>(374,351)</u>
Operating (loss)/profit	3	(340,318)	531,893
Interest receivable and similar income		<u>70</u>	<u>619</u>
(Loss)/profit on ordinary activities before taxation		(340,248)	532,512
Tax on (loss)/profit on ordinary activities	6	<u>79,735</u>	<u>(144,826)</u>
(Loss)/profit for the financial year	12	<u><u>(260,513)</u></u>	<u><u>387,686</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

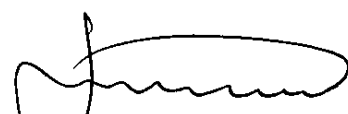
The notes on pages 7 to 14 form part of these financial statements

Balance sheet

As at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	7		27,551		42,967
Current assets					
Debtors amounts falling due after more than one year	8	551,146		486,891	
Debtors amounts falling due within one year	8	190,060		1,296,130	
Cash at bank		963,327		325,242	
		<u>1,704,533</u>		<u>2,108,263</u>	
Creditors: amounts falling due within one year	9	<u>(61,730)</u>		<u>(220,363)</u>	
Net current assets			<u>1,642,803</u>		<u>1,887,900</u>
Net assets			<u><u>1,670,354</u></u>		<u><u>1,930,867</u></u>
Capital and reserves					
Called up share capital	11		15,000		15,000
Profit and loss account	12		<u>1,655,354</u>		<u>1,915,867</u>
Shareholders' funds	13		<u><u>1,670,354</u></u>		<u><u>1,930,867</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



J Seamans
Director

Date 5TH JUNE 2013

The notes on pages 7 to 14 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards

The accounting policies remain unchanged from the previous year and are set out below

1.2 Cash flow statement

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with Financial Reporting Standard No 1

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

Revenue from services provided by the company is recognised when the company has performed its obligations and in exchange obtained the right to consideration

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant and machinery	-	20% straight line
Motor vehicles	-	20% straight line
Fixtures and fittings	-	20% straight line
Office equipment	-	20% straight line
Site equipment	-	20% straight line

1.5 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

1.6 Pensions

The company contributes to a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.8 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves

1.9 Long term contracts

Revenue is recognised in accordance with the stage of completion of contractual obligations to the customer. The stage of completion is ascertained by assessing the fair value of the services provided to the balance sheet date as a proportion of the total fair value of the contract. Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined as the amount by which estimated direct and indirect costs of the contract exceeded the estimated total revenues that will be generated by the contract

The attributable profit on a long-term contract is recognised once the contract's outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the contract determined by reference to the proportion of the value of the work completed to total contract value. Costs associated with long term contracts are included in accrued income to the extent that they do not relate to contract work accounted for as turnover

Notes to the financial statements

For the year ended 31 December 2012

2. Turnover

The whole of the turnover is attributable to the principal activity, which is carried on in a single geographical market

All turnover arose within the United Kingdom

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the company	15,416	20,879
Auditor's remuneration - Audit fees	8,850	8,350
Auditor's remuneration - Tax fees	1,500	1,400
Operating lease rentals		
- Plant and machinery	930	1,422
- Land and buildings	6,000	12,661
Foreign currency losses	146	64
	<u>188,378</u>	<u>269,698</u>

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	163,053	235,800
Social security costs	18,979	28,183
Other pension costs	6,346	5,715
	<u>188,378</u>	<u>269,698</u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No.	2011 No.
Average number of employees	<u>8</u>	<u>7</u>

Notes to the financial statements

For the year ended 31 December 2012

5. Directors' remuneration

	2012 £	2011 £
Emoluments	<u>84,783</u>	<u>137,915</u>
Company pension contributions to defined contribution pension schemes	<u>4,652</u>	<u>4,652</u>

During the year retirement benefits were accruing to 1 director (2011 - 1) in respect of defined contribution pension schemes

6. Taxation

	2012 £	2011 £
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on (loss)/profit for the year	-	145,086
Adjustments in respect of previous year	(77,415)	(260)
Total current tax	<u>(77,415)</u>	<u>144,826</u>
Deferred tax (see note 10)		
Origination and reversal of timing differences	(2,320)	-
Tax on (loss)/profit on ordinary activities	<u>(79,735)</u>	<u>144,826</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - higher than) the standard rate of corporation tax in the UK of 24.50% (2011 - 26.49%). The differences are explained below:

	2012 £	2011 £
(Loss)/profit on ordinary activities before tax	<u>(340,248)</u>	<u>532,512</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.50% (2011 - 26.49%)	(83,351)	141,062
Effects of		
Expenses disallowed	286	1,611
Depreciation in excess of capital allowances	1,683	2,413
Losses carried back	81,382	-
Adjustments to tax charge in respect of previous year	(77,415)	(260)
Current tax (credit)/charge for the year (see note above)	<u>(77,415)</u>	<u>144,826</u>

Notes to the financial statements

For the year ended 31 December 2012

7. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Site equipment £	Total £
Cost						
At 1 January 2012 and 31 December 2012	61,672	59,936	13,660	54,318	3,441	193,027
Depreciation						
At 1 January 2012	55,001	33,249	12,785	45,864	3,161	150,060
Charge for the year	3,335	7,421	342	4,151	167	15,416
At 31 December 2012	58,336	40,670	13,127	50,015	3,328	165,476
Net book value						
At 31 December 2012	3,336	19,266	533	4,303	113	27,551
At 31 December 2011	6,671	26,687	875	8,454	280	42,967

8. Debtors

	2012 £	2011 £
Due after more than one year		
Trade debtors	551,146	486,891
Due within one year		
Trade debtors	60,337	449,188
Amounts owed by group undertaking	-	8,000
Other debtors	14,056	500
Prepayments and accrued income	35,932	838,442
Tax recoverable	77,415	-
Deferred tax asset (see note 10)	2,320	-
	190,060	1,296,130

Notes to the financial statements

For the year ended 31 December 2012

9. Creditors: Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	12,808	59,999
Amounts owed to group undertakings	15,007	-
Corporation tax	-	52,724
Social security and other taxes	10,940	73,703
Other creditors	1,163	753
Accruals and deferred income	21,812	33,184
	<u>61,730</u>	<u>220,363</u>

10. Deferred taxation

	2012	2011
	£	£
At beginning of year	-	-
Released during year	2,320	-
	<u>2,320</u>	<u>-</u>
At end of year	<u>2,320</u>	<u>-</u>

The deferred taxation balance is made up as follows

	2012	2011
	£	£
Accelerated capital allowances	<u>2,320</u>	<u>-</u>

11. Share capital

	2012	2011
	£	£
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
15,000 Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

Notes to the financial statements

For the year ended 31 December 2012

12. Reserves

	Profit and loss account £
At 1 January 2012	1,915,867
Loss for the year	(260,513)
At 31 December 2012	<u>1,655,354</u>

13. Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	1,930,867	1,943,415
(Loss)/profit for the year	(260,513)	387,686
Dividends (Note 14)	-	(400,234)
Closing shareholders' funds	<u>1,670,354</u>	<u>1,930,867</u>

14. Dividends

	2012 £	2011 £
Dividends paid during the year £Nil (2011 £26 68) per ordinary share	-	400,234

15. Related party transactions

The company has taken advantage of the exemption in paragraph 3 of Financial Reporting Standard No 8, 'Related Party Transactions' to disclose transactions with other wholly owned members of the group headed by LMR Drilling GmbH as consolidated accounts are prepared and are publicly available

As at 31 December 2012, £718 (2011 £753) was owed to J Seamans, a director of the company. This balance has been included within other creditors and no interest has been charged to the company.

16. Contingent liabilities

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 December 2012 or 31 December 2011.

Notes to the financial statements

For the year ended 31 December 2012

17. Capital commitments

The directors have confirmed that there were no capital commitments at 31 December 2012 or 31 December 2011

18. Pension commitments

The company contributes to a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

19. Operating lease commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2012	2011	2012	2011
	£	£	£	£
Expiry date:				
Within 1 year	500	6,000	-	-
Between 2 and 5 years	-	-	930	930
Total	<u>500</u>	<u>6,000</u>	<u>930</u>	<u>930</u>

20. Ultimate parent undertaking and controlling party

The directors consider that the ultimate parent undertaking of this company is DGL Beteiligungsgesellschaft mit beschränkter Haftung Oldenburg incorporated in Germany. The immediate parent undertaking is LMR Drilling GmbH incorporated in Germany.