Superior Energy Services (UK) Limited

Directors' report and financial statements

Registered number SC366014

31 December 2011

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2011.

Principal activities

The company did not trade during the year. The principal activity of the company is that of a holding company.

Business review

During 2011 the company sold its investment in Hallin Marine Subsea International to a fellow group company.

Result and dividends

The loss for the year amounting to $26,713,000 *(2010: loss $19,181,000)* has been transferred to reserves. The directors can not recommend the payment of a dividend.

Directors

The directors who held office during the year and up to the date of this report are listed below:

W Masters
R Taylor

Political and charitable donations

The company made no political or charitable donations during the year *(2010: £nil)*.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board

R Taylor
Director

13 Queen's Road
Aberdeen
AB15 4YL

27 September 2012

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 sate of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditor's report to the members of Superior Energy Services (UK) Limited

We have audited the financial statements of Superior Energy Services (UK) Limited for the year ended 31 December 2011 set out on pages 4 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 2, 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 APB'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 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly 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.

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.

Paul Glendenning (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

28 September 2012

Profit and Loss Account

for the year ended 31 December 2011

	Note	Year ended 31/12/2011 $000	Period from 23/9/2009 to 31/12/2010 $000
Interest payable and similar charges	5	**(26,713)**	(19,181)
Loss on ordinary activities before taxation	2-4	**(26,713)**	(19,181)
Tax on loss on ordinary activities	6	**-**	-
Loss for the financial year/period	12	**(26,713)**	(19,181)

The results for the year relate to continuing activities.

The company had no recognised gains or losses other than the loss for the financial periods reported above.

Balance Sheet
at 31 December 2011

	Note	2011 $000	$000	2010 $000	$000
Fixed assets					
Investments	7		196,865		476,003
Current assets					
Debtors	8	15,661		16,962	
Cash at bank		152		17	
		15,813		16,979	
Creditors: amounts falling due within one year	9	(26,827)		(15,883)	
Net current (liabilities) assets			(11,014)		1,096
Total assets less current liabilities			185,851		477,099
Creditors: amounts falling due after more than one year	10		(191,745)		(456,280)
Net (liabilities) assets			(5,894)		20,819
Capital and reserves					
Called up share capital	11		-		-
Share premium	12		40,000		40,000
Profit and loss account	12		(45,894)		(19,181)
Shareholder's (deficit) funds	13		(5,894)		20,819

These financial statements were approved by the board of directors on 27 September 2012 and were signed on its behalf by:

R Taylor
Director

Registered number SC366014

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The following amendment to standards has been adopted in these financial statements for the first time:

- Improvements to FRS's (mandatory for periods starting on or after 1 January 2011) FRS 8 Related Party Disclosures is amended to replace the definitions of a related party with that set out in UK Law.

The financial statements have been prepared on the going concern basis notwithstanding the company has net liabilities of $5,894,000 which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Superior Energy Services Inc, the company's ultimate parent. Superior Energy Services Inc has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The functional currency of the company is United States Dollars. FRS 23 states that in the absence of trading activity the currency in which funds from financing activities are generated can provide evidence of an entity's functional currency. With respect to the company, all loans from the parent and all loans to other group companies are denominated in United States Dollars. The financial statements are therefore presented in United States Dollars.

The company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group. The consolidated financial statements of Superior Energy Services Inc., within which this company is included, can be obtained from the address given in note 14.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Superior Energy Services Inc. the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Investments

Investments in subsidiary undertakings are stated at cost.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Impairment of fixed assets

The carrying amounts of the company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Dividends on shares presented within shareholders funds

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2 Notes to the profit and loss account

Loss on ordinary activities before taxation is stated after charging:	Year ended 31/12/2011 $000	Period from 23/9/2010 to 31/12/2011 $000
Auditor's remuneration		
Audit of these financial statements	**10**	**20**
Other services relating to taxation	**4**	**5**

3 Remuneration of directors

The directors received no remuneration during either period for their services to this company.

4 Staff numbers and costs

The company had no employees during either period.

5 Interest payable and similar charges

	Year ended 31/12/2011 $000	Period from 23/9/2010 to 31/12/2011 $000
On loans from group undertakings	**26,673**	**15,883**
Exchange losses	**40**	**3,298**
	26,713	**19,181**

Notes *(continued)*

6 Taxation

There is no current or deferred tax charge in the current or prior period.

Factors affecting the tax charge for the current year

The current tax assessed for the year is higher *(2010: higher)* than that obtained by applying the standard rate of corporation tax in the UK of 26.5% *(2010 28%)* to the loss on ordinary activities before tax. The differences are explained below:

	Year ended 31/12/2011 $000	Period from 23/9/2010 to 31/12/2011 $000
Current tax reconciliation		
Loss on ordinary activities before tax	**(26,713)**	**(19,181)**
Current tax at 26.5% *(2010: 28%)*	**(7,079)**	**(5,371)**
Effects of:		
Expenses not deductable for tax	**10**	**923**
Group relief surrender	**(127)**	**4,448**
Other timing differences	**7,069**	**-**
Transfer pricing adjustment	**127**	**-**
Total current tax charge (see above)	**-**	**-**

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge.

Notes *(continued)*

7 Fixed asset investments

	Shares in subsidiary undertakings $000
Cost and net book value	
At beginning of year	476,003
Additions	59,300
Disposals	(338,438)
At end of year	**196,865**

On 14 December 2011, the company sold its interest in Hallin Marine Subsea International Limited to Superior Energy Services Inc.

The principal companies in which the Company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Superior Energy Services (Holdings) Limited	Scotland	Holding company	100% of ordinary share capital
- Workstrings International Limited [1]	Scotland	Equipment and tool rental	100% of ordinary share capital
- HB Rentals Limited [1]	Scotland	Accommodation unit rental	100% of ordinary share capital
- Superior Energy Services Limited [1]	Scotland	Provision of corporate Services	100% of ordinary share capital
Superior Wild Well Energy Services Limited	Scotland	Fire fighting, engineering and well control services	100% of ordinary share capital

[1] These subsidiaries are held indirectly by Superior Energy Services Holdings Limited

Notes *(continued)*

8 Debtors

	2011 $000	2010 $000
Amounts owed by group undertakings	**15,661**	**16,962**

Within amounts owed by group undertakings are loans of $15,661,000 *(2010 $9,771,000)*. There are no fixed repayment terms on these loans and they have therefore been disclosed as due within one year.

9 Creditors: amounts falling due within one year

	2011 $000	2010 $000
Amounts due to group undertaking	**26,827**	**15,883**

10 Creditors: amounts falling due after more than one year

	2011 $000	2010 $000
Loans from group undertakings	**191,745**	**456,280**

$191,745,000 is repayable on 27 September 2020. Interest is payable on these loans and is charged at 5.5%.

In the prior year $441,368,000 was repayable on 27 September 2020 and $14,912,000 was repayable on 31 December 2020. During the year, $322,555,000 of the loan notes were repaid following the sale of Hallin Marine Subsea International Limited (note 7).

11 Called up share capital

	2011 $000	2010 $000
Allotted and called up and fully paid		
100 ordinary shares of £1	-	-

12 Share premium and reserves

	Share premium account $000	Profit and loss account $000
At 1 January 2011	*40,000*	*(19,181)*
Loss for the year	-	(26,713)
At 31 December 2011	**40,000**	**(45,894)**

Notes *(continued)*

13 Reconciliation of movements in Shareholder's funds

	2011	2010
	$000	$000
Loss for the year	**(26,713)**	(19,181)
New share capital subscribed (net of issue costs)	**-**	40,000
Opening Shareholder's funds	**20,819**	-
Closing Shareholder's (deficit) funds	**(5,894)**	20,819

14 Ultimate parent company

The company is a subsidiary undertaking of Superior Energy International, C.V., incorporated in Holland. Its ultimate parent company and ultimate controlling party is Superior Energy Services Inc., incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by Superior Energy Services Inc. The consolidated accounts of this company are available to the public and a copy may be obtained from Superior Energy Services Inc., 601 Poydras Street, Suite 2400, New Orleans, LA, 70130, USA or on www.superiorenergy.com. No other group financial statements include the results of the Company.