

Company Number: SC500821

FLOATTEL UK CONTRACTOR LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2016

THURSDAY



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COMPANIES HOUSE

FLOATTEL UK CONTRACTOR LIMITED

DIRECTORS AND ADVISERS

Directors:

B T Hjelmstierna
H J MacLeod
F Arnoldsson

Company Secretary:

Burness Paull LLP

Registered Office:

Citypoint House
11 Chapel Street
Aberdeen
AB10 1SQ

Registered Number:

SC500821

Auditor:

KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB

FLOATTEL UK CONTRACTOR LIMITED

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FLOATEL UK CONTRACTOR LIMITED

STRATEGIC REPORT

The directors present the Strategic Report for the year ended 31 December 2016, for Floatel UK Contractor Limited ("the Company").

Principal activities

The principal activities of the Company continued to be that of the provision of semi-submersible accommodation and construction support vessels to the oil and gas industry. At the date of this report, the directors are not aware of any likely change to the Company's activities in the forthcoming year.

Business review

Both the level of business and year end financial position were satisfactory and in line with expectations. Despite the fall in oil price and the impact this has had on the oil and gas industry, the directors do not expect a significant decrease in the level of activity throughout 2017. Management will continue to pursue a strategy to explore opportunities and secure new charter contracts in the UK.

The results for the year ended 31 December 2016 are shown in the income statement on page 6. The profit before tax was \$14,499,707 (10 month period ended 31 December 2015: \$2,532,848).

The Company monitors its financial performance using key performance indicators such as budget adherence and commercial uptime on the vessels.

Principal risks and uncertainties

General

Floatel International Management System (FIMS) is an integrated management system based on three corner stones – Compliance, Control and Risk Management – in order to ensure the quality of performance, both business and operational. Policies and procedures are based on industry standards and aligned with the rules, regulations, codes and standards the Company is certified to. The system is managed at group level.

Environmental issues

The Environmental Management System (EMS), integrated in FIMS, which is also managed at group level, contains procedures for identifying and controlling environmental impacts and risks, where the potential of oil spill is the main risk. The EMS also includes emergency response procedures and plans for responding to environmental accidents in order to minimise any impact these might have.

Operational risk

The Company's offshore operations involve a variety of risks, such as injury to personnel, damage to equipment, accidental discharges/emissions to the natural environment and business interruption. The Company has entered into a service agreement with Floatel International AB and Floatel UK Limited for receiving certain project management services including, inter alia, risk management. The operational risks are governed by the group's internal policies and procedures including a risk management plan with relevant procedures specific for its operational activities. The policies and procedures are based on international recognised standards, describing the main activities, organisation, responsibilities and functional requirements.

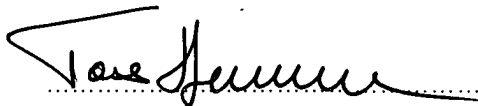
FLOATTEL UK CONTRACTOR LIMITED

STRATEGIC REPORT (CONTINUED)

Additional risks

For additional risks such as credit risk, price risk, cash flow risk and liquidity risk please refer to the Director's Report.

On behalf of the board:



B T Hjelmstierna
Director

22 September 2017
Date

FLOATTEL UK CONTRACTOR LIMITED

DIRECTORS' REPORT

The directors present the Directors' Report for the year ended 31 December 2016.

Dividends

No dividends were paid during the year and no final ordinary dividends have been recommended by the directors (2015: \$nil).

Future developments

The Company intends to continue operating in the area of the provision of accommodation and construction support vessels to the oil and gas industry, with a focus on growing the business and increasing profitability.

Directors

The following directors have held office since 1 January 2016 and up to the date of this report, unless otherwise stated:

B T Hjelmstierna

H J MacLeod

K O Wahl

(resigned 28 June 2017)

F Arnoldsson

(appointed 28 June 2017)

Financial instruments

The Company's activities expose it to a number of financial risks including credit, price, cash flow and liquidity risks. The Company does not use derivatives to manage financial risk or for speculative purposes.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which based on previous exposure, is evident of a reduction in the recoverability of the cash flows. The credit risk on trade receivables is managed through maintaining good customer relationships and the monitoring of credit levels and settlement periods. Given the quality of the Company's customer book, the board consider there to be no significant credit exposure.

The credit risk on liquid funds is considered limited because the counterparty is a bank with a credit rating assigned by international credit rating agencies.

Price risk

Price risk is the risk that changes in market prices will affect the Company's income. This is particularly relevant as the oil price will drive oil and gas industry activity, which in turn impacts demand for the Company's services. The Company mitigates this risk by entering into contracts for its services with customers for determined periods of time and aims to maintain good relationships with major oil and gas producers to ensure the Company maximises its opportunities.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company seeks to mitigate this risk by matching foreign currency receipts with foreign currency payments in order to naturally hedge cash flow. The board do not consider this to be a significant risk hence derivatives are not used to manage this area.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company monitors the timing of expected cash flows. Further cash resources are available from the group if required, however the Company's primary source of finance is the operating cash flow it generates.

FLOATEL UK CONTRACTOR LIMITED

DIRECTORS' REPORT (CONTINUED)

Going concern

The Company has returned a profit for the year ended 31 December 2016. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable UK 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 Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework. 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 estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 the 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.

Statement of disclosure to auditor

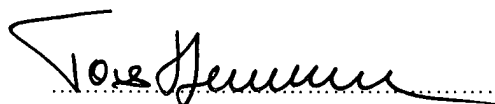
So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor was deemed to be reappointed and, following the change of the Floatel International group auditor, it was recommended that PricewaterhouseCoopers LLP be appointed as auditor for Floatel UK Contractor Limited effective for the year ended 31 December 2017.

As a result KPMG LLP will be resigning as the Company's auditor for the financial year ending 31 December 2017 and PricewaterhouseCoopers LLP will seek appointment.

On behalf of the board:



B T Hjelmstierna
Director

22 September 2017
Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLOATTEL UK CONTRACTOR LIMITED

We have audited the financial statements of Floattel UK Contractor Limited for the year ended 31 December 2016 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 4, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



Paula Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

26 SEPTEMBER 2017

37 Albyn Place
Aberdeen
AB10 1JB

FLOATEL UK CONTRACTOR LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016 \$	Restated 10 months ended 31 December 2015 \$
Continuing operations			
Revenue	3	128,808,299	65,584,791
Cost of sales		(111,881,910)	(60,307,187)
Gross profit		16,926,389	5,277,604
Administrative expenses		(2,426,915)	(2,744,731)
Profit from operating activities before interest and taxation	4	14,499,474	2,532,873
Interest payable and similar cost		(1,952)	(25)
Interest receivable and similar income		2,185	-
Profit before taxation		14,499,707	2,532,848
Tax on profit	6	(10,597,732)	(4,778,904)
Profit/(loss) for the financial year/period		3,901,975	(2,246,056)

The Company has no recognised gains and losses other than as included in the income statement for the current year or preceding period. Accordingly, no statement of comprehensive income is presented.

FLOATEL UK CONTRACTOR LIMITED

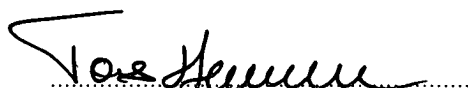
BALANCE SHEET AS AT 31 DECEMBER 2016

	Notes	2016 \$	\$	2015 \$	\$
Current assets					
Trade and other receivables	7	24,857,486		25,082,897	
Cash and cash equivalents	8	1,287,273		171,041	
		<u>26,144,759</u>		<u>25,253,938</u>	
Current liabilities					
Bank overdraft	8	(19,011,543)		(10,604,521)	
Trade and other payables	9	(4,363,707)		(14,315,283)	
Current tax payable		(1,113,589)		(2,580,189)	
		<u>(24,488,839)</u>		<u>(27,499,993)</u>	
Net current assets / (liabilities)			<u>1,655,920</u>		<u>(2,246,055)</u>
Net assets / (liabilities)			<u>1,655,920</u>		<u>(2,246,055)</u>
Equity					
Share capital	10		1		1
Retained earnings			<u>1,655,919</u>		<u>(2,246,056)</u>
			<u>1,655,920</u>		<u>(2,246,055)</u>

These financial statements were approved and authorised for issue by the board on

22 Sept 2017

Signed on behalf of the board:


B T Hjelmstierna
Director

Company Registration No. SC500821

FLOATTEL UK CONTRACTOR LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital \$	Retained earnings \$	Total equity \$
Ordinary share capital issued	1	-	1
Loss for the financial period	-	(2,246,056)	(2,246,056)
Total comprehensive expense for the period	-	(2,246,056)	(2,246,056)
At 31 December 2015	1	(2,246,056)	(2,246,055)
Profit for the financial year	-	3,901,975	3,901,975
Total comprehensive income for the year	-	3,901,975	3,901,975
At 31 December 2016	1	1,655,919	1,655,920

FLOATTEL UK CONTRACTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Floatel UK Contractor Limited ("the Company") for the year ended 31 December 2016 were authorised for issue by the board of directors as per the date on page 7 and the balance sheet was signed on the board's behalf by B T Hjelmstierna. The Company is a private company limited by shares, incorporated and domiciled in Scotland. Its principal activity continues to be that of the provision of offshore accommodation and construction support vessels to the oil and gas industry. Accommodation and construction support vessels are provided through the Company's sister companies within the Floatel International Limited group. The Company is a wholly owned subsidiary within the Floatel International Limited group which prepares consolidated financial statements in which the Company is included. The consolidated financial statements of Floatel International Limited group are available from Floatel Head Office, Lilla Badhusgatan 4, 411 21 Goteborg, Sweden. The Company's registered office and principal place of business is Citypoint House, 11 Chapel Street, Aberdeen, AB10 1SQ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and the requirements of the Companies Act 2006. The Company's financial statements are presented in US dollars and all values were rounded to the nearest dollar (\$) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Summary of significant accounting policies

2.1. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with FRS 101 and using the historical cost convention. The accounting policies which follow set out these policies which apply in preparing the financial statements for the year ended 31 December 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 7 "Financial Instruments: Disclosures", on the basis that equivalent disclosures are included within the consolidated financial statements of Floatel International Limited group in which the Company is included;
- b) the requirements of paragraphs 10(d), 16, 79(a)(iv), 111 and 134-136 of IAS 1 "Presentation of Financial Statements";
- c) the requirements of IAS 7 "Statement of Cash Flows";
- d) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- e) the requirements of paragraphs 17 and 18A of IAS 24 "Related Party Disclosures"; and
- f) the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

During the year, the Company made the decision to reclassify certain direct expenses from administrative expenses to cost of sales. As a result, and to aid comparability of the financial statements, the 2015 comparatives have been restated to reclassify £9,499,416 of expenses from administrative expenses to cost of sales. There is no impact on profit and loss as a result of this change.

FLOATTEL UK CONTRACTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2.2. Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. The Company has existing contracts with reputable customers and is expected to be profit making and cash generative for the coming period.

2.3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There are no judgements or estimation uncertainties that have a significant effect on amounts recognised in the financial statements.

2.4. Foreign currency translation

The Company's financial statements are presented in US dollars, which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

2.5. Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 ("Financial Instruments: Recognition and Measurement") 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.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits and trade and other receivables. The Company has no financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets or derivatives.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

FLOATTEL UK CONTRACTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2.5 Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

ii) Financial liabilities

Initial recognition and measurement

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 has no financial liabilities at fair value through profit or loss or derivatives.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

FLOATEL UK CONTRACTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2.5 Financial instruments (continued)

v) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

2.6. Trade and other receivables

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

2.7. Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

2.8. Impairment

i) Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

ii) Non-derivative financial assets

A financial asset not classified as fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

FLOATTEL UK CONTRACTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2.9. Revenue recognition

Revenue from services rendered is recognised in the income statement on the delivery of those services based on the proportion of the total delivered that can be reliably measured at the balance sheet date. Where payments are received in advance of revenue being recognised they are included as deferred income. Where revenue is recognised in advance of amounts being invoiced it is reported as accrued income.

2.10. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.11. Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

FLOATEL UK CONTRACTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. Revenue

The Company operates one principal area of activity which is that of providing offshore accommodation and construction support vessels to the oil and gas industry. All revenue is categorised as 'rendering of services'.

An analysis of the Company's revenue by geographical market is given below:

	Year ended 31 December 2016 \$	10 months ended 31 December 2015 \$
United Kingdom and Europe	128,808,299	65,584,791

4. Profit from operating activities for the year

Profit from operating activities for the year has been arrived at after (crediting) / charging:

	Year ended 31 December 2016 \$	10 months ended 31 December 2015 \$
Net foreign currency exchange differences	(2,489,572)	339,902
Operating lease payments	73,021,728	36,401,676
Auditor's remuneration for the audit of the Company's financial statements	20,710	33,700

5. Staff costs

The Company does not have any employees other than directors.

The directors are remunerated through other subsidiary companies within the Floatel International Limited group and as such no directors' remuneration is shown within the Company.

No pension contributions were prepaid or outstanding at the year end (2015: \$nil).

6. Taxes

Tax recognised in the income statement

	Year ended 31 December 2016 \$	10 months ended 31 December 2015 \$
Current income tax		
UK corporation tax	10,667,611	4,778,904
Adjustments in respect of prior periods	(69,879)	-
	10,597,732	4,778,904

No tax was either charged or credited to other comprehensive income. No deferred tax was required to be provided for.

FLOATEL UK CONTRACTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6. Taxes (continued)

Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20%. The differences are reconciled below:

	Year ended 31 December 2016 \$	10 months ended 31 December 2015 \$
Profit before tax from continuing operations	14,499,707	2,532,848
Tax calculated at UK standard rate of corporation tax of 20% (2015: 20%):	2,899,941	506,570
Non-deductible expenses	7,897,530	4,272,592
Income not taxable	(129,860)	-
Adjustments in respect of prior periods	(69,879)	-
Group relief claimed	-	(258)
	<u>10,597,732</u>	<u>4,778,904</u>

Factors that may affect future tax charge

On 26 October 2015, further reduction in the UK rate to 19% from 1 April 2017 and 18% from 1 April 2020 were enacted. An additional reduction to 17% (effective 1 April 2020) was announced on 16 March 2016, this was substantively enacted on 15 September 2016.

7. Trade and other receivables

	2016 \$	2015 \$
Trade receivables	16,247,980	8,928,302
Amounts due from group undertakings	86,672	719,223
Other receivables	1,144	62,828
Prepayments and accrued income	8,521,690	15,372,544
	<u>24,857,486</u>	<u>25,082,897</u>
Non-current	-	-
Current	<u>24,857,486</u>	<u>25,082,897</u>
	<u>24,857,486</u>	<u>25,082,897</u>

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

FLOATEL UK CONTRACTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

8. Cash and cash equivalents

	2016 \$	2015 \$
Bank balances	1,287,273	171,041
Bank overdrafts	(19,011,543)	(10,604,521)
Cash and cash equivalents	<u>(17,724,270)</u>	<u>(10,433,480)</u>

The Company's bankers hold standard security over all of the assets of the Company.

9. Trade and other payables

	2016 \$	2015 \$
Current		
Trade payables	1,162,896	2,041,516
Amounts due to group undertakings	1,342,626	8,839,721
Accrued expenses	1,858,185	3,434,046
	<u>4,363,707</u>	<u>14,315,283</u>

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

10. Capital and reserves

	2016 \$	2015 \$
Share capital – authorised, issued and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

Retained earnings

The retained earnings reserve reflects the aggregate of all profits and losses recognised through the income statement and other operating income less dividends paid throughout all periods up to the balance sheet date.

11. Operating leases

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating lease, which fall due as follows:

	2016 \$	2015 \$
Less than one year	62,782,555	62,954,562
Between one and five years	-	62,782,555
	<u>62,782,555</u>	<u>125,737,117</u>

During the period an amount of \$73,021,728 (2015: \$36,401,676) was recognised as an expense in profit or loss in respect of operating leases.

Lease commitments represent committed lease payments for The Floatel Victory and Floatel Superior.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

12. Related parties

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

13. Parent and ultimate controlling party

The immediate parent and ultimate controlling party of the Company is Floatel International Limited, a company registered in Bermuda. These are the only financial statements to consolidate this entity. The consolidated financial statements are available to the public and may be obtained from Floatel Head Office, Lilla Badhusgaten 4, 411 21 Goteburg, Sweden.

14. Guarantees and commitments

At 31 December 2016 the Company's assets and shares have been pledged to a consortium of banks headed by ABN AMRO Netherlands in relation to \$1.2b financing provided to a fellow group entity, Floatel International Ltd Bermuda.