

Archer Offshore Denmark A/S

Tømmervej 3, 6710 Esbjerg V

CVR no. 27 96 33 15



Annual report 2015

Approved at the annual general meeting of shareholders on 27/5/2016

Chairman:

A handwritten signature in blue ink, written over a dotted line. The signature is stylized and appears to be 'Jens L. Jensen'.

EY

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Archer Offshore Denmark A/S for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.


In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

We recommend that the annual report be approved at the annual general meeting.

Esbjerg, 27 May 2016
Executive Board:


Paul Mullins

Board of Directors:


Jan Vader
Chairman
Peter Kleinbichler
Paul Mullins

Independent auditors' report on the financial statements

To the shareholders of Archer Offshore Denmark A/S

We have audited the financial statements of Archer Offshore Denmark A/S for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Esbjerg, 27 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28



John Lesbo
state authorised public accountant



Birgitte Larsen
state authorised public accountant



Company details

Name	Archer Offshore Denmark A/S
Address, Postal code, City	Tømmervej 3, 6710 Esbjerg V
CVR No.	27 96 33 15
Established	7 September 2005
Registered office	Esbjerg
Financial year	1 January - 31 December
Board of Directors	Jan Vader, Chairman Peter Kleinbichler Paul Mullins
Executive Board	Paul Mullins
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33, 6700 Esbjerg, Denmark

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Gross profit	44,227,419	36,272,099
3	Staff costs	-36,768,608	-33,189,385
	Amortisation/depreciation and impairment of property, plant and equipment	-3,612,842	-2,862,053
	Operating profit	3,845,969	220,661
4	Financial income	125,655	251,382
5	Financial expenses	-192,243	-181,876
	Profit before tax	3,779,381	290,167
6	Tax for the year	-898,373	-71,347
	Profit for the year	2,881,008	218,820
	 Proposed profit appropriation		
	Retained earnings	2,881,008	218,820
		<u>2,881,008</u>	<u>218,820</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	ASSETS		
	Non-current assets		
7	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	8,478,563	9,801,261
	Leasehold improvements	114,758	153,084
		<u>8,593,321</u>	<u>9,954,345</u>
	Investments		
	Other receivables	193,500	121,700
		<u>193,500</u>	<u>121,700</u>
	Total non-current assets	<u>8,786,821</u>	<u>10,076,045</u>
	Current assets		
	Inventories		
	Raw materials and consumables	1,798	78,025
		<u>1,798</u>	<u>78,025</u>
	Receivables		
	Trade receivables	12,769,419	8,199,008
	Receivables from group entities	28,703	40,526
	Income taxes receivable	0	523,653
	Other receivables	83,406	352,276
	Prepayments	58,818	81,684
		<u>12,940,346</u>	<u>9,197,147</u>
	Total current assets	<u>12,942,144</u>	<u>9,275,172</u>
	TOTAL ASSETS	<u>21,728,965</u>	<u>19,351,217</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	500,000	500,000
	Retained earnings	7,351,721	4,470,713
	Total equity	7,851,721	4,970,713
	Provisions		
	Deferred tax	3,000	170,000
	Total provisions	3,000	170,000
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	503,459	983,327
	Payables to group entities	7,940,789	9,227,623
	Income taxes payable	561,373	0
	Other payables	4,868,623	3,999,554
		13,874,244	14,210,504
	Total liabilities other than provisions	13,874,244	14,210,504
	TOTAL EQUITY AND LIABILITIES	21,728,965	19,351,217

- 1 Accounting policies
- 2 The Company's principal activities
- 9 Collateral
- 10 Contractual obligations and contingencies, etc.
- 11 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2015	500,000	4,470,713	4,970,713
Profit/loss for the year	0	2,881,008	2,881,008
Equity at 31 December 2015	<u>500,000</u>	<u>7,351,721</u>	<u>7,851,721</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Archer Offshore Denmark A/S for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Net revenue, which includes maintenance tasks with a high degree of customization and sale of commodities to the offshore industry is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale' and 'Other external expenses' are consolidated into one item designated 'Gross profit'.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, administration, premises, bad debts etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation and impairment of property, plant and equipment

The item comprises amortisation/depreciation and impairment of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Leasehold improvements	5 years
Other fixtures and fittings, tools and equipment	3-8 years

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, exchange gains and losses.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are made up as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating costs.

Impairment of non-current assets

Property, plant and equipment are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 The Company's principal activities

The Company's primary activity is to perform service tasks and trades within the oil industry and related activities, including wire line services to the oil and gas industry in the Danish offshore sector.

3 Staff costs

Wages/salaries	34,439,980	30,882,230
Pensions	1,799,320	1,746,650
Other social security costs	529,308	560,505
	<u>36,768,608</u>	<u>33,189,385</u>

4 Financial income

Other financial income	125,655	251,382
	<u>125,655</u>	<u>251,382</u>

5 Financial expenses

Interest expenses, group entities	171,162	154,872
Other financial expenses	21,081	27,004
	<u>192,243</u>	<u>181,876</u>

6 Tax for the year

Estimated tax charge for the year	1,065,373	28,347
Deferred tax adjustments in the year	-167,000	43,000
	<u>898,373</u>	<u>71,347</u>

7 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2015	14,237,670	191,631	14,429,301
Additions in the year	2,251,818	0	2,251,818
Cost at 31 December 2015	<u>16,489,488</u>	<u>191,631</u>	<u>16,681,119</u>
Impairment losses and depreciation at 1 January 2015	4,436,409	38,547	4,474,956
Amortisation/depreciation in the year	3,574,516	38,326	3,612,842
Impairment losses and depreciation at 31 December 2015	<u>8,010,925</u>	<u>76,873</u>	<u>8,087,798</u>
Carrying amount at 31 December 2015	<u>8,478,563</u>	<u>114,758</u>	<u>8,593,321</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2015	2014
8 Share capital		
The share capital consists of the following:		
500,000 shares of DKK 1.00 each	500,000	500,000
	500,000	500,000

The Company's share capital has remained DKK 500,000 over the past 5 years.

9 Collateral

The Company has not placed any assets or other as security for loans at 31/12 2015.

10 Contractual obligations and contingencies, etc.

Other financial obligations

Lease liabilities totaled DKK 535 thousand at the end of 2015, of which DKK 535 thousand is due for payment within one year.

The Company is included in the cash-pool scheme with other group companies, where the Company is jointly and severally liable with other group companies for claims from the bank, with the Company's receivables in the cash-pool scheme. At 31 December 2015 the Company has a balance of DKK 0 thousand.

11 Related parties

Archer Offshore Denmark A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Archer Assets UK Ltd.	United Kingdom	Participating interest

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Archer Assets UK Ltd.	United Kingdom