Stena (UK) Limited

Annual Report and Financial Statements

Registered number 2766012

For the year ended 31 December 2017

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Strategic Report

The Directors present their Strategic Report and audited financial statements of Stena (UK) Limited (the "Company") for the year ended 31 December 2017.

Principal activities

The Company is an investment holding and financing Company.

Strategy and Business review

The Company is an investment holding and financing Company. Investments are principally held in respect of wholly-owned shipping and drilling operating companies in the UK and overseas. Details of investments held by the Company are set out in notes 12-13 to the financial statements.

Business reviews in respect of the Company's principal UK investments for the year ended 31 December 2017 are included in the financial statements of the companies listed in note 13 to the financial statements.

Results and dividends

The Company made a loss for the financial year of $11.8m (2016: profit of $144.1m).

During the year, the Company received dividends of $34.8m (2016:$215.7m) from its subsidiaries.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company include the cyclical nature of the shipping and drilling industries in which its investments operate, in the UK and globally. The carrying values of the Company's investments are reviewed by the Directors annually against the investments' underlying business performance and net assets.

As the Company is a holding and financing company, key financial indicators are limited, but include exchange risk management and the cost of financing.

The Company's trading and financing transactions are principally US Dollar denominated. Consequently, the financial statements are presented in US Dollars.

The Company is affected by movements in foreign exchange rates in respect of loans and receivables which are not denominated in the functional currency of US Dollars (principally Sterling and Euro). This exchange risk is managed through the hedging of specific currency exposures, including the use of derivative financial instruments.

Factors affecting the tax charge for the year are set out in note 10 to the financial statements.

On 23 June 2016, the UK voted to leave the European Union and on 23rd March 2017, the UK has invoked Article 50(2) of the Treaty and notified the European Council of their intention to withdraw from the European Council. On 15th December 2017 the second phase of negotiation started between European Council and the UK. The key aims of this phase are, most immediately, to address transitional arrangements, and, from March 2018, to have "preliminary and preparatory discussions with the aim of identifying an overall understanding of the framework for the future relationship". The overall aim of Article 50 talks will be to conclude a formal withdrawal agreement governing the UK's exit in March 2019. This will incorporate all the terms agreed in December 2017. The EU has also emphasized that all existing EU regulatory, budgetary, supervisory, judiciary and enforcement instruments and structures will also apply to the UK during the transitional period.

Strategic Report *(continued)*

However it still remains unclear how Brexit will affect the country's trading relationships, corporate taxation policy, the movement of people, and regulatory affairs. The Directors have considered the impact of the UK leaving on the financial, regulatory and legal environment and concluded that it would depend on the nature of arrangements agreed. Until these terms are finalised it is not possible to determine the impact on the economic conditions in the UK and on the Company.

Key Performance Indicators

The Directors monitor the following metrics as indicators of the performance of the business:

	2017	**2016**
	$000	**$000**
Turnover	2 357	2 357
Income from shares in group undertakings	34 800	215 730
(Loss)/Profit before interest and taxation (excl. impairment charges and dividend income)	(440)	1 558
Total shareholders' funds	717 772	666 438
Total Assets	721 335	668 580
Solvency %[1)]	100.0	99.7

1) Total shareholders' funds/total assets

On behalf of the Board

Hans E Noren
Director

12 June 2018

45 Albemarle Street
London W1S 4JL

Directors' Report

The Directors present their Directors' Report and audited financial statements of Stena (UK) Limited (the "Company")
for the year ended 31 December 2017.

Dividends and Financial Risk Management

Reference is made to the relevant sections in the Strategic Report.

Future Developments

The Company's overall business is expected to develop in the same direction over the coming year and to the same extent as in 2017.

Directors

The Directors who held office during the year and at the date of signing this report were:

Michael H Percy	
Staffan W Hultgren	
Peter F De Wekker	(resigned December 8, 2017)
Hans E Noren	
Mikael F Stenvaller	
Ian J Hampton	
Mauro Mattiuzzo	(appointed Decmeber 8, 2017)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors 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.

Disclosure of information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, as far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report
(continued)

Independent Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office for another term and arrangements have been put in place for them to be reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

Hans E Noren
Director

12 June 2018

45 Albemarle Street
London W1S 4JL

Independent auditors' report to the members of Stena (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Stena (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Independent auditors' report to the members of Stena (UK) Limited *(continued)*

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Stena (UK) Limited
(continued)

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

K Reynard

Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

12 June 2018

Profit and Loss Account
for the year ended 31 December 2017

	Notes	2017 $000	2016 $000
Turnover	4	**2 357**	2 357
Administrative Expenses		**(2 797)**	(799)
(Loss)/profit before interest and taxation	5	**(440)**	1 558
Interest receivable and similar income	8	**1 718**	146
Interest payable and similar expenses	9	**(3)**	(2 506)
Amounts written off investments		**(47 000)**	(71 000)
Income from shares in group undertakings		**34 800**	215 730
(Loss)/profit before taxation		**(10 925)**	143 928
Tax on (loss)/profit	10	**(911)**	195
(Loss)/profit for the financial year		**(11 836)**	144 123

The notes on pages 13 to 28 form an integral part of these financial statements.

Statement of Comprehensive Income
for the year ended 31 December 2017

	2017 $000	2016 $000
(Loss)/Profit for the financial year	**(11 836)**	144 123
Other comprehensive income/(expense):		
Remeasurement of net liabilities in pension plans	**344**	(469)
Total comprehensive (expense)/income for the year	**(11 492)**	143 654

The notes on pages 13 to 28 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2017

	Notes	2017 $000	2017 $000	2016 $000	2016 $000
Fixed assets					
Tangible assets	11		-		32
Investments	12		523 435		537 435
			523 435		537 467
Current assets					
Debtors	14	164 737		125 793	
Cash at bank and in hand		33 163		5 320	
		197 900		131 113	
Creditors:					
Amounts falling due within one year	15	(3 545)		(1 932)	
Net current assets			194 355		129 181
Total assets less current liabilities			717 790		666 648
Creditors:					
Amounts falling due after more than one year	16		-		(192)
Provisions for liabilities	17		(18)		(18)
Net assets			717 772		666 438
Capital and reserves					
Called up share capital	18		412 298		349 472
Retained earnings			305 474		316 966
Total shareholders' funds			717 772		666 438

The notes on pages 13 to 28 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 12 June 2018 and signed on its behalf by:

Hans E Noren
Director

Registered Company No: 2766012

Statement of Changes in Equity
for the year ended 31 December 2017

	Called up share capital $000	Retained earnings $000	Total share-holders' funds $000
Balance as at 1 January 2016	349 472	173 312	522 784
Profit for the financial year	-	144 123	144 123
Other comprehensive (expense)/income for the year	-	(469)	(469)
Total comprehensive (expense)/income for the year	-	143 654	143 654
Balance as at 31 December 2016	349 472	316 966	666 438
(Loss)/Profit for the financial year	**-**	**(11 836)**	**(11 836)**
Other comprehensive income for the year	**-**	**344**	**344**
Total comprehensive (expense)/income for the year	**-**	**(11 492)**	**(11 492)**
New shares issued	**62 826**	**-**	**62 826**
Balance as at 31 December 2017	**412 298**	**305 474**	**717 772**

The notes on pages 13 to 28 form an integral part of these financial statements.

Notes to the Financial Statements
(forming part of the financial statements)

1) General information

Stena (UK) Limited (the "Company") is a private company limited by shares and is incorporated in United Kingdom. The address of its registered office is 45 Albemarle Street, London, England, W1S 4JL.

The principal activities of the Company are to invest in shipping and drilling operating companies in the UK and overseas.

2) Statement of compliance

The individual financial statements of Stena (UK) Limited have been prepared in compliance with the United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.
The Company is exempt by virtue of s400 of the Companies Act from the requirement to prepare group financial statements. The financial statements present information about the Company as an individual undertaking and not about its group.

3) Summary of significant 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.

a) Basis of preparation

These financial statements are prepared under the historical cost convention, and in accordance with the UK accounting standard FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key sources of estimation uncertainty' section of this note.

b) Going concern

The Company (together with three other group companies) executed on 30 December 2010 a multicurrency revolving loan facility with AB Stena Finans of up to $300 million, reducing by $20 million per annum, or the equivalent in the optional currencies. The facility was increased in 2012 to $500 million, reducing by $30 million per annum. As at 31 December 2017 $167 million was drawn by other companies leaving a further $183 million undrawn.

Based upon the availability of its drawn and undrawn loan facilities and having reviewed the Company's future forecast cash flows, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Stena (UK) Limited is a qualifying entity as its results are consolidated into the financial statements of Stena AB (publ.) which are publicly available.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

c) Exemptions for qualifying entities under FRS 102 (continued)

As a qualifying entity, the Company has taken advantage of the following exemptions:

i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

d) Foreign currencies

(i) Functional and presentation currency
The Company's trading and financing transactions are principally US dollar denominated. Since this is the functional currency, the financial statements have been prepared in US Dollars.

(ii) Transactions and balances
Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income.

e) Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes.

The Company provides administrative services mainly to subsidiaries. Revenue is recognised in the accounting period in which the services are rendered.

f) Pension costs

The Company participates in pension schemes providing benefits based on final pensionable pay.
The requirements of FRS 102 Section 28 are applied. Where the Company is unable to identify its share of its underlying assets and liabilities on a reasonable and consistent basis such scheme is accounted for as a Defined Contribution Plan. In the case where the plan is a multi-employer plan and the Company has entered into an agreement with the plan that determines how the Company will fund a deficit and where the Company's share of the plan's net asset/liability can be determined the Company recognizes the net asset liability on the balance sheet and accounts for the profit and loss items as required. Changes in the actuarial valuation are recognized under Comprehensive Income.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date, except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

h) Investments

Investments in subsidiaries, joint ventures, associates and trade investments are stated at cost less provision for impairment. Impairment reviews are carried out if there is an indication of a reduction in value. Dividends from investments are recognized when received or approved for payment by the investee.

i) Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

j) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixture, fittings and equipment	5 years
Leasehold property	Length of lease

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

j) Tangible assets (continued)

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

k) Leases

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets held under finance leases are included as tangible assets and depreciated as stated above. The rentals payable are apportioned between interest, which is charged to the Profit and Loss Account, and capital, which reduces the outstanding obligation, on a basis which will produce a constant period rate of charge on the remaining balance of the obligation for each accounting period.

(ii) Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals under operating leases are charged to the Profit and Loss Account on a straight-line basis over the lease term.

Assets subject to operating leases are held on the balance sheet according to the nature of the asset. Lease income from operating leases is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

l) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Profit and Loss Account, unless the asset has been revalued when the amount is recognised in the Profit and Loss Account to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Profit and Loss Account.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Profit and Loss Account.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and fellow group company AB Stena Finans, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

n) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 exemption of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Profit and Loss Account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in Profit and Loss Account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

n) Financial instruments (continued)

(iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Derivatives
The Company does not generally apply hedge accounting in respect of forward foreign exchange contracts held to manage cash flow exposures of forecast transactions denominated in foreign currencies or for transactions entered into to manage the cash flow exposure of borrowings. Interest rate swaps are held to manage interest rate exposures and are designed as cash flow hedges of floating rate borrowings.

Changes to the fair values of derivatives designed as cash flow hedges, and which are effective, are recognized directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognized in the Profit and Loss Account. Where formal hedge documentation has not been put in place, the movement in the fair value is recognised in the Profit and Loss Account.

The gain or loss recognized in other comprehensive income is reclassified to the Profit and Loss Account when the hedging relationship ends. Hedge accounting is discontinued when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

p) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Investments in subsidiaries and joint ventures are recognised at cost less any impairment losses. If a review indicates that the net carrying value exceeds the recoverable amount the investment is written down to the value indicated by the review.

Generally, provisions are recognised when there is an obligation as a result of a historical event, where it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are recognized at the amount that represent the best estimate of the amount required to settle the existing obligation on the balance sheet date. When there is doubt in the estimates referring to forthcoming events outside the Company´s control, the actual outcome may differ significantly.

The Company participates in two industry wide defined benefit pension schemes. The costs of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management uses third party actuaries to assist in these estimates in determining the net pension obligation on the Balance Sheet. The assumptions reflect historical experience and current trends.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

p) Critical accounting judgements and key source of estimation uncertainty (continued)

When a commitment does not meet the criteria for reporting in the balance sheet, the amount can be considered a contingent liability and be disclosed. These commitments arise from events that have taken place and their existence will be confirmed only when one or several uncertain future events, which do not lie entirely within the Company´s control, take place or fail to take place. Contingent liabilities also include present commitments where an outflow of resources is not likely or a sufficiently reliable estimate of the amount cannot be made.

r) Future amendments to FRS 102

There are no further disclosures in connection with amendments to FRS 102 or FRC abstracts that have an effect on the current period, prior period or future period as required by paragraph 10.13 of FRS 102.

4) Turnover

Turnover comprises of administrative services provided to subsidiaries based in the United Kingdom.

5) (Loss)/Profit before interest and taxation

	2017	2016
	$000	$000
(Loss)/profit before taxation is stated after charging/(crediting):		
Depreciation		
- tangible fixed assets owned	**12**	21
- leasehold property	**20**	20
Exchange gain/(loss)	**136**	1 979

	2017	2016
	$000	$000
Fee payable to the Company's auditors for the audit of the Company's financial statements	**6**	6
Total fees payable to the Company's auditors	**6**	6

6) Staff numbers and cost

Excluding non-executive Directors, the Company employed four staff during the whole year (2016: four).

The aggregate payroll cost, including Director emoluments was:

	2017	2016
	$000	$000
Wages and salaries	**1 386**	1 317
Social security costs	**193**	194
Other pension costs	**11**	36
	1 590	1 547

Notes to the Financial Statements *(Continued)*

7) Remuneration of Directors

At year end the Company had six Directors (2016: six).

The total amount of fees paid to Directors during the year was $720,000 (2016: $1,097,163). The highest paid Director during the year was paid $616,000 (2016:539,380).

8) Interest receivable and similar income

	2017	2016
	$000	$000
Bank deposit interest	**1 718**	146
	1 718	146

9) Interest payable and similar expenses

	2017	2016
	$000	$000
Bank interest and other charges	**3**	29
Interest payable to group undertakings	**-**	2 477
	3	2 506

10) Tax on profit

	2017	2016
	$000	$000
(i) Analysis of tax (credit)		
Current taxation:		
- Group relief receivable at 19.25% (2016: 20.00%)	**390**	215
- Adjustments in respect of prior years	**521**	9
Current taxation	**911**	224
Deferred taxation		
- Current year	**-**	(64)
- Effect of changes in tax rates	**-**	7
- Adjustments in respect of prior years	**-**	28
Deferred taxation	**-**	(29)
Total tax (credit) for the year	**911**	195

The prior year adjustments relates to the change in the Group relief position in the filed tax returns.

Notes to the Financial Statements *(Continued)*

10) Tax on profit (continued)

(ii) Factors affecting the tax (charge) for the year

The total tax (credit) for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%). The differences are explained below.

	2017	2016
	$000	$000
(Loss)/Profit before taxation	**(10 925)**	143 928
Tax on profit at the standard rate of UK corporation tax of 19.25% (2016: 20.00%)	**2 103**	(28 786)
Effect of:		
Timing differences:		
- Permanent differences	**(2 493)**	28 937
- Adjustments in respect of prior years	**(521)**	37
- Deferred tax rate changes	**-**	7
Total tax	**(911)**	195

(iii) Factors affecting the future total tax charge

Changes to the UK corporation tax rate were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main tax rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

11) Tangible assets

	Leasehold properties $000	**Fixture, fittings and equipment $000**	**Total $000**
Cost			
At the beginning of year	219	176	395
Additions	-	-	-
Disposals	-	-	-
At end of year	**219**	**176**	**395**
Accumulated Depreciation			
At beginning of year	(199)	(164)	(363)
Charges for year	(20)	(12)	(32)
At end of year	**(219)**	**(176)**	**(395)**
Net book value			
At end of year	**0**	**0**	**0**
At beginning of the year	20	12	32

Notes to the Financial Statements *(Continued)*

12) Investments

	Shares in group undertakings $000
Net book value at the beginning of the year	537 435
Additions	33 000
Impairment charge shares Stena IceMax Ltd	(47 000)
Net book value at the end of the year	**523 435**

The additions of $33.0m consists of increased share capital in Stena Drilling (Holdings) Limited.
In the opinion of the Directors the investments in, and amounts due from, the Company's subsidiary companies are worth at least the amounts at which they are stated in the balance sheet.

The subsidiary Stena IceMax Limited is active in the offshore drilling market. Its asset values and thus equity have been negatively affected by the dramatically weakened market conditions due to the sharp downturn in oil prices since the latter part of 2014. This has resulted in an impairment charge of $47m to the shares in this subsidiary.

Fixed asset investments relate to investments in subsidiaries, associates and trade investments. Details of subsidiaries are set out in note 13.

The Company received dividends of $34.8m (2016:$215.7m) from subsidiaries during the year.

13) Subsidiary companies

The Company has the following subsidiary undertakings, which are wholly-owned and whose voting shares are 100% held by the Company unless otherwise stated, and are registered in England or Wales unless otherwise stated.

Subsidiary	**Activity**
Stena Ferries Limited 1)	Ownership and chartering of vessels
Stena North Sea Limited 1)	Ownership and chartering of vessels
Stena Ropax Limited 1)	Ownership and chartering of vessels
Stena LNG (UK) Limited 1)	Ownership and chartering of vessels
Northern Marine Group Limited (registered in Scotland) 2)	Management services
Alba Travel (Inverness) Limited (registered in Scotland)* 4)	Travel services
Austen Maritime BV (registered in The Netherlands)* 18)	Agency and crewing services
Austen Maritime Services Consulting (Shanghai) Limited (reg in China)*8)	Agency and crewing services
Austen Maritime Services Pte Ltd (registered in Singapore)* 5)	Agency and crewing services
Beaver Travel (Highland) Limited (registered in Scotland)* 4)	Travel Services
Clyde Healthcare Limited (registered in Scotland)* 4)	Healthcare services
Clyde Marine Training Limited (registered in Scotland)* 4)	Training
Clyde Safety Limited (registered in Scotland)* 4)	Safety services
Clyde Training Solutions Limited (registered in Scotland)* 4)	Training
Clyde Travel Limited (registered in Scotland)* 4)	Travel services
Francois Marine BV (registered in The Netherlands)* 18)	Ship and offshore supplies
Francois Marine Services (Korea) Pte Ltd (registered in South Korea)* 7)	Ship chandlery
Francois Marine Services Pte Ltd (registered in Singapore)* 5)	Ship and offshore supply specialist
J&G Executive Travel (Dundee) Limited (registered in Scotland)* 4)	Travel services
Meridian Shipping Services Pte Limited (registered in Singapore)*5)	Provision of crewing and payroll services
Northern Marine Australia Pty Limited (registered in Australia)* (50%) 9)	Marine and services recruitment

Notes to the Financial Statements *(Continued)*

13) Subsidiary companies (continued)

Subsidiary	Activity
Northern Marine Ferries Limited (registered in Scotland)* 2)	Ship management and related services
Northern Marine Limited (registered in England)* 1)	Management services
Northen Marine Latvia LLC (registered in Latvia)* 12)	Marine services and recruitment
Northern Marine Management (India) Private Limited (reg in India)* 6)	Provision of crewing and payroll services
Northern Marine Management (USA) LLC (registered in USA)*10)	Ship management services
Northern Marine Management Limited (registered in Scotland)* 2)	Ship management and related services
Northern Marine Management Pte Limited (registered in Singapore)*5)	Ship management services
Northern Marine Management Shanghai Ltd (registered in China)*8)	Ship management and related activities
Northern Marine Manning Services Limited (registered in Scotland) * 2)	Marine Services and Recruitment
Northern Marine Manning Services Pte Limited (registered in Singapore)*5)	Marine and services recruitment
Skye Management Holding Co Limited (registered in Bermuda)*15)	Holding company (non-trading)
Stena Drilling Pte Limited (registered in Singapore)*5)	Provision of crewing and payroll services
Stena Marine Consultant Shanghai Ltd (registered in China)*8)	Ship chandlery
Stena Marine BV (registered in The Netherlands)* 18)	Holding Company
Stena Marine Limited*2)	Dormant
Stena Marine Management Gmbh & Co KG (registered in Germany)*16)	Dormant
Stena Marine Management LLC (registered in Russia)*14)	Marine Services and Recruitment
Stena Marine Management Pte Limited (registered in Singapore)* 5)	Provision of crewing and payroll services
Stena Marine Management AB (registered in Sweden)* 13)	Ship management and related activities
Stena Marine Services Gmbh (registered in Germany)*16)	Dormant
Stena Marine Far East Limited (registered in Scotland)* 2)	Holding company
Stena Marine Singapore Pte Ltd (registered in Singapore)* 5)	Singapore Holding company
Topstaff Employment Limited (registered in Scotland) 4)	Recruitment services
Tang Li Shanghai *8)	Ship management and related activities
Tang Li Hong Kong *17)	Ship management and related activities
The Clyde Group Limited (registered in Scotland)* 4)	Holding company
Tritec Marine Consultants Pte Limited (registered in Singapore)*5)	Naval architects and marine consultants
Tritec Marine Consultants USA LLC (registered in USA)*11)	Naval architects and marine consultants
Tritec Marine Limited (registered in Scotland)* 2)	Naval architects and marine consultants
Austen Marine Korea Limited (registred in South Korea)*7)	Agency and crewing services
Stena Drilling (Holdings) Limited 1)	Holding company (non-trading)
Houlder Marine Services (Hong Kong) Limited (reg in Hong Kong)*1)	Dormant
Stena Clyde PNG Limited* 1)	Dormant
Stena Drilling (Australia) Pty Limited (registered in Australia)* 1)	Provider of offshore services
Stena Drilling Asia Pacific Limited* 1)	Dormant
Stena Drilling Asia Pacific Pte Limited (registered in Singapore)* 1)	Offshore Drilling Related Services
Stena Drilling Australia Limited* 1)	Dormant
Stena Drilling HR Limited* 1)	Provision and crewing and payroll services
Stena Drilling Limited* 1)	Managers of mobile drilling units
Stena Drilling (Final Salary) Pension Trustee Limited 1)*	Pensions & Funds
Stena Drilling (Money Purchase) Pension Trustee Limited 1)*	Pensions & Funds
Stena Drilling Integrated Well Services Limited 1)*	Support activities for Oil & Gas Operations
Stena Drillmax Chartering Ltd* 1)	Dormant
Stena Drillmax Ice Limited* 1)	Offshore Drilling Services (trading)
Stena Forth Drilling Limited* 1)	Offshore Drilling Services (trading)
Stena HSD Limited* 1)	Dormant
Stena Ice Chartering Limited* 1)	Dormant

Notes to the Financial Statements *(Continued)*

13) Subsidiary companies (continued)

Subsidiary	Activity
Stena Icemax Limited 1)	Chartering rig and drilling services
Stena Oilfield Chartering Limited* 1)	Drilling
Stena Oilfield Services Limited* 1)	Drilling
Stena Rig Chartering Limited* 1)	Chartering rig and drilling services
Stena Spey Services Limited* 1)	Drilling (Trading)
Stena Spey Chartering Limited * 1)	Dormant
Stena Carron Drilling Limited * 1)	Offshore Drilling Services (trading)
Stenloyal Limited (registered in Scotland)* 3)	Drilling rig owner
Subsea Leasing Limited(ex: Stena Subsea Leasing Ltd)* 1)	Rental and leasing of drilling equipment
Stena Unicon Offshore Services Ghana Limited (reg in Ghana)* (90%) 19)	Drilling (Trading)

* Shares held by subsidiary companies.

The company´s registered address is:
1) 45 Albemarle Street, London, England, W1S 4JL.
2) Alba House, 2 Clydebank Avenue, Clydebank, Scotland, G81 2QR.
3) Greenbank Cresent, East Tullos, Aberdeen, Scotland, AB1 4BG.
4) Seaforth House, Hillington Park, Glasgow, Scotland, G52 4JQ.
5) 30 Pandan Road, Singapore 609277.
6) Orchard Avenue, Powai, India, 400076.
7) 3rd Floor, 4539 Geoje-daero, Gyeongham, South Korea (53237).
8) Room 1606, United Plaza, Jingan District, Shanghai, 200040, P.R China
9) 14 Kearns Cresent, Applecross, Perth WA 6153, Australia
10) 2727 Allen Parkway, Houston, TX 77019-2115, USA
11) 1010 Northern Boulevard, Suite 208, Great Neck, NY 11021, USA
12) 76 Gustava Zemgala, Riga, Latvia
13) Masthuggskajen, SE-405 19 Gothenburg, Sweden
14) Petrogradskaya emb, 36A, 7th Floor, St Petersburg, Russia
15) Clarendon House, 2 Church Street, P O Box HM 1022, Hamilton, HM DX, Bermuda
16) c/o Ahlers & Vogel, Schaarsteinwegsbrucke 2, 20459 Hamburg, Germany
17) Room 1501, Grand Millenium Plaza (Lower Block), 181 Queens Road Central, Hong Kong
18) Curieweg 2, Spijkenisse, Netherlands, 3208KJ
19) No 4, Momotse Avenue, Adabraka, Accra, Ghana

14) Debtors

	2017	2016
	$000	$000
Amount falling due within one year		
Amounts owed by group undertakings:		
- Deposits	**164 455**	120 000
- Group relief	**-**	3 372
- Other	**-**	2 387
Prepayments and accrued income	**21**	-
The Company's share of net assets in industry pension schemes	**152**	-
Deferred taxes	**6**	6
Other debtors	**103**	28
	164 737	125 793

Notes to the Financial Statements *(Continued)*

14) Debtors (continued)

Amounts owed by group undertakings are unsecured. Deposits bear interest and have a fixed date of repayment. At year end the interest rate for the deposit was 1.5794%.
Group relief and other items bear no interest and have no fixed date of repayment.

15) Creditors: Amounts falling due within one year

	2017 $000	2016 $000
Amounts owed to group undertakings	**3 120**	1 424
Accruals and deferred income	**425**	508
	3 545	1 932

16) Creditors: Amounts falling due after more than one year

	2017 $000	2016 $000
The Company's share of net liability in industry pension schemes	**-**	192
	-	192

The Company (together with three other group companies) executed on 30 December 2010 a multicurrency revolving loan facility with AB Stena Finans of up to $300 million, reducing by $20 million per annum, or the equivalent in the optional currencies. The facility was increased in 2012 to $500 million, reducing by $30 million per annum. As at 31 December 2017 $167 million was drawn by other companies leaving a further $183 million undrawn.

The facility is repayable in full in 2018, with a 3 years optional extension period. The interest charged is on a variable rate basis, and interest is charged at LIBOR plus 3.25% (2015: 3.25%).

17) Provisions for liabilities

	2017 $000	2016 $000
Deferred taxation		
- At beginning of year	**(18)**	(18)
- Provided for during year	**-**	-
At end of year	**(18)**	(18)

The amounts provided for deferred taxation in respect of timing differences are analysed below. All timing differences have been provided for or recognized:

	2017 $000	2016 $000
Difference between accumulated depreciation and capital allowances on fixture, fittings and equipment	**(18)**	(18)
	(18)	(18)

Notes to the Financial Statements *(Continued)*

18) Called up share capital

	2017	2016
	$000	$000
253 469 544 (2016: 206 506 959) ordinary shares of £1 each:		
Authorised, issued and fully paid	**412 298**	349 472

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

19) Commitments

Lease commitments

At 31 December 2017 the Company had future minimum lease payments, as a leasee, under non-cancellable operating leases expiring as follows:

	2017	2016
	$000	$000
Not later than one year	110	110
Later than one year and not later than five years	248	358
Later than five years	-	-
	358	468

There were no capital commitments at year end (2017:$nil).

20) Pension scheme

Northern Marine Management Limited, a company owned by Northern Marine Group Limited, a subsidiary of Stena (UK) Limited, operates a defined benefit pension scheme providing benefits based on a final salary scheme. An employee of the Company who retired in June 2014 participated in the scheme. No other employees participate in the scheme.

Under FRS 102 Section 28 the Company accounts for this defined benefit pension scheme as if it was a defined contribution scheme. This is because the Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. The expenditure charge for the Company therefore represents the contributions payable in the year. The total pension cost charged to the Profit and Loss Account in the year was $nil (2016: nil).

Notes to the Financial Statements *(Continued)*

21) Industry Pension Schemes

The pension liabilities have been transferred from its subsidiary Stena Ferries Limited.

Merchant Navy Officers Pension Fund (MNOPF)

The Company is a participating employer in the Merchant Navy Officers Pension Fund (MNOPF) New Section, notwithstanding that the Company does not currently employ any members of the MNOPF. The MNOPF is a defined benefit pension scheme. The Company accounts for this scheme as required by FRS 102 Section 28.

MNOPF New Section
A court judgment in March 2005 established how the deficit in the MNOPF New Section will be allocated between the various employers. Following this judgment the Company has been able to establish its current share of the net deficit in the New Section

The latest actuarial valuation was carried out at 31 March 2015. Next actuarial valuation will be carried out in March 2018.

Based on a valuation of the assets as of 30 September, 2016 and based on the liabilities as per the actuarial valuation of 31 March, 2015 the Company's share of the net asset of the scheme is 0.21633% which as of 31 December, 2017 was $146.000 (2016: net liability of $204,492).

Merchant Navy Ratings Pension Fund (MNRPF)

The MNRPF is a closed industry-wide multi-employer defined benefit pension scheme.

Amendments have been made to the pension scheme rules. The amended rules were given final approval by a ruling in the High Court in March 2015. Whilst not a participating employer under the old rules, since the Company does not currently employ any members of the MNRPF, the new rules mean that the Company is liable on a proportional basis for previous employees that were members of the MNRPF.

The most recent full triennial valuation as of 31 March 2014, carried out by an independent actuary, revealed a funding shortfall in the scheme. The Company paid a contribution during the year of $365,872 (2016: $365,872) to fund part of the deficit.

Based on a valuation of the assets as of 31 December, 2017 and based on the liabilities as per actuarial valuation of 31 March, 2014, the Company's share of the net assets of the scheme is 0.23000% which as of 31 December, 2017 was $6,000 (2016: $13000).

Recognized through the Profit and Loss Account

The following amounts are recognized through the Profit and Loss Account for the two schemes:

	2017	2016
	$000	$000
Administrative Expenses	**27**	31
Net Interest Cost	**-**	10
	27	41

Movements in the net assets/liabilities as a result of revaluations of assets and liabilities in the two schemes are recognized through Comprehensive Income.

Notes to the Financial Statements *(Continued)*

22) Related party transactions

Under paragraph 33.1A of FRS 102, the Company is exempt from the requirement to disclose related party transactions with other group companies as it is wholly owned subsidiary of a parent company which prepares and publishes consolidated financial statements. There are no further related party transactions, which, in the opinion of the Directors, require disclosure in these financial statements.

23) Parent Company and Ultimate Parent Company

The Company is incorporated in Great Britain and registered in England and Wales. The ultimate parent and controlling company is Stena AB (publ.), a company incorporated in Sweden.

The largest group in which the results of the Company are consolidated is that headed by Stena AB (publ.). The consolidated financial statements of Stena AB (publ.) are available at Masthuggskajen, 405 19 Gothenburg, Sweden.

The smallest group in which the results of the Company are consolidated is Stena International SA.

The consolidated financial statements of Stena International SA are available at Boulevard Royal 26b L-2449 Luxembourg - Luxembourg.

The immediate parent company is Stena International SA.