

02823058

Financial statements
for the year ended 31 December 2010

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Company information
for the year ended 31 December 2010

Company Registration number

2823058

Registered office

No 1 Portland Place
London W1B 1PN

Directors

R F M Adair
D M V Fraser

Secretary

A N Robinson

Report of the directors
for the year ended 31 December 2010

The directors present their report together with financial statements for the year ended 31 December 2010

Principal activity and review of operations

The objective of the Company is the exploration, evaluation and development of hydrocarbon deposits

Directors

The directors in office during the year are listed below

R F M Adair
D M V Fraser

Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS's as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS's as adopted by the EU, 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.

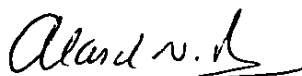
Results and dividends

The loss for the year after taxation amounted to \$423,000 (2009 Profit \$6,874,000). The directors do not recommend the payment of a dividend.

Disclosure of information to auditors

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

For and on behalf of the Board



A N Robinson
Company Secretary
11 May 2011
No 1 Portland Place
London
W1B 1PN

Melrose Mediterranean Limited

Independent auditor's report to the members of Melrose Mediterranean Limited
for the year ended 31 December 2010

Independent auditor's report to the members of Melrose Mediterranean Limited

We have audited the financial statements of Melrose Mediterranean Limited for the year ended 31 December 2010 set out on pages 5 to 9. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with IFRS as adopted by the EU, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.



Hugh Harvie, (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh
12 May 2011

Income Statement
for the year ended 31 December 2010

	Year ended 31 December 2010 \$000	Year ended 31 December 2009 \$000
Cancellation of amount due to parent undertaking	-	6,874
Gross profit	-	6,874
Administrative Expenses	(423)	-
(Loss) / profit before taxation	(423)	6,874
Income Tax expense	-	-
(Loss) / profit after taxation for the year	(423)	6,874

Statement of comprehensive income

There is no other comprehensive income other than the loss of \$423,000 (2009 profit of \$6,874,000) shown above

The accompanying notes on pages 8 and 9 form an integral part of the financial statements

Statement of changes in equity
for the year ended 31 December 2010

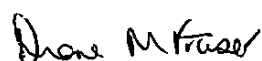
	Share capital \$000	Retained earnings \$000	Total equity \$000
At 1 January 2009	-	(6,874)	(6,874)
Profit for the year	-	6,874	6,874
At 31 December 2009	-	-	-
At 1 January 2010	-	-	-
Loss for the year	-	(423)	(423)
At 31 December 2010	-	(423)	(423)

Balance Sheet
as at 31 December 2010

Company Number 2823058

	Notes	As at 31 December 2010 \$000	As at 31 December 2009 \$000	As at 1 January 2009 \$000
Non-current assets				
Intangible assets	3	124	-	-
				-
Current assets				
Other receivables		134	-	-
Total current assets		<u>134</u>	-	-
			-	-
Total assets		<u>258</u>	-	-
Non-current liabilities				
Amounts due to group companies		(681)	-	(6,874)
Total liabilities		<u>(681)</u>	-	(6,874)
Net liabilities		<u>(423)</u>	-	(6,874)
Total equity attributable to shareholders				
Issued share capital	4	-	-	-
Profit and loss account		(423)	-	(6,874)
Total Equity		<u>(423)</u>	-	(6,874)

The Board of Directors approved the financial statements on 11 May 2011, and these were signed on its behalf by Diane M V Fraser



D M V Fraser
Director
11 May 2011

The accompanying notes on pages 8 and 9 form an integral part of the financial statements

Cash flow statement
for the year ended 31 December 2010

	Year ended 31 December 2010 \$000	Year ended 31 December 2009 \$000
Cash flows from operating activities		
Loss for the year	(423)	-
Operating cashflow before changes in working capital	(423)	-
Increase in other receivables	(134)	-
Increase in amounts owed to Parent Company	681	-
Net cash inflow from operating activities	124	-
Cash flows from investing activities		
Acquisition of intangible assets	(124)	-
Net cash outflow from investing activities	(124)	-
Net increase in cash and cash equivalents		
Cash and cash equivalents at start of year	-	-
Cash and cash equivalents at end of year	-	-

The accounting policies and notes on pages 8 to 9 form part of these financial statements

Notes to the accounts

for the year ended 31 December 2010

1. Accounting policies

The following accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2009 for the purpose of the transition to adopted IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretation as adopted by the EU (‘adopted IFRS’)

The Company is preparing its financial statements in accordance with IFRS as adopted for use in the EU for the first time and consequently has applied IFRS 1, “First-time Adoption of International Financial Reporting Standards”. An explanation of how the transition to IFRS has impacted the reported financial position, financial performance, and cash flows of the Company is provided in note 6

The accounts are prepared on the historic cost basis and are presented in US Dollars, rounded to the nearest thousand. US Dollars is also the Company’s functional currency

The accounts are prepared on a going concern basis. This is appropriate since the parent undertaking has confirmed in writing its continued financial support for the Company for at least twelve months from the date of approval of the financial statements

Exploration and evaluation costs are capitalised within intangible fixed assets until the success or otherwise of the well or project has been established

2. Profit / (loss) for the year

There are no directors emoluments charged in respect of this year (2009 nil). The auditors remuneration of \$4,000 (2009 \$2,000) is borne by the parent company

3. Intangible Assets

	Year ended 31 December 2010 \$000	Year ended 31 December 2009 \$000
Opening Balance at 1 January	-	-
Additions during the year	124	-
Closing Balance at 31 December	<u>124</u>	<u>-</u>

4. Share capital

	As at 31 December 2010 \$	As at 31 December 2009 \$
<i>Authorised</i>		
100 ordinary shares of £1 each	199	199
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	<u>2</u>	<u>2</u>

Notes to the accounts
for the year ended 31 December 2010

5. Controlling related party and ultimate parent undertaking

Skye Investments Limited is the Company's ultimate controlling related party because it owns more than 50 per cent of the issued share capital of Melrose Resources plc which itself owns the entire issued share capital of the Company

The ultimate parent undertaking of the Company is Skye Investments Limited, which is registered in England and Wales. Skye Investments Limited is the parent company of the largest group of undertakings for which group accounts have been drawn up and the smallest such group of undertakings, including the Company, is that headed by Melrose Resources plc, which is registered in England and Wales. Copies of the group accounts of Skye Investments Limited and Melrose Resources plc are available from No 1 Portland Place, London W1B 1PN

The immediate parent company, Melrose Resources plc, has committed to provide financial support in order to assure the going concern in the company

The following transactions occurred with Melrose Resources plc

	\$000
Balance at 1 January 2009	6,874
Transactions during the year	-
Amounts Invoiced	-
Cancellation of amounts due	(6,874)
Balance as at 31 December 2009	-
Balance at 1 January 2010	-
Transactions during the year	-
Amounts Invoiced	681
Cancellation of amounts due	-
Balance as at 31 December 2010	681

6. Explanation of transition to IFRS

As stated in note 1, these are the Company's first financial statements prepared in accordance with IFRS. The transition from UK GAAP to IFRS has not affected the Company's financial position, financial performance, or cash flows. There is no difference between the equity of the Company as reported under IFRS and as would have been reported under UK GAAP in either the opening balance sheet at 1 January 2009 or at 31 December 2009. Total comprehensive income is unaffected by the transition.