

Ayoopco Limited
Directors' Report and Financial Statements
for the period from 1 October 2005 to 31 December 2006

Company Registration No 04050229

Taylor's
Chartered Accountants
Battle House
1 East Barnet Road
Herts
EN4 8RR

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Ayoopco Limited
Report and accounts
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Ayoopco Limited
Company Information

Directors

M N Burchell
M D J Groom
J Eng
J G Moore

Secretary

J M Bottomley

Auditors

Taylors
Battle House
1 East Barnet Road
New Barnet
Herts
EN4 8RR

Registered office

Finsgate
5-7 Cranwood Street
London
EC1V 9EE

Registered number

04050229

Ayoopco Limited

Directors' Report

The directors present their report and accounts for the period ended 31 December 2006

Principal activities and review of the business

The company's principal activity is the investment in onshore oil and gas development and production opportunities in the Burgos region of Northern Spain. The company currently has interests in four licenses in this area of Spain. The company is the operator for all these licences and will continue to consider other such opportunities in Spain as they arise.

Turnover has increased by 142% during the year. The company is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The loss for the period, after taxation, amounted to € 122,257 (2005 € 21,787). The directors do not recommend payment of a dividend (2005 nil).

Going Concern

The Directors confirm that they have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and they therefore continue to adopt the going concern basis in the preparation of the accounts.

Directors

The following directors served during the period:

M N Burchell
M D J Groom
J Eng
J G Moore

Disclosure of information to auditors

So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the board on

14 May 2008

J M Bottomley

J M Bottomley
Secretary

Ayoopco Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to 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 accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They 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.

Ayoopco Limited
Independent auditors' report
to the shareholders of Ayoopco Limited

We have audited the accounts of Ayoopco Limited for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts.

Taylor's
Registered auditors

16 June 2008

Battle House
1 East Barnet Road
Herts
EN4 8RR

Ayoopco Limited
Profit and Loss Account
for the period from 1 October 2005 to 31 December 2006

	Notes	2006 €	2005 €
Turnover	2	1,160,292	469,402
Cost of sales		(1,024,054)	(410,288)
Gross profit		<u>136,238</u>	<u>59,114</u>
Administrative expenses		(181,007)	(93,016)
Other operating income		-	31,500
Operating loss	3	<u>(44,769)</u>	<u>(2,402)</u>
Income from investments		1,185	-
Loss on ordinary activities before taxation		<u>(43,584)</u>	<u>(2,402)</u>
Tax on loss on ordinary activities	5	(78,673)	(19,385)
Loss for the period		<u><u>(122,257)</u></u>	<u><u>(21,787)</u></u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two periods

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the loss for the above two periods

Ayoopco Limited
Balance Sheet
as at 31 December 2006

	Notes	2006 €	2005 €
Fixed assets			
Intangible assets	6	332,064	-
Tangible assets	7	<u>75,334</u>	<u>30,134</u>
		407,398	30,134
Current assets			
Stocks	8	254,553	196,643
Debtors	9	1,293,052	294,724
Cash at bank and in hand		<u>457,637</u>	<u>564,534</u>
		2,005,242	1,055,901
Creditors: amounts falling due within one year	10	(2,531,979)	(1,127,783)
Net current liabilities		<u>(526,737)</u>	<u>(71,882)</u>
Total assets less current liabilities		<u>(119,339)</u>	<u>(41,748)</u>
Creditors amounts falling due after more than one year	11	-	(75,334)
Provisions for liabilities			
Other provisions	12	(117,000)	(117,000)
Net liabilities		<u>(236,339)</u>	<u>(234,082)</u>
Capital and reserves			
Called up share capital	13	3	3
Profit and loss account	14	(236,342)	(234,085)
Shareholders' funds	15	<u>(236,339)</u>	<u>(234,082)</u>

J Eng
Director

Approved by the board on

14 May 2008



Ayoopco Limited
Notes to the Accounts
for the period from 1 October 2005 to 31 December 2006

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

The financial statements fall within the scope of the Statement of Recommended Practice ("SORP"), "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities", issued by the Oil Industry Accounting Committee. The financial statements, including disclosures, have been prepared in accordance with the provisions of the SORP

Basis of Preparation

The Company's exploration, development and production activities are generally conducted jointly with other companies. Since these arrangements do not constitute entities in their own right, the financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Company's interests

As the company is considered to be small within the definition of the Companies Act 1985 no cash flow statement is presented in these accounts

Oil and gas projects

The Company has adopted the full cost accounting policy for expenditure on oil and gas projects. As a result, all costs are accumulated in cost pools and are then written off to the extent that they are not supported by underlying oil and gas reserves, unless the expenditure relates to an area where it is too early to make such a decision

Production assets

Impairment and ceiling test

Capitalised expenditure is reviewed each period for possible impairment on a property by property basis. Any expenditure which is judged to be impaired is included in the relevant depletion calculation. As a test for impairment, the capitalised costs in each cost pool of tangible assets is compared each period with the net present value of future net cash flows derived from the assets in the pool. These ceiling test values are calculated on the basis of expected future product prices or, if applicable, at prices specified in a sale contract, and discounting by 10% per annum

Depreciation, depletion and amortisation

Amortisation of expenditure held in respect of producing assets in each tangible cost pool is provided using the unit of production method based on entitlement to proved and, where applicable, probable reserves of oil and gas. For depletion purposes only, the cost base of each tangible cost pool includes estimated future development expenditure to be incurred to access these reserves. Changes in reserves are accounted for prospectively

Decommissioning costs

Provisions for decommissioning costs are recognised in full at the commencement of oil and gas production, or when the assets are first acquired, if later. The amount recognised is the present value of the estimated future expenditure. A corresponding tangible fixed asset is also created at an amount equal to the provision. This is subsequently amortised as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the fixed asset

Ayooopco Limited
Notes to the Accounts
for the period from 1 October 2005 to 31 December 2006

Non-production assets

Expenditure in this category has been included on the balance sheet under intangible assets. Expenditure incurred on non-production assets is transferred to tangible assets once a decision has been made as to the commercial development of a field or property. Costs are accumulated in cost pools and are then written off either on withdrawal from a project or to the extent that they are not supported by underlying oil and gas reserves.

Stocks

Stocks comprise oil and gas in tanks and parts and supplies, all of which are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

2 Turnover

Turnover is recognised on an entitlement basis and represents the sales value, net of value added tax and similar taxes, of the company's share of oil and gas revenue in the period.

Income charged, net of value added tax and similar taxes, to other companies by the company in respect of fees for acting as operator of both production and pre-production activities is disclosed within other operating income.

Ayoopco Limited
Notes to the Accounts
for the period from 1 October 2005 to 31 December 2006

3 Operating profit	2006	2005
	€	€
This is stated after charging		
Amortisation of oil and gas assets	22,885	75,967
Auditors' remuneration for audit services	5,000	4,000
	<u>27,885</u>	<u>80,000</u>
4 Staff costs	2006	2005
	€	€
Wages and salaries	-	29,869
	<u>-</u>	<u>29,869</u>
5 Taxation	2006	2005
	€	€
Analysis of charge in period		
Current tax		
Overseas taxation	78,673	19,385
	<u>78,673</u>	<u>19,385</u>
Tax on profit on ordinary activities	<u>78,673</u>	<u>19,385</u>

Factors affecting tax charge for period

The Company has tax losses arising in the UK and uncrystallised capital allowances that may be available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and allowances as they may not be used to offset taxable profits for some time.

	2006	2005
	€	€
Loss on ordinary activities before tax	(43,584)	(2,402)
Standard rate of corporation tax in the UK	30%	30%
	€	€
Loss on ordinary activities multiplied by the standard rate of corporation tax	(13,075)	(721)
Effects of		
Expenses not deductible for tax purposes	91,748	20,106
Current tax charge for period	<u>78,673</u>	<u>19,385</u>

Ayooopco Limited
Notes to the Accounts
for the period from 1 October 2005 to 31 December 2006

6 Intangible fixed assets

Intangible assets represent the cost of investment in Spanish oil and gas projects where it is too early to make a decision regarding the existence or otherwise of commercial reserves

	€
Cost	
At 1 October 2005	54,949
Additions	354,949
At 31 December 2006	<u>409,898</u>
Amortisation	
At 1 October 2005	54,949
Provided during the period	22,885
At 31 December 2006	<u>77,834</u>
Net book value	
At 31 December 2006	<u>332,064</u>

7 Tangible fixed assets

	Oil and Gas Assets €
Cost	
At 1 October 2005	150,668
Additions	45,200
At 31 December 2006	<u>195,868</u>
Depreciation	
At 1 October 2005	120,534
At 31 December 2006	<u>120,534</u>
Net book value	
At 31 December 2006	<u>75,334</u>
At 30 September 2005	<u>30,134</u>

Ayooopco Limited
Notes to the Accounts
for the period from 1 October 2005 to 31 December 2006

8 Stocks	2006	2005
	€	€
Spare parts and supplies	185,328	185,839
Crude oil	69,225	10,804
	<u>254,553</u>	<u>196,643</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material

9 Debtors	2006	2005
	€	€
Trade debtors	113,814	96,425
Amounts owed by group undertakings and undertakings in which the company has a participating interest	1,039,428	-
Other debtors	139,810	64,416
Prepayments and accrued income	-	133,883
	<u>1,293,052</u>	<u>294,724</u>

10 Creditors' amounts falling due within one year	2006	2005
	€	€
Trade creditors	488,384	109,153
Amounts owed to group undertakings and undertakings in which the company has a participating interest	833,178	843,235
Other taxes and social security costs	45,967	146
Other creditors	1,093,734	98,322
Accruals and deferred income	70,716	76,927
	<u>2,531,979</u>	<u>1,127,783</u>

11 Creditors amounts falling due after one year	2006	2005
	€	€
Other creditors	-	75,334

Ayooopco Limited
Notes to the Accounts
for the period from 1 October 2005 to 31 December 2006

12 Provisions for liabilities

	Decommissioning provision €
At 1 October 2005	117,000
At 31 December 2006	<u>117,000</u>

The amount provided represents the company's share of the decommissioning liability in respect of the producing Ayoluengo field. The amount provided has not been discounted to reflect the present value of the estimated future decommissioning expenditures of the field as the difference is not considered material.

13 Share capital	2006 No	2005 No	2006 €	2005 €
Authorised Ordinary shares of £1 each	1,000,000	1,000,000	<u>1,438,200</u>	<u>1,438,200</u>
			2006 €	2005 €
Allotted, called up and fully paid Ordinary shares of £1 each	2	2	<u>3</u>	<u>3</u>

14 Profit and loss account	2006 €	2005 €
At 1 October 2005		
As previously reported	(234,085)	(212,298)
Prior year adjustment	120,000	-
As restated	<u>(114,085)</u>	<u>(212,298)</u>
Loss for the period	(122,257)	(21,787)
At 31 December 2006	<u>(236,342)</u>	<u>(234,085)</u>

Ayoopco Limited
Notes to the Accounts
for the period from 1 October 2005 to 31 December 2006

15 Reconciliation of movement in shareholders' funds	2006	2005
	€	€
At 1 October 2005		
As previously reported	(234,082)	(212,295)
Prior year adjustment	120,000	-
As restated	<u>(114,082)</u>	<u>(212,295)</u>
Loss for the financial period	(122,257)	(21,787)
At 31 December 2006	<u><u>(236,339)</u></u>	<u><u>(234,082)</u></u>

16 Prior year adjustment

The prior year adjustment arises as a result of writing off an intercompany balance which is no longer due

17 Related parties

The company has taken advantage of the exemption contained within FRS8, and has not disclosed transactions with any companies which were members of the same group of companies to which it belonged at the period end

18 Controlling party

The ultimate controlling party is considered to be Ascent Resources plc