EnQuest Thistle Limited (formerly Lundin Thistle Limited)

(REGISTERED NO 04487223)

ANNUAL REPORT AND ACCOUNTS
31 December 2010

ENQUEST THISTLE LIMITED (formerly Lundin Thistle Limited)

OFFICERS AND OTHER INFORMATION

Directors
A Bseisu
J Swinney
N Hares
D Heslop

Company Secretary
Paul Waters

Auditors
Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen AB15 4DT
United Kingdom

Registered Office
4th Floor, Rex House
4-12 Regent Street
London, SW1Y 4PE
United Kingdom

ENQUEST THISTLE LIMITED (formerly Lundin Thistle Limited)

DIRECTORS' REPORT

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

On 6 May 2010 the company changed its name to EnQuest Thistle Limited (the "Company") from Lundin Thistle Limited

Results and dividends

The profit for the year, after taxation is $13,985,000 (2009 loss $3,732,000) The directors do not propose the payment of a dividend (2009 nil)

Principal activity and review of the business

The Company's principal activity during the year continued to be the exploration for, and the extraction and production of hydrocarbons in the UK Continental Shelf (UKCS)

It was an exciting year for the Thistle field with the first new well (SFB-P1) in 20 years successfully brought onstream Innovative use of proven technology reduced the complexity of the drilling approach, enabling the new well to be delivered under budget This followed a previous investment programme of approximately $70 million to upgrade the capability and integrity of the Thistle drilling rig

A successful partial abandonment programme was completed on four wells, on behalf of the former owners Production recommenced from well A46 following a successful workover and jet pump installation The connection of the Dons oil and gas pipelines into Thistle brought in owned fuel gas, helping to reduce reliance on third party supplies

Directors

The following directors have served as directors of the company throughout the financial period, except as otherwise specified

A Bseisu (appointed 6 April 2010)
J Swinney (appointed 6 April 2010)
N Hares (appointed 6 April 2010)
P Lindop (resigned 3 June 2011)
C A Heppenstall (resigned 6 April 2010)
A J Schneiter (resigned 6 April 2010)
D Heslop (appointed 22 June 2011)

No directors held any beneficial interest in the shares of the company at 31 December 2010 or at any time during the year

Director's indemnity

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006

Principal risks and uncertainties

There are number of risks and uncertainties which may have an impact on the financial performance of the Company, these are managed on a group basis

The list below does not purport to be exhaustive There may be other risks and uncertainties not presently known to the Company or that the Company currently deems to be immaterial that could affect the performance of the business

Risk	Mitigation
Health Safety and Environment (HSE) Oil and gas development, production and exploration activities are complex and HSE risks cover many areas including operational safety, personal health and safety, compliance with regulatory requirements and potential environmental harm	The Company maintains, in conjunction with its core contractors, a comprehensive programme of health, safety, environmental asset integrity and assurance activities and has implemented a continuous improvement programme, promoting a culture of transparency in relation to HSE matters In addition, the Company has a positive, transparent relationship with the UK Health and Safety Executive
Production The Company's production is critical to its success and is subject to a variety of risks including uncertain geology, operating in a difficult environment with mature equipment and potential for significant unexpected shutdowns and unplanned expenditure to occur	The Company's programme of asset integrity and assurance activities provides leading data indicators of significant potential issues which may result in unplanned shutdowns or which may in other respects have the potential to undermine asset availability and uptime The Company continually assesses the condition of its assets and operates extensive maintenance procedures designed to minimise the risk of unplanned shutdowns and expenditure The Company monitors both leading and lagging key performance indicators in relation to its maintenance activities
Lower than expected reservoir performance may have a material impact on the Company's results	Life of asset production profiles are audited by independent reserves auditors The Company also undertakes regular internal peer reviews The Company instigates pro-active operational interventions, when appropriate The Company's forecasts of production are risked to reflect appropriate production risks
The Company's delivery infrastructure is dependent on the Sullom Voe Terminal	The Sullom Voe Terminal has a good safety record and its safety and operational performance levels are regularly monitored by the Company and other Terminal owners to ensure that operational integrity is maintained

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

Risk	Mitigation
Reserve Replacement Failure to develop its contingent and prospective resources	The company puts a strong emphasis on subsurface analysis Via the immediate parent company, EnQuest Britain Limited, the Company has recruited a significant number of employees during the year in a variety of technical positions which enables it to evaluate the Company's reserve base and maximise production recovery All analysis is subject to internal, and where appropriate, external peer review The Company allocates resource to manage its reputation with DECC, relative to continuous improvement in safety performance, environmental performance and ultimate recovery of hydrocarbon reserves, therefore enhancing its position to be successful in applying for UK licences
Financial Inability to fund appraisal and development work programmes	The ultimate parent company, EnQuest PLC has secured appropriate bank facilities to fund its development activities, this is due to be refinanced before 6 April 2012 This funding is supported by operating cash inflow from the Company's producing assets The Company reviews its cash flow requirements on an ongoing basis to ensure it has suitable resources for its needs
The Company's activities expose it to various financial risks particularly associated with foreign currency risk, liquidity risk and credit risk	*Foreign currency risk* The Company has transactional currency exposures Such exposure arises from sales or purchases in currencies other than the Company's functional currency The Company manages this risk by converting US$ receipts at spot rates periodically and as required for payments in other currencies *Liquidity risk* The Company monitors its risk to a shortage of funds by reviewing its cash flow requirements on a regular basis relative to its existing group bank facilities and the maturity profile of these facilities *Credit risk* The Company trades only with recognised, international oil and gas operators Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments Cash balances can be invested in short-term bank deposits and AAA rated liquidity funds, subject to Board approved limits and with a view to minimising counter-party credit risks

Principal risks and uncertainties (continued)

Risk	Mitigation
Reputation The reputational and commercial exposures to a major offshore incident are significant	Operational activities are conducted in accordance with approved policies, standards and procures Interface agreements are agreed with all core contractors The Company undertakes regular audit activities to provide assurance on compliance with established policies, standards and procedures
Oil Price A material decline in oil and gas prices may adversely affect the Company's results of operations and financial condition	The Company monitors oil price sensitivity relative to the core economics of its business In 2010 the Board approved a policy to hedge up to 50% of annual forecast oil production Approximately 40% of 2011 forecast oil production has been hedged using zero premium collars In order to develop its resources, the Company needs to be able to fund substantial levels of investment The Company will therefore regularly review and implement suitable policies to hedge against the possible negative funding impacts of changes in oil prices on revenues and profits
Political and Fiscal Changes in the regulatory or fiscal environment affecting the Company's ability to deliver its strategy	It is difficult for the Company to predict the timing or severity of such changes However, the Company does engage with government and other appropriate organisations, thorough Oil & Gas UK and other industry associations in order to ensure the Company is kept abreast of expected potential changes and takes an active role in making appropriate representations At a more operational level, the Company has procedures to identify impending changes in relevant regulations to ensure legislative compliance

Policy and practice with respect to payment to suppliers

It is the Company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company A copy of the code of practice may be obtained from the CBI The average creditor payment days for the Company were 20 days (2009 27 days)

Future Developments

In 2011, the company plans to drill three further infill wells, NWFB, EFB-P1 and Dev-P1 Two water injection workovers are also planned

During 2010 work continued on evaluating options to improve platform uptimes and this is expected to result in further investment in 2011 and over the next few years in power generation and control systems upgrades

Going Concern

The directors have considered the Company's business activities, together with the factors likely to affect its future development, performance and liquidity position in conjunction with the EnQuest group 2P (Proven and Probable) reserves, cashflow and liquidity position and its banking facilities in their assessment of going concern

The director's assessment of going concern concludes that use of going concern basis is appropriate because there are no material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern

DIRECTORS' REPORT (continued)

Disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made inquiries of fellow directors and of the company's auditors, each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Following the formation of EnQuest, Pricewaterhouse Coopers LLP resigned as auditors to the Company Ernst & Young LLP were appointed as auditors

By order of the Board

J Swinney
Director
27 June 2011

ENQUEST THISTLE LIMITED (formerly Lundin Thistle Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under Company Law the director must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the company and the profit or loss for that period In preparing those 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are also responsible for keeping proper accounting records that are sufficient to show and explain the company transaction and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENQUEST THISTLE LIMIITED (formerly Lundin Thistle Limited)

We have audited the financial statements of EnQuest Thistle Limited (formerly Lundin Thistle Limited) for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 25 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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 Annual Report and accounts 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
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Ernst + Young LLP
Moira Ann Lawrence (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
28 June 2011

ENQUEST THISTLE LIMITED (formerly Lundin Thistle Limited)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Business performance 2010 $'000	Exceptional items 2010 $'000	**Reported in the year 2010 $'000**	2009 $'000 (As restated note 22)
Turnover	2	163,547	-	**163,547**	87,456
Cost of sales	3	(117,222)	-	**(117,222)**	(93,733)
Gross profit/(loss)		46,325	-	**46,325**	(6,277)
Well abandonment expenses	4	-	(8,194)	**(8,194)**	-
General and administrative expenses	5	(2,355)	-	**(2,355)**	(57)
Other operating income/(expenses)	6	3,517	-	**3,517**	(14,769)
Operating profit/(loss)	7	47,487	(8,194)	**39,293**	(21,103)
Interest receivable and similar income	8	16	-	**16**	27
Interest payable and similar charges	9	(866)	-	**(866)**	(1,248)
Profit/(loss) on ordinary activities before taxation		46,637	(8,194)	**38,443**	(22,324)
Tax on profit/(loss) on ordinary activities	10	(29,456)	4,998	**(24,458)**	18,592
Profit/(loss) for the financial year	19	17,181	(3,196)	**13,985**	(3,732)

The profit for the year ended 31 December 2010 is derived from continuing activities of the company

There are no recognisable gains or losses attributable to the company other than profit of $13,985, 000 for the year ended 31 December 2010 (2009 loss $3,732,000)

The comparative profit and loss account has been presented as a single column as there were no exceptional items reported in the year ended 31 December 2009

ENQUEST THISTLE LIMITED (formerly Lundin Thistle Limited)

BALANCE SHEET AT 31 DECEMBER 2010

	Note	2010 $'000	2009 $'000
Non-current assets			
Tangible fixed assets	13	**178,516**	171,066
Current assets			
Inventories	14	**2,364**	-
Debtors	15	**87,056**	77,468
Cash at bank and in hand		**13,532**	2,018
		102,952	79,486
Current liabilities			
Creditors amounts falling due within one year	16	**(101,365)**	(109,220)
Net current/(liabilities)		**1,587**	(29,734)
Total assets less current liabilities		**180,103**	141,332
Creditors: amounts falling due after more than one year	17	**(65,000)**	(65,000)
Provision for liabilities and charges	10	**(92,432)**	(67,646)
Net assets		**22,671**	8,686
Capital and reserves			
Called-up share capital	18	**-**	-
Profit and loss account	19	**22,671**	8,686
Shareholders' funds	20	**22,671**	8,686

The financial statements of EnQuest Thistle Limited registered number 04487223 were approved by the board of directors and authorised for issue on 27 June 2011

By order of the Board

J. Swinney

J Swinney
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable UK Accounting Standards on a historical cost basis In addition to the requirements of accounting standards, the accounting for exploration and production activities is governed by the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001 which have been adhered to while preparing these financial statements with the exception the disclosure of oil and gas reserves, which the company considers to be of a sensitive nature and the Group position is disclosed in the EnQuest PLC Annual Report and Accounts

The functional and presentation currency of the financial statements is United States dollars and all values in the financial statements are rounded to the nearest thousand (US$'000) except where otherwise stated The year end rate at 31 December 2010 was £1/$1 5657

Going concern concept

The Directors' assessment of going concern concludes that use of going concern basis is appropriate because there are no material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent publishes consolidated financial statements

Foreign currencies

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value Cost comprises the purchase price or construction cost and any costs directly attributable to making that asset capable of operating as intended

Oil and gas assets are depleted, on a field-by-field basis, using the unit-of-production method based on entitlement to proven and probable reserves, taking account of estimated future development expenditure relating to those reserves

Capitalised costs

Oil and gas assets are accounted for using the successful efforts method of accounting

Oil and gas assets

Expenditure relating to development of assets including the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells, is capitalised within tangible fixed assets

Impairment of assets (excluding goodwill)

At each balance sheet date, the Company reviews the carrying amounts of its oil and gas assets to assess whether there is an indication that those assets may be impaired If any such indication exists, the Company makes an estimate of the asset's recoverable amount An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount An impairment loss is recognised immediately in the profit and loss account

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

Impairment of assets (excluding goodwill) (continued)
Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years A reversal of an impairment loss is recognised immediately in the profit and loss account

Under/over-lift
Under or over-lifted positions of hydrocarbons are valued at market prices prevailing at the balance sheet date An under-lift of production from a field is included in current receivables and valued at the year end spot price or prevailing contract price and an over-lift of production from a field is included in current liabilities and valued at the year end spot price or prevailing contract price

Debtors
Debtors are recognised and carried at original invoice amount less an allowance for any amounts estimated to be uncollectible An estimate for doubtful debts is made when collection of the full amount is no longer probable Impaired debts are derecognised when they are assessed as uncollectable

Creditors
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not

Inventories
Inventories of consumable well supplies are stated at the lower of cost and net realisable value, cost being determined on a first in first out ('FIFO') basis Inventories of hydrocarbons are stated at the lower of cost and net realisable value

Taxes
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

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Provision is made for Petroleum Revenue Tax over the expected life of each applicable field on a unit of production basis taking account of exploration and appraisal expenditure relief available Deferred PRT is provided on the same basis as described above for deferred income taxes

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

Revenue
Revenue is recognised to the extent that it is probable economic benefits will flow to the Company and the revenue can be reliably measured

Oil and gas revenues comprise the Company's share of sales from the processing or sale of hydrocarbons on an entitlement basis, when the significant risks and rewards of ownership have been passed to the buyer

Tariff revenue is recognised in the period in which the services are provided at the agreed contract rates

Leases
For a lease to qualify as a finance lease, substantially all of the risks and benefits of ownership must pass to the lessee In all other cases the lease will be classified as an operating lease Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease

Exceptional items
As permitted by FRS 3 Reporting Financial Performance, certain items are presented separately The items that the Company separately presents as exceptional on the face of the profit and loss account are those material items of income and expense which because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance

2. Turnover
Turnover relates to principal activities of the business and arose wholly in the United Kingdom

3. Cost of sales

	2010 $'000	2009 $'000 (As restated note 23)
Cost of operations	**72,403**	72,828
Tariff and transportation expenses	**4,888**	4,020
Change in lifting position	**8,229**	(3,665)
Inventory movement - hydrocarbons	**(2,364)**	109
Depletion of oil and gas assets (note 13)	**34,066**	20,441
	117,222	93,733

4. Exceptional items
Well abandonment expenses of $8 2 million have been reported in 2010 in relation to the partial decommissioning of the Thistle field wells A40/42 and A18/55 The wells were drilled prior to May 2002 and are therefore covered by the Intervening Period and Decommissioning Liability Agreements with the previous field owners However, the previous owners did not approve the abandonment expense and EnQuest proceeded with performing partial decommissioning of these wells following an agreed programme to perform early partial decommissioning of four other Thistle wells in 2010 As EnQuest considered the safety and integrity of the A40/42 and A18/55 wells and the safety of its personnel and the platform essential, it performed partial decommissioning work on these wells, prioritising the work ahead of drilling further in-fill production wells Since the previous owners did not approve the work under the Decommissioning Liability Agreement, EnQuest has therefore decided to provide for these expenses but will continue to consider its options to recover these funds from the previous owners

ENQUEST THISTLE LIMITED (formerly Lundin Thistle Limited)

NOTES TO THE FINANCIAL STATEMENTS

5. General and administration expenses

	2010 $'000	2009 $'000
Management fees	1,813	-
Business development expenses	200	-
Other general and administration expenses	342	57
	2,355	57

6. Other operating income/(expense)

	2010 $'000	2009 $'000
Foreign exchange gain/(loss)	3,517	(14,338)
Insurance claim expense	-	(431)
	3,517	(14,769)

7. Operating profit/(loss)

This is stated after charging/(crediting)

	2010 $'000	2009 $'000
Auditor's remuneration for statutory services – Ernst & Young LLP	19	-
Auditor's remuneration for statutory services – PricewaterhouseCoopers LLP	-	59
Foreign exchange (gain)/loss	(3,517)	14,338

Fees payable to Ernst & Young LLP for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis

8. Interest receivable and similar income

	2010 $'000	2009 $'000
Bank interest receivable	16	27

9. Interest payable and similar charges

	2010 $'000	2009 $'000
Loan interest	187	1,248
Bank fees	387	-
Amortisation of issue costs	292	-
	866	1,248

NOTES TO THE FINANCIAL STATEMENTS

10. Taxation

(a) Tax on profit/(loss) on ordinary activities

The tax charge/(credit) is made up as follows

	2010 $'000	2009 $'000
Current Tax·		
Current year charge	5,487	-
Group relief payable	9,613	-
Adjustment in respect of prior year	(15,428)	-
	(328)	-
Deferred Tax		
Current year charge/(credit)	(1,848)	(8,306)
Petroleum revenue tax	11,147	(10,286)
Adjustment in respect of prior year	15,487	-
	24,786	(18,592)
	24,458	(18,592)

(b) Factors affecting the tax charges for the year	2010 $'000	2009 $'000
Profit/(loss) on ordinary activities before tax	38,443	(22,324)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax for oil and gas companies in the UK of 50% (2009 50%)	19,221	(11,162)
Non-deductible expenditure	32	29
Capital allowances in excess of depreciation	(3,726)	(9,600)
Other timing differences	(427)	20,733
Adjustment in respect of prior years	(15,428)	-
Total current tax charge for the year	(328)	-

NOTES TO THE FINANCIAL STATEMENTS

10 Taxation (continued)

(c) Deferred Taxation

Deferred income tax relates to the following	Balance Sheet		Profit and Loss Account	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Deferred Income tax liabilities				
Accelerated capital allowance	**89,259**	85,533	**3,726**	(8,306)
Other timing differences	**(3,174)**	(13,087)	**9,913**	-
Petroleum revenue tax	**6,347**	(4,800)	**11,147**	(10,286)
Deferred income tax charge/(credit)			**24,786**	(18,592)
Deferred income tax liability	**92,432**	67,646		

11. Remuneration of directors

The directors of the company are also directors of the immediate holding company and fellow subsidiaries The directors received total remuneration for the year of $4,200,000 (2009 $394,000) for services to the EnQuest PLC group, all of which was paid by the immediate holding company The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the immediate holding company and fellow subsidiaries

12. Employee information

No staff were employed by the Company during the year therefore no direct staff costs were incurred

NOTES TO THE FINANCIAL STATEMENTS

13. Tangible fixed assets

	Oil and Gas assets
Cost	$'000
At 1 January 2009	209,902
Additions	39,642
At 31 December 2009	249,544
Additions	41,516
At 31 December 2010	**291,060**
Depletion	
At 1 January 2009	58,038
Charge for the year	20,440
At 31 December 2009	78,478
Charge for the year	34,066
At 31 December 2010	**112,544**
Net Book amounts	
At 31 December 2010	**178,516**
At 31 December 2009	**171,066**

14 Inventories

	2010	2009
	$'000	$'000
Crude Oil	**2,364**	-

15 Debtors: amounts falling due within one year

	2010	2009
	$'000	$'000
Trade debtors	**14,250**	10,827
Amounts owed by group undertakings	**70,633**	63,544
Inventory underlift	-	1,361
Prepayments and accrued income	**1,972**	1,543
Other debtors	**201**	193
	87,056	77,468

Amounts owed by group undertakings are unsecured and repayable on demand No interest is charged

NOTES TO THE FINANCIAL STATEMENTS

16. Creditors. amounts falling due within one year

	2010 $'000	2009 $'000
Trade creditors	48	-
Amounts owed to group undertakings	66,201	94,092
Corporation tax payable	2,645	-
Accruals	25,011	14,362
Inventory overlift	7,400	532
Other creditors	60	234
	101,365	109,220

Amounts owed to group undertakings are unsecured and repayable on demand No interest is charged

17. Creditors: amounts falling due after more than one year

	2010 $'000	2009 $'000
Bank loan	-	65,000
Amounts due to other group companies	65,000	-
	65,000	65,000

In advance of the share transfer agreement between Lundin North Sea BV and EnQuest PLC on 6 April 2010, the Company's bank loan was assumed by Lundin Petroleum AB group, the former parent company, resulting in the loan being replaced by an intercompany balance due to EnQuest Britain Limited

Amounts owed to group undertakings are unsecured No interest is charged

18. Called-up share capital

	2010 $	2009 $
Allotted, called up and fully paid		
100 ordinary shares of £1 each	168	168

19. Reserves

	Profit & Loss account $'000
At 1 January 2009	12,418
Loss for the year	(3,732)
At 31 December 2009	8,686
Profit for the year	13,985
At 31 December 2010	**22,671**

NOTES TO THE FINANCIAL STATEMENTS

20. Reconciliation of movements in shareholders' interests

	2010 $'000	2009 $'000
Profit/(loss) for the year and net increase/(decrease) in shareholders' interests	**13,985**	(3,732)
Shareholders' interest at 1 January	**8,686**	12,418
Shareholders' interest at 31 December	**22,671**	8,686

21. Capital commitments

At 31 December 2010, the company had capital commitments of $1,453,000 (2009 $888,000)

22. Post balance sheet events

Subsequent to the year end, the UK Budget on 23 March announced an increase in the rate of supplementary corporation tax from 20% to 32%, giving an effective UK corporate tax rate for North Sea oil extraction activity of 62% If this increase had been substantively enacted at the year end the impact would be to increase the provision for deferred corporation tax by approximately $22 million

Also announced in the UK Budget 2011 is a proposal to restrict relief on decommissioning costs incurred at the end of field life to a maximum of 50% and a potential trigger price mechanism to reduce SCT on an affordable basis to the Government if certain conditions are met Both proposals are subject to consultation and will not be legislated until Finance Act 2012 It is therefore too early to estimate the impact of these proposals due to insufficient detail available on both mechanisms

23. Restatement of comparative figures

The directors believe it more appropriate for total foreign exchange to be included in other operating expenses and not cost of sales As a result the profit and loss account has been restated

24 Related party transactions

The Company has taken advantage of the exemption contained within FRS 8 "Related Party Disclosures" and has not disclosed transactions entered into with other 100% owned group companies

25. Ultimate parent company

EnQuest Britain Limited is the immediate parent company

On the 6 April 2010 EnQuest PLC became the ultimate parent company and controlling party which heads the largest group in which the results of the company are consolidated Prior to this date the ultimate parent company and controlling party was Lundin Petroleum AB

Copies of the parent company EnQuest plc financial statements can be obtained from 4th Floor, Rex House, 4-12 Regent Street, London, SW1Y 4PE