Colag UK Limited

Report and Financial Statements

Year Ended

30 June 2011

Company Number 04511114

Colag UK Limited

Report and financial statements
for the year ended 30 June 2011

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Country of incorporation

England and Wales

Legal form

Private company limited by shares

Directors

K Cadle
M G Allen

Secretary and registered office

M G Allen, 20 – 22 Bedford Row, London, WC1R 4JS

Company number

04511114

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Colag UK Limited

Report of the directors
for the year ended 30 June 2011

The directors present the report and audited financial statements of the Company for the year ended 30 June 2011

Principal activity

Colag UK Limited is an oil and gas business focused on an area offshore from the Philippines The principal activity of the Company during the year comprised investment in oil and gas exploration The strategy of the Company is to build a significant portfolio of assets through the discovery and exploitation of oil and gas reserves

The Company owns an indirect interest of 9 39% in the Galoc Block SC14 Service Contract through its holding of an equity interest of 15 69% in Galoc Production Company (GPC) the operator of the block, which is located offshore North West Palawan in the Republic of the Philippines

In March 2006 the plan of development for the Galoc Oil Field was approved by the Philippines Department of Energy In March 2007 the Company successfully closed the project financing for the development of the project In October 2008, first oil was produced from the Galoc Oil Field

The principal risks facing the Company are its ability to fund its exploration and development activity and the risk that the Company's portfolios of oil and gas reserves do not contain the expected level of commercially producible hydrocarbons

Results and dividends

The Company results for the year are shown in the statement of comprehensive statement of comprehensive income on page 6 A dividend of US$7 029m per share was paid during the year (2010 US$ nil) No dividend was proposed which remained unpaid during the year (2010 – US $Nil)

Going concern

Otto Energy Limited, the parent company, has confirmed its intention to provide operational and financial support to Colag UK Limited and to fund the operations of the company for the foreseeable future and in any event for a period of at least twelve months following the date of the signing of these financial statements

For this reason the directors believe it remains appropriate to continue to prepare the financial statements on a going concern basis The funding for the Galoc Phase II FEED will be from the JV cargo lifting revenue In turn will reduce the Shareholder Distribution that is payable to Colag (UK)

Post reporting date events

Galoc Production Company (GPC), after it was approved by the JV on 1 October 2011, commenced the FEED work for the development to extend field life to 2017-18 by targeting 3-10 million barrels of additional reserves The total cost of $5,000,000 of which $784,500 is payable by Colag (UK), will be fully funded from the proceeds from the Cargo Lifting before revenue distribution

The JV recently approved an upgrade to the mooring and riser system on the Rubicon to substantially increase the operating uptime of the field The upgrade was a crucial component in allowing the JV to move ahead with phase two development

Along with FEED work, the JV approved the acquisition of 184 square kilometres of new 3D seismic covering the Galoc field and adjacent Galoc North exploration prospect The 3D seismic will support the placement of phase two wells in the reservoir, de-risk capital expenditure and mature the Galoc North prospect, which may be drilled as part of phase two or a further phase of development at the field The seismic is expected to be recorded in the near future with interpretation to be completed by mid-2012 The second phase of development at Galoc includes the drilling of one to three additional wells, beginning in 2013

Directors

Directors who served during the year and up to the date of signing the financial statements were as follows

Paul Derek Moore	(resigned 4 July 2011)
Jacob Jan Kornelis Poll	(resigned 30 September 2011)
Matthew Gerard Allen	(appointed 23 September 2011)
Kirsten Cadle	(appointed 4 July 2011)

Directors' indemnities

The ultimate parent company Otto Energy Limited maintains liability insurance for its directors and officers during the year and also as at the date of the director's report This group cover extends to and includes the directors and officers of the Company

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

Auditors

BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting

By order of the Board

Kirsten Cadle
Director

Date 12 April 2012

Directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union 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 judgements and accounting estimates that are reasonable and prudent,
- they have been prepared in accordance with IFRSs as adopted by the European Union, 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 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 COLAG UK LIMITED

We have audited the financial statements of Colag UK Limited for the year 30 June 2011 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union

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 auditors

As explained more fully in the statement of directors' responsibilities, 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 website 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 30 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters 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

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

BDO LLP

Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

12 April 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Colag UK Limited

Statement of comprehensive income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Administrative expenses		154	92
Loss from operations		(154)	(92)
Finance Income	4	14	347
Dividend Received	6	7,029	-
Profit before tax		6,889	255
Tax credit / (expense)	5	10	(72)
Profit and total comprehensive income for the year		6,899	183
Earnings per Ordinary Share attributable to equity holders of the Company			
Basic and diluted (US$'000)	7	$US1,380	$US37

The notes on pages 10 to 20 form part of these financial statements

Colag UK Limited

Statement of changes in equity
for the year ended 30 June 2011

	Share capital $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009	1	1,028	1,029
Total comprehensive income	-	183	183
Balance at 30 June 2010 and 1 July 2011	1	1,211	1,212
Dividend Paid		(7,029)	(7,029)
Total comprehensive income	-	6,899	6,899
Balance at 30 June 2011	1	1,081	1,082

The following describes the nature and purpose of each reserve within owner's equity

Share capital - amount subscribed for share capital at nominal value
Retained earnings – Cumulative net gains and losses recognised in the financial statements

The notes on pages 10 to 20 form part of these financial statements

Colag UK Limited

Statement of Financial Position
at 30 June 2011

Company number 04511114	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Assets					
Non-current assets					
Investment in an associate	8	402		402	
Total non-current assets			402		402
Current assets					
Trade and other receivables	9	680		1,600	
Total current assets			680		1,600
Total assets			1,082		2,002
Liabilities					
Current liabilities					
Trade and other payables	10	-		2	
Corporate tax liability		-		201	
Loans	11	-		587	
Total current liabilities			-		790
Total liabilities			-		790
Total net assets			1,082		1,212
Capital and reserves attributable to equity holders of the company					
Share capital	12		1		1
Retained earnings			1,081		1,211
Total equity			1,082		1,212

The financial statements were approved and authorised for issue by the Board of Directors on and were signed on its behalf by

K Cadle
Director
12 April 2012

The notes on pages 10 to 20 form part of these financial statements

Colag UK Limited

Statement of cashflows
for the year ended 30 June 2011

	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Cash flows from operating activities				
Profit for the year		6,899		183
Adjustment for				
Interest income		(14)		(347)
Decrease/(Increase) in trade and other payables including taxation		(203)		73
Dividend received		(7,029)		-
Cash flows used in operations		(347)		(91)
Income taxes paid		-		(138)
Net cash flows (used in)/ from operating activities		(347)		(229)
Investing activities				
Decrease in loans receivable	920		14,733	
Interest received	14		-	
Net cash flows from investing activities		934		14,733
Financing activities				
Decrease in advances from parent	(587)		(14,504)	
Net cash flows from financing activities		(587)		(14,504)
Net decrease in cash and cash equivalents		-		-
Cash and cash equivalents at beginning of year		-		-
Cash and cash equivalents at end of year		-		-

The notes on pages 10 to 20 form part of these financial statements

1 Accounting policies

General information

Colag UK Limited is a company incorporated in the UK The address of the registered office is given in the officers and advisers section of this report The nature of the Company's operations and its principal activities are set out in the Directors' report

The Company's functional currency is the United States dollar (US$) The Company adopts the US$ as its presentation currency

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below They have been applied consistently throughout the year and, are consistent with those applied to the financial statements for the period to 30 June 2010

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with Companies Act 2006

Going concern

Otto Energy Limited, the parent company, has confirmed its intention to provide operational and financial support to Colag UK Limited and to fund the operations of the company for the foreseeable future and in any event for a period of at least twelve months following the date of the signing of these financial statements For this reason the directors believe it remains appropriate to continue to prepare the financial statements on a going concern basis

New Accounting Standards, Amendments and Interpretations to Existing Standards

The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period

The following new standards, interpretations and amendments to existing standards have been adopted by the company

International Accounting Standards (IAS/IFRS)

		Effective date
IFRIC 9 & IAS39	- Amendment - Embedded Derivatives	1 Jan 2010
IFRS 2	- Amendment – Group cash settled share-based payments	1 Jan 2010
Improvements to IFRSs	- Amendments to various statements issued 6 May 2010	1 Jan 2010
IAS 32	Amendment - Classification of Right Issues	1 Feb 2010

International Financial Reporting Interpretations (IFRIC)

		Effective Date
IFRIC 16	- Hedges of Net Investment in a Foreign Operation	1 Jan 2010
IFRIC 17	- Distributions of non-cash assets to owners	1 Jan 2010
IFRIC 18	- Transfers of assets from customers	1 Jan 2010
IFRIC 19	- Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010
IFRIC 20*	- Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013

The adoption of these standards, interpretations and amendments did not affect the company results of operations or financial positions No other IFRS issued and adopted but not yet effective are expected to have an impact on the company's financial statements

1 Accounting policies *(Continued)*

Basis of preparation (continued)

(ii) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early

Standard	Description	Effective date
IAS 24	Revised - Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment - IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7 *	Amendment - Transfer of financial assets	1 Jul 2011
Improvements to IFRSs (2010)	Miscellaneous amendments resulting from the IASB's annual improvements projects	1 Jan 2011
IAS 12 *	Deferred Tax Recovery of Underlying Assets	1 Jan 2012
IAS 1 *	Amendment - Presentation of Items of Other Comprehensive Income	1 Jul 2012
IFRS 9 *	Financial instruments	1 Jan 2013
IFRS 10 *	Consolidated financial statements	1 Jan 2013
IFRS 11 *	Joint arrangements	1 Jan 2013
IFRS 12 *	Disclosure of Involvement with Other Entities	1 Jan 2013
IAS 28 *	Investments in Associates (revised 2011)	1 Jan 2013
IAS 27 *	Separate Financial Statements (revised 2011)	1 Jan 2013
IFRS 13 *	Fair Value Measurement	1 Jan 2013
IAS 19 *	Employee Benefits	1 Jan 2013
IAS 27*	Separate Financial Statements	1 Jan 2013
IAS 28*	Investments in Associates and Joint Ventures	1 Jan 2013

Except for the adoption of IFRS 3 Revised and the adoption of IAS 23 the above standards, interpretations and amendments will not significantly affect the Company's results or financial position The impact of IFRS 9 on the Company is not yet fully known but management will continue to monitor and assess its impact

Items marked * had not yet been endorsed by the European Union at the date that these financial statements were approved and authorised for issue by the Board

Investments in associate

An associate is an entity over which the Company has significant influence but not control and which is neither a subsidiary nor a joint venture Investments in associates are carried at cost, less any impairment losses

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting 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 reporting date

A net deferred tax asset is recognised 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 against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date Deferred tax is measured on an undiscounted basis

1 Accounting policies *(Continued)*

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date All differences are taken to the statement of comprehensive income, except for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions Non-monetary items measured at the fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined

Impairment of assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired, if any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased If such indication exists, the recoverable amount is estimated

Finance income

Finance income comprises interest income on funds invested Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method

Financial Instruments

<u>Initial Recognition</u>

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument In the case of a regular way purchase or sale of financial assets, recognition is done at trade date, which is the date on which the Company commits to purchase or sell the asset

Financial instruments are recognized initially at fair value plus transaction costs except for those designated at fair value through profit and loss (FVTPL)

1 Accounting policies *(Continued)*

Financial Instruments *(Continued)*

Classification of Financial Instruments

The Company considers the classification of its financial assets against the following categories held-to-maturity (HTM), available-for-sale (AFS) investments, financial assets at FVTPL, and loans and receivables The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date

The Company classifies its financial assets into the following categories

- *Loans and Receivables*

  Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

  Included in Loans and Receivables are Cash and Cash Equivalents These include cash in bank Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of change in value

  The Company's loan receivable is included in this category (see Note 9)

The Company classifies its financial liabilities into the following categories

- *Other Financial Liabilities*

  This classification pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability Included in this category are liabilities arising from operations or borrowings

  Financial liabilities are classified according to the substance of the contractual arrangements entered into

  The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs

  Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

  The Company's advances from the parent and accrued expenses are included in this category (see Note 11)

1 Accounting policies *(Continued)*

Derecognition of Financial Assets and Liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when (a) the rights to receive cash flows from the asset have expired, (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or (c) the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously This is not generally the case with master netting agreements, when the related assets and liabilities are presented gross in the statement of financial position

Dividends

Equity dividends are recognised when they become legally payable Interim equity dividends are recognised when paid Final equity dividends are recognised when approved by the shareholders at an annual general meeting

Dividends received are recognised in the statement of comprehensive income in the period in which they are received

Related Parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions Individuals, associates or companies that directly or indirectly control or are controlled by or under common control are considered related parties

Provisions and Contingencies

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Contingent liabilities are not recognized in the financial statements They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable

Events after the Financial Reporting Date

Post year-end events up to the date of the auditor's report that provide additional information about the Company's position at financial reporting date (adjusting events) are reflected in the financial statements Post year-end events up to the date of the auditor's report that are not adjusting events are disclosed in the notes to the financial statements when material

2 Financial Risk Management Objectives and Policies

The Company is exposed to a variety of financial risks, which result from both its operating and investing activities The Company's principal financial instruments comprise of loan receivables from a related party, and advances from a related party The main purpose of these financial instruments is to raise finance for the operation

The Company has policies and guidelines covering credit risk, market risk, liquidity risk and interest rate risk The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company results and financial position

The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle

Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company The Company is exposed to risks through its loans receivable amounting to US$680,442 (2010 US$1,600,212), with maximum exposure equivalent to its carrying amount

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below

	2011 US$'000	**2010 US$'000**
Loans receivable	680	1,600

Market Risk

Market risk refers to the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices that will affect the Company's income or the value of its holdings of financial instruments The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return

2 Financial Risk Management Objectives and Policies *(Continued)*

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due The Company is mainly exposed to liquidity risk through its maturing liabilities The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met

As of 30 June 2011, the company's advances from NorAsian Energy Limited ("NAEL") amounted to US$Nil (2010 US$587,367)

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates

The Company's interest rate exposure management policy centres on reducing its exposure to changes in interest rates The Company's exposure to changes in interest rates relates primarily to the cash in bank with fixed interest rates

Management have calculated that as at 30 June 2011 a 2 percentage point change to the LIBOR interest rate would have increased finance income $13,608 (2010 $211,957), with the corresponding change in net assets On the other hand, a 2% decrease will have decreased finance income by $13,608 (2010 $211,957), with the corresponding change in net assets

Capital Risk Management

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value

The Board of Directors has overall responsibility for monitoring of capital in proportion to risk Profiles for capital ratios are set in the light of changes in the Company's external environment and the related risks underlying the Company's business operations and industry

The Company receives continual support, where required, from Nor-Asian Energy Limited, its immediate parent

3 Staff costs and other expenses

The only employees of the company during the year were the directors, none of whom received any remuneration from the company All directors were remunerated through another group company, and it is not possible to apportion the cost of their remuneration relevant to services rendered to Colag UK Limited

The audit fees paid by the company during the year in respect of audit services were US$30,450 (2010 US$21,672) Fees payable to the company auditor for other services (principally taxation) US$2,662 (2010 US$1,783)

4 Finance income

	2011 $'000	2010 $'000
Finance income		
Interest income on financial assets	14	347
Total finance income	14	347

5 Tax expense

	2011 $'000	2010 $'000
Current Corporation tax credit / (charge)	10	(72)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows

	2011 $'000	2010 $'000
Profit for the year	6,899	255
Expected tax charge based on the standard rate of corporation tax in the UK of 28 % (2010 – 28%)	1,931	71
(Income) / Expenses not deductible for tax purposes	(1,931)	1
Over provision in prior years	(10)	-
Total tax (credit) / expense	(10)	72

6 Dividends

	2011 $'000	2010 $'000
Ordinary shares		
Final proposed for the year of $1,406 (2010 $nil) per share	7,029	-

	2011 $'000	2010 $'000
Ordinary shares		
Final dividend for the year ended 30 June 2011 of $4,479 (2010 $nil) per share	7,029	-

7 Earnings per share

Earnings per Ordinary Share has been calculated using the weighted average number of shares in issue during the relevant financial periods The weighted average number of equity shares in issue for the period is 5,000 (2010 5,000)

Profits for the Company attributable to the equity holders of the Company for the year are $US6,899,000 (2010 $US183,000)

8 Investments in associates

The following entities meet the definition of an associate and are recorded at cost

Name	Country of incorporation	Proportion of ownership interest at 30 June 2011	2010
Galoc Production Corp (GPC)	Bahrain	15 69%	15 69%

	2011 $'000	2010 $'000
GPC	402	402

Despite owning less than 20% of the company, management still consider the investment to represent an associate This was because

- In accordance with the sale and purchase agreement, the Company was represented by 2 of 5 directors at GPC
- During the year the funding loan between the two companies was finalised The Company has an outstanding loan to GPC of US$680,442 (US$1,600,212)

9 Trade and other receivables

	2011 $'000	2010 $'000
Loans to related parties	680	1,600
	680	1,600

The loan to the related party represents shareholder loans to the associated company Otto Energy Limited

The loan is denominated in US$ and bears no interest

The ageing of receivables is as follows

	2011 $'000	2010 $'000
6 to 12 months	680	1,600

10 Trade and other payables

	2011 $'000	2010 $'000
Accruals	-	2
	-	2

The Company's financial liabilities are due within 3 months of the year end

11 Loans and borrowings

The book value and fair value of loans and borrowings are as follows

	Book value 2011 $'000	Fair value 2011 $'000	Book value 2010 $'000	Fair value 2010 $'000
Advances from the Parent	-	-	587	587
Total borrowings	-	-	587	587

12 Share capital

	Authorised			
	2011 Number	2011 $'000	2010 Number	2010 $'000
Ordinary shares of 10p each	12,500,000	2,497	12,500,000	2,497

	Allotted, issued and fully paid			
	2011 Number	2011 $'000	2010 Number	2010 $'000
Allotted, issued and fully paid ordinary shares	5,000	1	5,000	1

13 Events after the reporting date

Galoc Production Company (GPC), after it was approved by the JV on 1 October 2011, commenced the FEED work for the development to extend field life to 2017-18 by targeting 3-10 million barrels of additional reserves The total cost of $5,000,000 of which $784,500 is payable by Colag (UK), will be fully funded from the proceeds from the Cargo Lifting before revenue distribution

The JV recently approved an upgrade to the mooring and riser system on the Rubicon to substantially increase the operating uptime of the field The upgrade was a crucial component in allowing the JV to move ahead with phase two development

Along with FEED work, the JV approved the acquisition of 184 square kilometres of new 3D seismic covering the Galoc field and adjacent Galoc North exploration prospect The 3D seismic will support the placement of phase two wells in the reservoir, de-risk capital expenditure and mature the Galoc North prospect, which may be drilled as part of phase two or a further phase of development at the field The seismic is expected to be recorded in the near future with interpretation to be completed by mid-2012 The second phase of development at Galoc includes the drilling of one to three additional wells, beginning in 2013

14 Related party transactions

In 2011, the Company provided US$782,000 support (2010 – US$14,732,910) support and recognised interest income of US$14,000 (2010 – US$347,000) The support provided has been treated as an additional loan made by the shareholders of GPC The loan bears interest of three percent above LIBOR rate compounded quarterly and is repayable within 5 years from the date of the initial loan The outstanding balance at 30 June 2011 amounted to US$680,442 (2010 US$1,600,212)

Moreover, the Company receives financial support from Otto Energy Limited to fund its operations The outstanding balance of advances as at 30 June 2011 amounted to US$ Nil (2010 US$587,367)

15 Ultimate parent company

At 30 June 2011 the Company's immediate and ultimate parent company was Otto Energy Limited due to the sale of NorAsian Energy Limited's shares in that entity