

## Colag UK Limited

Report and Financial Statements

Year Ended

30 June 2012

Company Number 04511114



# **Colag UK Limited**

## **Report and financial statements for the year ended 30 June 2012**

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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

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# **Colag UK Limited**

## **Report of the directors for the year ended 30 June 2012**

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The directors present the report and audited financial statements of the Company for the year ended 30 June 2012

### **Principal activity**

Colag UK Limited is an oil and gas investment 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 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 portfolio 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 income on page 6. A dividend of US\$687.20 per share was paid during the year (2011 US\$1,405.80). No dividend was proposed which remained unpaid during the year (2011 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 a financing facility that GPC has entered into directly with BNP Paribas.

### **Post reporting date events**

The Final Investment Decision (FID) for the Galoc Phase II development was approved by the joint venture partner in September 2012. The development involves the drilling and completion of two subsea wells tied into the existing infrastructure and is targeting increased production from the current 5,000 BOPD to more than 12,000 BOPD with first oil scheduled for the second half of 2013.

In April 2013, GPC finalised a facility agreement with BNP Paribas for US\$37.4 million for its share of the project financing for the Galoc Phase II project.

On 14 April 2013, Colag UK Limited disposed the ownership of its interest in GPC to its parent Company Otto Energy Limited. The interest was disposed of for \$401,664.

# **Colag UK Limited**

## **Report of the directors for the year ended 30 June 2012 (Continued)**

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### **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)
Matthew Gerard Allen	(appointed 23 September 2011)
Kirsten Cadle	(appointed 4 July 2011)

### **Directors' indemnities**

The 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.

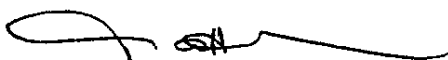
### **Statement as to disclosure of information to auditors**

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**



Matthew Allen  
Director

Date 10 May 2013

# **Colag UK Limited**

## **Directors' responsibilities for the year ended 30 June 2012**

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### **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,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements
- 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.

# **Colag UK Limited**

## **Independent auditor's report**

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### **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 2012 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2012 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.

# Colag UK Limited

## Independent auditor's report (Continued)

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### 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

10 May 2013

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 2012

	Note	2012 \$'000	2011 \$'000
Administrative expenses		(53)	(154)
<b>Loss from operations</b>		(53)	(154)
Finance Income	4	-	14
Dividend Received	6	3,436	7,029
<b>Profit before tax</b>		3,383	6,889
Tax credit	5	68	10
<b>Profit and total comprehensive income for the year</b>		3,451	6,899
Earnings per Ordinary Share attributable to equity holders of the Company			
Basic and diluted (US\$'000)	7	<u>\$US690</u>	<u>\$US1,380</u>

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 2012

	Share capital \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 July 2010</b>	1	1,211	1,212
Dividend Paid		(7,029)	(7,029)
Total comprehensive income	-	6,899	6,899
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 June 2011 and 1 July 2011</b>	1	1,081	1,082
	<hr/>	<hr/>	<hr/>
Dividend Paid		(3,436)	(3,436)
Total comprehensive income	-	3,451	3,451
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 June 2012</b>	1	1,096	1,097
	<hr/>	<hr/>	<hr/>

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

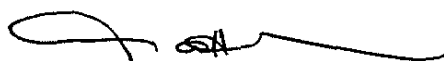
The notes on pages 10 to 20 form part of these financial statements

# Colag UK Limited

## Statement of Financial Position at 30 June 2012

<i>Company number 04511114</i>	<i>Note</i>	<b>2012</b> <b>\$'000</b>	<b>2012</b> <b>\$'000</b>	<b>2011</b> <b>\$'000</b>	<b>2011</b> <b>\$'000</b>
<b>Assets</b>					
<b>Non-current assets</b>					
Investment in an associate	8	402		402	
<b>Total non-current assets</b>			402		402
<b>Current assets</b>					
Trade and other receivables	9	717		680	
<b>Total current assets</b>			717		680
<b>Total assets</b>			1,119		1,082
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	10	22		-	
<b>Total current liabilities</b>			22		-
<b>Total liabilities</b>			22		-
<b>Total net assets</b>			1,097		1,082
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	11		1		1
Retained earnings			1,096		1,081
<b>Total equity</b>			1,097		1,082

The financial statements were approved and authorised for issue by the Board of Directors on 10 May 2013 and were signed on its behalf by



M Allen  
Director

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 2012

	2012 \$'000	Restated 2011 \$'000
<b>Cash flows from operating activities</b>		
Profit for the year	3,451	6,899
Adjustment for		
Interest income	-	(14)
Increase/(Decrease) in trade and other payables	22	(203)
(Increase) in trade and other receivables	(1)	-
(Increase) / Decrease in loans receivable	(36)	920
Interest received	-	14
Decrease in advances from parent	-	(587)
Dividend received	(3,436)	(7,029)
<b>Net cash flows from/(used in) operating activities</b>	-	-
<b>Investing activities</b>		
<b>Net cash flows from investing activities</b>	-	-
<b>Financing activities</b>		
<b>Net cash flows from financing activities</b>	-	-
<b>Net decrease in cash and cash equivalents</b>	-	-
<b>Cash and cash equivalents at beginning of year</b>	-	-
<b>Cash and cash equivalents at end of year</b>	-	-

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

# Colag UK Limited

## Notes forming part of the financial statements for the year ended 30 June 2012

### 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 year to 30 June 2011.

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.

#### *New standards and interpretations applied*

The IASB has issued the following new standards, amendments to published standards and interpretations to existing standards with effective dates prior to 1 July 2011 which have been adopted by the Company for the first time this year and which have not had a material effect.

		Effective period commencing on or after
IAS 24	Revised – Related Party Disclosures	1 January 2011
IFRIC 14	Amendment – IAS 19 Limit on a Defined Benefit Asset	1 January 2011
	Improvements to IFRS's	1 January 2011
IFRS 7	Transfer of Financial Assets	1 July 2011

# Colag UK Limited

## Notes forming part of the financial statements for the year ended 30 June 2012

### 1 Accounting policies (Continued)

#### New Accounting Standards, Amendments and Interpretations to Existing Standards (continued)

##### *New standards and interpretations not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning after 1 July 2012 or later periods and which the Company has decided not to adopt early or which are yet to be EU endorsed. These are

		Effective period commencing on or after
IFRS 1*	Amendment – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
IAS 12*	Amendment – Deferred Tax Recovery of Underlying Assets	1 January 2012
IAS 1*	Amendment – Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 9*	Financial Instruments	1 January 2013
IFRS 10*	Consolidated Financial Statements	1 January 2013
IFRS 11*	Joint Arrangements	1 January 2013
IFRS 12*	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13*	Fair Value Measurement	1 January 2013
IFRIC 20*	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IAS 27*	Amendment – Separate Financial Statements	1 January 2013
IAS 28*	Amendment – Investments in Associates and Joint Ventures	1 January 2013
IAS 19*	Amendment – Employee Benefits	1 January 2013
	Annual improvements to IFRS's (2009-2011 Cycle)	1 January 2013
IAS 32*	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9	Financial Instruments	1 January 2015

\* Not yet adopted by the European Union

#### 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.

# Colag UK Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

### 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

##### Initial Recognition

Financial assets and financial liabilities are recognised 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 recognised initially at fair value plus transaction costs except for those designated at fair value through profit and loss (FVTPL).

# Colag UK Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

### 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 recognised 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.

# Colag UK Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

### 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 derecognised 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 recognised to the extent of the Company's continuing involvement in the asset

A financial liability is derecognised 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 recognised 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 recognised 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.



# Colag UK Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

### Provisions and Contingencies

Provisions are recognised 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 recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised 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

### Prior year restatement

The Statement of Cash flows has been restated to reflect the nature of the transactions undertaken in the prior year. The full cash flow movements relating to loans receivable, interest received and movements in advances from the parent company have been deemed as being non-cash transactions and thus have been reflected as such in the restated period

## 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

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\$716,253 (2011 US\$680,442), 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

	2012 US\$'000	2011 US\$'000
Loans receivable	716	680

# Colag UK Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

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

#### *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.

#### *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 to ensure that maturing liabilities will be adequately met.

#### *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 Otto 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\$21,861 (2011 US\$30,450). Fees payable to the Company auditor for other services (principally taxation) US\$34,522 (2011 US\$2,662).

### 4 Finance income

	2012 \$'000	2011 \$'000
<i>Finance income</i>		
Interest income on financial assets	-	14
	<hr/>	<hr/>
Total finance income	-	14
	<hr/>	<hr/>

# Colag UK Limited

Notes forming part of the financial statements  
for the year ended 30 June 2012 (Continued)

## 5 Tax expense

	2012 \$'000	2011 \$'000
Current Corporation tax credit	68	10

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

	2012 \$'000	2011 \$'000
Profit for the year	3,451	6,899
Expected tax charge based on the standard rate of corporation tax in the UK of 26 % (2011 – 28%)	897	1,931
Non taxable Income added back	(897)	(1,931)
Over provision in prior years	(68)	(10)
Total tax (credit)	(68)	(10)

## 6 Dividends

	2012 \$'000	2011 \$'000
Ordinary shares		
Final dividend for the year ended 30 June 2012 of \$687 (2011 \$1,406) per share	3,436	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 (2011 5,000)

Profits for the Company attributable to the equity holders of the Company for the year are \$US3,451,000 (2011 \$ US6,899,000)

# Colag UK Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

### 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	
		2012	2011
Galoc Production Corp (GPC)	Bahrain	15.69%	15.69%
		<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>
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 3 directors at GPC
- During the year the funding loan between the two companies was finalised. The Company has an outstanding loan to GPC of nil (2011: US\$ Nil)

### 9 Trade and other receivables

	2012 \$'000	2011 \$'000
Loans to related parties	716	680
Other receivables	1	-
	<u>717</u>	<u>680</u>

The loan to the related party represents shareholder loans to the parent Company Otto Energy Limited.

The loan is denominated in US\$ and bears no interest.

The ageing of receivables is as follows

	2012 \$'000	2011 \$'000
6 to 12 months	716	680

# Colag UK Limited

Notes forming part of the financial statements  
for the year ended 30 June 2012 (Continued)

## 10 Trade and other payables

	2012 \$'000	2011 \$'000
Accruals	22	-
	<u>22</u>	<u>-</u>

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

## 11 Share capital

	2012 Number	Authorised 2012 \$'000	2011 Number	2011 \$'000
Ordinary shares of 10p each	12,500,000	2,497	12,500,000	2,497
	<u>12,500,000</u>	<u>2,497</u>	<u>12,500,000</u>	<u>2,497</u>
	2012 Number	Allotted, issued and fully paid 2012 \$'000	2011 Number	2011 \$'000
Allotted, issued and fully paid ordinary shares	5,000	1	5,000	1
	<u>5,000</u>	<u>1</u>	<u>5,000</u>	<u>1</u>

## 12 Events after the reporting date

The Final Investment Decision (FID) for the Galoc Phase II development was approved by the joint venture partner in September 2012. The development involves the drilling and completion of two subsea wells tied into the existing infrastructure and is targeting increased production from the current 5,000 BOPD to more than 12,000 BOPD with first oil scheduled for the second half of 2013.

In April 2013, GPC finalised a facility agreement with BNP Paribas for US\$37.4 million for its share of the project financing for the Galoc Phase II project.

On 14 April 2013, Colag UK Limited disposed the ownership of its interest in GPC to its parent Company, Otto Energy Limited. The interest was disposed of for \$401,664.

# Colag UK Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

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### **13 Related party transactions**

In 2011, the Company provided US\$782,000 support and recognised interest income of US\$14,000. The support provided was treated as an additional loan made by the shareholders of GPC. The loan interest was three percent above LIBOR rate compounded quarterly and was repayable within 5 years from the date of the initial loan. The outstanding balance at 30 June 2012 amounted to US\$ Nil (2011 US\$ Nil).

Moreover, the Company receives financial support from Otto Energy Limited to fund its operations. The outstanding balance of advances as at 30 June 2012 amounted to US\$ Nil (2011 US\$ Nil).

The loan to the related party represents shareholder loans to the parent Company Otto Energy Limited.

Compensation of key management personnel

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.

### **14 Ultimate parent Company**

At 30 June 2012 the Company's immediate and ultimate parent Company was Otto Energy Limited.