

Company Number: 5432824

ENCORE NATURAL RESOURCES LIMITED

ANNUAL REPORT

YEAR ENDED 30 JUNE 2009

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ENCORE NATURAL RESOURCES LIMITED
COMPANY INFORMATION

Directors	A Booth E Whyms G Dore C M K Wheeler OBE M T Lynch
Secretary	E Whyms
Company Number	5432824
Registered Office	62-64 Baker Street London W1U 7DF
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Solicitors	Dewey LeBoeuf No. 1 Minster Court Mincing Lane London, EC3R 7YL
Bankers	Royal Bank of Scotland Castlegate House Tower Hill Bristol BS2 0JA

ENCORE NATURAL RESOURCES LIMITED
YEAR ENDED 30 JUNE 2009

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ENCORE NATURAL RESOURCES LIMITED
DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2009

The directors submit their report and the financial statements for the year ended 30 June 2009.

BASIS OF PREPARATION

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

RESULTS AND DIVIDENDS

The result for the year was a loss of £58 (2008 loss of £30). The directors do not propose the payment of a dividend.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the business is oil and gas exploration and production.

In March 2006, EnCore Natural Resources Limited signed a formal Production Sharing Contract and associated Assurance Agreement with the Government of the Saharawi Arab Democratic Republic ("SADR") for the offshore Laguera block licence in the Western Sahara. The Laguera block covers an area of 20,000 square kilometers and is adjacent to Mauritania. Water depths range from 0 to over 4,000 metres. The Pelican Gas Discovery in Mauritania is some 175 km to the south. EnCore's working interest is 100%.

The territory of Western Sahara is located in North West Africa, bordering the North Atlantic Ocean, between Mauritania and Morocco.

It has been the subject of a dispute for over forty years between Morocco and the Algerian-backed Polisario Front which declared the SADR in 1976.

In 1976, the territory was invaded by Morocco and Mauritania with Morocco occupying the northern two-thirds of Western Sahara. Mauritania abandoned their territorial claims in 1979 under pressure from the Polisario. Morocco moved to occupy this area shortly afterwards and has since asserted administrative control.

The United Nations currently recognises Western Sahara as a non self-governing territory. The sovereignty of the indigenous Saharawi people over the territory known as Western Sahara has also been upheld by the International Court of Justice. The SADR is a full member of the African Union.

No exploitation of the Western Sahara offshore resources can be or will be undertaken by EnCore until such time as the current dispute has been resolved.

FINANCIAL INSTRUMENTS

The Company does not actively use financial instruments as part of its financial risk management.

RISKS AND UNCERTAINTIES

The Company's business is susceptible to changes in oil and gas prices, government policy and the changing political environment both in the UK and worldwide. The business of exploration for oil and gas involves a high degree of risk. The Company has in place a robust project approval process to mitigate these risks as far as is possible. However, it remains that there can be no guarantee that exploration on current and future licences will yield commercial quantities of hydrocarbons that can be economically exploited.

It is possible that if the dispute described under principal activities above is not resolved, consequently operations in the Western Sahara may never commence.

ENCORE NATURAL RESOURCES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2009

DIRECTORS

The directors who served during the year were:

A Booth
E Whyms
G Dore
C M K Wheeler OBE
M T Lynch

Directors' interests in the shares of the ultimate parent company, EnCore Oil plc, are disclosed in its annual report.

DISCLOSURE OF INFORMATION TO AUDITORS

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

On behalf of the Board



Director

28 September 2009

ENCORE NATURAL RESOURCES LIMITED

STATEMENT OF 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENCORE NATURAL RESOURCES LIMITED

We have audited the financial statements of Encore Natural Resources Ltd for the year ended 30 June 2009 which comprise the profit and loss account, the balance sheet and the related notes. 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 sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, 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 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

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.

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 2009 and of its loss 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 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; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.


Nicholas Whitaker (Senior statutory auditor)

for and on behalf of PKF (UK) LLP, Statutory auditors

London

Nicholas Whitaker 2009

ENCORE NATURAL RESOURCES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR TO 30 JUNE 2009

	<u>Note</u>	<u>2009</u> <u>£</u>	<u>2008</u> <u>£</u>
Administrative expenses		(30)	(30)
Operating loss		(30)	(30)
Interest payable and similar charges	4	(28)	-
Loss on ordinary activities before taxation		(58)	(30)
Taxation	5	-	-
Loss for the financial year		(58)	(30)

All amounts relate to continuing operations.

There were no recognised gains or losses for the period other than those included in the profit and loss account.

ENCORE NATURAL RESOURCES LIMITED

BALANCE SHEET AS AT 30 JUNE 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		£	£
FIXED ASSETS			
Intangible oil and gas assets	6	70,114	49,427
CREDITORS			
Amounts falling due within one year	7	(102,704)	(81,959)
NET CURRENT LIABILITIES		(102,704)	(81,959)
NET LIABILITIES		(32,590)	(32,532)
CAPITAL AND RESERVES			
Called up share capital	8	1,099	1,099
Profit and loss account	9	(33,689)	(33,631)
SHAREHOLDER'S FUNDS	9	(32,590)	(32,532)

The financial statements were approved and authorised for issue by the board on 28 September 2009

Signed on behalf of the board of directors



Director

ENCORE NATURAL RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption in Financial Reporting Standard 1 (revised) from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of EnCore Oil plc which prepares consolidated accounts that are publicly available.

(b) Going concern

The financial statements indicate that the company had net current liabilities of £102,704 at the period end including an amount of £50,350 owed to the parent undertaking, EnCore Oil plc. EnCore Oil plc has subordinated the repayment of this debt in favour of all other creditors and has confirmed its current intention to continue to provide financial support to the company to enable it to continue to trade and to settle its external liabilities as they fall due for a period of at least twelve months from the date of authorisation of these financial statements.

The directors have considered the above and deem it appropriate to prepare the financial statements on the going concern basis.

(c) Expenditure on the discovery, appraisal, development and utilisation of oil and gas reserves

The Company accounts for oil and gas expenditure under the successful efforts method of accounting.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Profit and Loss Account.

All licence acquisition, exploration and evaluation costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Directly attributable administration costs are capitalised insofar as they relate to specific exploration and development activities.

These costs are written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

If a project is deemed commercial all of the attributable costs are transferred into a single field cost centre within property, plant and equipment. These costs are then amortised from the commencement of production on a unit of production basis.

(d) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. 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 fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(e) Joint ventures

The Company is engaged in oil and gas exploration and appraisal through unincorporated joint ventures. The Company accounts for its share of the results and net assets of these joint ventures as jointly controlled assets.

ENCORE NATURAL RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

(f) Taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

2 OPERATING LOSS

Audit fees in connection with the audit for the years ended 30 June 2009 and 30 June 2008 were borne by the parent entity.

3 DIRECTORS' EMOLUMENTS AND BENEFITS

The Directors did not receive any emoluments and benefits during the period in respect of services provided to EnCore Natural Resources Limited. Emoluments received from EnCore Oil plc are disclosed in its annual report.

Other than the directors, there were no employees during the period.

4 INTEREST PAYABLE

	<u>2009</u> £	<u>2008</u> £
Bank interest and charges	28	-
	<u> </u>	<u> </u>

5 TAXATION

(a) Analysis of charge in period

	<u>2009</u> £	<u>2008</u> £
Current tax charge for the period (note (b))	-	-
	<u> </u>	<u> </u>

ENCORE NATURAL RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

(b) Factors affecting the tax charge for the period

The tax assessed for the period does not reflect a credit equivalent to the loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28%. The differences are explained below:

	<u>2009</u> £	<u>2008</u> £
Loss on ordinary activities before tax	(30)	(30)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28%)	(16)	(8)
Effects of:		
Capital allowances in excess of depreciation	(5,792)	(4,495)
Trading losses not recognised	5,808	4,503
Current tax charge for the period	-	-

At the balance sheet date the Company has a potential deferred tax asset of £29,099 (2008 £23,291) in respect of non-capital tax losses that will be available when the Company's upstream assets are developed. This asset is not recognised at 30 June 2009 as there is currently insufficient evidence of future taxable profits.

ENCORE NATURAL RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

6 INTANGIBLE OIL AND GAS ASSETS

	<u>Total</u> £
Cost	
At 1 July 2007	33,375
Additions	16,052
	<hr/>
Cost as at 30 June 2008	49,427
Additions	20,687
	<hr/>
Cost as at 30 June 2009	70,114
Net book value	
At 30 June 2009	70,114
	<hr/> <hr/>
Net book value	
At 30 June 2008	49,427
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7 CREDITORS

	<u>2009</u> £	<u>2008</u> £
Amounts falling due within one year		
Amounts owed to parent undertaking	50,350	29,605
Amounts owed to group undertaking	52,354	52,354
	<hr/>	<hr/>
	102,704	81,959
	<hr/> <hr/>	<hr/> <hr/>

8 CALLED UP SHARE CAPITAL

	<u>Authorised</u> No.	<u>Authorised</u> US\$	<u>Allotted, called up and</u> <u>fully paid</u> No.	<u>US\$</u>
Ordinary shares of \$1 each	100,000	100,000	2,000	2,000
	<hr/>	<hr/>	<hr/>	<hr/>
				£
Ordinary shares of \$1 each				1,099
				<hr/> <hr/>

All shares carry equal voting rights.

ENCORE NATURAL RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

9 SHAREHOLDER'S FUNDS RECONCILIATION

	Called up Share capital £	Profit and Loss reserve £	Total £
At 1 July 2008	1,099	(33,631)	(32,532)
Loss for the period	-	(58)	(58)
	<hr/>	<hr/>	<hr/>
At 30 June 2009	1,099	(33,689)	(32,590)
	<hr/>	<hr/>	<hr/>

10 COMMITMENTS AND CONTINGENT LIABILITIES

There are no material capital commitments or contingent liabilities at 30 June 2009.

11 TRANSACTIONS WITH RELATED PARTIES

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with wholly owned group undertakings as voting rights are controlled within the group and consolidated accounts are publicly available.

12 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company's immediate parent and ultimate controlling party is EnCore Oil plc, a company registered in England and Wales. This is also the parent undertaking of the largest and smallest group for which consolidated accounts are prepared and these can be obtained from 5th Floor, 62-64 Baker Street, London W1U 7DF UK.