

ENOVATION RESOURCES LTD
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2010



Registered Company Number 5566361

ENOVATION RESOURCES LTD, COMPANY NUMBER 5566361
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

COMPANY INFORMATION

Principal Activity

The company operates in the oil and gas industry. Its principal activity is providing consultancy services to other Enovation Resources Group companies in order to develop an oil and gas exploration and production Group. The company also researches the use of emerging technologies and their commercial application in the oil and gas business and seeks to identify potential investment opportunities.

Ownership

The company is a wholly owned subsidiary of Enovation Resources Ltd (Bermuda)

Directors

A R Mackewn
B E Wayne

Secretary

H S Nevile

Registered office

Westpoint
Springfield Road
Horsham
W Sussex
RH12 2PD

Company Registration Number

5566361

ENOVATION RESOURCES LTD
BALANCE SHEET
AS AT 31 DECEMBER 2010

| | <u>Note</u> | <u>2010</u> <u>£</u> | <u>2009</u> <u>£</u> |
|--------------------------|-------------|-------------------------|-------------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Intangible assets | 2 | 113,166 | 118,115 |
| Tangible assets | 3 | <u>84,132</u> | <u>144,902</u> |
| | | <u>197,298</u> | <u>263,017</u> |
| Current assets | | | |
| Debtors | 4 | 41,117 | 57,939 |
| Cash at bank and in hand | 5 | <u>43,262</u> | <u>26,115</u> |
| | | <u>84,379</u> | <u>84,054</u> |
| | | <u>281,677</u> | <u>347,071</u> |
| LIABILITIES | | | |
| Capital and reserves | | | |
| Called up share capital | 6 | 100 | 100 |
| Profit and loss account | | <u>100,590</u> | <u>145,720</u> |
| | | <u>100,690</u> | <u>145,820</u> |
| Creditors | 7 | <u>180,987</u> | <u>201,251</u> |
| | | <u>281,677</u> | <u>347,071</u> |

For the year ending 31st December 2010 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies. Furthermore the members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the Financial Reporting Standard for Smaller Entities (effective 2008).

These financial statements were approved by the Board of Directors on 1st June 2011 and signed on its behalf by



A R Mackewn
Director

The notes on pages 4 to 7 form part of these financial statements

ENOVATION RESOURCES LTD
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1 Accounting policies

Basis of measurement and preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standards for Smaller Entities (effective 2008)

Going concern

The financial statements have been prepared on the going concern basis however as the company is principally a service company to other group entities it is ultimately financially dependent on its parent company Enovation Resources Ltd (Bermuda)

The directors have received assurances from Enovation Resources Ltd (Bermuda) that it will not demand the early repayment of any intercompany debt and that sufficient funds will be made available to the company, for a period of at least twelve months from the date of signing these financial statements, for the company to continue operations for the foreseeable future and meet its liabilities as they fall due

The parent company is currently seeking additional funds to meet the obligations of the Enovation Group and to fulfil its operational plans. The parent company directors have expressed their confidence that such funds will be secured either from an equity fund raising or alternative sources within the next twelve months and as such the company directors believe it is reasonable to place reliance on the support from its parent. However as with any company placing its reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements they have no reason to believe they would not do so. Accordingly, the directors have prepared the financial statements on a going concern basis and have not made any adjustment that might result from this basis being inappropriate.

Tangible fixed assets and Depreciation

Tangible assets are recorded at historical cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight line basis over the estimated useful life of the individual asset using the following rates:

Office equipment 3 years

Furniture & fittings 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at exchange rates ruling at the dates the fair value was determined.

ENOVATION RESOURCES LTD
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Pensions

The company operates a defined contribution scheme. The cost charged to the income statement is the amount payable into the scheme during the year.

Share Options

The grant date fair value of options granted to employees is recognised as an expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus schemes if there is an obligation to pay an amount as a result of past service provided and the obligation can be estimated reliably.

ENOVATION RESOURCES LTD
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

| | | | |
|---|------------------------------|----------------|----------------|
| 2 | <u>Intangible assets</u> | | |
| | Deferred tax asset | <u>2010</u> | <u>2009</u> |
| | At start of year | 118,115 | 9,453 |
| | (Charge)/credit for the year | <u>(4,949)</u> | <u>108,662</u> |
| | At end of year | <u>113,166</u> | <u>118,115</u> |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority
The offset amounts are as follows

| | | |
|-----------------------|----------------|----------------|
| | <u>2010</u> | <u>2009</u> |
| Tangible fixed assets | 2,454 | (6,176) |
| Share based payments | <u>110,712</u> | <u>124,291</u> |
| | <u>113,166</u> | <u>118,115</u> |

Deferred tax assets and liabilities have been recognised in the income statement for the year. They have been measured by applying to temporary differences the expected tax rate of 21% applicable to small entities' taxable profits over the periods when these differences are expected to be realised. Under current tax legislation tax losses and deductible temporary differences do not expire.

| | | | |
|---|----------------------------------------|----------------|----------------|
| 3 | <u>Tangible fixed assets</u> | | |
| | Office equipment, furniture & fittings | <u>2010</u> | <u>2009</u> |
| | <u>Cost</u> | | |
| | At start of year | 270,246 | 270,246 |
| | Additions | - | - |
| | At end of year | <u>270,246</u> | <u>270,246</u> |
| | <u>Depreciation</u> | | |
| | At start of year | 125,344 | 57,350 |
| | Charge for the year | <u>60,770</u> | <u>67,994</u> |
| | At end of year | <u>186,114</u> | <u>125,344</u> |
| | Net Book Value at end of year | <u>84,132</u> | <u>144,902</u> |
| | Net Book Value at start of year | <u>144,902</u> | <u>212,896</u> |

| | | | |
|---|---------------------------------------------|---------------|---------------|
| 4 | <u>Debtors</u> | <u>2010</u> | <u>2009</u> |
| | Amounts receivable within one year | | |
| | Prepayments | 19,148 | 39,285 |
| | Other receivables | <u>8,219</u> | <u>4,904</u> |
| | | <u>27,367</u> | <u>44,189</u> |
| | Amounts receivable after more than one year | | |
| | Other receivables | <u>13,750</u> | <u>13,750</u> |

Receivables due within one year are shown net of an impairment provision of £nil (2009 £13,865)
All amounts are denominated in GBP sterling

ENOVATION RESOURCES LTD
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

| | | | |
|---|-----------------------------------------------------------------------|----------------|----------------|
| 5 | <u>Cash at bank and in hand</u> | <u>2010</u> | <u>2009</u> |
| | Bank accounts (GBP sterling) | <u>43,262</u> | <u>26,115</u> |
| 6 | <u>Share Capital</u> | <u>2010</u> | <u>2009</u> |
| | Authorised 1,000 ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| | Allotted and fully paid 100 ordinary shares of £1 each | <u>100</u> | <u>100</u> |
| | All shares were issued at par value for a total consideration of £100 | | |
| 7 | <u>Creditors</u> | <u>2010</u> | <u>2009</u> |
| | Amounts payable within one year | | |
| | Amount payable to parent company | 82,606 | 131,517 |
| | Taxation and Social Security | 21,049 | 23,702 |
| | Other payables | 47,115 | 14,100 |
| | Accruals | <u>28,100</u> | <u>28,096</u> |
| | | <u>178,870</u> | <u>197,415</u> |
| | Amounts payable after more than one year | | |
| | Accruals | <u>2,117</u> | <u>3,836</u> |

All amounts are denominated in GBP sterling. Amounts payable to the parent company within one year are subject to the arrangement referred to in Note 1 in respect of ongoing financial support.

- 8 Guarantee Share Pledge and Cash Pledge
The owner of the company, Enovation Resources Ltd (Bermuda), has entered into a Loan Agreement with Norsk Tillitsmann ASA for a total amount of USD 15 million. Under the terms of the Loan Agreement the company has agreed to act as primary obligor of all of the obligations of the borrower until such time as the loan together with all interest thereon has been repaid in full. Further, the company has pledged its bank accounts and has entered into a Security Over Cash Agreement in favour of Norsk Tillitsmann ASA, which has been acknowledged by the company's bankers, HSBC. Enovation Resources Ltd (Bermuda) has entered into a further agreement with Norsk Tillitsmann ASA whereby its shares in the company have been charged to them.