

X 62845

SeaEnergy PLC has successfully monetised its investment in offshore wind energy to create a platform for new ventures. The company intends to focus the experience and insight gleaned from over 30 years at the vanguard of independent energy to seek out, appraise and exploit high calibre opportunities to create a portfolio of high potential projects that will deliver value to shareholders.



Chairman's Statement

Dear Shareholder,

I am very pleased to be sending you two documents in quick succession, with this the 2010 Annual Report following so soon after the Circular to Shareholders ("the Circular") confirming the terms of the disposal of the Company's 80 per cent. interest in SeaEnergy Renewables Limited ("SERL"). The Circular provides more detail of the disposal and gives an outline of our future plans. The proximity of these two documents allows me to make a shorter Chairman's statement than usual in order to avoid duplication.

The SERL sale process, which commenced in June of 2010 has taken longer than anticipated, primarily as a result of the delay in the conclusion of the Scottish Environmental Assessment. That process was a critical step in the development plans for two of our wind farm sites and the results, finally confirmed in March 2011, were positive for our sites and played an important part in de-risking our projects, thereby adding value and removing an obstacle to realisation.

Shareholders will have seen from the Circular that our 80 per cent. interest in SERL was purchased by Repsol Nuevas Energias SA ("Repsol"), on behalf of a consortium of leading European energy companies comprising Repsol and EDP Renováveis ("EDPR"). This transaction represents a fulfilment of the strategic decision to invest in this business only three years ago. SeaEnergy PLC recovered all of its loan of £8.1 million and received additional consideration of approximately £30.7 million. I am very proud of what we have achieved in this short time period.

Financial Review

Operating expenses increased by 24 per cent. due to costs incurred in connection with establishment of the SeaEnergy Marine business and professional fees incurred in connection with fund raising efforts in May 2010. Operating loss increased to £5.1 million, from £1.9 million in 2009. 2009 included a one-off arbitration settlement of £2.2 million. Finance expense decreased from £2.5 million in 2009 to £1.5 million in 2010. The Group recorded a loss from continuing operations after tax of £5.6 million in 2010 compared to a loss of £6.5 million in 2009.

At the end of 2010 our cash position was £0.1 million and we had drawn down £2.7 million of the loan facility with LC Capital Master Fund Limited ("LC"). Immediately following completion of the SERL sale, the Group has net cash deposits of £28 million after settling all deal related costs, repaying all loans and accrued interest to both LC and EDPR. Completion of the SERL transaction has also strengthened the Group balance sheet and leaves the Group with net assets of approximately £27 million.

Renewables

Whilst the successful completion of the SERL disposal has been a priority over the past year, we have also advanced our plans for SeaEnergy Marine (as more fully described in the Circular) and there are other aspects of the SERL disposal which are important to the future of your Company.

As part of the SERL sale, our subsidiary SeaEnergy Marine Holdings Limited ("SMHL") has signed a Strategic Cooperation Agreement with EDPR under

which both parties shall seek opportunities for mutual collaboration in relation to the supply of operations and maintenance vessels, field infrastructure and equipment installation vessels and other areas of appropriate collaboration that may arise in the future.

We are also retaining the relationship originally developed between Nantong COSCO Ship Steel Structure Co. Limited ("NCSC") and SERL and are in discussions with NCSC regarding a more comprehensive Cooperation Agreement with the Company which we believe fits better with our planned marine business.

We will also retain the name "SeaEnergy Renewables" which we intend to begin using, after a short transition period, as the holding company for SeaEnergy Marine and other future businesses in that sector. The SERL name is both widely known and respected within the renewables sector and will serve to communicate our further commitment to renewable investments.

Our experience in developing offshore wind farms, gained through SERL, has taught us that the economics of the development and operation of offshore wind farms could be significantly improved by applying innovative thinking on the services side. Specifically, we have recognised there are significant opportunities in operations and maintenance, installation and in optimising manufacturing processes for offshore wind farms.

Chairman's Statement

continued

The economics of offshore wind farms are strongly driven by the productivity of turbines. This depends on the availability of safe and reliable access from supporting vessels on which technicians travel to work. SeaEnergy Marine has developed a "Walk to WorkTM" solution, involving a new design of vessel system which innovatively combines a stable hull design with an active roll-suppression system and a motion-compensating gangway system.

SeaEnergy Marine has developed a detailed specification for this vessel, and is actively pursuing charter opportunities to justify investing in the first vessel of this class. We are also considering appropriate joint venture partners, which would bring financial capacity and operational experience, to accelerate the entry of this vessel type into the market.

With thousands of offshore wind turbines to be deployed in UK and European waters in the next decade, we recognise that it is important to apply the philosophies of mass production and lean manufacturing to this sector. This approach can be applied to developing an optimised manufacturing and installation process, in which purpose-designed installation vessels work effectively with custom-developed onshore facilities. This would involve a lean manufacturing approach, in which "flat-packed" foundation substructures are built in low-cost fabrication areas such as the Far East or North Africa, and then shipped to local facilities for assembly and installation.

SeaEnergy Marine is developing concepts in this area, and seeking to secure joint venture partners with whom to progress these plans.

I am confident that this focus on delivering innovative and value-adding services to the offshore wind farm industry can generate real value and cash flow for SeaEnergy.

Oil and Gas Interests

I have been particularly pleased with the progress made, over the past nine months at AIM listed Lansdowne Oil & Gas plc ("Lansdowne"), which was originally spun out of the Company in 2006 and in which we currently hold a 23.03 per cent. interest.

Lansdowne has secured extensions to its Celtic Sea licences, completed an asset swap which expands its portfolio of interests in that region and has used those events to re-launch itself, successfully raising £5 million of new money through a placing in March. SeaEnergy was pleased to be able to support Lansdowne's effort by agreeing to convert £665,000 of debt to equity alongside another of Lansdowne's major shareholders helping to ensure that Lansdowne is now almost debt free.

Lansdowne has commenced the acquisition of 3D seismic over a number of its Celtic Sea prospects and expects that seismic data will assist in farm out activities. It is also possible that Lansdowne will have the ability to participate in the drilling of an appraisal well later this year over its Barryroe prospect. The successful completion of our SERL sale process leaves SeaEnergy in the position of being able to provide further support to Lansdowne should we choose to do so.

It is our intention to continue to monitor closely events in Iraq and to consider partnerships or alliances that could create an entry point for Mesopotamia Petroleum Company into oil services. Iraq will remain, for some time to come, an enticing market given its huge untapped oil reserves but one with equally huge geopolitical challenges. There will be a select number of companies with the patience, resolve, and boldness that are likely to reap the significant future benefits of a presence there.

Your Board continues to engage with the authorities in Montenegro and to monitor investment conditions there in order to determine how the Company's interests can be best pursued.

Outlook

This is an immensely exciting time for your Company and the Board. Management and employees are enthused and energised. Your Board has recently debated and now endorsed a strategy that establishes the Company as one focussed on appropriate ventures in both renewable energy and oil and gas, particularly where we can partner as appropriate with much larger entities, as we have successfully done previously in oil and gas and now renewables.

We believe that one of the greatest opportunities in renewables lies in services to the offshore renewables sector covering operations and maintenance vessels, turbine sub-structure (jacket) construction, assembly and ultimately installation. The experience and credibility we have achieved through our investment in SERL has already served us well in developing concepts for this new business. We anticipate that the skill set for marine renewables (wind, wave & tidal) will come primarily from offshore oil and gas, where we have over 30 years of experience.

Finally I would like to reiterate my thanks to LC Capital Master Fund for its unwavering financial support of the Company during the past five years.



Stephen Remp
Chairman

Board of Directors

Stephen Remp BA MA Hon D Tech (N)
Executive Chairman *Aged 64*

Appointed August 1977. Steve, an American, came to Scotland in 1971 and in 1977 founded Ramco. Steve was educated in Europe and the US, obtaining a BA in Economics from Claremont College in California and an MA in International Economics from the School of Advanced International Studies, Johns Hopkins University, Washington DC.

Steven Bertram MA (Hons) CA Dip BA
Managing Director *Aged 51*

Appointed as Finance Director in 1991 and became Managing Director in June 2005. Steven joined Ramco in 1986 and, during his time as Finance Director, guided Ramco's financial affairs from its original USM listing through its international offer and listing on the American Stock Exchange in 1997 and its move to AIM. Steven has an MA Honours degree in Economics with Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1984.

Christopher Moar MA CA
Finance Director and Company Secretary *Aged 48*

Appointed as Finance Director in November 2006. Chris joined Ramco in 1993 and was appointed Company Secretary in December 1996. Prior to this he was a planning and financial accountant for Baker Oil Tools (United Kingdom) Limited. Chris has an MA degree in Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1987.

David Sigsworth (A, R, N)
Non-Executive Director *Aged 64*

David Sigsworth has had a career spanning 43 years in the energy sector, including over ten years as a main board director of FTSE 100 utility companies.

A: Audit Committee member
R: Remuneration Committee member
N: Nomination Committee member

David is now active in promoting high technology start-up companies, involved in the renewable and sustainable energy markets, and holds several associated non-executive directorships. He is also Chairman of Sigma Capital Group plc, Chairman of the Scottish Environment Protection Agency, Chairman of the Dundee Science Centre, Vice President of the Combined Heat and Power Association (CHPA), a board member of Energy Action Scotland, a member of the Advisory Boards of ITI Energy and the New and Renewable Energy Centre (NaREC), as well as a trustee of the think tank Sustainability First.

John H Aldersey-Williams (A, R)
Non-Executive Director *Aged 48*

John Aldersey-Williams has worked in the energy business for 25 years. In 2001, he founded Redfield Consulting Limited, a consultancy offering commercial, strategic and economic advice to companies across the zero-carbon energy space. Redfield has advised public and private sector clients in wind and marine energy, as well as in carbon capture and storage and policy areas. He was involved from the beginning of SERL, building the business plan with the Chief Executive, and has done the same for SeaEnergy Marine. He was also a Director of the European Marine Energy Centre from 2005-2009.

David K Laing (A, R)
Non-Executive Director *Aged 58*

David Laing is a solicitor and currently Chairman of Ledingham Chalmers LLP, based in Aberdeen. He has acted as a board adviser for several companies in the energy, leisure and property sectors and has extensive experience in the formation of corporate joint ventures. David and his firm have provided legal support to the Company on many projects and transactions since 1988 and he has acted personally as an adviser to the Company's board throughout that period.

Steven Lampe (N)
Non-Executive Director *Aged 52*

Steven Lampe is an investment manager based in New York, USA. Mr Lampe is managing member of Lampe, Conway & Co LLC, a limited liability company organised in the state of Delaware.

Financial Review

Description of Business

SeaEnergy PLC, a Scottish public limited company, and its subsidiaries form an energy group. The Group, has recently sold its 80% owned subsidiary, SeaEnergy Renewables Limited which had secured substantial acreage in three proposed offshore wind farms in Scotland.

The Company reached an agreement to dispose of its entire interest in SeaEnergy Renewables Limited (SERL) to Repsol Nuevas Energias SA ("Repsol"), in return for a cash consideration of £30.7m and the full recovery of its £8.1m loan to SERL. The remaining share capital, held by SERL's Management, was acquired by Repsol, which has, in turn formed a consortium with EDP Renováveis ("EDPR") to further develop two of SERL's projects.

SeaEnergy will now focus on its existing assets, in particular SeaEnergy Marine which is at an exciting stage of development, and will further seek to identify new opportunities to repeat its successful formula of identifying, developing and monetising business opportunities in the energy sector (renewables and oil & gas).

The Group also retains oil and gas investments focussed on Europe and the Middle East. The Chairman's Statement, the recent Circular and Report of the Directors outline the strategy for future activities.

The Company's shares and, since 21 April 2006, those of its associate, Lansdowne Oil and Gas plc, are quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange.

Financial Review

continued

This financial review is intended to assist in the understanding of the Group's results of operations for the year ended 31 December 2010 and of its financial position at that date.

The consolidated financial statements and notes contain additional information and should be referred to in conjunction with this review. They have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The key financial data for the last five years is summarised on page 63.

Turnover

Consolidated Group turnover for 2010 was £nil (2009: £nil). The Company was focussed on implementing its strategy to enter the offshore wind sector and was transitioning from its legacy oil and gas business.

Operating Loss

Total operating expenses increased by 24% from £4.1 million in 2009 to £5.1 million in 2010. This increase was primarily due to professional fees incurred in connection with the fund raising efforts in May 2010 and the establishment of the SeaEnergy Marine business.

The Group recorded an operating loss of £5.1 million (2009: operating loss £1.9 million). The increase in the loss predominantly arose because 2009 included a one-off arbitration settlement of £2.2 million, combined with increased operating expenses in 2010.

Net Finance Expense

Net finance expense of £1.5 million was recorded in 2010 (2009: £2.5 million). The decrease in net finance expense is mainly due to losses of £2.6 million (2009: £0.6 million) on equity swap settlements offset by a fair value adjustment credit of £1.2 million (2009: £1.9 million expense) on equity swap carrying values.

Share of Associates and Other Movements

Included in this category is the reversal of an impairment provision of £1.4 million against the carrying value of legacy oil and gas investments (2009: £1.4 million provision). The impairment provision was reversed to reflect the increased underlying value in the associate investment and its success in raising funds to progress its business.

Loss for the Financial Year

A loss for the financial year, attributable to ordinary shareholders, of £5.3 million was recorded in 2010 compared with a loss of £6.5 million in 2009 for the reasons outlined above.

Balance Sheet

The Group and Company balance sheets as at 31 December 2010 are shown on page 26. Group net assets are £1.3 million at 31 December 2010 (2009: £6.0 million).

Intangible assets increased from £3.2 million in 2009 to £6.5 million in 2010. Additions for the year were £3.3 million and related entirely to expenditure on the offshore wind farm sites.

Investments are £1.8 million at 31 December 2010 (2009: £0.7 million). The increase arises mainly from reversal of an impairment provision of £1.4 million against the carrying value of those associates (note 6).

At 31 December 2010, the Group had cash balances of £0.1 million, compared to £2.8 million at 31 December 2009.

£1.3 million (2009: £1.3 million) out of the total current liabilities of £8.0 million (2009: £4.7 million) is the outstanding creditor balance due to Schlumberger. Under a deferral agreement signed in June 2005, Schlumberger irrevocably waived the right to retire the debt via a cash settlement. Instead they can request SeaEnergy PLC to issue new shares to them. Hence, there is no obligation for the Company to settle the debt through an outflow of resources within the next 12 months from the reporting date (see note 14).

A further £2.7 million (2009: £2.0 million) of the total current liabilities relates to borrowings under a loan facility provided by LC Capital Master Fund Limited, a shareholder in the Company (the "Facility"). The amount of the facility was increased to £4.3 million in January 2011. The Facility was repaid on completion of the disposal of the Group's interest in its subsidiary SeaEnergy Renewables Limited.

Cash Flow from Operations

As indicated by the Consolidated Statement of Cash Flows on page 30, the Group's net cash flow from continuing operating activities was an outflow of £3.8 million for 2010 and an outflow of £1.3 million for 2009.

Included in the 2009 figure was a one-off inflow from an arbitration settlement of £2.2 million.

Cash Flows from Investing Activities

Net cash used in investing activities was £2.1 million (2009: £0.5 million).

In 2010 and 2009 the Group invested approximately £0.08 million and £0.02 million respectively in tangible fixed assets.

Capital expenditure on renewable energy projects in 2010 was £1.2 million (2009: £0.75 million).

Cash Flows from Financing Activities

Total cash inflows from financing activities in 2010 were £3.2 million, compared to £3.5 million in 2009.

Proceeds from the issue of new share capital in 2010 were £0.2 million (2009: £2.2 million).

Proceeds from derivative financial instruments were £2.3 million (2009: £0.8 million). Details are given in note 8 to the financial statements.

Proceeds from new borrowings were £0.7 million (2009: £0.5 million).

Future Capital Requirements

The Group's strategy is to finance its operations through a mixture of retained profits, cash reserves and borrowings. Equity finance, project finance and other alternatives are reviewed by the Board, where appropriate, to fund substantial acquisitions or development prospects. Further details of the funding strategy are given in the Report of the Directors on pages 12 to 17.

Market Risks

The Group is exposed to a variety of risks, including the effects of changes in interest rates and foreign currency exchange rates. In the normal course of business the Group also faces certain other non-financial or non-quantifiable risks. The Group's assets and liabilities are currently predominantly sterling based but to the extent that the Group's assets can be successfully developed, the Group's assets, revenues and cash flows may become dominated by Dollar or Euro based operations. Accordingly, the Sterling/Dollar and Sterling/Euro exchange rates are important to the Sterling prices of the shares traded on the AIM.

The tables below set forth, for the periods and dates indicated, the exchange rate for the Dollar against Sterling and for the Euro against Sterling.

Financial Review

continued

Dollar/Sterling Exchange Rates (Dollar per Pound Sterling)

	At end of period	Average rate ⁽¹⁾	High	Low
2006	1.97	1.83	1.97	1.71
2007	1.99	2.01	2.08	1.96
2008	1.45	1.88	1.99	1.45
2009	1.62	1.58	1.67	1.43
2010	1.56	1.55	1.62	1.47

Euro/Sterling Exchange Rates (Euro per Pound Sterling)

	At end of period	Average rate ⁽¹⁾	High	Low
2006	1.49	1.46	1.49	1.43
2007	1.36	1.46	1.51	1.36
2008	1.04	1.27	1.36	1.04
2009	1.15	1.12	1.19	1.01
2010	1.19	1.16	1.22	1.11

⁽¹⁾ The average rates on the last business day of each full month during the relevant period.

Details of how the Group manages interest rate and foreign currency exchange risks are included in note 14.

Christopher C Moar
Finance Director and Company Secretary

29 June 2011

Annual Report & Financial Statements 2010

Contents

12	Report of the Directors
18	Corporate Governance
21	Remuneration Report
24	Independent Auditors' Report
26	Financial Statements
31	Notes to the Financial Statements
63	Five Year Record
64	Licence Interests
65	Advisers
66	Notice of Annual General Meeting

Report of the Directors

Company Number SC62845

The Directors submit their report and audited Group financial statements for the year ended 31 December 2010.

Principal Activities and Review of Business

The principal activity of the Group is renewable energy development in the UK and Far East. In addition the Group holds oil and gas investments.

The Company reached an agreement to dispose of its entire interest in SeaEnergy Renewables Limited (SERL) to Repsol Nuevas Energias SA ("Repsol"), in return for a cash consideration of £30.7m and the full recovery of its £8.1m loan. The remaining share capital, held by SERL's Management, has also been acquired by Repsol, which has, in turn formed a consortium with EDP Renováveis ("EDPR") to further develop two of SERL's projects.

SeaEnergy will now focus on its existing assets, in particular SeaEnergy Marine, which is at an exciting stage of development, and will further seek to identify new opportunities to repeat its successful formula of identifying, developing and monetising business opportunities in the energy sector (renewables and oil & gas).

The results for the Group show a post-tax loss of £5.7 million (2009: loss of £6.5 million) for the year and turnover of £nil (2009: £nil). As at 31 December 2010, the Group had cash and cash equivalents of £0.1 million (2009: £2.8 million).

Net cash outflow from operating activities for 2010 was £3.8 million (2009: net cash outflow of £1.3 million). The Directors do not recommend the payment of a dividend (2009: £nil per share).

Further details of the Group's activities during the year, its position at the year end and its future developments are given in the Chairman's Statement and in the Financial Review.

Strategy

The Group's overriding objective is to achieve attractive and sustainable rates of growth and returns through a combination of organic growth and acquisitions. There are three key elements to the Group's current strategy. They are:

- To secure near-term cash inflows through the acquisition or development of revenue generating operations.
- To fund acquisition growth and new development projects through a combination of new equity finance and project finance in a manner appropriate to the capital intensive nature of, and risks inherent in, the energy business.
- To realise value from its assets over time.

Further detail on the strategic direction of the Group is given in the Chairman's statement on page 2.

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below. Risks are reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

Business Risks

The Directors are responsible for the effectiveness of the Group's risk management activities and internal control processes. As a participant in the energy industry, the Group is exposed to a wide range of risks in the conduct of its operations.

These risks include:

Financial risks:

- Cost inflation
- Oil and gas price movements
- Adverse taxation legislative changes
- Co-venturer and third party counterparty credit risk
- Adverse foreign exchange movements

Operational risks:

- Loss of key employees
- Delay and cost overrun on projects, including weather related delay
- HSE incidents
- Poor reservoir performance
- Exploration and appraisal well failures
- Failure of third party services

Strategic and external risks:

- Future deterioration of capital markets, inhibiting efficient equity and/or debt raising for developments
- Commercial misalignment with co-venturers
- Material fall in oil or gas prices

The risks set out are not exhaustive and additional risks and uncertainties may arise or become material in the future. Any of the risks, as well as other risks and uncertainties discussed in this document, could have a material adverse effect on our business.

There is no absolute assurance that the Group's activities will be successful. The Group's activities may also be curtailed, delayed or cancelled not only as a result of adverse weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply. The Group seeks to manage these risks through portfolio management, balancing risk across a range of prospects and leads, which carry varying technical and commercial risks, and carefully managing the financial exposure to each asset in the portfolio through the arrangements set out with joint venture partners.

The Group competes with other energy companies, some of whom have much greater financial resources than the Group, for the identification and acquisition of oil and gas licences and properties, renewable energy service opportunities and also for the recruitment and retention of skilled personnel.

The market price of hydrocarbon products is volatile and is not within the control of the Group. If significant declines occur in the price of oil or gas, or detrimental changes occur to the UK fiscal regime, the economic commerciality of the Group's projects can be significantly reduced or rendered uneconomic.

The successful progression of the Group's energy assets may depend not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity financing, debt financing, farm downs or other means.

The availability of such funding will continue to be influenced by macro-economic events, including oil and gas price fluctuations and the overall state of the economy, both of which remain outside the control of the Group. There is no assurance that the Group will be successful in obtaining required financing going forward. If the Group is unable to obtain additional financing needed to fulfil its planned work programmes some interests may be relinquished and/or the scope of the operations reduced.

Funding

The Group's strategy is to finance its operations through a mixture of retained profits, cash reserves and borrowings. Equity finance, project finance and other alternatives are considered by the Board, when appropriate, to fund substantial acquisitions or development prospects.

The Group treasury department monitors the availability of and requirement for funds in the Group. Surplus cash within the Group is put on short term deposits in accordance with limits and counterparties agreed by the Board. The objective is to maximise returns on funds whilst ensuring that the short term cash flow requirements of the Group are met.

The Group has generated very limited revenue since 2006 when it sold its one producing asset. During this period it has concentrated initially in monetising its other oil and gas assets and then developing a sustainable offshore wind business and financed its operations for the period through issuances of shares to institutions and corporate investors.

Report of the Directors

continued

The Directors did not anticipate that the Group's offshore wind assets would generate revenue in the near future and for this reason the Company has disposed of its interest in SERL. The Directors anticipate financing future cash needs through public offerings, debt financings or corporate collaboration as well as through existing cash balances. If adequate funds are not available, the Group may be required to delay, reduce the scope of or eliminate one or more of its development programs or to obtain funds through collaborations with others that are on unfavourable terms or that may require the Group to relinquish rights to some of its assets that it would otherwise seek to develop on its own.

Financial Instruments

The financial risk management objectives and policies of the Group are detailed in note 14.

Oil and Gas Price

The worldwide price of oil and gas directly affects the value of sales and indirectly affects production costs. It also affects the availability and price of drilling rigs, which are required to complete commitments to the work programs associated with licence applications.

Political Risk

Licence applications are subject to the approval of the governing authorities which have jurisdiction over the associated acreage. There is also a risk that a government could terminate a particular concession, resulting in all exploration costs incurred on that concession having no future value.

Fiscal Stability

The tax regime in the UK and in other countries in which the Group operates directly affects earnings. Any uncertainty in the stability of these regimes can dissuade potential investors or potential joint venture partners.

Future Outlook

The Group's future outlook is described in the Chairman's Statement on page 2.

Post Balance Sheet Events

(a) Extension of Loan Facilities

On 31 January 2011 the Company agreed a further extension to the terms of an existing loan facility, provided by LC Capital Master Fund, Ltd ("LC"), a major shareholder, until the earlier of 31 March 2011, or completion of the SERL sale process. LC also agreed to increase the size of the facility by £500,000 to £4.3 million.

On 31 March 2011 the Company agreed a further extension to the repayment terms of the loan facility until the earlier of 30 April 2011, or execution of an agreement for the sale of SERL.

On 3 May 2011 the Company agreed a further extension to the repayment terms until the earlier of 30 June 2011 or the completion of the sale of SERL.

The loan and interest was repaid in full from the proceeds of the sale of SERL (note 10).

(b) Mesopotamia Petroleum Company Limited ("MPC")

On 17 March 2011 the Company announced that the Board of MPC had reached agreement with all of its creditors, including the Company, for the deferral of their claims to allow MPC to continue in business while it awaits an improvement in both the situation in Iraq and the financial markets generally. In order to fund ongoing near term activities, a number of existing MPC shareholders agreed to inject £50,000 (Company's share £24,000) through the issue of new shares in MPC. As a result of this share issue, the Company's holding in MPC rose to 40.21 per cent. SeaEnergy directors S E Remp and S R Bertram direct holdings in MPC rose to 5.09 per cent. and 0.45 per cent. respectively. SeaEnergy PLC has already provided in full for its investment in MPC.

(c) Scottish Strategic Environment Assessment Update

On 18 March 2011 the Strategic Environmental Assessment ("SEA") and public consultation process by the Scottish Government was completed. The process was undertaken to determine the most appropriate locations for placing wind energy devices in the sea, around the entire Scottish coast.

The Group's Beatrice and Inch Cape sites were amongst the sites identified as suitable for developing offshore wind under the short term option (2010 – 2020) by the SEA.

The assessment examined the likely impact of offshore wind developments, including the cumulative effects from more than one development, and from other types of developments. The SEA was designed to help ensure that Scotland's future commercial offshore wind resource is developed sustainably, and to inform developers when they carry out Environmental Impact Assessments as they are required to do to obtain the necessary consents.

The 920MW Beatrice and 905MW Inch Cape sites were awarded to SERL, the Company's 80 per cent. owned subsidiary, and its co-venturers, in February 2009 by The Crown Estate ("TCE") in the Scottish offshore wind farm application process. The publication of the SEA will allow Agreements for Lease to be negotiated and finalised between the respective developers and TCE.

(d) Interest in Lansdowne Oil & Gas plc ("Lansdowne")

On 23 March 2011 the Company's interest in Lansdowne altered following a General Meeting, at which Lansdowne's shareholders approved the issue of a total of 27,791,743 new Lansdowne shares as a result of a placing and loan conversions. The new shares were issued at 25p each. Prior to the issue of such new shares the Company held a 29.9 per cent. interest in Lansdowne through its wholly owned subsidiary Ramco Hibernia Limited. The Company did not participate in the placing but did convert £664,958.50 of loans receiving 2,659,834 new Lansdowne shares at 25p each. As a result the Company now holds 18,765,509 shares in Lansdowne (23.03 per cent.).

(e) Disposal of SERL

The Company reached an agreement on 4 June 2011 to dispose of its entire interest in SERL to Repsol. Shareholder approval was obtained on 22 June 2011. The Company has disposed of its 80.13 per cent. interest in SERL, which has an interest in three offshore wind farm sites off the east coast of Scotland, in return for a cash consideration of £30.7m and the full recovery of its £8.1m loan to SERL. The remaining share capital, held by SERL's Management, has also been acquired by Repsol, which has, in turn formed a consortium with EDPR to further develop two of SERL's projects.

A sum of £3.0 million will be retained by Repsol until the first anniversary of completion and applied in respect of any warranty claims it may bring against the Company. Interest shall accrue at LIBOR rate plus 1 per cent. on all retained amounts.

SeaEnergy will now focus on its existing assets, in particular SeaEnergy Marine, which is at an exciting stage of development, and will further seek to identify new opportunities to repeat its successful formula of identifying, developing and monetising business opportunities in the energy sector (renewables and oil & gas).

The Company will record a gain on disposal of approximately £32 million before bonuses. This gain will be included in the Group's results for the year ended 31 December 2011. Bonuses are payable to Directors on the Group profit after tax. These are disclosed in the Remuneration Report.

Key Performance Indicators ("KPIs")

Given the turnaround nature of the business during the current period, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance and position of the business at this juncture in time. However, the Directors are committed to the use of suitable performance metrics, including KPIs, once a stable platform for future growth has been established.

Employees

During the year the policy of providing employees with information about the Group has been continued and employees have also been encouraged to present their suggestions and views on the Group. Employees are encouraged directly to participate in the business through a share option scheme. Although much of the Group's work is unsuitable for disabled persons, positive efforts are made to recruit and train disabled persons when they appear suitable to a particular vacancy.

Report of the Directors

continued

Directors

Biographies of the present Directors of the Company are listed on page 6.

In accordance with the Company's Articles of Association, S R Bertram and S G Lampe retire at the AGM and, being eligible, offer themselves for re-election.

Details of the remuneration of the Directors and the interests of the Directors in the share capital and share options of the Company are disclosed in the Remuneration Report, included on pages 21 to 23.

Substantial Shareholders

The Directors have been notified of the following interests in 3% or more of the Company's issued share capital as at the date of this report:

Name of member	No. of shares	Per cent of capital
LC Capital Master Fund	6,702,380	9.70
Directors (see page 23)	5,770,350	8.35

Share Capital

Details of share allotments made during the year and up until the date of this report are given in note 15.

Creditor Payment Policy

Trade creditors are recognised at fair value. The Group's policy concerning the payment of its trade creditors is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

The Company's average creditor payment period at 31 December 2010 was 82 days (2009: 93 days).

Charitable and Political Donations

No charitable or political donations were made, and no political expenditure was incurred, during the year or the previous year.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 6. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

AGM Business

The Annual General Meeting ("AGM") will commence at 11.00am on 29 July 2011 at the Marcliffe at Pitfodels, North Deeside Road, Aberdeen. In addition to the routine business of the AGM, there are five items of other Business detailed in the Notice of Meeting as Resolution numbers 5 to 9.

Resolution 5 authorises the Directors to allot unissued shares in the capital of the Company.

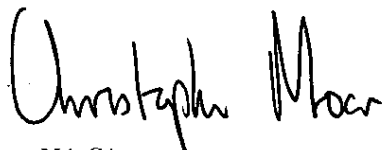
Resolution 6 is a disapplication of the statutory pre-emption rights contained in the Companies Act 2006 and empowers the Directors to allot ordinary shares for cash in connection with rights issues. It also permits the issue generally of ordinary shares having a nominal value of up to £1,382,000 (being 20% of the current issued share capital) for cash thereby enabling the Directors to take advantage of fund raising opportunities as they arise. This authority will expire at the next Annual General Meeting of the Company.

Resolution 7 is a disapplication of the statutory pre-emption rights contained in the Companies Act 2006 and empowers the Directors to allot ordinary shares in connection with outstanding loans due to Schlumberger Offshore Services Limited in full or partial payment of the indebtedness due to it, and/or other parties in lieu of repayment of loan amounts as may become due to such other parties. The granting of such authority would provide the Directors with the flexibility to seek to agree the form of any repayment that they feel would be in the best interests of the Company and its members without the need to revert to its members for specific authorisation to allot any such shares. This authority will expire at the next AGM of the Company.

Resolution 8 is a special resolution giving the Company limited powers to purchase its own shares for cancellation.

Resolution 9 alters the Company's Memorandum of Association and Articles of Association by removing the concept of Authorised share capital.

By order of the Board,



C G Moar MA CA
Finance Director and Company Secretary

29 June 2011

Corporate Governance

SeaEnergy, as an AIM listed Company, is not required to comply with the Combined Code on Corporate Governance ("the Code") published by the Financial Reporting Council in June 2008. However, the Board recognises the importance of sound corporate governance and has ensured that the Company has adopted policies and procedures which reflect such of the principles of good governance and the code of best practice as are appropriate to the Company's size.

Directors

The Board currently comprises three Executive Directors and four Non-Executive Directors. Biographies of the current Directors are presented on page 6.

D Sigsworth and D K Laing are considered to be Independent Non-Executive Directors and D Sigsworth is the Senior Independent Non-Executive Director.

The Board is responsible for setting overall Group strategy, policy, monitoring Group performance and authorising significant transactions. The Board meets not less than four times a year and has adopted a schedule of matters reserved for its decision. Directors based overseas may join certain board meetings by telephone. All Directors have full and timely access to information and may take independent professional advice at the Group's expense.

Attendance Record at Meetings	2010 Eligible	2010 Attended	2009 Eligible	2009 Attended
S E Remp	7	7	6	6
S R Bertram	7	7	6	6
C G Moar	7	7	6	6
S G Lampe	7	5	6	5
D Sigsworth (appointed 24 September 2009)	7	7	2	2
J H Aldersey-Williams (appointed 24 September 2009)	7	7	2	2
D K Laing (appointed 11 January 2010)	7	7	–	–
J B Staadecker (appointed 24 September 2009, resigned 30 June 2010)	2	2	2	2

The Board has three standing committees with terms of reference as follows:

Audit and Remuneration Committees

These Committees are comprised solely of Non-Executive Directors who take no part in the discussion of their own remuneration.

The Audit Committee is currently chaired by D Sigsworth. The other members are D K Laing and J H Aldersey-Williams.

The Remuneration Committee is currently chaired by J H Aldersey-Williams. The other members are D Sigsworth and D K Laing.

Audit Committee

The Audit Committee determines the terms of engagement of the Group's External Auditors and, in consultation with the Auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Group's Auditors relating to the interim and annual accounts and the accounting and internal control systems in the Group. The Audit Committee has unrestricted access to, and oversees, the relationship with the Group's Auditors. The Audit Committee meets at least twice a year and meets with the Group's Auditors at least once a year. Executive Directors may attend by invitation.

The External Auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial control and data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial position of the Group and present their findings to the Audit Committee.

The Audit Committee reviews the independence and objectivity of the External Auditors. The Committee reviews the nature and amount of non-audit work undertaken by the External Auditors each year to satisfy itself that there is no effect on their independence. Details of this year's fees are given in note 17 on page 54. The Committee is satisfied that the External Auditors are independent.

The Audit Committee monitors the performance of the External Auditors on an ongoing basis, with input from the Finance Director and other key members of the finance team. Following such an assessment, the Committee meets to discuss what actions, if any, require to be taken. The Committee also makes a recommendation to the Board on the appointment or re-appointment of the External Auditors.

The Group does not have an internal audit function but the need for such a function is reviewed periodically. It is the current view of the Board that an internal audit function is not considered appropriate given the size and nature of the operations and the Group.

Remuneration Committee

The Remuneration Committee reviews the scale and structure of the Executive Directors' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the Non-executive Directors are set by the entire Board. No Director or manager of the Company may participate in any meeting at which discussion or any decision regarding his own remuneration takes place. The Remuneration Committee also administers any share option schemes or other employee incentive schemes adopted by the Company from time to time.

The Remuneration Report is presented on pages 21 to 23 and contains a statement of remuneration policy and details of the remuneration of each Director.

Nominations Committee

The Nominations Committee is currently chaired by D Sigsworth and meets as required. The other members are S E Remp and S G Lampe.

The Committee proposes to the Board suitable candidates for appointment as Directors of the Company, and considers Board succession plans. Directors appointed by the Board in the course of the year must retire and offer themselves for reappointment at the next AGM. Names of Directors submitting themselves for reappointment at the next AGM are shown on page 16 and in the Notice of Annual General Meeting on page 66.

Risk Management and Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Management identify risks, the likelihood of those risks occurring, the impact if they do occur and the actions being taken to manage and mitigate those risks to an acceptable level.

The Board of Directors has overall responsibility for maintaining a sound system of internal financial control to safeguard shareholders' investment and the Group's assets. Such a system can provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and correctly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period. The system, which has been in place throughout the year and up to the date of this report, comprises the following main elements, all of which are reviewed by the Board:

- An organisation structure with clearly defined lines of responsibility and delegation of authority.
- Appointment of employees of the necessary calibre to fulfil their allotted responsibilities.
- Established procedures for budgeting and capital expenditure.
- Monthly reporting of actual performance compared to budget, reviewed by the Board quarterly.
- Rolling monthly forecasts for the financial year.
- The Group reports to shareholders on a half yearly basis to ensure timely reporting of financial results.

Investor Relations

Communications with investors are given high priority. The Company keeps its institutional shareholders up to date with its business and objectives, and obtains their views on the Company, by means of periodic presentations. Additionally the Company is ready to respond appropriately to particular issues or questions that may be raised by investors. All shareholders are sent the Annual Report and financial statements, the Interim Report and can also elect to receive all press releases, many choosing to receive this information by email.

Corporate Governance

continued

The Company has a web site, www.seaenergy-plc.com, which is regularly updated and contains a wide range of information about the Company including share price information, Annual Report and financial statements, and press releases. Similar information about Lansdowne can be found at www.lansdowneoilandgas.com.

The Board views the AGM as an opportunity to communicate with private investors and encourages them to attend. The Board aims to ensure that the Chairman of the Audit and Remuneration Committees is available to answer questions. The Executive Chairman gives a short presentation on the business and its trading position. Shareholders are invited to ask questions and are given the opportunity to meet the Directors informally following the meeting. Whenever possible, the Company complies with best practice in ensuring that the Notice of the AGM is dispatched to shareholders at least 20 working days ahead of the meeting.

Directors' Responsibilities

The Directors are responsible for preparing the annual report and 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 group and company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs').

Under Company Law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position of the Group and Company, financial performance of the Group and cash flows of the Group for that period. In preparing the financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position of the Group and Company and performance of the Group;
- state that the Group and Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are responsible and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and of the Company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The maintenance and integrity of the SeaEnergy PLC website is the responsibility of the Directors. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The financial statements have been prepared on the going concern basis which assumes that the Company and its subsidiaries will continue in operational existence for the foreseeable future.

Remuneration Report

Introduction

The Board of SeaEnergy recognises the importance of sound corporate governance. This report describes how the Board has applied principles of good governance relating to directors' remuneration.

Remuneration Committee

The Committee comprises J H Aldersey-Williams, D Sigsworth and D K Laing.

The Committee, which meets at least twice each year, is responsible to the Board for determining the terms and conditions of employment of the Executive Directors and their remuneration packages (including pension rights and any compensation payments) and oversees the operation of the Company's Employee Share Option Schemes.

The Committee has access to external independent professional advice, at the Company's expense, as the Committee sees fit. None of the Committee members has any personal financial interest in the matters to be decided by the Committee or any conflicts arising from cross-directorships or day-to-day involvement in the running of SeaEnergy.

Remuneration Policy

SeaEnergy operates in the international renewable and oil and gas energy industries and aims to attract, reward, motivate and retain top executives in a manner appropriate to those industries and with the objective of long term accumulation of value for shareholders. The remuneration packages currently being offered are intended to be competitive and comprise a mix of performance related and non-performance related remuneration designed to incentivise Directors, but not to detract from the goals of Corporate Governance. The packages are in line with industry norms.

Directors' Service Contracts

All the Executive Directors have service contracts with the Company with a rolling notice period of one year. The Non-Executive Directors do not have service contracts with the Company.

The remuneration of Non-Executive Directors is determined by the Board after consideration of appropriate external comparisons and the responsibilities and time involvement of individual Directors. No Director is involved in deciding his own remuneration.

Remuneration Package

Directors' remuneration packages, which are reviewed annually, consist of annual salary, performance related bonuses, health and other benefits, pension contributions and share options.

Remuneration Report

continued

In 2008 three Executive Directors deferred bonus and pension payments totalling £92,000. S E Remp deferred pension contributions for 2009 of £45,000. All deferred amounts for 2008 and 2009 were settled in January 2010. S E Remp agreed to use his deferred pension contributions totalling £89,000 to subscribe for new shares in the Company. The pension fund of S E Remp therefore subscribed for 149,000 shares at 60 pence per share on 22 January 2010. The other deferred amounts were settled in cash.

During 2010 all Directors deferred contractual amounts due to them. Details are given in note 29(a) and (b). These remain outstanding.

Performance related profit bonuses are payable following certification of the Group results by the Auditors for each year. A disposal bonus is payable on the after tax gain realised if all or any part of the businesses of a division is disposed of by the Group (note 31(e)).

Director	Profit and disposal bonus per cent.
S E Remp	6.0
S R Bertram	2.5
C G Moar	1.5

Directors' Detailed Remuneration

	Salary and fees £'000	Performance related bonus £'000	Benefits £'000	Aggregate remuneration £'000	2010 Pension contributions £'000	2009 Pension contributions £'000	2010 Total £'000	2009 Total £'000
Executive Directors								
S E Remp ⁽¹⁾	298	–	9	307	45	45	352	357
S R Bertram ⁽¹⁾	160	–	3	163	24	24	187	186
C G Moar ⁽¹⁾	132	–	2	134	20	20	154	154
J B Staadecker ⁽⁶⁾	87	–	2	89	13	7	102	55
Non-Executive Directors								
N S Cumming ⁽²⁾	–	–	–	–	–	–	–	19
S G Lampe ⁽³⁾	25	–	–	25	–	–	25	25
M N Groves Gidney ⁽⁴⁾	–	–	–	–	–	–	–	19
D Sigsworth ⁽⁵⁾	30	–	–	30	–	–	30	8
J H Aldersey-Williams ⁽⁵⁾	30	–	–	30	–	–	30	8
D K Laing ⁽⁷⁾	25	–	–	25	–	–	25	–
2010	787	–	16	803	102		905	
2009	716	–	19	735		96		831

Details of transactions with related parties are given in note 29.

(1) All pension contributions for year were deferred by S E Remp and remained unpaid at 31 December 2010. S R Bertram deferred £11,000 of pension contributions for the year. C G Moar deferred £9,000 of pension contributions for the year.

(2) Following the disposal of the Oil Services division on 16 December 2005, N S Cumming became a Non-Executive Director. All fees paid to N S Cumming flowed to Ramco Tubular Services Limited, a third party formerly part of the Group. N S Cumming resigned 24 September 2009.

(3) All fees paid to S G Lampe flow to Lampe Conway & Co. LLC. S G Lampe is managing member of Lampe, Conway & Co LLC. Fees totalling £19,000 were deferred during 2010.

(4) Resigned 24 September 2009.

(5) Appointed 24 September 2009. D Sigsworth and J H Aldersey-Williams also serve as Non-Executive Directors of SeaEnergy Renewables Limited. Fees totalling £3,000 were deferred by each Director during 2010.

(6) Appointed 24 September 2009. Resigned 30 June 2010.

(7) Appointed 11 January 2010. Fees totalling £3,000 were deferred by D K Laing during 2010.

Interests In Share Options

	Exercise price	At 31 Dec 2009	Granted	Exercised	At 31 Dec 2010 or *date of resignation	Normal exercise dates
S E Remp	34p	300,000	–	–	300,000	30/7/08–29/7/15
	72p	–	461,250	–	461,250	12/1/13–11/1/20
S R Bertram	34p	150,000	–	(150,000)	–	30/7/08–29/7/15
	72p	–	384,750	–	384,750	12/1/13–11/1/20
C C Moar	34p	60,000	–	(60,000)	–	30/7/08–29/7/15
	72p	–	308,400	–	308,400	12/1/13–11/1/20
J H Aldersey-Williams	72p	–	61,400	–	61,400	12/1/13–11/1/20
D Sigsworth	72p	–	61,400	–	61,400	12/1/13–11/1/20
J B Staadecker	72p	–	61,400	–	61,400*	12/1/13–11/1/20
		510,000	1,338,600	(210,000)	1,638,600	

The aggregate notional gain made on the exercise of options by Directors during the year was £53,000 (2009: £nil).

A summary of the performance criteria conditional upon which the options are exercisable is set out in note 19 to the accounts. During 2010 the share price ranged between a high of 71.2p and a low of 17.0p. The quarterly highest and lowest closing share prices are detailed in note 15.

Interests In Shares

The beneficial interests of the Directors who served during the year in the ordinary shares of 10p of the Company are as follows:

	At 31 Dec 2009	At 31 Dec 2010 or *date of resignation	At 29 June 2011
S E Remp	5,436,668	5,585,668	4,829,318
S R Bertram	590,600	740,600	740,600
C C Moar	52,616	102,616	102,616
S G Lampe	–	–	–
J B Staadecker (resigned 30 June 2010)	62,500	50,500*	–
J H Aldersey-Williams	47,816	67,816	67,816
D Sigsworth	–	20,000	20,000
D K Laing (appointed 11 January 2010)	–	10,000	10,000
	7,769,294	6,577,200	5,770,350

S G Lampe has a non-beneficial interest in 6,702,380 shares in SeaEnergy held by LC Capital Master Fund Limited ("LC"). S G Lampe is managing member of Lampe, Conway & Co LLC, the investment manager of LC.

Pensions

Directors' pensions are based on salary only, with bonuses and other discretionary benefits excluded. Retirement benefits were accruing to the three Executive Directors (2009: four Directors) under the Group's defined contribution schemes.

The Executive Directors belong to a non-contributory scheme where the Company contributes at a rate of 15 per cent. of salary.

J H Aldersey-Williams

Chairman, Remuneration Committee

29 June 2011

Independent Auditors' Report to the Members of SeaEnergy PLC

We have audited the financial statements of SeaEnergy PLC for the year ended 31 December 2010 which comprise the Consolidated and Company Balance Sheets, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 December 2010 and of the group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Kevin Weston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Aberdeen

29 June 2011

Consolidated and Company Balance Sheets

As at 31 December 2010

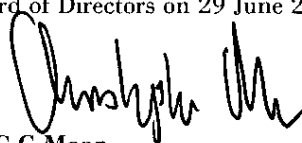
		Group		Company	
	Note	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Assets					
Non-current assets					
Goodwill and other intangible assets	4	6,453	3,158	39	39
Property, plant and equipment	5	200	173	124	146
Investments in associates	6	1,819	652	–	–
Investments – subsidiary undertakings		–	–	1,759	1,759
Derivative financial instruments	8	–	506	–	506
		8,472	4,489	1,922	2,450
Current assets					
Trade and other receivables	7	917	455	7,228	3,726
Derivative financial instruments	8	341	3,581	341	3,581
Cash and cash equivalents	9	94	2,792	78	2,787
		1,352	6,828	7,647	10,094
Total assets		9,824	11,317	9,569	12,544
Liabilities					
Current liabilities					
Trade and other payables	10	(5,320)	(2,741)	(2,574)	(2,388)
Loans and borrowings	10	(2,650)	(2,000)	(2,650)	(2,000)
Provisions	11	(6)	(3)	(4)	(3)
		(7,976)	(4,744)	(5,228)	(4,391)
Non-current liabilities					
Deferred income tax liabilities	13	(472)	(489)	–	–
Other non-current liabilities	12	(32)	(41)	(32)	(41)
		(504)	(530)	(32)	(41)
Total liabilities		(8,480)	(5,274)	(5,260)	(4,432)
Net assets		1,344	6,043	4,309	8,112
Shareholders' equity					
Ordinary shares	15	6,911	6,809	6,911	6,809
Share premium	15	79,075	78,658	79,075	78,658
Deficit on retained earnings	16	(84,381)	(79,424)	(81,677)	(77,355)
Total equity attributable to owners of the parent		1,605	6,043	4,309	8,112
Non-controlling interest in equity		(261)	–	–	–
Total equity		1,344	6,043	4,309	8,112

The notes on pages 31 to 62 form part of these financial statements.

These financial statements were approved by the Board of Directors on 29 June 2011.



S R Bertram
Managing Director



C G Moar
Finance Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Continuing operations			
Operating expenses		(5,067)	(4,071)
Arbitration settlement	23	–	2,159
Operating loss	17	(5,067)	(1,912)
Finance income	20	27	111
Finance costs	20	(1,478)	(2,638)
Finance costs – net		(1,451)	(2,527)
Share of profit/(loss) of associates and other movements	6	863	(2,049)
Loss before income tax		(5,655)	(6,488)
Income tax credit	21	17	–
Loss from continuing operations		(5,638)	(6,488)
Discontinued operation			
Loss from discontinued operation (net of tax)	22	(30)	(37)
Loss for year		(5,668)	(6,525)
Attributable to:			
Owners of the parent	16	(5,283)	(6,525)
Non-controlling interests		(385)	–
Loss for year		(5,668)	(6,525)
Loss per share	3		
Basic		(7.65p)	(11.80)p
Diluted		(7.65p)	(11.80)p
Continuing operations			
Loss per share			
Basic		(7.61p)	(11.74)p
Diluted		(7.61p)	(11.74)p

The notes on pages 31 to 62 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

Group	Attributable to owners of the parent company				Non- controlling interest £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000		
Year ended 31 December 2009						
At 1 January 2009	4,611	71,196	(72,899)	2,908	–	2,908
Loss for the financial year	–	–	(6,525)	(6,525)	–	(6,525)
Issues of new shares – gross consideration	2,198	8,128	–	10,326	–	10,326
Cost of issues	–	(666)	–	(666)	–	(666)
At 31 December 2009	6,809	78,658	(79,424)	6,043	–	6,043
Year ended 31 December 2010						
At 1 January 2010	6,809	78,658	(79,424)	6,043	–	6,043
Loss for the financial year	–	–	(5,283)	(5,283)	(385)	(5,668)
Share based payment transactions	–	–	326	326	–	326
Issues of new shares – gross consideration	102	417	–	519	–	519
Non-controlling interest share subscription	–	–	–	–	124	124
At 31 December 2010	6,911	79,075	(84,381)	1,605	(261)	1,344

The notes on pages 31 to 62 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2010

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Year ended 31 December 2009				
At 1 January 2009	4,611	71,196	(76,085)	(278)
Loss for the financial year	–	–	(1,270)	(1,270)
Issues of new shares – gross consideration	2,198	8,128	–	10,326
Costs of issues	–	(666)	–	(666)
At 31 December 2009	6,809	78,658	(77,355)	8,112
Year ended 31 December 2010				
At 1 January 2010	6,809	78,658	(77,355)	8,112
Loss for the financial year	–	–	(4,648)	(4,648)
Share based payment transactions	–	–	326	326
Issues of new shares – gross consideration	102	417	–	519
At 31 December 2010	6,911	79,075	(81,677)	4,309

The notes on pages 31 to 62 form part of these financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 31 December 2010

	Note	Group		Company	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Net cash used in operating activities	24	(3,782)	(1,268)	(5,532)	(1,581)
Cash flows from investing activities					
Interest received		6	64	6	64
Proceeds from sale of property, plant and equipment		-	1	-	1
Acquisition of intangible assets		(1,145)	(754)	-	-
Acquisition of property, plant and equipment		(78)	(20)	(9)	(5)
Investment in associate		(304)	-	-	-
Amounts due by associates		(559)	171	(339)	170
Net cash (used in)/generated by investing activities		(2,080)	(538)	(342)	230
Cash flows from financing activities					
Interest paid	20	(2)	(1)	(1)	(1)
Proceeds from issuance of ordinary shares		187	2,160	187	2,160
Proceeds from derivative financial instruments		2,338	846	2,338	846
Payment of finance lease liabilities		(9)	(5)	(9)	(5)
Proceeds from borrowings	10(b)	1,150	500	1,150	500
Repayment of borrowings		(500)	-	(500)	-
Net cash generated by financing activities		3,164	3,500	3,165	3,500
Effect of exchange rate fluctuations on cash held		-	47	-	47
Net (decrease)/increase in cash and cash equivalents		(2,698)	1,741	(2,709)	2,196
Opening cash and cash equivalents		2,792	1,051	2,787	591
Closing cash and cash equivalents	9	94	2,792	78	2,787

The notes on pages 31 to 62 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. Presentation of Accounts and Accounting Policies

General information

SeaEnergy PLC (the "Company"), its subsidiaries (together, the "Group") and associated companies form an energy group. The Group has just concluded the sale of its 80 per cent. owned subsidiary, SeaEnergy Renewables Limited, which had secured substantial acreage in three proposed wind farms offshore Scotland. The Group also holds oil and gas investments focussed on Europe and the Middle East.

The Company is a public limited company, incorporated and domiciled in the UK. The address of its registered office is Britannia House, Endeavour Drive, Arnhall Business Park, Westhill, AB32 6UF.

The Company's shares and, since 21 April 2006, those of its associate Lansdowne Oil & Gas plc ("Lansdowne"), are quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange.

Basis of preparation

The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

The Directors have prepared the financial statements on the going concern basis which assumes that the Group and Company and its subsidiaries will continue in operational existence for the foreseeable future.

The Group had net assets at the balance sheet date of £1,344,000, and is subject to the principal risks and uncertainties described in the Directors' Report.

On 28 June 2011, SeaEnergy PLC successfully completed the disposal of its subsidiary SeaEnergy Renewables Limited to Repsol Nuevas Energias SA. Having received the proceeds from the disposal, the Group's strategy will now focus on its existing assets, in particular SeaEnergy Marine which is at an exciting stage of development, and look to identify new energy sector opportunities that can be developed and monetised. The Directors have prepared cash flow forecasts for the Group that indicate the Group will have adequate cash resources to meet its obligations as they fall due for a period of not less than one year from the date of approval of these financial statements.

Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations adopted by the European Union ("EU") as applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Change in accounting policies

New Standards and Interpretations and Amendments to published standards and interpretations effective in 2010

The following new and amended IFRS and IFRIC interpretations are effective as of 1 January 2010:

IAS 27 Amendments – Consolidated and Separate Financial Statements 2009 Improvements to IFRSs

For each of the new or amended IFRS and IFRIC interpretations adopted in the period the impact on the financial statements or performance of the Group is described below:

IAS 27 Amendments – Consolidated and Separate Financial Statements

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The changes introduced by these Standards have no significant impact on the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

1. Presentation of Accounts and Accounting Policies continued

Improvements to IFRSs

In April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Issued in April 2009

- **IFRS 8 Operating Segments:** The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- **IAS 36 Impairment of Assets:** The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.
- **IAS 38 (amendment) Intangible Assets.** The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or Company's financial statements.

Other April 2009 amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Group.

Standards, amendments and interpretations effective in 2010 but not relevant

The following standards, amendments and interpretations to published standards are effective for accounting periods beginning on or after 1 January 2010 but they are not relevant to the Group's operations:

Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions

IFRS 3R Business Combinations

IAS 39 Amendments – Eligible Hedged Items

IFRIC 17 Distributions of Non-Cash Assets to Owners

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations have been published and are effective after the date of these financial statements or later periods, but the Group has not early adopted them:

The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

IFRS 7 Disclosures (Amendment) Effective for annual periods beginning on or after 1 July 2011. The Directors will review the impact of the new standard in the coming period.

IAS 24 Related Party Disclosure

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities (already issued but not endorsed), hedge accounting and de-recognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

1. Presentation of Accounts and Accounting Policies continued

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in other entities

IFRS 13 Fair Value Measurement

These standards have been issued (but not yet endorsed) and are effective for annual period beginning on or after 1 January 2013. The Directors will be reviewing the impact of the above standards, including amendments to IAS27R and IAS28R (also issued but not yet endorsed) over the coming period.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods commencing on or after either 1 July 2010 or 1 January 2011.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Standards, amendments and interpretations that are not yet effective and not relevant for the Group's operations

The following standards, amendments and interpretations to published standards are effective after the date of these financial statements or later period, but they are not relevant to the Group's operations:

IAS 32 Amendments – Classification of Rights Issues

IFRIC 14 Amendments – Prepayments of a Minimum Funding Requirement

Basis of accounting

The Group prepares its accounts on the historical cost basis. Where the carrying value of assets and liabilities are calculated on a different basis, this is disclosed in the relevant accounting policy.

Basis of consolidation

The consolidated accounts include the results of SeaEnergy PLC and its subsidiary undertakings, made up to 31 December each year. No separate income statement is presented for the parent company, as permitted by Section 408 of the Companies Act 2006.

The subsidiaries are those companies controlled, directly or indirectly, by SeaEnergy PLC, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is normally evidenced when SeaEnergy PLC owns, either directly or indirectly, more than 50 per cent. of the voting rights of a company's share capital. Companies acquired during the year are consolidated from the date on which control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes from the Group. Inter-company balances, transactions and resulting unrealised income are eliminated in full.

The Group allocates the purchase consideration of any acquisition to assets and liabilities on the basis of fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets and liabilities is recognised as goodwill. Any goodwill arising is recognised as an asset and is subject to annual review for impairment. Business combinations arising prior to the Group's transition date to IFRS (1 January 2006) have not been revisited under the exemption provided by IFRS 1.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

1. Presentation of Accounts and Accounting Policies continued

Non-controlling interests represent the portion of profit or loss and equity in a subsidiary that is not attributable directly or indirectly to the parent. This is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from the equity attributable to owners of the parent.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. Prior to 1 January 2010, losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

Investments in associates

The Group's investments in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of individual investments. The Group income statement reflects the share of the associate's results after tax. Where there has been a change recognised in other comprehensive income of the associate, the Group recognises its share of any such change in the Group statement of Comprehensive Income.

Financial statements of associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group; to take into account fair values assigned at the date of acquisition and to reflect impairment losses where appropriate. Adjustments are also made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its associates.

Joint ventures

The Group participates in several unincorporated Joint Ventures which involve the joint control of assets used in the Group's activities. The Group accounts for its proportionate share of assets, liabilities, income and expenditure of Joint Ventures in which the Group holds an interest, classified in the appropriate balance sheet and income statement headings.

Renewable energy project expenditure

The costs associated with the development of the offshore wind farms which meet the "identifiability" requirement under IAS 38, are carried at cost. The amount assigned to each wind farm will be transferred to "Property, plant and equipment" when construction of the wind farm commences.

Oil and gas intangible exploration/appraisal assets and development/producing assets

All expenditure relating to oil and gas activities is capitalised in accordance with the "successful efforts" method of accounting, as described in the Oil and Gas SORP. The Group's policy for oil and gas assets is also compliant with IFRS 6 "Exploration for and Evaluation of Mineral Resources". Under this standard the Group's exploration and appraisal activities are capitalised as intangible assets and its development and production activities are capitalised as part of the "Property, plant and equipment" asset category.

All costs incurred prior to the acquisition of licences are expensed immediately to the income statement.

Licence acquisition costs, geological and geophysical costs and the direct costs of exploration and appraisal are initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area. Such costs are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance. Exploration and appraisal costs are held, un-depleted, until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered. If commercial reserves are determined to exist and the technical feasibility of extraction demonstrated, then the related capitalised exploration/appraisal costs are first subjected to an impairment test (see below) and the resulting carrying value is transferred to the development and producing assets category within property, plant and equipment. If no commercial reserves exist then that particular exploration/appraisal effort was "unsuccessful" and the costs are written off to the income statement in the period in which the evaluation is made. The success or failure of each exploration/appraisal effort is judged on a well by well basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

1. Presentation of Accounts and Accounting Policies *continued*

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field by field basis. Development expenditure comprises all costs incurred in bringing a field to commercial production, including financing costs. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the part replaced are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the income statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Upon commencement of production, capitalised costs are amortised on a unit of production basis that is calculated to write off the expected cost of each asset over its life in line with the depletion of proved and probable reserves. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. These cash-generating units ("CGUs") are aligned to the business unit and sub-business unit structure the Group uses to manage its business. Cash flows are discounted in determining the value in use.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Royalty agreements

Royalties over production from oil and gas fields are initially recognised at cost and are classified as intangible assets. The royalty asset is held unamortised at its initial recognition value, pending determination of the commercial viability of the associated field. While the intangible asset is unamortised, its carrying value is subject to annual impairment tests.

If commercial reserves are proven not to exist then the royalty asset is written off to income statement in the period that the determination is made.

If commercial reserves are discovered then the royalty asset is tested for impairment and then amortised on a unit of production basis over the life of the field, based on commercial proven and probable reserves. The carrying value is tested for further impairment whenever events or changes in circumstances indicate.

Property, plant and equipment – other

Property, plant and equipment is stated at historical cost or deemed cost less accumulated depreciation and any impairment in value. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of the items of property, plant and equipment. The depreciable amount is the cost less residual value based on prices prevailing at the balance sheet date. The depreciation charge is spread equally over the expected useful economic lives of the assets as follows:

Freehold and long leasehold buildings	50 years
Leasehold improvements	10 years*
Plant, property and equipment	4-5 years

*Depreciation is charged over the shorter of 10 years or the remaining term of the lease.

Assets held under finance leases are depreciated over their expected lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Expected useful lives and residual values are reviewed each year and adjusted if appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

1. Presentation of Accounts and Accounting Policies *continued*

Profits and losses on disposal of property, plant and equipment are calculated as the difference between the net sale's proceeds and the carrying amount of the asset at the date of disposal.

Impairment of assets

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Investments

Shares in Group undertakings and associates are held at cost less impairment provisions where the fair value cannot be reliably determined. Impairments occur where the recoverable value of the investment is less than its carrying value. The recoverable value of the investment is the higher of its fair value less costs to sell and value in use.

Value in use is based on the discounted future net cash flows of the investee.

Recoverable value and carrying value are reviewed regularly. When recoverable value exceeds carrying value, previous impairment adjustments are reversed to re-instate carrying value.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

Equity

SeaEnergy PLC has one class of ordinary shares and these are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Taxation

Corporation tax is provided on taxable profits at the current rate of taxation.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

1. Presentation of Accounts and Accounting Policies continued

Deferred tax assets and liabilities are measured on an undiscounted basis 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Defined contribution pension schemes

The Group contributes to defined contribution pension schemes. The pension cost represents contributions payable by the Group to the schemes.

Share based payments

The Group incentivises its employees and Directors with access to equity-settled share option schemes, details of which are given in the Directors' Remuneration Report and note 19.

The cost of awards to employees and Directors under the share option scheme is recognised over the three or five year period to which the performance criteria relate. The amount recognised is based on the fair value of the share options, as measured at the date of the award. The corresponding credit is taken to a share based payments reserve, which is included within retained earnings. The proceeds on exercise of share options are credited to share capital and share premium.

The share options are valued using a Total Shareholder Return ("TSR") simulation model, which adjusts the fair value for the market-based performance criteria in the schemes. The TSR simulation model is based on the Monte Carlo model and is tailored to meet the requirements of the scheme's performance criteria. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, risk free rate of interest and patterns of early exercise of the plan participants.

Share based payments that are made to parties other than employees can be in the form of warrants or share options. They are valued at the fair value of the services received, where this can be reliably measured, and at the fair value of the instrument used otherwise. The cost is recognised over the period that the service is received with the corresponding credit taken to the share based payments reserve, which is classified within retained earnings.

Where warrants are issued as part of a transaction and no service or goods have been received in return, the fair value of the warrants is treated as a discount to the consideration received. The corresponding credit is taken to a separate component of equity, which is also classified within retained earnings.

No expense is recognised for awards that do not ultimately vest, except for equity settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

1. Presentation of Accounts and Accounting Policies *continued*

Foreign currency

The functional currency of the companies in the Group is Sterling. The assessment of functional currency has been based on the currency of the economic environment in which the Group operates and in which its revenue and costs arise. These accounts have been presented in Sterling, which is the functional currency of all companies within the Group.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange gains and losses are taken to the income statement. Gains and losses on trading assets and liabilities are presented within "Operating expenses", and gains and losses on cash and cash equivalents are presented within "Finance income" or "Finance expense".

Creditor payment policy

Trade creditors are recognised at fair value. The Group's policy concerning the payment of its trade creditors is to:

- a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

Financial instruments and risk management

The Group's current and anticipated operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, interest rates and commodity prices. The Board approves the use of financial products to manage the Group's exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Further details of the Group's accounting policy for financial instruments and risk management are given in note 14.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are also subsequently carried at fair value. Gains and losses are charged to financial income or costs in the income statement. See note 8.

Borrowing costs

Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Significant estimations and key assumptions

The Group has used estimates and assumptions in arriving at certain figures in the preparation of its financial statements. The resulting accounting estimates may not equate with the actual results which will only be known in time. Those areas believed to be key areas of estimation are noted below.

Investment Classification (note 6)

In 2010 the Company initiated a sale process for its subsidiary SERL. The disposal could not be categorised as highly probable at 31 December 2010. The Scottish Strategic Environmental Assessment which affected two of SERL's three assets, was not completed until March 2011. As a result, the assets therefore could not be classified as "assets held for re-sale" under IFRS 5.

Impairment of assets (note 6)

The Group monitors internal and external indicators of impairment relating to its intangible assets, which may indicate that the carrying value of the assets may not be recoverable. The assessment of the existence of indicators of impairment involves judgement, which includes whether management expects to fund significant further expenditure in respect of a licence or wind farm development site, or whether the recoverable amount may not cover the carrying value of the assets.

Management assesses the carrying value of investments in subsidiaries in the parent company balance sheet for impairment by reference to the recoverable amount. This requires an assessment of amounts recoverable from assets within the underlying subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

2. Segmental Reporting

The Group has two operating segments being Renewable Energy and Oil & Gas. Discontinued operations are discussed in note 22. The Group's operations are concentrated within Europe, mainly in the UK. There has been no aggregation of the operating segments in reporting the segmental performance.

The Chief Operating Decision Maker (The Board) monitors the operating results and segmental assets and liabilities of its operating segments separately for the purposes of making decisions and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated financial statements. However, Corporate overheads (including finance costs and finance income) are managed on a Group basis and are not allocated to operating segments.

Group	Oil & gas £'000	Renewable energy £'000	Corporate overheads £'000	Group £'000
2010				
Revenue	-	-	-	-
Operating profit/(loss)	275	(1,985)	(3,357)	(5,067)
Share of associates (oil & gas)				863
Finance costs net				(1,451)
Operating loss from discontinued operations				(30)
Taxation				17
Loss for the year				(5,668)
2009				
Revenue	-	-	-	-
Operating profit/(loss)	2,075	(1,597)	(2,390)	(1,912)
Share of associates (oil & gas)				(2,049)
Finance costs net				(2,527)
Operating loss from discontinued operations				(37)
Loss for the year				(6,525)

Corporate overheads include employees costs, office costs and professional fees relating to the parent Company of the Group.

Discontinued operations relate to a gas field which was sold in February 2006.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

2. Segmental Reporting continued

Group	Oil & gas £'000	Renewable energy £'000	Total continuing operations £'000	Discontinued operations £'000	Corporate unallocated £'000	Group £'000
2010						
Segment assets	4,140	4,361	8,501	–	1,323	9,824
Segment liabilities	(537)	(2,782)	(3,319)	(1,287)	(3,874)	(8,480)

2009						
Segment assets	2,932	977	3,909	–	7,408	11,317
Segment liabilities	(508)	(416)	(924)	(1,257)	(3,093)	(5,274)

Group	Oil & gas £'000	Renewable energy £'000	Total continuing operations £'000	Discontinued operations £'000	Corporate unallocated £'000	Group £'000
2010						
Capital expenditure						
P,P&E	–	69	69	–	9	78
Intangibles	–	3,295	3,295	–	–	3,295
Non cash expenses						
Depreciation	–	21	21	–	30	51

Corporate unallocated includes property, plant and equipment, cash and receivables, trade and other payables and loans and borrowings of the parent company of the Group.

Group	Oil & gas £'000	Renewable energy £'000	Total continuing operations £'000	Discontinued operations £'000	Corporate unallocated £'000	Group £'000
2009						
Capital expenditure						
P,P&E	–	15	15	–	30	45
Intangibles	–	754	754	–	–	754
Non cash expenses						
Depreciation	–	6	6	–	25	31

Oil and gas assets are based offshore Ireland. Renewable assets are based offshore UK.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

3. Loss per Ordinary Share

Loss per share attributable to owners of the parent arise from continuing and discontinued operations as follows:

	(pence per share)	
	2010	2009
Loss per share attributable to owners of the parent arise from continuing operations as follows:		
– basic	(7.61)	(11.74)
– diluted	(7.61)	(11.74)
Loss per share for loss from discontinued operation attributable to the owners of the parent		
– basic	(0.04)	(0.06)
– diluted	(0.04)	(0.06)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the parent		
– basic	(7.65)	(11.80)
– diluted	(7.65)	(11.80)

The calculations were based on the following information:

	£'000	£'000
Loss attributable to owners of the parent		
– continuing operations	(5,253)	(6,488)
– discontinued operation	(30)	(37)
– continuing and discontinued operations	(5,283)	(6,525)

Weighted average number of shares in issue

– basic	69,015,216	55,272,661
– diluted	69,015,216	55,272,661

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has three classes of potential ordinary shares; share options, warrants and the Schlumberger debt deferral agreement (note 14 – Interest rate risk). As a loss was recorded for the current year and the previous year the issue of potential ordinary shares would have been anti-dilutive in both years.

4. Goodwill and Other Intangible Assets

	Other		Goodwill		Total	
	Group £'000	Company £'000	Group £'000	Company £'000	Group £'000	Company £'000
Net book value						
At 1 January 2009	1,915	39	489	–	2,404	39
Additions	754	–	–	–	754	–
At 31 December 2009	2,669	39	489	–	3,158	39
At 1 January 2010	2,669	39	489	–	3,158	39
Additions	3,295	–	–	–	3,295	–
At 31 December 2010	5,964	39	489	–	6,453	39

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

4. Goodwill and Other Intangible Assets *continued*

Other intangible assets

Oil and gas project expenditures, including geological, geophysical and seismic costs, are accumulated as intangible fixed assets prior to the determination of commercial reserves. At 31 December 2010, such intangible fixed assets totalled £1.8 million (31 December 2009: £1.8 million).

Renewable energy project expenditures have been capitalised as intangible assets, where the Group's renewables subsidiary has entered into Exclusivity Agreements, or a Zone Development Agreement, with The Crown Estate in relation to proposed offshore wind farm sites. At 31 December 2010, such intangible fixed assets totalled £4.2 million (31 December 2009: £880,000).

The Directors have considered the need for impairment of all classes of intangible assets at the reporting date and have concluded that no impairment adjustment is necessary.

5. Property, Plant and Equipment

	Group £'000	Company £'000
Cost		
At 1 January 2009	501	468
Additions	45	30
Disposals	(39)	(39)
At 31 December 2009	507	459
Accumulated depreciation		
At 1 January 2009	342	327
Charge for the year	31	25
Disposals	(39)	(39)
At 31 December 2009	334	313
Net book amount		
At 31 December 2009	173	146
At 1 January 2010	507	459
Additions	78	9
At 31 December 2010	585	468
Accumulated depreciation		
At 1 January 2010	334	313
Charge for the year	51	31
At 31 December 2010	385	343
Net book amount		
At 31 December 2010	200	124

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

6. Investments

Company	£'000
Investments in subsidiary undertakings	
Cost at 1 January 2009, 31 December 2009 and 31 December 2010	6,759
Provision at 1 January 2009, 31 December 2009 and 31 December 2010	(5,000)
At 1 January 2009, 31 December 2009 and 31 December 2010	1,759

The interests in subsidiary undertakings of the Company are listed in note 28.

Group	£'000
Investment in associates	
At 1 January 2009	2,701
Impairment	(1,416)
Other movements	(167)
Share of loss for year	(466)
At 31 December 2009	652
At 1 January 2010	652
Addition	304
Impairment reversal	1,416
Other movements	(171)
Share of loss for year	(382)
At 31 December 2010	1,819

The impairment provision was reversed to reflect the increased underlying value in the associate investment and its success in raising funds to progress its business.

The Group's share of the results of its principal associates and its aggregated assets and liabilities are as follows:

Name	Country of incorporation	Status	Assets	Liabilities	Revenues	Loss	per cent. interest held in ordinary shares by Group
2010							
Lansdowne Oil & Gas plc	England	AIM listed	3,072	(1,253)	—	(382)	29.99
Mesopotamia Petroleum Company Limited*	England	Private	—	—	—	—	32.67
			3,072	(1,253)		(382)	

After the balance sheet date the Group's interest in Lansdowne Oil & Gas plc reduced to 23.03 per cent. following an issue of shares (note 31(d)). The closing mid-market price for Lansdowne at 31 December 2010 was 13.75p per share (2009: 5.13p per share)

* Mesopotamia Petroleum Company Limited had net liabilities at 31 December 2010. The investment has been written down to nil during 2009. After the balance sheet date the Group's interest increased to 40.21 per cent. (note 31(b)).

The unrecognised share of loss for the year relating to MPC was £35,000 (2009: £501,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

7. Trade and Other Receivables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts falling due within one year:				
Amounts owed by subsidiaries	–	–	6,406	3,338
Amounts owed by associates (note 29(c))	580	–	580	–
Value added tax and other taxes	137	141	137	122
Other receivables	93	30	24	14
Prepayments	107	284	81	252
	917	455	7,228	3,726

8. Derivative Financial Instruments

Group and Company	2010 £'000	2009 £'000
Current	341	3,581
Non-current	–	506
	341	4,087

During 2009 the Company entered into two derivative agreements. The Company issued shares by way of placing in exchange for the right to receive the proceeds of monthly swap settlements. Under the swap agreements the subscription monies were retained by the placee as collateral. Each settlement amount is determined by the Company's share price and by interest on the notional balance outstanding during that settlement period. Until the settlement of each swap the Company holds the risk and reward of market changes.

On 4 September 2009, the Company arranged a placing of 15,000,000 ordinary 10p shares at a price of 50p per share. The first placing tranche of 9,900,000 shares (Tranche A) was issued on 4 September 2009. The second placing tranche of 5,100,000 shares (Tranche B) was issued on 24 September 2009 following the granting of the requisite authority at a General Meeting of the Company's shareholders.

The Company also entered into derivative agreements, consisting of equity and interest rate swaps with a notional principal value of £4.95 million and £2.55 million in relation to Tranche A and Tranche B respectively.

At the end of the year, the fair value of the derivative agreements in accordance with IAS 39 was £0.3 million (2009: £4.1 million).

The notional principal of each derivative agreement is divided into 18 swaps. In respect of Tranche A, the first 9 swaps are in relation to notional principal of £341,667 per swap and the second 9 swaps are in relation to notional principal of £208,333 per swap. In respect of Tranche B, the first 9 swaps are in relation to notional principal of £233,333 per swap and the second 9 swaps are in relation to notional principal of £50,000 per swap.

The value of the swap settled in each period is determined by the reference to the Company's share price, the equity swap, and to LIBOR (1 month GBP London Interbank Borrowing Rate), the interest rate swap. The amount received in respect of each equity swap is based on the Company's share price divided by the strike price of 73.33p multiplied by the principal being settled. In respect of Tranche A, a change in share price of 1p from the strike price will lead to a change in receipts of £4,659 per month, over the first 9 swaps, and £2,841 per month over the second 9 swaps. In respect of Tranche B, a change in share price of 1p from the strike price will lead to a change in receipts of £3,182 per month, over the first 9 swaps, and £682 per month over the second 9 swaps.

The settlement value of the interest rate swap is deducted from the equity swap. It is calculated as the difference between fixed rate interest of 0.25 per cent. per annum, payable on the reducing balance of the notional principal, and LIBOR plus an agreed margin (subject to a collar). Interest due on the collateral amounts is deducted from amounts due under the interest rate swap.

The first settlement monthly settlement date for Tranche A was October 2009 and the last was April 2011. The first settlement monthly settlement date for Tranche B was November 2009 and the last was May 2011. Post year end settlements resulted in a receipt of £440,000 to the Company under these arrangements.

Fair value of the swaps is calculated by discounting the forecast cash flows by reference to the current share price and LIBOR on the reference date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

8. Derivative Financial Instruments continued

	31 December 2010	31 December 2009
Tranche A		
Company share price (pence)	23.5	52.5
Discount rate (per cent.)	8	8
Fair value (£,000)	263	2,683
	31 December 2010	31 December 2009
Tranche B		
Company share price (pence)	23.5	52.5
Discount rate (per cent.)	8	8
Fair value (£,000)	78	1,404

9. Cash and Cash Equivalents

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Cash at bank and on hand	93	631	77	626
Short-term bank deposits	1	2,161	1	2,161
	94	2,792	78	2,787

10. Trade and Other Payables, Loans and Borrowings

(a) Trade and Other Payables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts falling due within one year:				
Trade payables	1,015	710	720	585
Amounts owed to subsidiary undertakings	–	–	82	82
Other taxes and social security	88	90	42	49
Accruals	2,148	563	327	310
Amounts due under finance leases	9	9	9	9
Other payables*	2,060	1,369	1,394	1,353
	5,320	2,741	2,574	2,388

*Other payables includes an amount of £1.3 million (2009: £1.3 million) due to Schlumberger Offshore Services Limited (note 14 – Interest rate risk).

(b) Loans and Borrowings

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Loan from shareholder	2,650	2,000	2,650	2,000

In April 2008 the Company secured a borrowing facility in aggregate amount of £2 million (the “Facility”), to provide additional working capital. During 2008 the Company drew down £1.5 million against this facility. The balance of £500,000 was drawn during 2009.

The Facility has been made available by LC Capital Master Fund Ltd (“LC”) a shareholder of the Company.

The first draw down was made on 24 July 2008 and repayment was initially due six months thereafter in January 2009. With the consent of the lender this was extended until July 2009 and subsequently until January 2010. The Company repaid £0.5 million in February 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

10. Trade and Other Payables, Loans and Borrowings *continued*

During 2010 the facility was increased to £3.8 million and the Company drew down £1.15 million against the increased facility. The repayment date was extended until the earlier of 31 December 2010 or the completion of the sale process of SeaEnergy Renewables Limited ("SERL").

On 31 January 2011 the Company agreed a further extension to the terms of the facility until the earlier of 31 March 2011, or completion of the "SERL" sale process. The lender also agreed to increase the size of the facility by £500,000 to £4.3 million.

On 31 March 2011 the Company agreed a further extension to the terms of the loan facility until the earlier of 30 April 2011, or execution of an agreement for the sale of SERL.

On 3 May 2011 the Company agreed a further extension until the earlier of 30 June 2011 or the completion of the sale of its subsidiary SeaEnergy Renewables Limited.

The loan and interest was repaid in full from the proceeds of that transaction.

11. Provisions

	Group £'000	Company £'000
Dilapidation Provision		
At 1 January 2009	2	2
Provided in the year	1	1
At 31 December 2009	3	3
At 1 January 2010	3	3
Provided in the year	3	1
At 31 December 2010	6	4

Provision of £1,000 has been made in respect of the Company's dilapidation obligations under the lease of its office building.

12. Other Non-Current Liabilities

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Finance leases	32	41	32	41

13. Deferred Taxation

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

The movement on the deferred tax provision is shown below:

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
As at 1 January	489	489	-	-
Movement for the year	(17)	-	-	-
As at 31 December	472	489	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

13. Deferred Taxation continued

Deferred tax relates to a rate adjustment. Deferred tax is calculated using the UK tax rate of 27% (2009: 28%). This is the rate which was enacted at the balance sheet date. A subsequent resolution was passed on 29 March 2011 to reduce the main rate to 26% from 1 April 2011 (see note 21 – Income tax expense).

The unprovided asset for deferred taxation is as follows:

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Capital allowances in advance of depreciation	(300)	(314)	(97)	(103)
Temporary differences	(23)	(47)	(14)	(42)
Unrelieved losses	(7,569)	(6,211)	(3,847)	(2,233)
Unrelieved capital losses	(313)	(488)	–	–
	(8,205)	(7,060)	(3,958)	(2,378)

14. Financial Risk Management

Exposure to credit, commodity, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Board reviews and agrees policies for managing financial risks.

The Group may from time to time, with the approval of the Board, use derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. However, the Group does not undertake any trading activity in financial instruments.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not require collateral in respect of financial assets.

Transactions involving derivatives are to be with counterparties with whom the Group has signed a netting agreement and who have sound credit ratings. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

There are no financial assets which are past due but not impaired at the end of the reporting period.

Credit risk arises from cash and cash equivalents and deposits with banks. The Group's policy is to deposit cash with banks with an 'A' rating or better where possible. There is no credit risk associated with other debtors and prepayments. Recoverable value and carrying value of amounts owed by subsidiaries and associates are reviewed regularly and impairment provisions made accordingly.

Commodity price risk

The Group currently has no oil or gas production and is not generating electricity. Future requirements for hedges against fluctuations in oil or gas prices and electricity will be reviewed by the Board on a project by project basis.

Liquidity risk

The Group's strategy is to finance its operations through a mixture of retained profits, cash reserves and borrowings. Equity finance, project finance and other alternatives are reviewed by the Board, when appropriate, to fund substantial acquisitions or development prospects.

The Group treasury department monitors the availability of and requirement for funds in the Group. Surplus cash within the Group is put on short term deposits in accordance with limits and counterparties agreed by the Board. The objective is to maximise returns on funds whilst ensuring that the short term cash flow requirements of the Group are met.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

14. Financial Risk Management continued

The table below summarises the maturity profiles of the Group's financial assets and liabilities:

	On demand £'000	Within 12 months £'000	After 12 months £'000	Total £'000
Group – Year ended 31 December 2010				
Financial Assets				
Amounts due by associates	–	580	–	580
Trade and other receivables	–	93	–	93
Derivative financial instruments	–	341	–	341
Cash and short term deposits	94	–	–	94
	94	1,014	–	1,108
Financial Liabilities				
Trade and other payables (excluding debt deferral)	–	3,935	–	3,935
Amounts due under finance leases	–	9	32	41
Interest bearing loans and borrowings	–	2,650	–	2,650
	–	6,594	32	6,626
Company – Year ended 31 December 2010				
Financial Assets				
Amounts due by subsidiaries	6,406	–	–	6,406
Amounts due by associates	–	580	–	580
Trade and other receivables	–	24	–	24
Derivative financial instruments	–	341	–	341
Cash and short term deposits	78	–	–	78
	6,484	945	–	7,429
Financial Liabilities				
Trade and other payables (excluding debt deferral)	–	1,155	–	1,155
Amounts due under finance leases	–	9	32	41
Interest bearing loans and borrowings	–	2,650	–	2,650
	–	3,814	32	3,846
Group – Year ended 31 December 2009				
Financial Assets				
Trade and other receivables	–	30	–	30
Derivative financial instruments	–	3,581	506	4,087
Cash and short term deposits	2,792	–	–	2,792
	2,792	3,611	506	6,909
Financial Liabilities				
Trade and other payables (excluding debt deferral)	–	1,385	–	1,385
Amounts due under finance leases	–	9	41	50
Interest bearing loans and borrowings	–	2,000	–	2,000
	–	3,394	41	3,435

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

14. Financial Risk Management continued

Company – Year ended 31 December 2009	On demand £'000	Within 12 months £'000	After 12 months £'000	Total £'000
Financial Assets				
Amounts due by subsidiaries	3,338	–	–	3,338
Amounts due by associates	–	–	–	–
Trade and other receivables	–	14	–	14
Derivative financial instruments	–	3,581	506	4,087
Cash and short term deposits	2,787	–	–	2,787
	6,125	3,595	506	10,226
Financial Liabilities				
Trade and other payables (excluding debt deferral)	–	1,073	–	1,073
Amounts due under finance leases	–	9	41	50
Interest bearing loans and borrowings	–	2,000	–	2,000
	–	3,082	41	3,123

Interest rate risk

Investments in fixed-rate debt securities and fixed-rate borrowings are exposed to a risk of a change in their fair value due to changes in interest rates. Investments in variable-rate debt securities and variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

In respect of income-earning financial assets and interest-bearing financial liabilities the following table indicates their average effective interest rates at the reporting date and the periods in which they mature. At present all such financial assets and financial liabilities are variable-rate instruments. Non-interest bearing short term debtors and creditors have been excluded from the numerical disclosures.

2010						
Group and Company Variable rate instruments	Average effective interest rate per cent.	Total £'000	0–1 years £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Debt deferral instrument	3.32	(1,287)	(1,287)	–	–	–
Finance lease liability	2.99	(41)	(9)	(9)	(21)	(2)
		(1,328)	(1,296)	(9)	(21)	(2)

2009						
Group and Company Variable rate instruments	Average effective interest rate per cent.	Total £'000	0–1 years £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Cash on deposit	1.00	2,161	2,161	–	–	–
Debt deferral instrument	3.61	(1,257)	(1,257)	–	–	–
Finance lease liability	2.99	(50)	(9)	(9)	(26)	(6)
		854	895	(9)	(26)	(6)

Cash on deposit is held in interest-bearing call accounts. The disclosed figure above does not include petty cash balances, which do not earn interest. Cash deposits that are not denominated in Sterling are disclosed under the section on foreign currency risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

14. Financial Risk Management continued

During the development phase of a gas field, a subsidiary of the Group incurred an outstanding trading balance due to Schlumberger Offshore Services Limited ("Schlumberger"), which it was unable to settle. This balance was guaranteed by the Company. The guarantee took the form of a deferral agreement, whereby Schlumberger irrevocably waived the right to a cash settlement in return for an option to settle the debt in the shares of the Company. The number of shares required to settle the debt is based on the outstanding debt divided by the mid market price of the shares on the day the option is exercised. The outstanding debt bears variable-rate interest at 3 per cent. above LIBOR. The timing of the share issue is at the discretion of Schlumberger and the Group is required to engage the services of its brokers to place the shares as soon as is practical after the issue. Although the settlement of this debt deferral instrument will result in no outflow of resources from the Group, the fact that the number of shares required to settle the debt is variable means that the instrument is classified as a current financial liability and not an equity instrument.

If average interest rates had increased by 10 per cent. with all other variables held constant, post tax loss for the year would have been £5,000 higher.

If average interest rates had decreased by 10 per cent. with all other variables held constant, post tax loss for the year would have been £5,000 lower.

The loan facility made available by LC Capital Master Fund Ltd attracts fixed rate interest at 4 per cent. per annum (note 10).

The finance lease creditor attracts variable-rate interest at 2 per cent. above the Bank of England's base rate.

Foreign currency risk

The Group has minimal exposure to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Euros and U.S. Dollars.

The table below shows the extent to which Group companies have monetary assets in currencies other than their functional currency. Foreign exchange differences on retranslation of these assets are taken to the profit and loss accounts of the Group companies and the Group.

At 31 December 2010, currency exposures are as follows:

Group and Company Functional currency of group operation	Net foreign currency monetary assets			
	Euro £'000	US Dollars £'000	Other £'000	Total £'000
Sterling	-	-	-	-

Foreign exchange losses totalling £1,000 (2009 gains: £44,000) have been recognised in the profit and loss account for the year.

At 31 December 2009, currency exposures are as follows:

Group and Company Functional currency of group operation	Net foreign currency monetary assets			
	Euro £'000	US Dollars £'000	Other £'000	Total £'000
Sterling	-	393	-	393

The exposure to foreign currency risk associated with potential future overseas projects will be managed by matching receipts and payments in the same currency and actively managing the residual net position through appropriate use of forward contracts and other derivative instruments. Hedges of net investments in foreign operations may also be used where the functional currency of the operation differs from the reporting currency of the Group. There are currently no hedges of foreign exchange exposure or of net investment in foreign operations.

Fair values

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2010. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

14. Financial Risk Management continued

Group	2010		2009	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial Assets				
Trade and other receivables	673	673	30	30
Derivative financial instruments	341	341	4,087	4,087
Cash and short term deposits	94	94	2,792	2,792
	1,108	1,108	6,909	6,909
Financial Liabilities				
Trade and other payables (including debt deferral)	(5,264)	(5,264)	(2,692)	(2,692)
Interest bearing loans and borrowings	(2,650)	(2,650)	(2,000)	(2,000)
	(7,914)	(7,914)	(4,692)	(4,692)
Company				
Financial Assets				
Amounts due by subsidiaries	6,406	6,406	3,338	3,338
Trade and other receivables	603	603	14	14
Derivative financial instruments	341	341	4,087	4,087
Cash and short term deposits	78	78	2,787	2,787
	7,428	7,428	10,226	10,226
Financial Liabilities				
Trade and other payables (including debt deferral)	(2,483)	(2,483)	(2,380)	(2,380)
Interest bearing loans and borrowings	(2,650)	(2,650)	(2,000)	(2,000)
	(5,133)	(5,133)	(4,380)	(4,380)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

14. Financial Risk Management continued

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 December 2010 all the Group's derivative financial instruments were valued using level 2 valuation techniques.

Fair value of derivative instruments

The assumptions made to calculate the fair value of derivatives are set out in note 8. In calculating the fair value at the balance sheet date, the Company share price and LIBOR rates are assumed to remain at the rate ruling at the balance sheet values until the end of the agreements. A change in share price in either direction of 1.0p from the year end price of 23.5 p will lead to a change in value of £6,000. A change in LIBOR interest rate would not have a material effect on the fair value of the derivative instrument. The discount rate used is based on the Group's discount rate to reflect management's assessment of specific risks related to the Company. The use of following discount rates would provide the following fair values:

Discount rate (per cent.)	Fair Value (£'000)
6.0	343
8.0	341
10.0	340

The discount rate used is 8% and the fair value adjustments have been recorded in the profit and loss account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

14. Financial Risk Management continued

Cash

The fair value approximates to the carrying value because of the short maturity of these instruments.

Other non-derivative financial liabilities

Financial liabilities are at amortised cost and the fair value approximates to the carrying value because the majority are associated with variable-rate interest payments that are re-aligned to market rates at intervals of less than one year.

15. Share Capital and Premium

Date		Number of shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
At 31 December 2008		46,109	4,611	71,196	75,807
27 January 2009	Issue of new shares	331	33	103	136
21 April 2009	Placing of new shares	3,579	358	1,193	1,551
18 May 2009	Exercise of warrants	600	60	144	204
2 June 2009	Exercise of warrants	2,400	240	576	816
31 July 2009	Exercise of share options	70	7	17	24
4 September 2009	Placing of new shares	9,900	990	3,583	4,573
24 September 2009	Placing of new shares	5,100	510	1,846	2,356
At 31 December 2009		68,089	6,809	78,658	85,467
21 January 2010	Issue of new shares	149	15	75	90
2 February 2010	Exercise of share options	210	21	50	71
5 February 2010	Issue of new shares	588	59	274	333
18 February 2010	Exercise of share options	75	7	18	25
At 31 December 2010		69,111	6,911	79,075	85,986

The total authorised number of ordinary shares is 100 million shares (2009: 100 million shares) with a par value of 10p per share. All issued shares are fully paid.

On 27 January 2009 the Company issued 330,768 new ordinary shares of 10p each at a price of 41p per share to Exploration Geosciences Limited ("EGL"), in settlement of a bonus entitlement in the year ended 31 December 2008.

On 21 April 2009 the Company issued 3,579,232 new ordinary shares of 10p each at a price of 46p per share by way of a private placing.

On 18 May 2009, following the exercise of 600,000 warrants, the Company issued 600,000 new ordinary shares of 10p each. In June 2009, following the exercise of a further 2,400,000 warrants, the Company issued 2,400,000 new ordinary shares of 10p each. The exercise of the warrants, which were granted in August 2005 at a price of 34p per share, resulted in the Company receiving £1.02 million as proceeds of these exercises.

On 31 July 2009 the Company issued 70,000 new ordinary shares of 10p each at a price of 34p per ordinary share following the exercise of share options.

On 4 September 2009 the Company issued 9,900,000 new ordinary shares of 10p each at a price of 50p per share by way of private placing.

On 24 September 2009 the Company issued 5,100,000 new ordinary shares of 10p each at a price of 50p per share by way of private placing.

On 21 January 2010, the Company issued 149,000 new ordinary shares of 10p each at a price of 60p per share. These shares were subscribed for by the pension fund of Executive Chairman Steve Remp.

On 2 February 2010, the Company issued 210,000 new ordinary shares of 10p each at a price of 34p per share following the exercise of share options.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

15. Share Capital and Premium *continued*

On 5 February 2010, the Company issued 587,511 new ordinary shares of 10p each at a price of 56.5p per share, the closing mid-market price on 4 February 2010. The shares were purchased by the SeaEnergy PLC Employee Benefit Trust which has been established and funded by the Company for the purpose of rewarding Directors, officers and employees of the Company and its subsidiaries. These shares were subsequently reallocated to independent sub-trusts in settlement of deferred payroll costs.

On 18 February 2010, the Company issued 75,000 new ordinary shares of 10p each at a price of 34p per share following the exercise of share options.

The principal trading market for the shares in the UK is the London Stock Exchange's Alternative Investment Market ("AIM") on which the shares have been traded since 14 November 1996.

The following table sets forth, for the calendar quarters indicated, the reported highest and lowest price for the shares on AIM, as reported by the London Stock Exchange.

	2010		2009	
	Pence per share		Pence per share	
	High	Low	High	Low
First quarter	71.2	38.0	58.8	41.0
Second quarter	43.2	18.0	81.5	65.5
Third quarter	32.0	17.0	78.0	46.0
Fourth quarter	24.2	18.5	54.0	44.5

Capital comprises equity attributable to the equity holders of the parent company.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to maximise shareholder value and to maintain an optimal capital structure to reduce the cost of capital.

The Board regularly reviews its capital structure on the basis of its expected capital requirements in order to achieve the defined strategic objectives and manages its capital accordingly.

To maintain or adjust the capital structure, the Company may issue new shares, or return capital to shareholders by purchasing its own shares. Due to the deficit on retained earnings payment of dividends is not an option open to the Company at present but the Board may give consideration in future to a re-organisation of capital to allow for dividends should the Group return to profitability.

16. Deficit on Retained Earnings

	Group £'000	Company £'000
Year ended 31 December 2009		
At 1 January 2009	(72,899)	(76,085)
Loss for the financial year	(6,525)	(1,270)
At 31 December 2009	(79,424)	(77,355)
Year ended 31 December 2010		
At 1 January 2010	(79,424)	(77,355)
Loss for the financial year	(5,283)	(4,648)
Share based payments charge (note 19)	326	326
At 31 December 2010	(84,381)	(81,677)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

17. Group Operating Loss

	2010 £'000	2009 £'000
This is stated after charging/ (crediting):		
Depreciation of tangible fixed assets	51	31
Operating lease rentals – land and buildings	74	77
Gain on disposal of tangible fixed assets	–	(1)
Foreign exchange loss/(gain)	1	(44)

During the year the Group obtained the following services from the Group auditors at costs detailed below:

	2010 £'000	2009 £'000
Audit services:		
– fees payable to Company auditor for the audit of parent Company and consolidated accounts	40	35
– fees payable to the Company's auditor for the audit of Company's subsidiaries pursuant to legislation	34	30
Non-audit services:		
– corporate finance	157	–
– advisory tax services	41	55
	272	120

18. Employees and Directors

	2010 Number	2009 Number
The average number of employees, including Executive Directors, during the year:		
Renewables	14	12
Head office and management	9	5
	23	17
Staff costs during the year amounted to:	£'000	£'000
Wages and salaries	2,440	1,558
Social security costs	242	197
Pension costs (note 25)	275	220
Share based payments	326	–
	3,283	1,975

Remuneration of the Directors is discussed within the Remuneration Report on pages 21 to 23.

19. Share Based Payments

(a) Share based payments of the Company

The Company has granted options under a number of Employee Share Option Schemes. Before any of the share options granted under these schemes can be exercised the Group must first have achieved certain performance targets, as detailed below. All options are to be settled by physical delivery of shares. As at 31 December 2010 the following options were outstanding:

Option price	2010	2009	Exercisable at 31 Dec 2010	Remaining contractual life	Normal exercise dates	Target variable	Target
350p	–	30,080	–	3.8 years	14/10/08 – 13/10/13	TSR	(1)
34p	380,000	665,000	380,000	5.6 years	30/7/08 – 29/7/15	TSR	(2)
72p	1,981,250	–	–	9.0 years	12/1/13 – 11/1/20	TSR	(2)
	2,361,250	695,080	380,000				

- (1) Before these options can be exercised SeaEnergy must be in the top third of the table of growth on Total Shareholder return of the companies in the FTSE all share index.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

19. Share Based Payments *continued*

- (2) Before these options can be exercised SeaEnergy must be in the top two thirds of the table of growth on Total Shareholder return of the companies in the FTSE all share index.

EPS Earnings per share.

TSR Total Shareholder Return.

RPI Retail Price Index.

Details of the Directors' options which are included in the above figures are shown in the Remuneration Report on pages 21 to 23.

The numbers and weighted average prices of share options are as follows:

Options	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	695,080	111p	808,780	65p
Granted	1,981,250	72p	–	–
Exercised	(285,000)	34p	(70,000)	34p
Cancelled or expired	(30,080)	350p	(43,700)	391p
Outstanding at 31 December	2,361,250	66p	695,080	111p
Available for grant 31 December	–	–	2,042,678	–
Exercisable at 31 December	380,000	34p	665,000	34p

The options outstanding at 31 December 2010 have an exercise price range of 34p to 72p and a weighted average contractual life of 5.5 years.

The recognition and measurement requirements of IFRS 2 have been applied to all options granted after 7 November 2002, as stipulated by this standard. The fair value of services received in return for these share options is based on the fair value of the share options granted, measured using a TSR simulation model, with the following inputs:

Fair value of share options and assumptions used in option pricing model

	Grant date	11/1/2010	29/7/2005
Performance target		TSR	TSR
Number of options granted		1,981,250	820,000
Fair value at grant date (pence)		51	343
Share price at grant date (pence)		72	30
Exercise price (pence)		72	34
Expected volatility (per cent.)		88	115
Expected option life		7 years	7 years
Risk-free interest rate (based on government bonds) (per cent.)		3.589	4.3
Expected dividend yield (per cent.)		0	0

The expected volatility has been calculated using historical data over a period of three years from the date of grant. Although IFRS2 requires volatility to be measured over a period commensurate to the expected term (seven years), the normal performance period for the award is three years. Therefore, the volatility has been measured over the period that the performance of the Company is normally measured against the peer group. An average vesting date of four years after the date of grant has been used to calculate the mid-point in the exercise period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

19. Share Based Payments *continued*

Employee expense

The cost of awards to employees and Directors under the current share option scheme is recognised over the vesting period of the awards, which is either three or five years depending on the category of options awarded.

	2010 £'000	2009 £'000
Expense for share options granted in 2010	326	-
Total expense recognised as employee costs in the period	326	-

20. Finance Income and Costs

Finance income	2010 £'000	2009 £'000
Bank Interest	6	1
Other	21	110
Finance income	27	111

Finance costs	2010 £'000	2009 £'000
Loss on fair value of swaps (see note 8)	(1,407)	(2,567)
Loan interest	(69)	(69)
Other	(2)	(2)
Finance costs	(1,478)	(2,638)

21. Income Tax

The total tax credit for the year is £17,000 (2009: £nil).

There was no current tax charge (2009: £nil) and a deferred tax credit of £17,000 (2009: £nil) in the year.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (28%) (2009: 28%). The differences are explained below:

Factors affecting tax charge for period	2010 £'000	2009 £'000
Loss from continuing operations	(5,655)	(6,488)
Loss from discontinued operation	(30)	(37)
Loss before income tax	(5,685)	(6,525)
Loss before income tax multiplied by standard rate of tax 28% (2009: 28%)	(1,592)	(1,827)
Effects of:		
Expenses not deductible for tax purposes	472	1,137
Other temporary differences not recognised	1,080	690
Rate adjustment for deferred tax	23	-
Total tax	(17)	-

In addition to the changes in rates of corporation tax disclosed, a number of further changes to the UK corporate tax system were announced in the March 2011 UK budget statement. A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporate tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

22. Discontinued Operation

The outstanding debt of £1.3 million due to Schlumberger as at 31 December 2010 (31 December 2009: £1.3 million) relates to a historic gas field development. The interest accrued on this debt during the current year has also been classified within this discontinued operation.

Income statement and cash flow information

	2010 £'000	2009 £'000
There is no revenue or expense relating to discontinued operations.		
Interest	(30)	(37)
Tax	–	–
Loss after tax from discontinued operation	(30)	(37)

There are no operating cash flows connected to the discontinued operation.

23. Arbitration Settlement

On 30 December 2009 the Company settled a dispute with the State Oil Company of the Azerbaijan Republic. The settlement proceeds of \$4.9 million (£3.0 million) less costs were credited to the Income Statement. The settlement proceeds were received on 31 December 2009.

24. Reconciliation of Loss Before Income Tax to Cash Used in Operations

Group	Note	2010 £'000	2009 £'000
Loss for year from operations		(5,668)	(6,525)
Adjustments for:			
Net finance expense	20	1,451	2,527
Tax on continuing operations		(17)	–
Depreciation of property, plant and equipment		51	31
Gain on sale of property, plant and equipment		–	(1)
Equity settled share-based payment transactions		326	–
Payroll costs settled in shares		332	–
Impairment of investment in associate		(1,416)	1,416
Share of associate loss and other movements		553	633
Operating cash flows before movements in working capital		(4,388)	(1,919)
Change in trade and other receivables		243	–
Change in trade and other payables		360	650
Change in provisions		3	1
Net cash used in operating activities		(3,782)	(1,268)

Company		2010 £'000	2009 £'000
Loss for year from operations		(4,648)	(1,232)
Adjustments for:			
Net finance expense		1,261	2,435
Depreciation of property, plant and equipment		31	25
Gain on sale of property, plant and equipment		–	(1)
Equity settled share-based payment transactions		326	–
Payroll cash settled in shares		113	–
Impairment provision – group receivables		444	(1,394)
Operating cash flows before movements in working capital		(2,473)	(167)
Change in trade and other receivables		(3,177)	(1,822)
Change in trade and other payables		117	407
Change in provisions		1	1
Net cash used in operating activities		(5,532)	(1,581)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

25. Pension Commitments

The Group contributes to a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £275,000 (2009: £220,000). Contributions totalling £102,000 (2009: £90,000) were payable to the funds at the year end.

S E Remp voluntarily agreed to defer pension contributions for the year amounting to £45,000 (2009: £45,000).

The 2009 amounts were settled in January 2010.

S R Bertram and C G Moar voluntarily agreed to defer pension contributions for the year amounting to £11,000 (2009: nil) and £9,000 (2009: £nil) respectively.

Staff are eligible to join the Group's defined contribution schemes after three months' service with the Group. The Group contributes between 5 per cent. and 15 per cent. of each participating employee's salary to the scheme. The employees may also contribute to the scheme.

Details of the Directors' pension contributions are given in the Remuneration Report on pages 21 to 23.

26. Capital Commitments

At 31 December 2010, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2009: £38,000) for the Group.

27. Obligations Under Leases and Hire Purchase Contracts

The Group uses finance leases and hire purchase contracts to acquire plant and equipment. Future minimum lease payments under finance leases and hire purchase contracts are as follows:

Group and Company	2010	2009
Future minimum payments due	£'000	£'000
Not later than one year	11	11
After one year but not more than five years	32	38
Later than five years	2	7
	45	56
Less finance charges allocated to future periods	(4)	(6)
Present value of minimum lease payments	41	50
Not later than one year	9	9
After one year but not more than five years	30	35
Later than five years	2	6
	41	50

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on its office premises. The leases have duration of ten years and contain an option for renewal.

	Land and buildings	
	2010	2009
	£'000	£'000
Group		
Commitments under non-cancellable operating leases expiring:		
No later than one year	74	74
Later than one year and no later than five years	295	295
Later than five years	61	135
	430	504

Leases of land and buildings are subject to periodic rent reviews.

Rental expenses are disclosed at note 17 and finance lease commitments are disclosed in note 12.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

28. Group Undertakings

	Country of registration	Class of shares	Proportion held per cent.	Nature of business
Principal operating subsidiary undertakings at 31 December 2010:				
SeaEnergy Oil & Gas Limited ⁽¹⁾	Scotland	Ordinary	100	Holding company
Eagle HC Limited ⁽¹⁾	England	Ordinary	100	Oil and gas projects
Medusa Oil & Gas Limited ⁽¹⁾	England	Ordinary	100	Oil and gas projects
Medusa Montenegro Limited ⁽²⁾	Scotland	Ordinary	100	Oil and gas projects
Ramco Hibernia Limited ⁽¹⁾	England	Ordinary	100	Holding company
SeaEnergy Renewables Limited	Scotland	Ordinary	80	Renewable energy projects
SeaEnergy Renewables UK Round 3 Limited ⁽³⁾	Scotland	Ordinary	100	Renewable energy projects
SeaEnergy Renewables Moray Firth Limited ⁽⁴⁾	Scotland	Ordinary	100	Renewable energy projects
SeaEnergy Renewables Beatrice Limited ⁽³⁾	Scotland	Ordinary	100	Renewable energy projects
SeaEnergy Renewables Inch Cape Limited ⁽³⁾	Scotland	Ordinary	100	Renewable energy projects
Joint Ventures:				
Moray Offshore Renewables Limited	England	Ordinary	20	Renewable energy projects
Beatrice Offshore Windfarm Limited	Scotland	Ordinary	20	Renewable energy projects
Inch Cape Offshore Windfarm Limited	Scotland	Ordinary	20	Renewable energy projects
Associates:				
Lansdowne Oil & Gas plc	England	Ordinary	29.99	Oil and gas projects
Mesopotamia Petroleum Company Limited	England	Ordinary	32.67	Oil and gas projects

In addition there are a number of other non trading subsidiary undertakings.

⁽¹⁾ Shares held by the Company.

⁽²⁾ Shares held by SeaEnergy Oil & Gas Limited (formerly Ramco Oil & Gas Limited).

⁽³⁾ Shares held by SeaEnergy Renewables Limited (incorporated during the year).

⁽⁴⁾ Shares held by SeaEnergy Renewables UK Round 3 Limited (incorporated during the year).

29. Related Party Transactions

(a) Directors

During 2009 and 2010 Directors voluntarily agreed to defer contractual payments as summarised below.

	Salary	Pension	Fees	As at 31 December	
				2010 £'000	2009 £'000
S E Remp	14	45	–	59	119
S R Bertram	9	11	–	20	14
C G Moar	7	9	–	16	4
S G Lampe	–	–	19	19	–
D Sigsworth	–	–	3	3	–
J H Aldersey-Williams	–	–	3	3	–
D K Laing	–	–	3	3	–
	30	65	28	123	137

No guarantees were given by the Company and no interest was charged on the outstanding balances.

All 2009 deferred amounts were settled in January 2010.

(b) Directors

In addition to his Board fees as a Non-Executive Director, J H Aldersey-Williams undertook consultancy. The fees for the consultancy totalled £88,000 and it was agreed that £9,000 would be deferred. No guarantees were given by the Company and no interest was charged on the outstanding balances. In the period from his appointment on 24 September 2009 to 31 December 2009, he received £2,000 of consultancy fees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

29. Related Party Transactions *continued*

In addition to his role as a Non-Executive Director, D K Laing is Chairman of Ledingham Chalmers, legal advisers to the Company. The Company incurred legal fees of £57,000 for services provided by Ledingham Chalmers. Of this amount it was agreed to defer £24,000. No guarantees were given and no interest was charged on the outstanding balances.

None of these amounts are reflected in the table above.

(c) Associates

The Group has made payments for administrative expenses on behalf of its associate company Mesopotamia Petroleum Company Limited ("MPC"). The balance owed by MPC to the Group as at 31 December 2010 is £313,000 (2009: £237,000). It is unsecured. In January 2011 the Company, along with all other MPC creditors, agreed to defer the amount owed by MPC until January 2013. No interest is charged and no guarantee has been given. The Company has made full provision against this debt.

The Group made payments for administrative expenses on behalf of its associate company Lansdowne Oil & Gas plc ("Lansdowne"). The balance owed by Lansdowne to the Group as at 31 December 2010 is £580,000 (2009: £524,000). No provision was made at 31 December 2010 (2009: £524,000). The debt was settled in full on 23 March 2011 (see note 31(d)).

During the year the Group loaned £304,000 to Lansdowne. Repayment of this amount was satisfied by the issue of 3,377,367 new ordinary shares by Lansdowne at a price of 9 pence per share on 17 December 2010.

(d) Compensation of key management personnel

	2010 £'000	2009 £'000
Short term employee benefits	677	655
Post employment benefits	101	95
Share based payment	221	–
National insurance	87	84
	1,086	834

(e) Disposal of SERL

Joel Staadecker, a former director of SERL, who has also been a director of SeaEnergy PLC in the last 12 months, had a 4.23 per cent. interest in the issued share capital of SERL which was acquired by Repsol, and as a result the Disposal was deemed to be a related party transaction under AIM Rule 13. The Directors having consulted with the Company's nominated adviser, Ambrian Partners, considered that the terms of the Disposal were fair and reasonable as far as Shareholders were concerned.

In recognition of the extent of the financial support afforded to the Company by LC Capital over the last few years, principally LC Capital's recent agreement to (i) increase the amount of the LC Loan, (ii) the various extensions to the repayment date of the LC Loan, the Board agreed to pay to LC Capital £767,500. This fee was paid by the Company at the same time as it retired the LC Loan on Completion of the SERL disposal.

Steven Lampe is a managing member of Lampe Conway & Co, LLC, the investment manager of LC Capital. Accordingly, the payment of the LC Loan Fee was deemed to be a related party transaction in terms of AIM Rule 13. The Directors (other than Steven Lampe), having consulted with the Company's nominated adviser, Ambrian Partners, considered that the terms of the LC Loan Fee were fair and reasonable insofar as the Shareholders were concerned.

30. Business Combination

On 14 May 2008 the Group acquired Eagle HC Limited ("Eagle"). Eagle owns a portfolio of North Sea royalty interests that were accumulated by Exploration Geosciences Limited ("EGL").

The initial consideration was £1.25 million. Of this amount £0.25 million was satisfied on 14 May 2008 by the issue of 943,396 ordinary shares in the Company.

Further consideration of £0.5 million became payable in June 2008 and consequently a further 1,317,292 ordinary shares in the Company were issued on 24 June 2008.

The balance of the initial consideration, £1.0 million, was satisfied on 14 July 2008 by the issue of 1,912,960 ordinary shares in the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

30. Business Combination continued

A further £0.5 million becomes payable when cash flow from the royalty portfolio commences. All such contingent consideration can be settled at the Company's option, either in cash or through the issue of new shares.

Eagle was non-trading during the financial year and its acquisition had no effect on the Group profit and loss account for the year.

Details of net assets acquired and goodwill are as follows:

	Fair value £'000
Purchase Consideration:	
Shares issued	1,750
Fair value of net assets acquired	(1,261)
Goodwill (note 4)	489

The assets and liabilities acquired are set out below:

	Book value £	Fair value adjustment £	Fair value £
Intangible assets	–	1,750,000	1,750,000
Receivables	500	–	500
Deferred income tax liabilities	–	(489,000)	(489,000)
	500	1,261,000	1,261,000

The goodwill is attributable to the deferred taxation arising on the differences between the fair values attributed to the net assets acquired and the taxation base of the net assets acquired.

The fair value of the shares was based on the closing mid market prices at the time of issue.

While there is no evidence of impairment to the assets since their purchase, the projects remain at an early stage, as appraisal drilling has not commenced. Consequently the Board believes it is too early for it to determine that the final sum of £0.5 million is probable or to develop a reliable estimate of when any cash flows from products might arise. It therefore has not recognised a liability (and additional goodwill) for this contingent deferred consideration.

31. Post Balance Sheet Events

(a) Extension of Loan Facilities

On 31 January 2011 the Company agreed a further extension to the terms of an existing loan facility, provided by LC Capital Master Fund, Ltd ("LC"), a major shareholder, until the earlier of 31 March 2011, or completion of the SeaEnergy Renewables Limited ("SERL") sale process. LC also agreed to increase the size of the facility by £500,000 to £4.3 million.

On 31 March 2011 the Company agreed a further extension to the terms of the loan facility until the earlier of 30 April 2011, or execution of an agreement for the sale of SERL.

On 3 May 2011 the Company agreed a further extension until the earlier of 30 June 2011 or the completion of the sale of its subsidiary SERL.

The loan and interest was repaid in full from the proceeds of that transaction.

(b) Mesopotamia Petroleum Company Limited ("MPC")

On 17 March 2011 the Company announced that the Board of MPC had reached agreement with all of its creditors, including the Company, for the deferral of their claims to allow MPC to continue in business while it awaits an improvement in both the situation in Iraq and the financial markets generally. In order to fund ongoing near term activities, a number of existing MPC shareholders agreed to inject £50,000 (Company's share £24,000) through the issue of new shares in MPC. As a result of this share issue the Company's holding in MPC rose to 40.21 per cent. SeaEnergy directors S E Remp and S R Bertram direct holdings in MPC rose to 5.09 per cent. and 0.45 per cent. respectively. SeaEnergy PLC has already provided in full for its investment in MPC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010 continued

31. Post Balance Sheet Events continued

(c) Scottish Strategic Environment Assessment Update

On 18 March 2011 the Strategic Environmental Assessment ("SEA") and public consultation process by the Scottish Government was completed. The process was undertaken to determine the most appropriate locations for placing wind energy devices in the sea, around the entire Scottish coast.

The Group's Beatrice and Inch Cape sites were amongst the sites identified as suitable for developing offshore wind under the short term option (2010-2020) by the SEA.

The assessment examined likely impact of offshore wind developments, including the cumulative effects from more than one development, and from other types of developments. The SEA was designed to help ensure that Scotland's future commercial offshore wind resource is developed sustainably, and to inform developers when they carry out Environmental Impact Assessments as they are required to do to obtain the necessary consents.

The 920MW Beatrice and 905MW Inch Cape sites were awarded to SeaEnergy Renewables Limited ("SERL"), the Company's 80 per cent. owned subsidiary, and its co-venturers in February 2009 by The Crown Estate ("TCE") in the Scottish offshore wind farm application process. The publication of the SEA will allow Agreements for Lease to be negotiated and finalised between the respective developers and TCE.

(d) Interest in Lansdowne Oil & Gas plc ("Lansdowne")

On 23 March 2011 the Company's interest in Lansdowne altered following a General Meeting, at which Lansdowne's shareholders approved the issue of a total of 27,791,743 new Lansdowne shares. 20,000,000 new shares were placed for cash and a further 7,791,743 new shares were issued to retire debt. The new shares were issued at 25p each. Prior to the issue of new shares the Company held a 29.9 per cent. interest in Lansdowne through its wholly owned subsidiary Ramco Hibernia Limited. The Company did not participate in the placing but did convert £664,958.50 of loans receiving 2,659,834 new Lansdowne shares at 25p each. As a result the Company now holds 18,765,509 shares in Lansdowne (23.03 per cent.).

(e) Disposal of SERL

The Company reached an agreement on 4 June 2011 to dispose of its entire interest in SERL to Repsol. Shareholder approval was obtained on 22 June 2011. The Company has disposed of its 80.13% interest in SERL, which has an interest in three offshore wind farm sites off the east coast of Scotland, in return for a cash consideration of £30.7m and the full recovery of its £8.1m loan to SERL. The remaining share capital, held by SERL's Management, has also been acquired by Repsol, which has, in turn formed a consortium with EDPR to further develop two of SERL's projects.

A sum of £3.0 million will be retained by Repsol until the first anniversary of completion and applied in respect of any warranty claims it may bring against the Company. Interest shall accrue at LIBOR plus 1 per cent. on all retained amounts.

SeaEnergy will now focus on its existing assets, in particular SeaEnergy Marine, which is at an exciting stage of development, and will further seek to identify new opportunities to repeat its successful formula of identifying, developing and monetising business opportunities in the energy sector (renewables and oil & gas).

The Company will record a gain on disposal of approximately £32 million before bonuses. This gain will be included in the Group's results for the year ended 31 December 2011. Bonuses are payable to Directors on the Group profit after tax. These are disclosed in the Remuneration Report.

32. Contingent Liability

Under the terms of a Joint Venture ("JV") agreement, dated 26 February 2009, between the Iraqi Drilling Company ("IDC") and the Company's Associate, Mesopotamia Petroleum Company ("MPC"), there was a requirement on MPC to confirm its share of the initial joint venture funding by an agreed date. Failure to do so may have required MPC to pay a penalty of US\$2.2 million. After the confirmation deadline had passed IDC unilaterally terminated the JV in July 2009. The MPC Board believe that they were entitled to an extension of the funding confirmation date under the JV. The Company and another MPC shareholder, and an associate of that shareholder, jointly and severally guaranteed the penalty amount.

Five Year Record

	2010	2009	2008	2007	2006
	£'000	£'000	restated £'000	£'000	£'000
Continuing operations					
Revenue	-	-	-	-	-
Cost of sales	-	-	-	(21)	(78)
Write off of intangible exploration assets	-	-	-	(937)	(3,950)
Gross loss	-	-	-	(958)	(4,028)
Operating/administrative expenses	(5,067)	(4,071)	(3,013)	(2,301)	(2,797)
Exceptional items	-	2,159	-	-	-
Gain on listing of subsidiary	-	-	-	-	1,345
Gain on sale of shares in subsidiary	-	-	-	1,568	-
Gain on deemed disposal of subsidiary	-	-	-	2,272	-
Group operating (loss)/profit	(5,067)	(1,912)	(3,013)	581	(5,480)
Income/(loss) from interests in associates	863	(2,049)	(328)	(77)	-
(Loss)/profit before investment income, interest and taxation	(4,204)	(3,961)	(3,341)	504	(5,480)
Net finance (expense)/income	(1,451)	(2,527)	54	98	68
Taxation	17	-	-	-	-
(Loss)/profit from continuing operations	(5,638)	(6,488)	(3,287)	602	(5,412)
Discontinued operation					
Loss from discontinued operation	(30)	(37)	(75)	(81)	(267)
(Loss)/profit for the year	(5,668)	(6,525)	(3,362)	521	(5,679)
(Loss)/earnings per share	(7.65)p	(11.80)p	(8.48)p	2.05p	(16.40)p
Weighted average number of shares used to compute (loss)/earnings per share	69,015,216	55,272,661	39,637,929	35,176,637	34,317,614

Licence Interests

The Group has the following interests in Licences and Royalties:

Oil and Gas Royalties

Country	Licence	On/offshore	Operator	Blocks	Interest
UK	P 1107	Offshore	Lundin	21/8	0.54%
UK	P 233	Offshore	Petro-Canada	15/18a	0.25%*
Bulgaria	A-Lovech	Onshore	Direct Petroleum		0.10%

* 1 per cent. royalty granted by holders of a 25 per cent. interest in the licence.

Licences

Country	Licence	On/offshore	Operator	Interest	Note
Montenegro	Prevlaka	Both	SeaEnergy	40%	(1)

Notes

(1) Prevlaka

The current licence expired on 31 March 2007. SeaEnergy and its partners have applied for an extension. Past exploration costs were written off in 2007.

Interest in licences held through the Company's associate Lansdowne Oil & Gas plc

Licence	Operator	Interest
4/07 Middleton East Kinsale Exploration Licence	Lansdowne	100%
5/07 Rosscarbery Exploration Licence	Lansdowne	99%
5/08 Amergin Exploration Licence	Milesian	100%
09/1 Lee Licensing Option	Lansdowne	100%
08/1 Barryroe Licensing Option	Providence Resources PLC	20%
02/7 Helvick Exploration Licence	Providence Resources PLC	10%

Advisers

Secretary

Christopher Moar MA CA

Registered Office

Britannia House
Endeavour Drive
Arnhall Business Park
Westhill
Aberdeenshire
AB32 6UF

Registered in Scotland number 62845

Investor Relations

Kreab Gavin Anderson
Scandinavian House
2-6 Cannon Street
London
EC4M 6XJ

Nominated Adviser and Broker

Ambrian Partners Limited
Old Change House
128 Queen Victoria Street
London
EC4V 4BJ

Solicitors

Ledingham Chalmers
Johnstone House
52-54 Rose Street
Aberdeen
AB10 1HA

Burness LLP
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Auditors

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

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers

Bank of Scotland
39 Albyn Place
Aberdeen
AB10 1YN

Websites

www.seaenergy-plc.com
www.lansdowneoilandgas.com

Notice of Annual General Meeting

Notice is hereby given that the 33rd Annual General Meeting of the members of the Company will be held at the Marcliffe at Pitfodels, North Deeside Road, Aberdeen, AB15 9YA on 29 July 2011 at 11.00am to conduct the following business:

- 1 To receive the Report of the Directors, the financial statements for the period ended 31 December 2010 and the Auditors' Report thereon.
- 2 To consider the re-election of S R Bertram, who retires by rotation and, being eligible, offers himself for re-election as a Director.
- 3 To consider the re-election of S G Lampe, who retires by rotation and, being eligible, offers himself for re-election as a Director.
- 4 That Ernst & Young LLP be re-appointed as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
- 5 To consider the following Resolution as an Ordinary Resolution:

THAT in accordance with Article 19 of the Company's current articles of association ("the Current Articles"), the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 ("the Act") to allot relevant securities (as defined in section 560 of the Act), in addition to any existing authorities, up to an aggregate nominal amount equal to £4,011,000, such authority to expire at the conclusion of the next Annual General Meeting of the Company (save that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired).

- 6 To consider the following Resolution as a Special Resolution:

THAT, subject to and conditional upon the passing of Resolution 5 above, in accordance with Article 20 of the Current Articles, the Directors be and they are hereby empowered pursuant to and in accordance with section 570 of the Act, in addition to any existing authorities, to allot equity securities (as defined in section 560 of the Act) for cash as if section 561(1) of the Act did not apply to the allotment of such equity securities pursuant to the provisions of that Article, provided that this power shall be limited to:

- 6.1 the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
- 6.2 the allotment (otherwise than pursuant to paragraph 6.1 above) to any person or persons of equity securities up to an aggregate nominal amount of £1,382,000;

and this power shall expire on the conclusion of the next Annual General Meeting of the Company (save that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired).

7 To consider the following Resolution as a Special Resolution:

THAT, subject to and conditional upon Resolution 5 above, in accordance with Article 20 of the Current Articles, the Directors be and they are hereby empowered pursuant to and in accordance with section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash as if section 561(1) of the Act did not apply to the allotment of such equity securities pursuant to the provisions of that Article, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £325,000 to Schlumberger Offshore Services Limited, in lieu of repayment of loan amounts currently due to it, and/or other parties in lieu of repayment of loan amounts as may become due to such other parties, and this power shall expire on the conclusion of the next Annual General Meeting of the Company (save that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to such an offer or agreement as if this authority had not expired).

8 To consider the following Resolution as a Special Resolution:

THAT, in accordance with section 701 of the Act, the Company be and is hereby generally and unconditional authorised to purchase for cancellation its own ordinary shares by way of market purchase (within the meaning of sub-section 693(4) of the Act), provided that:

- 8.1 the maximum number of ordinary shares hereby authorised to be acquired is 6,912,000 ordinary shares of 10p each, being approximately 10 per cent. of the Company's existing issued share capital;
- 8.2 the maximum price which may be paid for such shares is an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share in the Company as derived from the Daily Official List of The London Stock Exchange for the five dealing days immediately preceding the date of purchase, and the minimum price is 10p per share, being the nominal value thereof, in both cases exclusive of expenses;
- 8.3 the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and
- 8.4 the Company may before the expiry of the authority hereby conferred make a contract to purchase its ordinary shares under such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

9 To consider the following Resolution as a Special Resolution:

THAT with immediate effect, the Company's memorandum of association ("the Memorandum") and the current Articles be amended by (i) deleting the amount of the Company's authorised share capital contained in paragraph 6 of the Memorandum, which by virtue of Section 28 of the Act and paragraph 42, Schedule 2 of the Companies Act 2006 (commencement No.8, Transitional Provisions and Savings) Order 2008 is treated as a provision of the current Articles setting a maximum on the number of Ordinary Shares that may be allotted, and (ii) deleting article 5 of the current Articles.

By order of the Board

C G Moar
Company Secretary
Britannia House
Endeavour Drive
Arnhall Business Park
Westhill
Aberdeenshire
AB32 6UF

Notice of Annual General Meeting

continued

Notes

Every member entitled to attend and vote at the above Annual General Meeting is entitled to appoint a proxy or proxies, who need not be a member of the Company, to attend, speak and on a show of hands or on a poll, vote instead of him or her. A member may appoint more than one proxy in relation to the Annual General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Return of the form of proxy will not prevent a member from attending and voting in person. To be effective, forms of proxy must be received by the Company's registrars, Capita Registrars, at least (i) 48 hours before the time appointed for the holding of the Annual General Meeting or the adjourned meeting and (ii) in the case of a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of the poll. In calculating these periods, no account shall be taken of any part of a day that is not a working day.

Only persons entered on the register of members of the Company at 6.00pm on 27 July 2011 shall be entitled to attend and vote at the Annual General Meeting or adjourned meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time will be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Annual General Meeting or adjourned meeting.

A statement of all transactions of each Director and his family interest in the shares of the Company and copies of all service contracts of the Directors with the Company or any of its subsidiaries are available for inspection at the registered office of the Company on any weekday from the date of this notice until the date of meeting and will be available for inspection at the place of the Annual General Meeting for a period of fifteen minutes prior to the meeting until its conclusion.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's registrars, Capita Registrars (CREST ID RAIO), not later than 48 hours before the time fixed for the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Explanatory Note to Resolution 7

The Company has outstanding indebtedness due to Schlumberger Offshore Services Limited ("Schlumberger") in the approximate aggregate amount of £1.3 million. The Company may seek further funding under which repayment may be made in certain circumstances in ordinary shares of 10p each in the capital of the Company. The Directors of the Company consider it prudent to seek the authority of the Company's members, pursuant to Resolution 10, to allot up to 3,250,000 ordinary shares of 10p each in the capital of the Company to Schlumberger, in full or partial repayment of the said indebtedness, and/or to other parties in full or partial payment of indebtedness which may become due by the Company. The granting of such authority would provide the Directors of the Company with the flexibility to seek to agree the form of any repayment that they feel would be in the best interests of the Company and its members without the need to revert to members for specific authorisation to allot any such shares.