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SENERGY WELLS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2011

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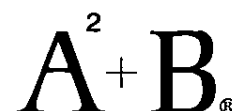
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COMPANIES HOUSE

SENERGY WELLS LIMITED

COMPANY INFORMATION



DIRECTORS

D Reed (resigned 20 September 2010)
J G McCallum
P Pavy
I Williamson (resigned 20 September 2010)
N M Campbell (appointed 27 February 2012)

COMPANY SECRETARY

N M Campbell

COMPANY NUMBER

SC231439

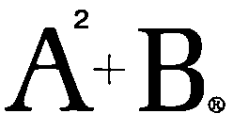
REGISTERED OFFICE

15 Bon Accord Crescent
Aberdeen
AB11 6DE

AUDITORS

Anderson Anderson & Brown LLP
9 Queens Road
Aberdeen
AB15 4YL

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SENERGY WELLS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2011



The directors present their report and the financial statements for the year ended 31 May 2011.

PRINCIPAL ACTIVITIES

The principal activity of the company is the provision of subsurface and wells engineering services to the oil and gas industry.

BUSINESS REVIEW

The company has a strengthening working capital and net assets position. The company continues to invest in all areas of its operations in the UK. The directors are confident for the future prospects of the company and its continued organic growth.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,494,109 (2010 - £130,280).

No dividends were paid or proposed during the year (2010 - £nil).

DIRECTORS

The directors who served during the year were:

D Reed (resigned 20 September 2010)

J G McCallum

P Pavy

I Williamson (resigned 20 September 2010)

N M Campbell (appointed 27 February 2012)

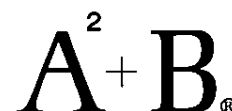
PRINCIPAL RISKS AND UNCERTAINTIES

As the business grows it faces inherent risk in terms of people recruitment, retention and in the contracted terms and conditions it negotiates with customers. This risk is successfully managed through appropriate corporate governance, QHSSE control and assessment procedures and staff development.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations of £2,500 (2010 - £nil).

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2011**



PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Anderson Anderson & Brown LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

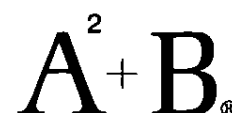
This report was approved by the board and signed on its behalf.

A handwritten signature in dark ink, appearing to read 'N M Campbell', is written over a horizontal dotted line.

N M Campbell
Director

Date: 28th February 2012

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MAY 2011**



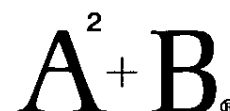
The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SENERGY WELLS LIMITED**



We have audited the financial statements of Senergy Wells Limited for the year ended 31 May 2011, set out on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 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 Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SENERGY WELLS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SENERGY WELLS LIMITED**

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MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anderson Anderson & Brown LLP

Derek Mair (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown LLP

Statutory Auditor

9 Queens Road

Aberdeen

AB15 4YL

Date: *28 February 2012*

SENERGY WELLS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2011**

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| | Note | 2011 £ | 2010 £ |
|--|------|-------------|-----------|
| TURNOVER | 1,2 | 9,398,717 | 582,910 |
| Cost of sales | | (6,746,138) | (401,940) |
| GROSS PROFIT | | 2,652,579 | 180,970 |
| Administrative expenses | | (607,493) | (26) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 2,045,086 | 180,944 |
| Tax on profit on ordinary activities | 6 | (550,977) | (50,664) |
| PROFIT FOR THE FINANCIAL YEAR | 10 | 1,494,109 | 130,280 |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account.

The notes on pages 8 to 12 form part of these financial statements.

BALANCE SHEET
AS AT 31 MAY 2011

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| | Note | £ | 2011 £ | £ | 2010 £ |
|--|------|--------------------|------------------|------------------|----------------|
| CURRENT ASSETS | | | | | |
| Debtors | 7 | 11,081,245 | | 615,824 | |
| Cash at bank | | - | | 22,904 | |
| | | <u>11,081,245</u> | | <u>638,728</u> | |
| CREDITORS: amounts falling due within | | | | | |
| one year | 8 | <u>(9,456,853)</u> | | <u>(508,445)</u> | |
| NET CURRENT ASSETS | | | <u>1,624,392</u> | | <u>130,283</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>1,624,392</u> | | <u>130,283</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 9 | | 3 | | 3 |
| Profit and loss account | 10 | | <u>1,624,389</u> | | <u>130,280</u> |
| SHAREHOLDERS' FUNDS | 11 | | <u>1,624,392</u> | | <u>130,283</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
N M Campbell
Director

Date: 28th Feb 2012 .

The notes on pages 8 to 12 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Going concern

The directors, having made due and careful enquiry and preparing forecasts, are of the opinion that the company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.5 Well operations

The company acts as an intermediary company and meets the criteria to disclose the flow through of gross sales and associated costs similar to an agency basis. This results in gross sales and costs being offset within the profit and loss account with only the management fee earned by the company being recognised. Included within other debtors (Note 7) and other creditors (Note 8) the company has identified the gross values attributed to well operations.

1.6 Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

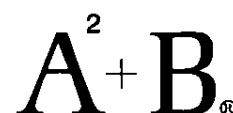
Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**



1. ACCOUNTING POLICIES (continued)

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. TURNOVER

All turnover arose within the United Kingdom.

3. PROFIT

The profit is stated after charging:

| | 2011 £ | 2010 £ |
|--------------------------------|---------------|--------------|
| Auditors' remuneration | 10,000 | 6,000 |
| Difference on foreign exchange | 5,197 | - |
| | <u>15,197</u> | <u>6,000</u> |

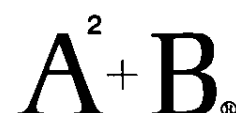
4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

| | 2011 £ | 2010 £ |
|-----------------------|------------------|----------------|
| Wages and salaries | 1,546,979 | 226,322 |
| Social security costs | 101,657 | 22,697 |
| Other pension costs | 96,450 | - |
| | <u>1,745,086</u> | <u>249,019</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2011 No. | 2010 No. |
|------------|-------------|-------------|
| Management | <u>7</u> | <u>5</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011

5. DIRECTORS' REMUNERATION

| | 2011 £ | 2010 £ |
|------------|-----------|-----------|
| Emoluments | 74,138 | - |

During the year retirement benefits were accruing to 1 director (2010 - NIL) in respect of defined contribution pension schemes.

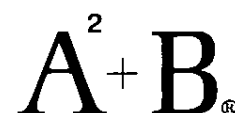
6. TAXATION

| | 2011 £ | 2010 £ |
|---|-----------------|---------------|
| Analysis of tax charge in the year | | |
| UK corporation tax charge on profit for the year | - | 30,785 |
| Adjustments in respect of prior periods | (30,178) | - |
| | <u>(30,178)</u> | <u>30,785</u> |
| Group taxation relief | 551,179 | - |
| | <u>521,001</u> | <u>30,785</u> |
| Group taxation relief in respect of prior periods | 29,976 | 19,879 |
| | <u>550,977</u> | <u>50,664</u> |
| Tax on profit on ordinary activities | | |

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - the same as) the standard rate of corporation tax in the UK of 27.67% (2010 - 28%). The differences are explained below:

| | 2011 £ | 2010 £ |
|---|----------------|---------------|
| Profit on ordinary activities before tax | 2,045,086 | 180,944 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.67% (2010 - 28%) | 565,875 | 50,664 |
| Effects of: | | |
| Group relief claimed before payment | (544,599) | (19,878) |
| Payment for group relief | 551,179 | 19,878 |
| Adjustments to tax charge in respect of prior periods | (202) | - |
| Short term timing difference leading to an increase (decrease) in taxation | 2,503 | - |
| Non-taxable income | (23,779) | - |
| | <u>550,977</u> | <u>50,664</u> |
| Current tax charge for the year (see note above) | | |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011

7. DEBTORS

| | 2011 £ | 2010 £ |
|------------------------------------|-------------------|----------------|
| Trade debtors | 1,463,949 | 335,557 |
| Amounts owed by group undertakings | 3,875,925 | 280,267 |
| Other debtors | 5,741,371 | - |
| | <u>11,081,245</u> | <u>615,824</u> |

Included within other debtors is an amount of £5.7m (2010 - £nil) in relation to well operations.

8. CREDITORS:
Amounts falling due within one year

| | 2011 £ | 2010 £ |
|------------------------------------|------------------|----------------|
| Bank loans and overdrafts | 936,632 | - |
| Trade creditors | 642,638 | 78,665 |
| Amounts owed to group undertakings | 588,482 | 98,375 |
| Corporation tax | 608 | 30,786 |
| Social security and other taxes | 526,764 | 90,293 |
| Other creditors | 5,819,003 | - |
| Accruals and deferred income | 942,726 | 210,326 |
| | <u>9,456,853</u> | <u>508,445</u> |

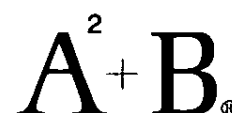
Included within other creditors is an amount of £5.8m (2010 - £nil) in relation to well operations.

9. SHARE CAPITAL

| | 2011 £ | 2010 £ |
|------------------------------------|-----------|-----------|
| Allotted, called up and fully paid | | |
| 300 Ordinary shares of £0.01 each | <u>3</u> | <u>3</u> |

10. RESERVES

| | Profit and loss account £ |
|---------------------|---------------------------------|
| At 1 June 2010 | 130,280 |
| Profit for the year | 1,494,109 |
| At 31 May 2011 | <u>1,624,389</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

| | 2011 £ | 2010 £ |
|-----------------------------|-----------|-----------|
| Opening shareholders' funds | 130,283 | 3 |
| Profit for the year | 1,494,109 | 130,280 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 1,624,392 | 130,283 |
| | <hr/> | <hr/> |

12. CONTINGENT LIABILITIES

The company has provided a cross guarantee to the bank in respect of the company's ultimate parent company Senergy Group Limited. At 31 May 2011 the total contingent liability in respect of this guarantee was £13,080,359 (2010 - £12,107,644).

The company's bankers hold a bond and floating charge over the assets of the company.

13. RELATED PARTY TRANSACTIONS**Control**

During the year the company was controlled by the directors.

Transactions

As the company is a wholly owned subsidiary of Senergy Group Limited, it has taken advantage of the exception given by paragraph 3 of Financial Reporting Standard Number 8 which allows exemption from disclosure of related party transactions with other group companies.

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Senergy Oil and Gas Limited, a company registered in Scotland. The company regards Senergy Group Limited, a company registered in Scotland, as the ultimate parent company.

The largest group in which the results of the company are consolidated is that headed by Senergy Group Limited. Copies of the financial statements of Senergy Group Limited can be obtained from it's registered office at 15 Bon Accord Crescent, Aberdeen