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SENERGY WELLS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2013

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SENERGY WELLS LIMITED



COMPANY INFORMATION

DIRECTORS

J G McCallum
P Pavy
N M Campbell

COMPANY SECRETARY

N M Campbell

REGISTERED NUMBER

SC231439

REGISTERED OFFICE

15 Bon Accord Crescent
Aberdeen
AB11 6DE

INDEPENDENT AUDITORS

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



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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2013**

The directors present their report and the financial statements for the year ended 31 May 2013.

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 £5,366,201 (2012 - £2,424,758).

No dividends were paid or proposed during the year (2012 - £nil).

DIRECTORS

The directors who served during the year were:

J G McCallum
P Pavy
N M Campbell

PRINCIPAL RISKS AND UNCERTAINTIES

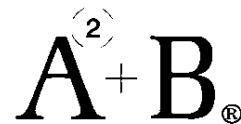
As the business grows it faces inherent risk in terms of people recruitment, retention and in the contracted terms and conditions it negotiates with customers. This risk is successfully managed through appropriate corporate governance, QHSSE control and assessment procedures and staff development.

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.

SENERGY WELLS LIMITED



**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2013**

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.

.....

N M Campbell
Director

Date: 27/2/14

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MAY 2013**

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 accounting 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 2013, set out on pages 6 to 14. 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 2013 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.

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

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:

27 February 2014

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2013**

	Note	2013 £	2012 £
TURNOVER	1,2	20,060,957	8,879,137
Cost of sales		(12,184,365)	(4,689,907)
GROSS PROFIT		7,876,592	4,189,230
Administrative expenses		(972,219)	(904,324)
OPERATING PROFIT	3	6,904,373	3,284,906
Interest receivable and similar income		-	(617)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,904,373	3,284,289
Tax on profit on ordinary activities	6	(1,538,172)	(859,531)
PROFIT FOR THE FINANCIAL YEAR	10	5,366,201	2,424,758

All amounts relate to continuing operations.


There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

The notes on pages 8 to 14 form part of these financial statements.

**BALANCE SHEET
AS AT 31 MAY 2013**

	Note	£	2013 £	£	2012 £
CURRENT ASSETS					
Debtors	7	33,505,245		16,210,061	
Cash at bank		2,045,589		1,384,421	
		<u>35,550,834</u>		<u>17,594,482</u>	
CREDITORS: amounts falling due within one year	8	<u>(26,135,483)</u>		<u>(13,545,332)</u>	
NET CURRENT ASSETS			9,415,351		4,049,150
NET ASSETS			<u>9,415,351</u>		<u>4,049,150</u>
CAPITAL AND RESERVES					
Called up share capital	9		3		3
Profit and loss account	10		9,415,348		4,049,147
SHAREHOLDERS' FUNDS	11		<u>9,415,351</u>		<u>4,049,150</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: 27/2/14

The notes on pages 8 to 14 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**

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 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.

1.3 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.

1.4 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

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**

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

No geographical breakdown of sales has been provided as the directors believe doing so would be prejudicial to the interests of the company.

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2013 £	2012 £
Auditors' remuneration	-	20,000
Difference on foreign exchange	(29,971)	30,917
	<u> </u>	<u> </u>

Auditors remuneration of £21,000 was borne by a fellow group company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**
4. STAFF COSTS

All UK employees are employed by Senergy Resources Limited, a fellow subsidiary of Senergy Group Limited. The staff numbers, staff costs and directors' remuneration disclosed relates to recharges from Senergy Resources Limited. Additionally, also included within wages and salaries are further recharges of staff costs, where the company has utilised staff from other fellow subsidiaries of Senergy Group Limited. Where the company has utilised staff from overseas companies within the Senergy group, such costs are also included within wages and salaries.

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

	2013 £	2012 £
Wages and salaries	3,529,347	1,940,452
Social security costs	535,612	346,141
Other pension costs	254,509	159,368
	<u>4,319,468</u>	<u>2,445,961</u>

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

	2013 No.	2012 No.
Technical and Management	39	34
Directors	3	3
	<u>42</u>	<u>37</u>

5. DIRECTORS' REMUNERATION

	2013 £	2012 £
Emoluments	-	151,401
Company pension contributions to defined contribution pension schemes	-	12,583

During the year retirement benefits were accruing to no directors (2012 - 1) in respect of defined contribution pension schemes.

The directors were paid by other group companies. The directors do not believe it is practical to apportion these amounts between their services as directors of this company and their services as directors of other group companies. Directors' remuneration paid by other group companies totals £629,389 (2012 - £371,665). The value of the group's contributions paid to defined contribution pension schemes in respect of the directors amounted to £31,500 (2012 - £30,329).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**
6. TAXATION

	2013 £	2012 £
Analysis of tax charge in the year		
UK corporation tax charge on profit for the year	-	2,069
	<u>-</u>	<u>2,069</u>
Group taxation relief	1,538,172	821,540
	<u>1,538,172</u>	<u>823,609</u>
Foreign tax on income for the year	-	35,922
Tax on profit on ordinary activities	<u>1,538,172</u>	<u>859,531</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - higher than) the standard rate of corporation tax in the UK of 23.83% (2012 - 25.67%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	<u>6,904,373</u>	<u>3,284,289</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.83% (2012 - 25.67%)	1,645,511	843,077
Effects of:		
Group relief claimed before payment	(1,538,172)	(821,433)
Payment for group relief	1,538,172	821,540
Expenses not deductible for tax purposes	5,547	-
Short term timing difference leading to an increase (decrease) in taxation	-	(2,512)
Non-taxable income	-	(7,780)
Additional deduction for R&D expenditure	(112,886)	(8,697)
Foreign tax credits	-	35,922
Marginal relief	-	(586)
Current tax charge for the year (see note above)	<u>1,538,172</u>	<u>859,531</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**
7. DEBTORS

	2013 £	2012 £
Trade debtors	2,495,007	1,803,756
Amounts owed by group undertakings	24,318,093	7,666,621
Other debtors	5,273,335	5,544,385
Prepayments and accrued income	607,051	1,195,299
VAT	811,759	-
	<u>33,505,245</u>	<u>16,210,061</u>

Included within other debtors is an amount of £5.3m (2012 - £5.5m) in relation to well operations.

**8. CREDITORS:
Amounts falling due within one year**

	2013 £	2012 £
Trade creditors	92,774	188,391
Amounts owed to group undertakings	18,671,743	5,457,777
Corporation tax	2,080	2,079
VAT	-	840,568
Other creditors	6,550,681	6,543,276
Accruals and deferred income	818,205	513,241
	<u>26,135,483</u>	<u>13,545,332</u>

Included within other creditors is an amount of £6.5m (2012 - £6.5m) in relation to well operations.

9. SHARE CAPITAL

	2013 £	2012 £
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 2012	4,049,147
Profit for the year	5,366,201
At 31 May 2013	<u>9,415,348</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £	2012 £
Opening shareholders' funds	4,049,150	1,624,392
Profit for the year	5,366,201	2,424,758
Closing shareholders' funds	<u>9,415,351</u>	<u>4,049,150</u>

12. SECURITY

The company was part of a group banking facility and there was a cross guarantee with its holding company and subsidiaries in place at 31 May 2013. Post year end the bank borrowings across the group have been repaid and the cross guarantee has been extinguished.

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. The company has had the following transactions with fellow subsidiaries that are not 100% owned by the parent company.

Related party	Transaction	£	Balance at year end £
Senergy International Sdh Bhd, a fellow subsidiary company	Sales	2,318	38,097
	Purchases	-	
Senergy Development Solutions Ltd, a fellow subsidiary company	Sales	26,124	49,773
	Purchases	-	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Senergy Oil and Gas Limited, a company registered in Scotland.

During the year the company's ultimate holding company was 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 its registered office at 15 Bon Accord Crescent, Aberdeen

Subsequent to the year end the directors recognise LR Senergy Limited, a company registered in England to be the ultimate holding company.