

SENERGY LIMITED
(Company Number: SC273506)

DIRECTORS' REPORT AND ACCOUNTS

31 MAY 2008

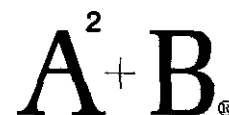
Anderson Anderson & Brown LLP
Chartered Accountants

THURSDAY



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COMPANIES HOUSE

**SENERGY LIMITED
DIRECTORS' REPORT**



Directors: J G McCallum
D R H Reed (appointed 31 March 2008)
D W Sherrard
I B Williamson

Secretary: N M Campbell

Registered office: 15 Bon Accord Crescent, Aberdeen

The directors submit their report and the audited accounts of the company for the year ended 31 May 2008.

RESULTS AND DIVIDENDS

The profit for the year, amounting to £1,393,286 (2007 - £1,992,861), has been dealt with as shown in the profit and loss account. Dividends of £2,000,000 were paid during the year (2007 - £nil).

PRINCIPAL ACTIVITY

The principal activity of the company is that of a holding company of a group of companies providing subsurface and wells engineering consultancy to the oil and gas industry.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The company has had a successful trading year in all its activities with growth being driven by the successful positioning of the companies services in the market and activity levels in the Oil & Gas sector in general. The majority of revenue relates to work performed in the UK.

The company has a strengthening working capital and net assets position including being cash positive.

The company continues to invest in all areas of its operations in the UK. The directors are confident for the future prospects for the company and the continued organic and prospective acquisitive growth this entails.

PRINCIPAL RISKS AND UNCERTAINTIES

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

EMPLOYEES

The business has been supported by growth in employee numbers and the continued focus on the development of our people to ensure that the company's reputation of delivering quality and performance in everything that it does is maintained.

DIRECTORS

The directors of the company during the year ended 31 May 2008 were as noted above together with P Neve who resigned on 1 April 2008.

EVENTS AFTER THE BALANCE SHEET DATE

The Senergy Group of companies has for some time sought to reorganise structurally to recognise and reflect the reality of how the ultimate holding company and its subsidiaries commercially operates in its chosen markets. During November 2008, the Senergy Group was restructured to reflect this market alignment.

The restructure results in the company's immediate parent undertaking being Senergy Oil & Gas Limited and the ultimate holding company remaining unaltered as Senergy Holdings Limited.

PROVISION OF INFORMATION TO AUDITORS

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

Anderson Anderson & Brown LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

Signed on behalf of the board of directors



Secretary - N M Campbell

29 April 2009

Date

SENERGY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES



Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether or not applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and,
- (d) prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. 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 LIMITED**

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We have audited the accounts of Senergy Limited for the year ended 31 May 2008 which comprise the Profit and Loss Account, the Company Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described on page 3 the company's directors are responsible for the preparation of accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether or not the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether or not the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:-

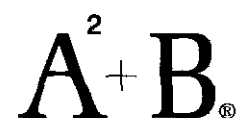
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information provided in the directors' report is consistent with the accounts.

Anderson Anderson & Brown LLP

Anderson Anderson & Brown LLP
Chartered Accountants
Registered Auditors
Aberdeen

29 April 2009

SENERGY LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 MAY 2008



	Note	2008 £	2007 £
TURNOVER		25,840,898	21,561,416
Cost of sales		15,720,795	14,015,431
GROSS PROFIT		10,120,103	7,545,985
Administrative expenses		6,857,098	4,937,275
NET OPERATING PROFIT	2	3,263,005	2,608,710
Interest receivable	3	10,990	6,162
Interest payable	4	(1,029,437)	(237,211)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,244,558	2,377,661
Taxation	7	851,272	384,800
PROFIT FOR THE FINANCIAL YEAR		£ 1,393,286	£ 1,992,861

The company has made no gains or losses other than as reported above.

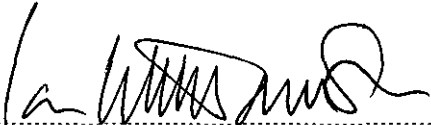
Movements on reserves are set out in Note 17.

SENERGY LIMITED
BALANCE SHEET - 31 MAY 2008

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	Note	2008 £	2007 £
FIXED ASSETS			
Tangible assets	9	1,409,387	1,172,010
Investments	10	21,398,310	26,481
		<u>22,807,697</u>	<u>1,198,491</u>
CURRENT ASSETS			
Debtors : <i>amounts falling due within one year</i>	11	29,546,914	5,404,731
: <i>amounts falling due after one year</i>	11	-	7,282,627
Cash at bank and in hand	12	5,251,078	891,331
		<u>34,797,992</u>	<u>13,578,689</u>
CREDITORS: <i>amounts falling due within one year</i>	13	35,080,037	4,110,091
NET CURRENT (LIABILITIES)/ASSETS		<u>(282,045)</u>	<u>9,468,598</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		22,525,652	10,667,089
CREDITORS: <i>amounts falling due after more than one year</i>	14	19,217,663	6,752,386
		<u>£ 3,307,989</u>	<u>£ 3,914,703</u>
CAPITAL AND RESERVES			
Called up share capital	16	6	6
Profit and loss account	17	3,307,983	3,914,697
SHAREHOLDERS' FUNDS	17	<u>£ 3,307,989</u>	<u>£ 3,914,703</u>

Signed on behalf of the board of directors



Director - I B Williamson

29 April 2009 Date

1. ACCOUNTING POLICIES

(a) *Basis of accounts preparation*

The accounts are prepared under the historical cost convention and in accordance with the applicable accounting standards.

The accounts present information about the company as an individual undertaking and not about the group, as the company has taken advantage of the exemption conferred by Section 228 of the Companies Act 1985 not to prepare group accounts on the basis that the company is a wholly owned subsidiary and the immediate parent company prepares group accounts.

The company has taken advantage of the exemption in Financial Reporting Standard 1 (revised) from preparing a cash flow statement as it is a wholly owned subsidiary undertaking.

(b) *Fixed assets*

The costs of tangible fixed assets is their purchase cost together with any incidental expenses of acquisition.

(c) *Depreciation*

The cost of fixed assets is depreciated over the expected useful life of the assets as follows:

Buildings	2% straight line
Tenants improvements	20% straight line
Computer equipment and furniture and fittings	33% straight line

(d) *Investments*

Investments are stated at cost less any provision for diminution in value.

(e) *Turnover*

Turnover, which excludes value added tax and sales between group companies, represents the invoiced value of goods and services supplied.

(f) *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

(g) *Leasing commitments*

Rentals paid under operating leases are charged to income over the term of the lease.

1. ACCOUNTING POLICIES (*continued*)

(h) *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.

Deferred tax is recognised in respect of all timing differences that have been 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. Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in the period which are different from those recognised in the accounts. Deferred tax has been measured on a non-discounted basis.

A deferred tax asset is regarded as recoverable and therefore recognised only to the extent that on the basis of all available evidence 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.

(i) *Pensions*

The company contributes to a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. NET OPERATING PROFIT *is stated after charging/(crediting):*

	2008 £	2007 £
Depreciation of tangible fixed assets	425,154	309,002
Loss on sale of fixed assets	-	11,280
(Gain)/loss on exchange	(43,466)	23,169
Operating lease rentals	281,878	209,943
Auditors' remuneration - audit fees	29,000	16,000
Auditors' remuneration - non-audit fees	24,050	14,500
	<u> </u>	<u> </u>

3. INTEREST RECEIVABLE

	2008	2007
Bank interest	<u>£ 10,990</u>	<u>£ 6,162</u>

4. INTEREST PAYABLE

	2008 £	2007 £
Bank interest	28,628	2,708
Loan interest	1,000,809	234,503
	<u>£ 1,029,437</u>	<u>£ 237,211</u>

5. STAFF COSTS AND NUMBERS

The average number of persons employed by the company during the year, including directors, was as follows:

	2008 No	2007 No
Technical	93	88
Administration	17	8
	<u>110</u>	<u>96</u>

	2008 £	2007 £
Wages and salaries	8,902,825	6,250,333
Social security costs	1,047,858	725,720
Other pension costs	927,185	899,985
	<u>£ 10,877,868</u>	<u>£ 7,876,038</u>

6. DIRECTORS' EMOLUMENTS

	2008 £	2007 £
Remuneration (including benefits in kind)	559,440	417,584
Pension contributions	118,925	217,734
	<u>£ 678,365</u>	<u>£ 635,318</u>

6. DIRECTORS' EMOLUMENTS (continued)

The amounts in respect of the highest paid director are as follows:

	2008 £	2007 £
Remuneration (including benefits in kind)	212,779	137,230
Pension contributions	15,000	77,444
	<u>£ 227,779</u>	<u>£ 214,674</u>

The number of directors for which retirement benefits are accruing under money purchase pension schemes amount to four (2007 - three).

7. TAXATION charge based on the profit for the year comprises:

	2008 £	2007 £
UK corporation tax	892,315	332,510
Consortium relief	-	100,000
Transfer from deferred tax	(108,847)	-
Adjustment relating to prior year	67,804	(47,710)
	<u>£ 851,272</u>	<u>£ 384,800</u>

The tax charge for the year materially differs from the amount that would be anticipated by applying the company's tax rate of 30% to its pre tax profits as a result of the following:

	£000
Anticipated tax charge	673
Expenses not deductible for tax purposes	42
Exchange difference	136
	<u>851</u>

8. DIVIDENDS

	2008	2007
£3,333.33 per ordinary share paid (2007 - £nil).	<u>£ 2,000,000</u>	<u>£ -</u>

9. TANGIBLE FIXED ASSETS

	Land & buildings £	Tenants improvements £	Computer equipment £	Furniture & fittings £	Total £
COST OR VALUATION					
At 1 June 2007	452,640	471,197	1,009,935	234,092	2,167,864
Additions	1,389	117,821	470,466	72,855	662,531
At 31 May 2008	454,029	589,018	1,480,401	306,947	2,830,395
DEPRECIATION					
At 1 June 2007	26,820	85,556	750,622	132,856	995,854
Charge for year	9,063	106,018	235,765	74,308	425,154
At 31 May 2008	35,883	191,574	986,387	207,164	1,421,008
Net book amounts at: 31 May 2008	£ 418,146	£ 397,444	£ 494,014	£ 99,783	£ 1,409,387
31 May 2007	£ 425,820	£ 385,641	£ 259,313	£ 101,236	£ 1,172,010

10. INVESTMENTS *represent an interest in subsidiary undertakings as follows:*

	2008 £	2007 £
COST		
At 31 May 2007	26,481	10,291,213
Additions	21,371,829	-
Disposals	-	(10,264,732)
At 31 May 2008	£ 21,398,310	£ 26,481

10. INVESTMENTS *represent an interest in subsidiary undertakings as follows: (continued)*

Additions in the current year represent investments in Senergy (GB) Limited (formerly Production Geoscience Limited), Floyd and Associates Limited and ISIS Energy Limited.

Details of the principal investments in which the company holds 20% or more of the nominal value of any class of share capital is as follows:

The subsidiary undertakings at 31 May 2008 were:

<i>Name:</i>	Reservoir Management Sdn Bhd
<i>Country of incorporation:</i>	Malaysia
<i>Holding:</i>	Ordinary
<i>Nature of business:</i>	Supply of geo-science and petroleum engineering consultancy services
<i>Proportion of shares held:</i>	90%
<i>Aggregate capital and reserves:</i>	£346,545
<i>Loss for year</i>	£196,445

<i>Name:</i>	Senergy (GB) Limited (formerly Production Geoscience Limited)
<i>Country of incorporation:</i>	United Kingdom
<i>Holding:</i>	Ordinary
<i>Nature of business:</i>	Provision of subsurface expertise and specialist software
<i>Proportion of shares held:</i>	100%
<i>Aggregate capital and reserves:</i>	£3,732,329
<i>Profit for period</i>	£1,634,515

<i>Name:</i>	Floyd and Associates Holdings Limited
<i>Country of incorporation:</i>	United Kingdom
<i>Holding:</i>	Ordinary
<i>Nature of business:</i>	Holding company
<i>Proportion of shares held:</i>	100%
<i>Aggregate capital and reserves:</i>	£1,892,567
<i>Profit for period</i>	£1,101,499

<i>Name:</i>	ISIS Energy Limited
<i>Country of incorporation:</i>	United Kingdom
<i>Holding:</i>	Ordinary
<i>Nature of business:</i>	Provision of marine geo-technology and engineering consultancy services
<i>Proportion of shares held:</i>	100%
<i>Aggregate capital and reserves:</i>	£715,312
<i>Profit for period</i>	£505,587

10. INVESTMENTS *represent an interest in subsidiary undertakings as follows: (continued)*

Name:	Interactive Petrophysics Limited*
Country of incorporation:	United Kingdom
Holding:	Ordinary
Nature of business:	Dormant
Proportion of shares held:	100%
Aggregate capital and reserves:	£5,217
Profit for year	£nil

Name:	Ternan Limited*
Country of incorporation:	United Kingdom
Holding:	Ordinary
Nature of business:	Promotion of exploration ideas
Proportion of shares held:	100%
Aggregate capital and reserves:	£35,706
Profit for period	£166,078

Name:	Senergy A/S*
Country of incorporation:	Norway
Holding:	Ordinary
Nature of business:	Consultancy services to the oil and gas industry
Proportion of shares held:	100%
Aggregate capital and reserves:	£45,247
Loss for period	£35,977

Name:	Senergy Australia Pty Limited
Country of incorporation:	Australia
Holding:	Ordinary
Nature of business:	Consultancy services to the oil and gas industry
Proportion of shares held:	100%
Aggregate capital and reserves:	£1
Profit for period	£nil

Name:	PGL Employee Benefit Trust Limited*
Country of incorporation:	United Kingdom
Holding:	Ordinary
Nature of business:	Employee benefit trust
Proportion of shares held:	100%
Aggregate capital and reserves:	£2
Profit for year	£nil

Name:	Floyd and Associates Limited**
Country of incorporation:	United Kingdom
Holding:	Ordinary
Nature of business:	Provision of geohazard assessment, marine site surveys and rig positioning consultancy services
Proportion of shares held:	100%
Aggregate capital and reserves:	£155,701
Profit for period	£589,360

* held by Senergy (GB) Limited (formerly Production Geoscience Limited)

** held by Floyd and Associates Holdings Limited

11. DEBTORS

	2008 £	2007 £
Amounts due within one year:		
Trade debtors	4,421,781	3,652,342
Amounts owed by group undertakings	4,451,450	731,370
Other debtors	16,853,269	235,127
Corporation tax recoverable	555,092	411,980
Deferred tax asset	108,847	-
Prepayments and accrued income	3,156,475	373,912
	<u>£ 29,546,914</u>	<u>£ 5,404,731</u>
Amounts due after one year:		
Amounts owed to parent undertaking	<u>£ -</u>	<u>£ 7,282,627</u>

Included with other debtors is an amount of £16.9m in relation to well operations.

12. CASH AT BANK AND IN HAND

Included within cash at bank of £5.2m is an amount of £6.5m in relation to well operations.

13. CREDITORS: *amounts falling due within one year*

	2008 £	2007 £
Bank loans (Note 15)	1,276,010	536,736
Trade creditors	5,971,668	857,613
Amounts owed to group undertakings	2,252,732	-
Other taxes and social security	921,113	844,466
Other creditors	22,858,280	624,257
Accruals and deferred income	1,800,234	1,247,019
	<u>£ 35,080,037</u>	<u>£ 4,110,091</u>

Included within other creditors is an amount of £22.9m in relation to well operations.

14. CREDITORS: *amounts falling due after more than one year*

	2008 £	2007 £
Bank loans (Note 15)	14,659,670	2,194,393
Amounts owed to group undertakings	4,557,993	4,557,993
	<u>£ 19,217,663</u>	<u>£ 6,752,386</u>

15. LOANS *are repayable as follows:*

	2008 £	2007 £
In one year or less	1,276,010	600,000
In more than one year but not more than two years	2,552,021	600,000
In more than two years but not more than five years	12,107,649	1,800,000
	<u>15,935,680</u>	<u>3,000,000</u>
Less: loan issue costs	-	268,871
	<u>£ 15,935,680</u>	<u>£ 2,731,129</u>

	2008 £	2007 £
Due within one year (Note 13)	1,276,010	536,736
Due after one year (Note 14)	14,659,670	2,194,393
	<u>£ 15,935,680</u>	<u>£ 2,731,129</u>

Revolving Credit Facility 'A' is repayable in 14 quarterly instalments, commencing 28 February 2009. The loan bears interest at 2% above LIBOR.

Revolving Credit Facility 'B' is repayable in 12 quarterly instalments, commencing 31 August 2010. The loan bears interest at 2.25% above LIBOR.

Revolving Credit Facility 'C' is repayable in 18 quarterly instalments, commencing 28 February 2009. The loan bears interest at 2.25% above LIBOR.

16. CALLED UP SHARE CAPITAL

2008 & 2007

Authorised: 100,000 Ordinary shares of £0.01 each	£ 1,000
Allotted, called up and fully paid: 600 Ordinary shares of £0.01 each	£ 6

17. RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 31 May 2006	6	1,921,836	1,921,842
Profit for year	-	1,992,861	1,992,861
At 31 May 2007	6	3,914,697	3,914,703
Profit for year	-	1,393,286	1,393,286
Dividends	-	(2,000,000)	(2,000,000)
At 31 May 2008	£ 6	£ 3,307,983	£ 3,307,989

18. SECURITY

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

The company is part of a group banking facility and there is a cross guarantee with its holding company and subsidiaries. The group borrowings are £15,935,680.

19. OPERATING LEASE COMMITMENTS

The annual commitments under non-cancellable operating leases are as follows:

	Land & buildings	
	2008 £	2007 £
<i>Operating leases which expire:</i>		
Within two to five years	147,848	158,992
In more than five years	121,250	121,250
	£ 269,098	£ 280,242

20. CAPITAL COMMITMENTS

	2008	2007
Future capital expenditure contracted for	<u>£ 138,205</u>	<u>£ 52,147</u>

21. SHARE-BASED PAYMENT ARRANGEMENTS

Certain employees receive share options in the parent undertaking Senergy Holdings Limited. These options are settled in equity. Employees can take up a percentage of the full option entitlement on a sliding scale over five years.

22. EVENTS AFTER THE BALANCE SHEET DATE

The Senergy Group of companies has for some time sought to reorganise structurally to recognise and reflect the reality of how the ultimate holding company and its subsidiaries commercially operates in its chosen markets. During November 2008, the Senergy Group was restructured. As a result the company disposed of all its subsidiary undertakings to new fellow subsidiaries.

The restructure results in the company's immediate parent undertaking being Senergy Oil & Gas Limited and the ultimate holding company remaining unaltered as Senergy Holdings Limited.

23. RELATED PARTY TRANSACTIONS

Control

Throughout the year the company was controlled by the directors.

Transactions

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

24. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Senergy Holdings Limited, a company registered in Scotland.

The consolidated financial statements of Senergy Holdings Limited are available to the public and may be obtained from their registered office at 15 Bon Accord Crescent, Aberdeen.