Registered number: SC273506

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SENERGY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2012

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SENERGY LIMITED

COMPANY INFORMATION

DIRECTORS	J G McCallum I B Williamson P A Pavy N M Campbell (appointed 7 November 2012)
COMPANY SECRETARY	N M Campbell
REGISTERED NUMBER	SC273506
REGISTERED OFFICE	15 Bon Accord Crescent Aberdeen AB11 6DE
INDEPENDENT AUDITORS	Anderson Anderson & Brown LLP 9 Queens Road Aberdeen AB15 4YL

SENERGY LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2012

The directors present their report and the financial statements for the year ended 31 May 2012.

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 directors believe that the company is now structured appropriately to address the market potential for the services it provides recognising the company's commitments.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £332,832 (2011 - profit £2,183,350).

No dividends were paid or proposed during the year (2011 - £nil).

DIRECTORS

The directors who served during the year were:

J G McCallum
I B Williamson
P A Pavy

PRINCIPAL RISKS AND UNCERTAINTIES

The business 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.

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 explained in note 15, outstanding claims against the company have been settled and no uncertainty remains. As a result, the directors have continued to adopt the going concern basis on the accounting in preparing annual financial statements.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2012

EMPLOYEES

The company continues to focus on the development of our people to ensure that the compay's reputation of delivering quality and performance in everything that it does is maintained.

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.

N M Campbell
Director

Date: 17 MAY 2013

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MAY 2012

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 LIMITED

We have audited the financial statements of Senergy Limited for the year ended 31 May 2012, set out on pages 6 to 17. 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 2012 and of its loss 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SENERGY LIMITED

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, 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: 17 May 2013

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2012

	Note	2012 £	2011 £
TURNOVER		16,130	6,634,568
Cost of sales		(164,425)	(3,177,343)
GROSS (LOSS)/PROFIT		(148,295)	3,457,225
Administrative expenses		(490,586)	(1,344,447)
Exceptional item	15	83,442	264,534
Total administrative expenses		(407,144)	(1,079,913)
OPERATING (LOSS)/PROFIT	3	(555,439)	2,377,312
Interest receivable and similar income	4	18,989	360
Interest payable and similar charges	5	(48,182)	(118,422)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(584,632)	2,259,250
Tax on (loss)/profit on ordinary activities	9	251,800	(75,900)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(332,832)	2,183,350

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

SENERGY LIMITED
REGISTERED NUMBER: SC273506

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BALANCE SHEET
AS AT 31 MAY 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Tangible assets	10		482,976		628,798
CURRENT ASSETS					
Debtors	11	13,704,128		26,918,993	
Cash at bank and in hand		1,450,995		2,105,424	
		15,155,123		29,024,417	
CREDITORS: amounts falling due within one year	13,15	(11,445,029)		(24,520,230)	
NET CURRENT ASSETS			3,710,094		4,504,187
TOTAL ASSETS LESS CURRENT LIABILITIES			4,193,070		5,132,985
PROVISIONS FOR LIABILITIES					
Other provisions	15		-		(607,083)
NET ASSETS			4,193,070		4,525,902
CAPITAL AND RESERVES					
Called up share capital	16		6		6
Profit and loss account	17		4,193,064		4,525,896
SHAREHOLDERS' FUNDS	18		4,193,070		4,525,902

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

....

N M Campbell
Director

Date: 17 MAY 2013

The notes on pages 8 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012

1. 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 explained in note 15, outstanding claims against the company have been settled and no uncertainty remains. As a result, the directors have continued to adopt the going concern basis on the accounting in preparing annual financial statements.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

2.2 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.

2.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Land & buildings	-	2% straight line
Computer equipment and office equipment	-	33% straight line
Other fixed assets	-	10-50% straight line

2.4 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.

2.5 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 11), cash at bank and in hand (Note 12) and other creditors (Note 13) the company has identified the gross values attributed to well operations.

2. ACCOUNTING POLICIES (continued)

2.6 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.

2.7 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

2.8 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.

2. ACCOUNTING POLICIES (continued)

2.9 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.

3. OPERATING (LOSS)/PROFIT

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

	2012 £	2011 £
Depreciation of tangible fixed assets:		
- owned by the company	145,822	299,943
Operating lease rentals:		
- other operating leases	121,250	118,893
Difference on foreign exchange	58,414	(228,972)

4. INTEREST RECEIVABLE

	2012 £	2011 £
Other interest receivable	18,989	360

5. INTEREST PAYABLE

	2012 £	2011 £
Bank interest	48,182	96,747
Other interest	-	21,675
	48,182	118,422

6. AUDITORS' REMUNERATION

	2012 £	2011 £
Fees payable to the company's auditor for the audit of the company's annual accounts	10,000	10,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012

7. STAFF COSTS

	2012	2011
	£	£
Wages and salaries	-	1,520,011
Social security costs	-	185,071
Other pension costs	-	182,856
	-	1,887,938

There are no staff costs in the year.

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

	2012	2011
	No.	No.
Technical	-	31
Management and Administration	4	2
	4	33

8. DIRECTORS' REMUNERATION

	2012	2011
	£	£
Emoluments including benefits in kind	-	28,451
Pension contributions	-	3,281

During the year retirement benefits were accruing to no directors (2011 - 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 the holding company and fellow subsidiaries. These directors received remuneration totalling £673,079.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012

9. TAXATION

	2012 £	2011 £
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on (loss)/profit for the year	-	105,677
Adjustments in respect of prior periods	(105,677)	-
Group taxation relief	(155,507)	70,447
Foreign tax adjustments in respect of prior periods	-	(42,484)
Total current tax	(261,184)	133,640
Deferred tax		
Transfer during year	-	(57,740)
Effect of increased tax rate on opening liability	9,384	-
Total deferred tax)	9,384	(57,740)
Tax on (loss)/profit on ordinary activities	(251,800)	75,900

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 25.67% (2011 - 27.67%). The differences are explained below:

	2012 £	2011 £
(Loss)/profit on ordinary activities before tax	(584,632)	2,259,250
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.67% (2011 - 27.67%)	(150,075)	625,134
Effects of:		
Non-tax deductible expenditure	5,871	12,055
Depreciation in excess of capital allowances	(14)	27,785
Utilisation of tax losses	-	(473,387)
Adjustments to tax charge in respect of prior periods	(105,677)	(42,484)
Non-taxable income	-	(25,351)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(11,289)	-
Group relief	-	(60,559)
Payment of group relief	-	70,447
Current tax (credit)/charge for the year (see note above)	(261,184)	133,640

10. TANGIBLE FIXED ASSETS

	Land & buildings £	Office equipment £	Computer equipment £	Other fixed assets £	Total £
Cost					
At 1 June 2011 and 31 May 2012	455,034	349,521	1,779,015	700,254	3,283,824
Depreciation					
At 1 June 2011	63,206	338,689	1,697,985	555,146	2,655,026
Charge for the year	9,101	8,536	77,647	50,538	145,822
At 31 May 2012	72,307	347,225	1,775,632	605,684	2,800,848
Net book value					
At 31 May 2012	382,727	2,296	3,383	94,570	482,976
At 31 May 2011	391,828	10,832	81,030	145,108	628,798

11. DEBTORS

	2012 £	2011 £
Trade debtors	70,732	128,708
Amounts owed by group undertakings	12,381,104	11,951,703
Other debtors	226,902	12,414,773
Prepayments and accrued income	788,950	824,345
Tax recoverable	124,000	1,477,640
Deferred tax asset (see note 14)	112,440	121,824
	13,704,128	26,918,993

Included within other debtors is an amount of £0.1m (2011 - £9.8m) in relation to well operations.

12. CASH AT BANK AND IN HAND

Included within cash at bank of £1.5m (2011 - £2.1m) is an amount of £1.4m (2011 - £1.5m) in relation to well operations.

13. CREDITORS:
Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	24,486	64,808
Amounts owed to group undertakings	6,727,545	6,713,724
Social security and other taxes	514,583	289,984
Other creditors	4,145,415	17,390,714
Accruals and deferred income	33,000	61,000
	11,445,029	24,520,230

Included within other creditors is an amount of £4.0m (2011 - £14.8m) in relation to well operations.

14. DEFERRED TAX ASSET

	2012	2011
	£	£
At beginning of year	121,824	121,824
Released during year	(9,384)	-
At end of year	112,440	121,824

The deferred tax asset is made up as follows:

	2012	2011
	£	£
Accelerated capital allowances	112,440	121,824

15. EXCEPTIONAL ITEM

	Provision
	£
At 1 June 2011	607,083
Release of provision	(642,009)
Foreign exchange revaluation	34,926
At 31 May 2012	-

Provision

At 31 May 2011 the company carried a provision of $1m in respect of a breach of contract claim in relation to a drilling contract. At trial, during the current financial year, the company's claim in respect of the liability has been found in the company's favour. A remaining dispute in respect of the quantum of this court action had still to be resolved at 31 May 2012.

Since the year end the parties have agreed a settlement on 26 June 2012 and no further amounts were found to be payable by the company. This has resulted in the provision being released to the profit and loss account net of the legal costs suffered by the company in relation to the claim. The total costs suffered in the year was £524k in relation to legal fees along with a foreign exchange loss of £35k. The net effect of this in the profit and loss account is a release of £83k.

16. SHARE CAPITAL

	2012	2011
	£	£
Allotted, called up and fully paid		
600 Ordinary shares of £0.01 each	6	6

17. RESERVES

	Profit and loss account
	£
At 1 June 2011	4,525,896
Loss for the year	(332,832)
At 31 May 2012	4,193,064

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Opening shareholders' funds	4,525,902	3,083,112
Prior year adjustments		(740,560)
Opening shareholders' funds (as restated)		2,342,552
(Loss)/profit for the year	(332,832)	2,183,350
Closing shareholders' funds	4,193,070	4,525,902

19. 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. At 31 May 2012 the total contingent liability in respect of this guarantee was £8,215,775 (2011 - £13,080,359).

20. OPERATING LEASE COMMITMENTS

At 31 May 2012 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2012 £	Land and buildings 2011 £
Expiry date:		
Between 2 and 5 years	121,250	-
After more than 5 years	-	121,250
Total	121,250	121,250

21. 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 Group 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.

22. INTERMEDIATE AND ULTIMATE PARENT UNDERTAKING

The company's intermediate 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.