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SENERGY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2013

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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



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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 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 profit for the year, after taxation, amounted to £193,389 (2012 - loss £332,832).

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
N M Campbell (appointed 7 November 2012)

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.

EMPLOYEES

The company continues to 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.

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 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;
- 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 2013, set out on pages 6 to 16. 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

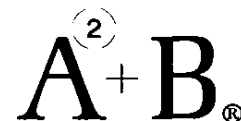
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies 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.

SENERGY LIMITED



**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:

27 February 2014

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

	Note	2013 £	As restated 2012 £
TURNOVER		-	16,130
Cost of sales		221,399	(164,425)
GROSS PROFIT/(LOSS)		221,399	(148,295)
Administrative expenses		91,459	(490,586)
Exceptional item	13	-	83,442
Total administrative expenses		91,459	(407,144)
OPERATING PROFIT/(LOSS)	2	312,858	(555,439)
Interest receivable and similar income	3	4,333	18,989
Interest payable and similar charges	4	-	(48,182)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		317,191	(584,632)
Tax on profit/(loss) on ordinary activities	7	(123,802)	251,800
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		193,389	(332,832)

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 16 form part of these financial statements.

**BALANCE SHEET
AS AT 31 MAY 2013**

	Note	£	2013 £	As restated 2012 £
FIXED ASSETS				
Tangible assets	8		442,402	482,976
CURRENT ASSETS				
Debtors	9	66,063,923		13,704,128
Cash at bank and in hand		1,628,477		1,450,995
		<u>67,692,400</u>		<u>15,155,123</u>
CREDITORS: amounts falling due within one year	11,13	<u>(64,399,913)</u>		<u>(12,096,599)</u>
NET CURRENT ASSETS			<u>3,292,487</u>	<u>3,058,524</u>
NET ASSETS			<u><u>3,734,889</u></u>	<u><u>3,541,500</u></u>
CAPITAL AND RESERVES				
Called up share capital	14		6	6
Profit and loss account	15		<u>3,734,883</u>	<u>3,541,494</u>
SHAREHOLDERS' FUNDS	17		<u><u>3,734,889</u></u>	<u><u>3,541,500</u></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 16 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.

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.

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.

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 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

1.5 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.

1.6 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.

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

1. ACCOUNTING POLICIES (continued)

1.7 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.

1.8 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.

1.9 Pensions

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

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

2. OPERATING PROFIT/(LOSS)

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

	2013 £	As restated 2012 £
Depreciation of tangible fixed assets:		
- owned by the company	38,503	145,822
Operating lease rentals:		
- other operating leases	121,125	121,250
Difference on foreign exchange	37,736	58,414
Loss on sale of fixed assets	2,071	-
Auditors' remuneration	-	10,000
	<u> </u>	<u> </u>

Auditors remuneration of £10,000 was borne by a fellow group company.

3. INTEREST RECEIVABLE

	2013 £	As restated 2012 £
Other interest receivable	4,333	18,989
	<u> </u>	<u> </u>

4. INTEREST PAYABLE

	2013 £	As restated 2012 £
Bank interest	-	48,182
	<u> </u>	<u> </u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**
5. 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 £	As restated 2012 £
Other pension costs	1,312	-

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

	2013 No.	As restated 2012 No.
Management and Administration	4	4

6. DIRECTORS' REMUNERATION

	2013 £	As restated 2012 £
Company pension contributions to defined contribution pension schemes	1,312	-

During the year retirement benefits were accruing to 1 director (2012 - NIL) 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. The directors' remuneration paid by other group companies totals £804,862 (2012 - £673,079). The value of the group's contributions paid to defined contribution pension schemes in respect of these directors amounted to £46,901 (2012 - £63,528).

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

	2013 £	As restated 2012 £
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
Adjustments in respect of prior periods	128,828	(105,677)
Group taxation relief	(26,180)	(155,507)
Total current tax	<u>102,648</u>	<u>(261,184)</u>
Deferred tax		
Released during the year	21,154	-
Effect of increased tax rate on opening liability	-	9,384
Total deferred tax (see note 12)	<u>21,154</u>	<u>9,384</u>
Tax on profit/loss on ordinary activities	<u>123,802</u>	<u>(251,800)</u>

Factors affecting tax charge for the year

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

	2013 £	As restated 2012 £
Profit/loss on ordinary activities before tax	<u>317,191</u>	<u>(584,632)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.83% (2012 - 25.67%)	75,587	(150,075)
Effects of:		
Non-tax deductible expenditure	187	5,871
Depreciation in excess of capital allowances	(17,065)	(14)
Adjustments to tax charge in respect of prior periods	128,828	(105,677)
Fixed asset differences	4,626	-
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	(89,515)	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	-	(11,289)
Group relief surrendered	26,180	-
Receipt for group relief	(26,180)	-
Current tax charge/(credit) for the year (see note above)	<u>102,648</u>	<u>(261,184)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**
8. TANGIBLE FIXED ASSETS

	Land & buildings £	Office equipment £	Computer equipment £	Other fixed assets £	Total £
Cost					
At 1 June 2012	455,034	349,521	1,779,015	700,254	3,283,824
Disposals	-	(82,697)	(733,981)	-	(816,678)
At 31 May 2013	455,034	266,824	1,045,034	700,254	2,467,146
Depreciation					
At 1 June 2012	72,307	347,225	1,775,632	605,684	2,800,848
Charge for the year	9,101	-	3,608	25,794	38,503
On disposals	-	(80,401)	(734,206)	-	(814,607)
At 31 May 2013	81,408	266,824	1,045,034	631,478	2,024,744
Net book value					
At 31 May 2013	373,626	-	-	68,776	442,402
At 31 May 2012	382,727	2,296	3,383	94,570	482,976

9. DEBTORS

	2013 £	As restated 2012 £
Trade debtors	65,916	70,732
Amounts owed by group undertakings	65,500,374	12,381,104
Other debtors	58,101	226,902
Prepayments and accrued income	227,021	788,950
Tax recoverable	121,225	124,000
Deferred tax asset (see note 12)	91,286	112,440
	66,063,923	13,704,128

All amounts included within other debtors are in relation to well operations (2012 - £98,075).

10. CASH AT BANK AND IN HAND

Included within cash at bank and in hand is £1,596,217 (2012 - £1,418,405) in relation to well operations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**
**11. CREDITORS:
Amounts falling due within one year**

	2013	As restated 2012
	£	£
Bank loans and overdrafts	7,449	-
Trade creditors	1,008	24,486
Amounts owed to group undertakings	59,836,971	6,727,545
Social security and other taxes	470,366	514,583
Other creditors	4,066,119	4,796,985
Accruals and deferred income	18,000	33,000
	<u>64,399,913</u>	<u>12,096,599</u>

Included within other creditors is an amount of £4m (2012 - £4m) in relation to well operations.

12. DEFERRED TAX ASSET

	2013	As restated 2012
	£	£
At beginning of year	112,440	121,824
Released during year	(21,154)	(9,384)
	<u>91,286</u>	<u>112,440</u>

The deferred tax asset is made up as follows:

	2013	As restated 2012
	£	£
Accelerated capital allowances	<u>91,286</u>	<u>112,440</u>

13. EXCEPTIONAL ITEM

In the prior year there was a potential claim against Senergy Limited in relation to a drilling contract. The amounts were recognised in the accounts for the year ended 31 May 2011. On 26 June 2012 the parties involved agreed a settlement and no further amounts were found to be payable by the company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**
14. SHARE CAPITAL

	2013 £	As restated 2012 £
Allotted, called up and fully paid		
600 Ordinary shares of £0.01 each	6	6

15. RESERVES

	Profit and loss account £
At 1 June 2012	3,541,494
Profit for the year	193,389
At 31 May 2013	3,734,883

16. PRIOR YEAR ADJUSTMENT

The prior year adjustment has been made to restate a liability relating to the company's well operations contracts during the year ended 31 May 2010. The directors have previously recognised their best estimate of the amount payable under the contract, which they have now revised following the conclusion of a contract compliance audit process. The effect is to reduce opening shareholders' funds by £651,570 (note 17).

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £	As restated 2012 £
Opening shareholders' funds	3,541,500	4,525,902
Prior year adjustments (note 16)		(651,570)
Opening shareholders' funds (as restated)		3,874,332
Profit/(loss) for the year	193,389	(332,832)
Closing shareholders' funds	3,734,889	3,541,500

18. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013**
19. OPERATING LEASE COMMITMENTS

At 31 May 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2013	2012
	£	£
Expiry date:		
Within 1 year	160,000	-
Between 2 and 5 years	-	121,250
Total	160,000	121,250

20. 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.

21. INTERMEDIATE AND ULTIMATE PARENT UNDERTAKING

The company's intermediate parent company is Senergy Oil and Gas Limited, a company registered in Scotland.

During the year the company's ultimate parent 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.