

Company Registration No. 06510841

Afren CI (II) Limited

Report and Financial Statements

31 December 2011

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Afren CI (II) Limited

Report and financial statements 2011

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Afren CI (II) Limited

Report and financial statements 2011

Officers and professional advisers

Directors

Osman Shahenshah
Darra Comyn

Secretary

Shirin John

Registered Office

Kinnaird House
1 Pall Mall East
London
SW1Y 5AU

Auditor

Deloitte LLP
Chartered Accountants and Registered Auditors
2 New Street Square
London EC4A 3BZ

Legal Advisers

White & Case LLP
5 Old Broad Street
London EC2N 1DW

Afren CI (II) Limited

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2011

This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. This confirmation is given and should be interpreted in accordance with the provisions of s419(2) of the Companies Act 2006

Principal activities

The Company holds, via its subsidiaries, Afren Group's investment in its Côte d'Ivoire operations comprising 47.96% working interest and operatorship of the producing Block CI-11, a direct participating 65% interest (with rights over an additional 15% interest), and operatorship in the undeveloped Block CI-01 and a 100% interest in the onshore Lion Gas Plant. The companies are involved in oil and gas exploration, development and production.

The Company will continue with its current activities in the foreseeable future.

Results for the year

The financial statements along with relevant disclosure notes for the year ended 31 December 2011 are set out on pages 6 to 13. The loss for the year was \$12,694,000 (2010: \$10,593,000). The Directors do not recommend the payment of a dividend for the year (2010: \$nil).

Going concern

The Company was in a net liability position at year end as it has generated losses since incorporation and is funded by an intercompany loan from another Afren Group Company. However, it has obtained a letter of support from Afren plc, its ultimate Parent Company, which confirms that Afren plc will provide financial support to the Company to ensure it is able to settle its obligations as they fall due for at least 12 months from the date of approval of the financial statements.

After making enquiries and taking into account the ongoing support of Afren plc, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The Directors who held office during the year and subsequently were as follows:

Osman Shahenshah

Darra Comyn

The Directors' interests, including options in the shares of the ultimate parent Company, Afren plc, are shown in the annual report and accounts of Afren plc. Neither Director held any interests in the shares of the Company in the year or thereafter.

Afren CI (II) Limited

Directors' report (continued)

Auditor

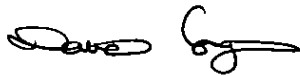
Each of the persons who are a Director at the date of approval of these accounts confirms that

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed on behalf of the Board



Darra Comyn
Director

13/9

2012

Afren CI (II) Limited

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

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.

By order of the Board



Darra Comyn
Director

13/9 2012

Independent auditors' report to the members of Afren CI (II) Limited

We have audited the financial statements of Afren CI (II) Limited for the year ended 31 December 2011 which comprise the income statement, balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor

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.

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 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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.

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, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.



Bevan Whitehead (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

13 SEPT 2012

Afren CI (II) Limited

Income statement

Year ended 31 December 2011

	Notes	2011 \$'000	2010 \$'000
Finance costs	6	(12,694)	(10,593)
Loss before tax	5	(12,694)	(10,593)
Taxation	7	-	-
Loss after tax		(12,694)	(10,593)

All activities were continuing during the year

The Company had no recognised gains or losses in the current or prior year other than that recognised in the income statement, and accordingly, no statement of comprehensive income is presented

Afren CI (II) Limited

Balance sheet As at 31 December 2011

	Notes	2011 \$'000	2010 \$'000
Assets			
Non-current assets			
Investments	8	184,254	184,254
Total assets		<u>184,254</u>	<u>184,254</u>
Liabilities			
Current liabilities			
Trade and other payables	9	(222,631)	(209,937)
Total liabilities		<u>(222,631)</u>	<u>(209,937)</u>
Net liabilities		<u>(38,377)</u>	<u>(25,683)</u>
Equity			
Share capital	10	-	-
Accumulated losses		<u>(38,377)</u>	<u>(25,683)</u>
Total equity		<u>(38,377)</u>	<u>(25,683)</u>

The Company did not incur any cash transactions during either year. Accordingly a cash flow statement has not been presented.

The financial statements of Afren CI (II) Limited, registered number 06510841 were approved by the Board of Directors and authorised for issue on 13 September 2012.

They were signed on its behalf by



Darra Comyn
Director

13/9 2012

Afren CI (II) Limited

Statement of changes in equity Year ended 31 December 2011

	Share capital \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2010	-	(15,090)	(15,090)
Loss for the year	-	(10,593)	(10,593)
Balance at 31 December 2010	-	(25,683)	(25,683)
Loss for the year	-	(12,694)	(12,964)
Balance at 31 December 2011	-	(38,377)	(38,377)

Afren CI (II) Limited

Notes to the accounts

Year ended 31 December 2011

1. General information

Afren CI (II) Limited is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Director's Report.

In accordance with section 400 of the Companies Act 2006 Afren CI (II) Limited is exempt from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent.

2. Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards, amendments and Interpretations which have not been applied in these financial statements were in issue but are not yet effective (and in some cases had not yet been adopted by the EU)

IFRS 9 Financial Instruments

IFRS 7 (amended) Disclosures – Transfers of Financial Assets

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in other Entities

IFRS 13 Fair Value Measurement

IAS 1 (amended) Presentation of Items of Other Comprehensive Income

IAS 12 (amended) Deferred Tax – Recovery of Underlying Assets

IAS 19 (revised) Employee Benefits

IAS 27 (revised) Separate Financial Statements

IAS 28 (revised) Investment in Associates and Joint Ventures

The adoption of IFRS 9 will impact both the measurement and disclosure of financial instruments. No decision will be made by the Group on early adoption until all phases of the standard are complete.

The Directors anticipate that the adoption of the other Standards and Interpretations in future periods will have no material impact on the financial position of the Company.

3. Significant accounting policies

Functional and presentation currencies

These financial statements are presented in US dollars because that is the currency of the primary economic environment in which the Company operates. US dollars are also the functional currency of the Company.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The financial statements have been prepared on the historical cost basis.

Going concern

The financial statements have been prepared in accordance with the going concern basis of accounting for the reasons set out in the 'going concern' section of the Directors' Report.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising are included in the profit and loss for the period.

Afren CI (II) Limited

Notes to the accounts

Year ended 31 December 2011

3. Significant accounting policies (continued)

Finance costs and debt

Financial costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the Income Statement as finance costs over the term of the debt.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes party to the contractual provision of the instrument.

Trade receivables

Trade receivables are measured on initial recognition at their fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Trade payables

The carrying amount of trade payables approximates to their fair values.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Investments

Investments in subsidiaries are stated at cost less any impairment.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, which are described in note 3, management does not believe there are any judgements that may have a significant effect on the amounts recognised in the financial statements, other than the recoverability of the Company's investment in subsidiaries. This is dependent on the performance of these subsidiaries, which are affected by a number of risks and uncertainties particularly in relation to exploration and evaluation activities.

Financial risk management

The Company's liquidity risk is managed on a Group wide basis by maintaining adequate reserve banking facilities and reserve borrowing facilities to match its short, medium and long-term funding requirements.

5. Loss before tax

There were no employees during either year. The Directors received no emoluments in respect of their services to the Company during either year. Auditors' fees of \$5,000 (2010: \$5,000) are borne by the ultimate parent Company and no other non-audit services were provided.

Afren CI (II) Limited

Notes to the accounts Year ended 31 December 2011

6. Finance costs

	2011 \$'000	2010 \$'000
Interest payable to group companies	12,694	10,593

7 Taxation

There was no tax payable for the Company during the year (2010 \$nil) The loss per the income statement can be reconciled to the overall tax charge as follows

	2011 \$'000	2010 \$'000
Loss before tax	(12,694)	(10,593)
Tax at the UK corporate tax rate for the period of 26.5% (2010 28%)	(3,364)	(2,966)
Effects of Group relief surrendered	3,364	2,140
Losses not recognised	-	826
	-	-

The Company has surrendered some of its tax losses to Afren Okoro Limited (AOL) and Afren CI (UK) Limited through Group relief to cover 100% of the tax payable by the group companies. As at the balance sheet date the Company had tax losses of \$3,364,000 (2010 \$2,140,000) in respect of which deferred tax of \$892,000 (2010 \$676,000) has not been recognised as there is insufficient evidence of future taxable profits. These losses arise primarily in the UK and can be carried forward indefinitely.

8 Investments

	2011 \$'000	2010 \$'000
Investments in subsidiaries	184,254	184,254

As at 31 December 2011, the principal subsidiaries of the Company are

Name of Company	Activity	Country of incorporation	Percentage holding
Direct			
Afren CI One Corporation	Oil and gas development, exploration and production	Cayman Islands	100%
Afren Cote d'Ivoire Limited	Oil and gas development, exploration and production	Cayman Islands	100%
Lion GPL SA	Oil and gas development, exploration and production	Côte d'Ivoire	100%

Afren CI (II) Limited

Notes to the accounts Year ended 31 December 2011

9 Trade and other payables

	2011 \$'000	2010 \$'000
Amounts payable to group undertakings	222,631	209,937
Total liabilities	<u>222,631</u>	<u>209,937</u>

During the year the Company received loan advances from Group undertakings. All loans are repayable on demand. The net advances from Group undertakings were as follows:

Counterparty	2011 \$'000	2010 \$'000
Afren CI (UK) Limited (included in current amounts payable to group undertakings)	197,245	184,551

During the period the Company received loan advances from its immediate parent. The net advances amounted to \$ 12,694,000 (2010: \$10,593,000) being accrued interest, at a rate of LIBOR plus 5.5% margin and an additional 2% management fee.

No other interest has been charged on these advances.

The carrying amount of trade and other payables is equivalent to their fair value.

Sensitivity analysis

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to the Company's intercompany borrowings, being its only interest bearing liability.

The following table demonstrates the sensitivity to changes in LIBOR rate, with all other variables held constant, of the Company's loss before tax and equity.

		2011		2010	
		Increase	Increase in company loss \$'000	Decrease	Decrease in company loss \$'000
Interest payable	1%		<u>(1,972)</u>	1%	<u>1,972</u>
		Increase	Increase in company loss \$'000	Decrease	Decrease in company loss \$'000
		1%	<u>(1,845)</u>	1%	<u>1,845</u>

Afren CI (II) Limited

Notes to the accounts

Year ended 31 December 2011

9 Trade and other payables (continued)

Capital management

The Company manages its capital to ensure that it remains well funded to meet its liabilities as they fall due, although it is currently reliant on financial support from its ultimate parent Company due to the losses incurred since inception and its reliance on Intercompany funding. The Company monitors its net debt position on an ongoing basis. Capital includes share capital and retained earnings.

10 Share capital

	2011 \$	2010 \$
Authorised		
100 (2010: 100) ordinary shares of £1 each (equivalent to approximately \$1.53 cents each)	<u>153</u>	<u>153</u>
Allotted equity share capital		
100 (2010: 1) ordinary shares of £1 each (equivalent to approximately \$1.53 cents each)	<u>153</u>	<u>153</u>

11. Related party transactions

All related party transactions are disclosed in notes 6, 7, 8, and 9.

12 Ultimate parent company

Afren plc is the ultimate parent Company and controlling party of Afren CI (II) Limited. Afren plc is incorporated in the United Kingdom and registered in England and Wales and is the largest Group of which the Company is a member and for which Group accounts are drawn up. The smallest Group of which the Company is a member is that headed by Afren CI (UK) Limited, for which Group accounts are not prepared. Copies of the Group accounts of Afren plc are available from Kinnaird House, 1 Pall Mall, London, SW1Y 5AU.