

Company Registration No. SC271146

Seven Energy (UK) Limited

Report and Financial Statements

31 December 2011



Seven Energy (UK) Limited

Report and financial statements 2011

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Seven Energy (UK) Limited

Report and financial statements 2011

Officers and professional advisers

Directors

P I Ihenacho
K A Aluko (resigned 14/3/2012)
J M M Sutherland (resigned 1/4/2011)
V B Querio (appointed 14/3/2012; resigned 25/6/2012)

Company Secretary

C C A Thomas
Seven Energy International Limited
6 Chesterfield Gardens
London W1J 5BQ

Registered Office

Edinburgh Quay
133 Fountainbridge
Edinburgh
EH3 9AG

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Seven Energy (UK) Limited

Director's report

The director presents his annual report, together with the consolidated financial statements and auditor's report for the year ended 31 December 2011.

Principal activities

Seven Energy (UK) Limited's (the "Company") principal activity is the provision of technical oil and gas and administrative support services to Seven Energy International Limited ("Seven") and its subsidiaries (the "Seven Group"). The focus of the Company's activities is to support the Seven Group's activities in Nigeria in development of its onshore fields and related infrastructure.

Business review

As service companies within Seven Energy International Limited ("Seven") and its subsidiaries (the "Seven Group"), the objective of the Company and its subsidiary, Septa Energy US Limited, (together the "Group") is to trade profitably through making appropriate charges for the skills and expertise of their directors and staff.

In 2011, turnover (comprising intercompany recharges to the Seven Group) of the Group increased to £7.2m (2010: £6.2m). Loss before tax was £0.9m (2010: £0.3m profit). This was principally due to increased oil and gas exploration activities of the Seven Group and amendments to the Seven group transfer pricing policies.

The Company's future progress will be governed principally by the Seven Group's ability to expand its business in Nigeria, and subsequent requirement for additional central support services. A number of opportunities are currently under review and the director is confident that demand within the Seven Group for the services provided by the Company will continue to grow over the next few years.

Financial risk management

As a wholly-owned subsidiary of Seven, the Company is not exposed to the majority of credit risks. The Company relies on a letter of financial support from its parent company, Seven, for the provision of working capital to support current operations and planned expansion. The Company provides services within the Seven Group and, consequently, the Company's debtors are mostly within the Seven group of companies. Non-group cash and working capital balances are kept to a minimum.

The Company incurs expenditures principally in Sterling and in US dollars and has an exposure to foreign exchange risk on US dollar expenditures. This risk is mitigated by the ability of the Company to recharge these costs in the original currency.

Results

The loss for the year, after taxation, amounted to £0.9m (2010: £0.3m profit). The loss for the year will be withdrawn from reserves. No dividends have been declared in respect of 2011 (2010: nil).

Seven Energy (UK) Limited

Director's report (continued)

Going concern

The Company and its subsidiary provide technical and administrative services to its fellow subsidiary companies of the Seven Group. As such, the Company is dependent on Seven for funding. Ultimately, the going concern status of the Company is dependent on the results of the oil and gas exploration, development and production activities of the wider group.

Seven has confirmed that they will make funds available to the Company to meet its liabilities as they fall due for a period of at least one year from the date of signing of these accounts. However, material funding uncertainties exist in the Seven Group due to the requirement in the next 12 months to raise approximately \$130.0 million of additional funding and extend a \$40.0 million working capital facility when it expires in March 2013 and the Seven Group is in negotiations to raise the additional funding and (in due course) renew the working capital facility. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Seven Group's, and subsequently, the Company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Directors

The directors who served during the year and subsequently were:

P I Ihenacho

K A Aluko (resigned 14/3/2012)

J M M Sutherland (resigned 1/4/2011)

V B Querio (appointed 14/3/2012; resigned 25/6/2012)

Seven Energy (UK) Limited

Director's report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself 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



P I Ihenacho
Director
24 September 2012

Seven Energy (UK) Limited

Director's responsibilities statement

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper 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 Group and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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 auditor's report to the members of Seven Energy (UK) Limited

We have audited the financial statements of Seven Energy (UK) Limited for the year ended 31 December 2011 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 19. 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 auditor's 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 Director's responsibilities statement, the director is 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 (APB'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 group's and the parent 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 annual 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 Group's and the Company's affairs as at 31 December 2011 and of the Group's 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.

Emphasis of Matter – going concern and recoverability of intercompany receivable

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the going concern section of note 1 to the financial statements concerning the Company's and Group's ability to continue as a going concern and the disclosures made in note 9 regarding the recoverability of intercompany loans receivable.

The Company and Group is reliant on support provided by Seven Energy International Limited, who, during the next 12 months, needs to raise approximately \$130.0 million of additional funding and extend a \$40.0m working capital facility when it expires in March 2013 and Seven Energy International Limited is in negotiations to raise the additional funding and (in due course) renew the working capital facility.

The Company and Group also had intercompany loans receivable from fellow subsidiary companies of \$32.7 million and \$37.5 million at 31 December 2011 respectively, the recoverability of which is dependent on the going concern of Seven Energy International Limited.

These conditions indicate the existence of a material uncertainty which may cast doubt on Seven Energy International Limited's, and hence the Company's and the Group's, ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.



David Paterson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
24 September 2012

Seven Energy (UK) Limited

Consolidated profit and loss account Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover		7,165	6,226
Cost of sales		(6,824)	(5,817)
Gross profit		341	409
Administrative expenses		(1,204)	(75)
Operating (loss)/profit	2	(863)	334
Investment income		1	-
(Loss)/Profit on ordinary activities before taxation		(862)	334
Tax on profit on ordinary activities	5	(26)	(52)
(Loss)/Profit on ordinary activities after taxation	12	(888)	282

All results relate to continuing operations in both years.

Seven Energy (UK) Limited

Consolidated statement of total recognised gains and losses Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
(Loss)/ Profit for the financial year		(888)	282
Currency translation difference on foreign currency net investments	12	<u>(54)</u>	<u>(4)</u>
Total gains and losses recognised since last annual report and financial statements		<u><u>(942)</u></u>	<u><u>278</u></u>

Seven Energy (UK) Limited

Consolidated balance sheet 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	8	327	415
Current assets			
Debtors	9	38,151	26,301
Cash		525	509
		<u>38,676</u>	<u>26,810</u>
Creditors: amounts falling due within one year	10	<u>(34,821)</u>	<u>(24,608)</u>
Net current assets		<u>3,854</u>	<u>2,202</u>
Total assets less current liabilities		<u>4,182</u>	<u>2,617</u>
Net assets		<u>4,182</u>	<u>2,617</u>
Capital and reserves			
Called up share capital	11	-	-
Capital contribution	12	4,603	2,096
Currency translation reserve	12	(93)	(39)
Profit and loss account	12	(328)	560
Total Shareholders' funds	13	<u>4,182</u>	<u>2,617</u>

These financial statements were approved by the Board of Directors on 24 September 2012.

Signed on behalf of the Board of Directors



P I Ihenacho
Director

Company number SC271146

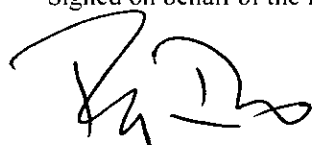
Seven Energy (UK) Limited

Company balance sheet 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investment in subsidiary	18	1	1
Tangible assets	8	327	406
		<u>328</u>	<u>407</u>
Current assets			
Debtors	9	33,396	22,143
Cash		408	355
		<u>33,804</u>	<u>22,498</u>
Creditors: amounts falling due within one year	10	(29,980)	(20,260)
Net current assets		<u>3,824</u>	<u>2,238</u>
Total assets less current liabilities		<u>4,152</u>	<u>2,645</u>
Net assets		<u>4,152</u>	<u>2,645</u>
Capital and reserves			
Called up share capital	11	-	-
Capital contribution	12	4,319	1,948
Profit and loss account	12	(167)	697
Total shareholders' funds		<u>4,152</u>	<u>2,645</u>

These financial statements were approved by the Board of Directors on 24 September 2012.

Signed on behalf of the Board of Directors



P I Ihenacho
Director

Company number SC271146

Seven Energy (UK) Limited

Consolidated cash flow statement Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	14	66	540
Capital expenditure and financial investment		(11)	(457)
Cash inflow before management of liquid resources and financing		55	83
Increase in cash in the year		55	83
Cash at the beginning of the year		509	430
Effect of foreign exchange rate changes		(39)	(4)
Cash at the end of the year		525	509

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2011

1. Accounting policies

Basis of accounting and going concern

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. Seven Energy (UK) Limited (the "Company") is dependent on financial support from Seven Energy International Limited ("Seven"), its ultimate parent company, and has adopted the going concern basis of accounting. It is acknowledged however, that there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern as during the next 12 months, Seven needs to raise approximately \$130.0 million of additional funding and extend a \$40.0 million working capital facility when it expires in March 2013. Further detail is contained in the "Going concern basis" section of the Director's report.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking (together the "Group") drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Investments

Within the Company balance sheet, investments are shown at cost less provision for impairment.

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.

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 using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

Turnover is attributable to provision of technical administrative support services to the Seven Group's activities specific to the oil and gas industry and is recognised at the point of delivery of the service.

The Group's main activities operate in the UK, supporting the parent head office and the oil and gas exploration, development and production activities of fellow Group subsidiaries in Nigeria.

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2011

1. Accounting policies (continued)

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. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share-based payments

The Group makes equity-settled share-based payments to certain employees. Equity-settled share-based schemes are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant, measured by use of an option valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period to exercise, based on the Group's estimate of shares that will eventually vest.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its useful life as follows:

Fixtures and fittings	5 years
Computer hardware & software	3 years
Leasehold improvements	10 years

Leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2011

2. Operating (loss)/profit

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

	2011 £'000	2010 £'000
Loss on sale of equipment	1	-
Foreign exchange loss	171	149
Depreciation	98	75
Operating leases – land and buildings	390	416
Fees payable to the Company's auditor for the audit of the Company's annual accounts	15	15
Fees payable to the Company's auditor for non-audit services provided;		
- Corporate finance services	-	9
- Tax services	7	10
	<u> </u>	<u> </u>

3. Staff costs

Average number of staff (including Executive directors) in 2011 was as follows:

	2011 No.	2010 No.
Technical	5	9
Accounting and administration	17	16
Total	<u>22</u>	<u>25</u>

Total staff costs comprised of:

	2011 £'000	2010 £'000
Wages and salary costs	4,614	3,474
Social security costs	453	488
Pension costs	299	394
	<u>5,366</u>	<u>4,356</u>

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2011

4. Director's remuneration

Two executive directors were employed by the Company during 2011 (2010: one). The directors' remuneration was as follows:

	2011 £'000	2010 £'000
Emoluments	428	300
Company contribution to money purchase pension schemes	25	39
Compensation for loss of office	325	-
	<u>778</u>	<u>339</u>

In addition to the amounts noted above, during the year there were stock-based compensation awards to one director (2010: one) contributing to a share-based payments charge of £1,033,000 in the year (2010: £210,000).

Two executive directors who served during the year were members of the money purchase pension scheme (2010: one).

The remuneration of the highest paid director in the year was £362,000 (2010: £339,000), which comprised of emoluments of £340,000 (2010: £300,000) and Company contributions to a money purchase pension scheme of £22,000 (2010: £39,000). The highest paid director did not exercise any share options in the year (2010: nil).

5. Taxation on profit on ordinary activities

	2011 £'000	2010 £'000
Analysis of tax charge in the year:		
Foreign tax charge on profits for the year	26	139
Adjustments in respect of prior periods	-	(87)
Total current tax charge	<u>26</u>	<u>52</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Tax charge on (loss)/profit on ordinary activities	<u>26</u>	<u>52</u>

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2011

5. Taxation on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 26.5% (2010: 28.0%). The differences between the current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are explained below:

	2011 £'000	2010 £'000
(Loss)/profit on ordinary activities before tax	(862)	334
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28%)	(228)	94
Effects of:		
Expenses not deductible for tax purposes	-	15
Fixed asset timing differences	26	-
Other timing differences	939	207
Adjustments to tax charge in respect of prior periods	-	(87)
Group relief claimed for nil consideration	(711)	(177)
Current tax charge for the year (see note above)	26	52

Deferred tax

There is an unrecognised deferred tax asset in respect of US losses and timing differences of USD \$159,985 (2010: USD \$124,477) and £1,175,056 (2010: £85,139) in respect of other timing differences in the UK. These have not been recognised due to the uncertainty over future profits.

Reductions to the UK corporation tax rate have been announced. The changes, which were substantively enacted on 26 March 2012, will reduce the rate from 26% to 24% from 1 April 2012. The 2012 Finance Bill also proposes to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 and also proposes to reduce the main rate to 22% from 1 April 2014. The decrease to 23% from 1 April 2013 and further decrease to 22% are not expected to be substantively enacted until future Finance Bills are approved. However, due to no deferred tax being recognised in the UK these effects would not have any impact on the financial statements.

6. Profit attributable to the company

The loss for the financial year dealt with in the financial statements of the Company was £864,000 (2010: profit of £282,000). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company.

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2011

7. Share-based payments

During 2011 and 2010, Seven had in place a share-based payment arrangement for the Group's employees. The charge in relation to the 2009 - 2011 Discretionary Share Option Plan is £2,507,000 (2010: £1,173,000) for the Group and £2,371,000 (2010: £1,153,000) for the Company and has been treated as a capital contribution from the ultimate parent company.

Discretionary Share Option Plan

Seven operates a USD denominated share option scheme for employees of the Group. Seven's policy is to award options to eligible employees at the sole discretion of the Remuneration Committee of Seven's Board of Directors. Options are issued at market price on the grant date and have a 3-year vesting period. The options expire after 10 years if they remain unexercised and are forfeited if the employee leaves the Group before the options vest except at the discretion of the Board. Further details of the scheme is provided in the Seven Group's 2011 financial statements.

Details of the share options outstanding (presented in £GBP equivalent) during the year are as follows:

	Group Number of share options	Group Weighted average exercise price £	Company Number of share options	Company Weighted average exercise price £
Outstanding at 1 January 2010	14,580	201.44	12,270	201.44
Granted during the year	39,159	226.27	38,532	226.27
Exercised during the year	-	-	-	-
Forfeited during the year	(200)	201.44	-	-
Outstanding at 31 December 2010	53,539	219.53	50,802	220.27
Exercisable at 31 December 2010	4,089	-	4,089	-
Outstanding at 1 January 2011	53,539	219.53	50,802	220.27
Granted during the year	16,397	218.23	16,397	218.23
Exercised during the year	-	-	-	-
Forfeited during the year	(18,416)	214.08	(18,216)	214.24
Outstanding at 31 December 2011	51,520	213.08	48,983	213.62
Exercisable at 31 December 2011	18,601	-	17,052	-

The weighted average remaining contractual life of the options outstanding at 31 December 2011 was 8.40 years (2010: 8.83 years).

The options granted during the year have been valued by reference to the Black-Scholes Multiple option valuation model. The inputs into the Black-Scholes model for awards in 2011 and 2010 were as follows:

	2011	2010
Weighted average share price	£218.23	£157.55
Weighted average exercise price	£218.23	£226.27
Weighted average target price before eligibility to exercise (barrier)	£436.45	£452.55
Expected volatility	61-77%	68%
Expected life (years)	2.5	2.7
Risk-free rate	0.52-0.82%	1.50%
Expected dividends	0.00%	0.00%

The shares of Seven are not listed on an open market; therefore, Seven used a peer company's stock prices for three years prior to the option grant date to determine the expected volatility of its shares.

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2011

8. Tangible fixed assets

Group	Leasehold improvements £'000	Furniture, Fixtures & Equipment £'000	Computer software & hardware £'000	Total £'000
Cost or valuation				
At 1 January 2011	195	169	143	507
Additions	-	3	12	15
Disposals	-	-	(35)	(35)
At 31 December 2011	195	172	120	487
Depreciation				
At 1 January 2011	18	43	31	92
Charge for the year	20	37	41	98
Reclassifications	-	(8)	8	-
Disposal	-	-	(30)	(30)
At 31 December 2011	38	72	50	160
Net book value at 31 December 2011	157	100	70	327
Net book value at 31 December 2010	177	126	112	415

Company	Leasehold improvements £'000	Furniture, Fixture & Equipme nt £'000	Computer software & hardware £'000	Total £'000
Cost or valuation				
At 1 January 2011	195	169	113	477
Additions	-	3	12	15
Disposals	-	-	(5)	(5)
At 31 December 2011	195	172	120	487
Depreciation				
At 1 January 2011	18	35	18	71
Charge for the year	20	37	37	94
Disposals	-	-	(5)	(5)
At 31 December 2011	38	72	50	160
Net book value at 31 December 2011	157	100	70	327
Net book value at 31 December 2010	177	134	95	406

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2011

9. Debtors

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts owed by fellow subsidiary undertakings	37,492	24,801	32,738	20,653
Prepayments	84	161	84	154
Other debtors	575	1,339	574	1,336
	<u>38,151</u>	<u>26,301</u>	<u>33,396</u>	<u>22,143</u>

The recoverability of amounts owed by fellow subsidiary undertakings is dependent on the ongoing financial viability and going concern of the Seven Group, in respect of which there is a material uncertainty (see the going concern section of note 1).

10. Creditors: amounts falling due within one year

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts owed to fellow subsidiary undertakings	33,232	22,963	28,600	18,773
Other creditors	908	1,182	803	1,121
Accruals	681	463	577	366
	<u>34,821</u>	<u>24,608</u>	<u>29,980</u>	<u>20,260</u>

11. Share capital

	2011 £	2010 £
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 Ordinary shares share of £1 each	<u>1</u>	<u>1</u>

12. Reserves

	Capital contribution account £'000	Currency translation reserve £'000	Profit and loss account £'000	Total £'000
Group				
At 1 January 2011	2,096	(39)	560	2,617
Loss for the financial year	-	(54)	(888)	(942)
Share based payments issued by Seven	2,507	-	-	2,507
	<u>4,603</u>	<u>(93)</u>	<u>(328)</u>	<u>4,182</u>
At 31 December 2011				

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2011

12. Reserves (continued)

Company	Capital contribution account £'000	Currency Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	1,948	-	697	2,645
Loss for financial year	-	-	(864)	(864)
Share based payments issued by Seven	2,371	-	-	2,371
At 31 December 2011	4,319	-	(167)	4,152

13. Reconciliation of movement in consolidated shareholders' funds

Group	2011 £'000	2010 £'000
(Loss)/ Profit for the financial year	(888)	282
Share based payments issued by Seven	2,507	1,173
Other recognised losses relating to the year (net)	(54)	(4)
Net additions to shareholders' funds	1,565	1,451
Opening shareholders' funds	2,617	1,166
Closing shareholders' funds	4,182	2,617

14. Reconciliation of operating (loss)/ profit to operating cash flows

	2011 £'000	2010 £'000
Operating (loss)/ profit	(863)	334
Depreciation expense	98	75
Loss on disposal	1	-
Share-based payments	2,507	1,173
Increase in debtors	(11,785)	(13,503)
Increase in creditors	10,108	12,461
Net cash inflow from operating activities	66	540

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15. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of the Group is £299,000 (2010: £394,000), and of the Company is £293,000 (2010: £374,000) representing contributions payable to these schemes by the Group and Company at rates specified in the rules of the plans. As at 31 December 2011, contributions of £15,000 (2010: nil) due, in respect of the current accounting period, had not been paid over to the schemes and are recorded within Creditors.

16. Related party transactions

Transactions with the directors of the Company are disclosed in Note 4.

During 2011, the Company made sales of £6,781,000 and the Group made sales of £7,165,000 to fellow subsidiary undertakings in the Seven Group.

During 2010, the Company made sales of £5,892,000 and the Group made sales of £6,226,000 to fellow subsidiary undertakings in the Seven Group.

Amounts owing by and to fellow subsidiary undertakings are disclosed in notes 9 and 10.

17. Ultimate parent company

The Company's immediate and ultimate parent company is Seven Energy International Limited, a company registered in Mauritius. Consolidated financial statements (which are not publicly available) are prepared. This forms the smallest and largest group of which the Company is a member.

18. Investment in subsidiary

On 28 November 2007, the Company incorporated a subsidiary, Septa Energy US Limited, a company registered in the United States, also engaged in the provision of technical support services to the Seven Group. The Company owns 100% of the USD\$1,000 issued share capital of its subsidiary at the balance sheet date and has no other investments.

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19. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2011	2010
	£'000	£'000
Group		
Expiry date		
- Within one year	4	20
- Within 2 to 5 years	411	375
- After 5 years	-	-
	<u>415</u>	<u>395</u>
Company		
Expiry date		
- Within one year	4	5
- Within 2 to 5 years	411	375
- After 5 years	-	-
	<u>415</u>	<u>380</u>