

Company Registration No. SC271146

Seven Energy (UK) Limited

Report and Financial Statements

31 December 2010

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Seven Energy (UK) Limited

Report and financial statements 2010

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Seven Energy (UK) Limited

Report and financial statements 2010

Officers and professional advisers

Directors

K A Aluko

P I Ihenacho

J M M Sutherland (Resigned 1 April 2011)

Secretary

C C A Thomas

Seven Energy International Limited

6 Chesterfield Gardens

London W1J 5BQ

Registered Office

Edinburgh Quay

133 Fountainbridge

Edinburgh

EH3 9AG

Auditors

Deloitte LLP

Chartered Accountants and Statutory Auditor

London

Seven Energy (UK) Limited

Directors' report

The directors present their annual report, together with the consolidated financial statements and auditor's report for the year ended 31 December 2010.

Principal activities

Seven Energy (UK) Limited's (the "Company") principal activity is the provision of technical support services to the oil and gas industry. The focus of the Company's activities is on the application of technology to optimise the development of onshore fields.

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 2010, the turnover of the Seven Group increased to £6.2m (2009: £5.2m) and its profit before tax was £334,000 (2009: £227,000). This increase was principally due to increased oil and gas exploration activities in the Seven Group.

The Company's future progress will be governed principally by Seven's ability to expand its business. The Company's directors and staff are actively involved in the pursuit of business development opportunities for Seven. In March 2010, Seven increased its ownership in Universal Energy Resources Limited, a fellow subsidiary undertaking of the Company, through the acquisition of an additional 31.3 percent interest in the company to give Seven a total of 62.5 percent ownership. A number of further interesting opportunities are currently under review and the directors are confident that demand within the Seven Group for the services provided by the Company will grow over the next few years. This growth should allow the Company to continue to trade profitably.

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 profit for the year, after taxation, amounted to £282,000 (2009: £232,000). The profit for the year will be transferred to reserves. No dividends have been declared in respect of 2010 (2009: nil).

Seven Energy (UK) Limited

Directors' report (continued)

Going concern

The Company and its subsidiary provide technical and administrative services to its fellow subsidiary companies. 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 activities of the wider group.

Seven has provided a letter of support, confirming 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. The directors of the Company are part of the management of the parent company and are satisfied that it is appropriate for the Company to place reliance on this letter. Accordingly, after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served during the year and subsequently were:

K A Aluko

P I Ihenacho

J M M Sutherland (Resigned 1 April 2011)

Auditors

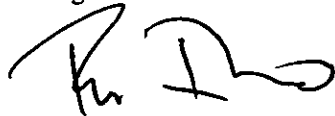
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are 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 auditors are 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 auditors 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

29 September 2011

Seven Energy (UK) 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 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 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 directors are 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 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 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 2010 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 20. 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 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 (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 parent company's affairs as at 31 December 2010 and of the group's 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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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
29 September 2011

Seven Energy (UK) Limited

Consolidated profit and loss account Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover		6,226	5,248
Cost of sales		(5,817)	(5,012)
Gross profit		409	236
Administrative expenses		(75)	(11)
Operating profit	2	334	225
Investment income	5	-	2
Profit on ordinary activities before taxation		334	227
Tax on profit on ordinary activities	6	(52)	5
Profit on ordinary activities after taxation	13	282	232

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 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		282	232
Currency translation difference on foreign currency net investments	13	<u>(4)</u>	<u>17</u>
Total gains and losses recognised since last annual report and financial statements		<u>278</u>	<u>249</u>

Seven Energy (UK) Limited

Consolidated balance sheet 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	9	415	33
Current assets			
Debtors	10	26,301	12,798
Cash		509	430
		<u>26,810</u>	<u>13,228</u>
Creditors: amounts falling due within one year	11	<u>(24,608)</u>	<u>(12,095)</u>
Net current assets		<u>2,202</u>	<u>1,133</u>
Total assets less current liabilities		<u>2,617</u>	<u>1,166</u>
Net assets		<u>2,617</u>	<u>1,166</u>
Capital and reserves			
Called up share capital	12	-	-
Capital contribution	13	2,096	923
Currency translation reserve	13	(39)	(35)
Profit and loss account	13	560	278
Total Shareholders' funds	14	<u>2,617</u>	<u>1,166</u>

Company number SC271146

These financial statements were approved by the Board of Directors on 29 September 2011.

Signed on behalf of the Board of Directors



P I Ihenacho
Director

Seven Energy (UK) Limited

Company balance sheet 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investment in subsidiary	19	1	1
Tangible assets	9	406	16
		<u>407</u>	<u>17</u>
Current assets			
Debtors	10	22,143	9,553
Cash		355	355
		<u>22,498</u>	<u>9,908</u>
Creditors: amounts falling due within one year	11	<u>(20,260)</u>	<u>(8,715)</u>
Net current assets		<u>2,238</u>	<u>1,193</u>
Total assets less current liabilities		<u>2,645</u>	<u>1,210</u>
Net assets		<u>2,645</u>	<u>1,210</u>
Capital and reserves			
Called up share capital	12	-	-
Capital contribution	13	1,948	795
Profit and loss account	13	697	415
Total shareholders' funds		<u>2,645</u>	<u>1,210</u>

Company number SC271146

These financial statements were approved by the Board of Directors on 29 September 2011.

Signed on behalf of the Board of Directors



P I Ihenacho
Director

Seven Energy (UK) Limited

Consolidated cash flow statement Year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash inflow / (outflow) from operating activities	15	540	(46)
Returns on investments and servicing of finance		-	2
Taxation		-	(46)
Capital expenditure		(457)	(12)
Cash inflow / (outflow) before management of liquid resources and financing		83	(102)
Financing by parent		-	-
Increase / (decrease) in cash in the year		83	(102)
Cash at the beginning of the year		430	513
Effect of foreign exchange rate changes		(4)	19
Cash at the end of the year		509	430

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2010

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 based on a letter from Seven confirming that such support will be available for not less than 12 months from the date of approval of these financial statements.

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 human resource and logistical support specific to the oil and gas industry and is recognized at the point of delivery of the service.

The Group's main activities operate in the UK, supporting the oil and gas exploration, development and production of fellow subsidiary undertakings in Nigeria.

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2010

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 2010

2. Operating profit

The operating profit is stated after charging:

	2010 £'000	2009 £'000
Foreign exchange loss	149	743
Depreciation	75	11
Operating leases – land and buildings	416	303
Fees payable to the Company's auditors for the audit of the Company's annual accounts	15	15
Fees payable to the Company's auditors for non-audit services provided;		
- Corporate finance services	9	19
- Tax services	10	2
	<u>10</u>	<u>2</u>

3. Staff costs

	2010 £'000	2009 £'000
Wages and salary costs	3,474	2,870
Social security costs	488	173
Pension costs	394	79
	<u>4,356</u>	<u>3,122</u>

The average number of staff (including executive directors) in 2010 was as follows:

	2010 No.	2009 No.
Technical	9	4
Accounting and administration	16	11
Total	<u>25</u>	<u>15</u>

4. Directors' remuneration

One executive director (2009:2) has been employed by the Company. The Director's remuneration was as follows:

	2010 £'000	2009 £'000
Emoluments	300	939
Company contribution to money purchase pension schemes	39	53
	<u>339</u>	<u>992</u>

In addition to the amounts noted above, during the year there were share-based compensation awards to one director (2009: 1) of £210,000 in the year (2009: £221,000).

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2010

4. Directors' remuneration (continued)

The remuneration of the highest paid director in the year was £339,000, which comprised of other emoluments of £300,000 and Company contributions to a money purchase pension scheme of £39,000.

The remuneration of the highest paid director in the previous year was £497,000, which comprised a bonus of £163,000, other emoluments of £300,000 and Company contributions to a money purchase pension scheme of £34,000.

The executive director who served during the year was the only director who was a member of the money purchase pension scheme (2009: 1).

5. Investment income

	2010 £'000	2009 £'000
Interest income and similar income	-	2

6. Taxation on profit on ordinary activities

	2010 £'000	2009 £'000
Analysis of tax charge/(credit) in the year:		
Foreign tax charge on profits for the year	139	-
Adjustments in respect of prior periods	(87)	(4)
Total current tax charge	52	(4)
Deferred tax		
Origination and reversal of timing differences	-	(1)
Tax charge/(credit) on (profit)/loss on ordinary activities	52	(5)

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2010

6. 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 28.0% (2009: 28.0%). The differences are explained below:

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	334	227
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	94	64
Effects of:		
Expenses not deductible for tax purposes	15	-
Fixed asset timing differences	-	1
Other timing differences	207	187
Adjustments to tax charge in respect of prior periods	(87)	(4)
Group relief claimed for nil consideration	(177)	(252)
Current tax charge / (credit) for the year (see note above)	52	(4)

Deferred tax

There is an unrecognised deferred tax asset in respect of US losses and timing differences of USD\$124,477 (2009: USD\$172,000) and £85,139 (2009: £187,000) in respect of other timing differences in the UK. These have not been recognised due to the uncertainty over future profits.

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. As this change in the rate to 27% had been substantively enacted at the balance sheet date, this is included in these financial statements.

In addition to the above changes in rates of Corporation tax disclosed, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014.

7. Profit attributable to the company

The profit for the financial year dealt with in the financial statements of the parent company was £282,000 (2009: £232,000). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2010

8. Share-based payments

During 2010 and 2009, Seven had in place a share-based payment arrangement for the Group's employees. The charge in relation to the 2010 Discretionary Share Option Plan is £1,173,000 (2009: £780,000) for the Group and £1,153,000 (2009: £652,000) for the Company and has been treated as a capital contribution from the parent company.

Discretionary Share Option Plan

Seven operates a 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.

Details of the share options outstanding 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 2009	-	-	-	-
Granted during the year	14,580	201.44	12,270	201.44
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Outstanding at 31 December 2009	14,580	201.44	12,270	201.44
Exercisable at 31 December 2009	-	-	-	-
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	-

The weighted average remaining contractual life of the options outstanding at 31 December 2010 was 8.83 years (2009: 9.35 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 2010 and 2009 were as follows:

	2010	2009
Weighted average share price	£157.55	£201.44
Weighted average exercise price	£226.27	£201.44
Weighted average target price before eligibility to exercise (barrier)	£452.55	n/a
Expected volatility	68%	73.8% -74.3%
Expected life (years)	2.7	2.6
Risk-free rate	1.50%	0.45% -1.38%
Expected dividends	0.00%	0.00%

The shares of the Seven group 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 2010

9. Tangible fixed assets

Group	Leasehold improvements £'000	Furniture, Fixtures & Equipment £'000	Computer software & hardware £'000	Total £'000
Cost or valuation				
At 1 January 2010	-	-	50	50
Additions	195	169	93	457
At 31 December 2010	195	169	143	507
Depreciation				
At 1 January 2010	-	-	17	17
Charge for the year	18	43	14	75
At 31 December 2010	18	43	31	92
Net book value at 31 December 2010	177	126	112	415
Net book value at 31 December 2009	-	-	33	33

Company	Leasehold improvements £'000	Furniture, Fixture & Equipme nt £'000	Computer software & hardware £'000	Total £'000
Cost or valuation				
At 1 January 2010	-	-	20	20
Additions	195	169	93	457
At 31 December 2010	195	169	113	477
Depreciation				
At 1 January 2010	-	-	4	4
Charge for the year	18	35	14	67
At 31 December 2010	18	35	18	71
Net book value at 31 December 2010	177	134	95	406
Net book value at 31 December 2009	-	-	16	16

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2010

10. Debtors

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Amounts owed by fellow subsidiary undertakings	24,801	11,865	20,653	8,634
Prepayments	161	213	154	201
Other debtors	1,339	720	1,336	718
	<u>26,301</u>	<u>12,798</u>	<u>22,143</u>	<u>9,553</u>

11. Creditors: amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Amounts owed to fellow subsidiary undertakings	22,963	10,461	18,773	7,251
Other creditors	1,182	756	1,121	732
Accruals and deferred income	463	878	366	732
	<u>24,608</u>	<u>12,095</u>	<u>20,260</u>	<u>8,715</u>

12. Share capital

	2010	2009
	£	£
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>

13. Reserves

	Capital contribution account	Currency translation reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000
Group				
At 1 January 2010	923	(35)	278	1,166
Profit for financial year	-	-	282	282
Share based payments issued by Seven	1,173	-	-	1,173
Exchange differences	-	(4)	-	(4)
	<u>2,096</u>	<u>(39)</u>	<u>560</u>	<u>2,617</u>
At 31 December 2010				

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2010

13. Reserves (continued)

Company	Capital contribution account £'000	Currency Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2010	795	-	415	1,210
Profit for financial year	-	-	282	282
Share based payments issued by Seven	1,153	-	-	1,153
At 31 December 2010	1,948	-	697	2,645

14. Reconciliation of movement in consolidated shareholders' funds

Group	2010 £'000	2009 £'000
Profit for the financial year	282	232
Share based payments issued by Seven	1,173	780
Other recognised gains and (losses) relating to the year (net)	(4)	17
Net additions to shareholders' funds	1,451	1,029
Opening shareholders' funds	1,166	137
Closing shareholders' funds	2,617	1,166

15. Reconciliation of operating profit to operating cash flows

	2010 £'000	2009 £'000
Operating profit	334	225
Depreciation expense	75	11
Share-based payments	1,173	780
Increase in debtors	(13,503)	(6,521)
Increase in creditors	12,461	5,459
Net cash inflow / (outflow) from operating activities	540	(46)

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2010

16. 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 £394,000 (2009: £79,000), and of the Company is £374,000 (2009: £67,000) representing contributions payable to these schemes by the Group and Company at rates specified in the rules of the plans. As at 31 December 2010, all contributions due in respect of the current reporting period had been paid over to the schemes.

17. Related party transactions

Transactions with the Directors of the company are disclosed in Note 4.

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.

During 2009, the Company and the Group made sales of £242,000 to Seven Energy Canada (Inc.). There were no amounts outstanding at 31 December 2009.

During 2009, the Company made sales of £4,654,000 and the Group made sales of £5,006,000 to fellow subsidiary undertakings.

Amounts owing by and to fellow subsidiary undertakings are disclosed in notes 10 and 11.

18. 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.

19. 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.

Seven Energy (UK) Limited

Notes to the accounts

Year ended 31 December 2010

20. Operating lease commitments

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

	Land and buildings	
	2010	2009
	£'000	£'000
Group		
Expiry date		
- Within one year	20	24
- Within 2 to 5 years	375	404
- After 5 years	-	-
	<u>395</u>	<u>428</u>
	<u><u>395</u></u>	<u><u>428</u></u>
Company		
Expiry date		
- Within one year	5	10
- Within 2 to 5 years	375	375
- After 5 years	-	-
	<u>380</u>	<u>385</u>
	<u><u>380</u></u>	<u><u>385</u></u>