Company Registration No. SC271146

Seven Energy (UK) Limited

Report and Financial Statements

31 December 2012

Seven Energy (UK) Limited

Report and financial statements 2012

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Seven Energy (UK) Limited

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Officers and professional advisers

Directors

P I Ihenacho
K A Aluko (resigned 14/3/2012)
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 2012.

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 ("Seven Energy"). The focus of the Company's activities is to support Seven Energy's activities in Nigeria for the development of its onshore fields and related infrastructure.

Business review

As a service company within Seven Energy, 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 2012, turnover (comprising intercompany recharges to Seven Energy) of the Group decreased to $9.4m (2011: $11.1m) due to an increase in timewriting recharges to capital projects across Seven Energy and a reduction in the intercompany mark-up applied. Loss before tax was $0.03m (2011: $1.3m). This was principally due to amendments to Seven Energy's internal recharging policies.

The Group's future progress will be governed principally by Seven Energy'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 Seven Energy for the services provided by the Group will continue to grow over the next few years.

Financial risk management

As wholly-owned subsidiaries of Seven, the Group is not exposed to the majority of credit risks. The Group relies on a letter of financial support from the parent company, Seven, for the provision of working capital to support current operations and planned expansion. The Group (predominantly the Company) provides services within Seven Energy and, consequently, the Group's debtors are mostly within Seven Energy.

The Company incurs expenditures principally in US dollars and in sterling and has an exposure to foreign exchange risk on its sterling 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 $0.03m (2011: $1.4m loss). The profit for the year will be added to reserves. No dividends have been declared in respect of 2012 (2011: nil).

Director's report (continued)

Going concern

The Company and its subsidiary provide technical and administrative services to fellow subsidiary companies of Seven Energy. 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 Seven Energy.

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. Accordingly, after making enquiries as to the funding position of the Seven Energy group, the director has a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. The going concern basis for these financial statements has therefore continued to be adopted.

Directors

The directors who served during the year and subsequently were:

P I Ihenacho
K A Aluko (resigned 14/3/2012)
V B Querio (appointed 14/3/2012; resigned 25/6/2012)

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 s.418 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 and signed by the sole Director

P I Ihenacho
Director
1 July 2013

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 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 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 member of Seven Energy (UK) Limited

We have audited the financial statements of Seven Energy (UK) Limited for the year ended 31 December 2012 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 member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director 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 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 director; 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 2012 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the member of Seven Energy (UK) Limited (continued)

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Paterson

David Paterson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
1 July 2013

Seven Energy (UK) Limited

Consolidated profit and loss account
Year ended 31 December 2012

	Notes	2012 $'000	2011 $'000
Turnover		9,440	11,074
Cost of sales		(9,430)	(10,547)
Gross profit		10	527
Administrative expenses		(40)	(1,862)
Operating loss	2	(30)	(1,335)
Investment income		-	2
Loss on ordinary activities before taxation		(30)	(1,333)
Tax credit/(charge) on loss on ordinary activities	5	60	(39)
Profit/(loss) on ordinary activities after taxation	12	30	(1,372)

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 2012

	Note	2012 $'000	2011 $'000
Profit/(loss) for the financial year		30	(1,372)
Currency translation difference on foreign currency net investments	13	-	(84)
Total gains and losses recognised since last annual report and financial statements		30	(1,456)

Seven Energy (UK) Limited

Consolidated balance sheet
31 December 2012

	Notes	2012 $'000	2011 $'000
Fixed assets			
Tangible assets	8	668	505
Current assets			
Debtors	9	56,266	58,969
Cash		559	811
		56,825	59,780
Creditors: amounts falling due within one year	10	(49,555)	(53,821)
Net current assets		7,270	5,959
Total assets less current liabilities		7,938	6,464
Net assets		7,938	6,464
Capital and reserves			
Called up share capital	11	-	-
Capital contribution account	12	8,558	7,114
Currency translation reserve	12	(144)	(144)
Profit and loss account	12	(476)	(506)
Total shareholder's funds	13	7,938	6,464

Approved and signed by the sole Director on 1 July 2013

P I Ihenacho
Director

Company number SC271146

Seven Energy (UK) Limited

Company balance sheet
31 December 2012

	Notes	2012 $'000	2011 $'000
Fixed assets			
Investment in subsidiary	18	1	1
Tangible assets	8	668	505
		669	506
Current assets			
Debtors	9	49,503	51,615
Cash		540	632
		50,043	52,247
Creditors: amounts falling due within one year	10	(42,827)	(46,337)
Net current assets		7,216	5,910
Total assets less current liabilities		7,885	6,416
Net assets		7,885	6,416
Capital and reserves			
Called up share capital	11	-	-
Capital contribution account	12	8,119	6,675
Profit and loss account	12	(234)	(259)
Total shareholder's funds	12	7,885	6,416

Approved and signed by the sole Director on 1 July 2013

P I Ihenacho
Director

Company number SC271146

Seven Energy (UK) Limited

Consolidated cash flow statement
Year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Net cash (outflow) / inflow from operating activities	14	(181)	102
Capital expenditure and financial investment		(65)	(18)
Cash (outflow) / inflow before management of liquid resources and financing		(246)	84
(Decrease) / Increase in cash in the year		(246)	84
Cash at the beginning of the year		811	787
Effect of foreign exchange rate changes		(6)	(60)
Cash at the end of the year		559	811

Seven Energy (UK) Limited

Notes to the accounts
Year ended 31 December 2012

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted are described below. They have all been consistently applied throughout the current year and preceding year.

Going concern

Seven Energy (UK) Limited (the "Company") has adopted the going concern basis of accounting for the reasons outlined in the Going Concern 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 Seven Energy'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 are in the UK, supporting the parent's corporate and administrative activities, and the oil and gas exploration, development and production activities of fellow Group subsidiaries in Nigeria.

1. Accounting policies (continued)

Foreign currencies

The presentational currency of the Group is the US dollar, which is also the Company's functional currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates 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. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the exchange rates at the date of transactions.

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 behavioral 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 vesting period, 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 capital contribution 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

Operating 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.

2. Operating loss

The operating loss is stated after charging/crediting:

	2012 $'000	2011 $'000
Loss on sale of equipment	-	2
Foreign exchange (gain)/loss	(290)	264
Depreciation	157	152
Operating leases – land and buildings	534	603
Fees payable to the Company's auditor for the audit of the Company's annual accounts	26	23
Fees payable to the Company's auditor for non-audit services provided:		
- Tax services	6	11

3. Staff costs

Average number of staff (including the executive director) in 2012 was as follows:

	2012 No.	2011 No.
Technical	5	5
Finance, legal and administration	18	17
Total	23	22

Total staff costs comprised:

	2012 $'000	2011 $'000
Wages and salary costs	7,463	7,131
Social security costs	921	700
Pension costs	524	462
	8,908	8,293

Seven Energy (UK) Limited

Notes to the accounts
Year ended 31 December 2012

4. Director's remuneration

One executive director was employed by the Company during 2012 (2011: two). The director's remuneration was as follows:

	2012 $'000	2011$'000
Emoluments	1,136	662
Company contribution to money purchase pension schemes	65	39
Compensation for loss of office	-	502
Consideration paid to third parties [i]	129	128
	1,330	1,331

[i] During 2011 and 2012, a related party transaction took place between the Group and Amaya Capital Partners, a company in which Phillip Ihenacho, the Company's director, has an interest in. Amaya Capital Partners was paid consultancy fees during the year of $129,000 (2011: $128,000) in connection with capital-raising, identifying acquisition opportunities, and sales contract discussions for Seven Energy.

In addition to the amounts noted above, during the year there were stock-based compensation awards to one director (2011: one) contributing to a share-based payments charge of $506,000 in the year (2011: $1,597,000).

The executive director who served throughout the year was a member of the defined contribution retirement benefit scheme (2011: two).

The remuneration of the highest paid director in the year was $1,201,000 (2011: $560,000), which comprised emoluments of $1,136,000 (2011: $525,000) and Company contributions to a defined contribution retirement benefit scheme of $65,000 (2011: $35,000). The highest paid director did not exercise any share options in the year (2011: nil).

5. Taxation on loss on ordinary activities

	2012 $'000	2011 $'000
Analysis of tax (credit)/charge in the year:		
Foreign tax (credit)/charge on losses for the year	(20)	39
Adjustments in respect of prior years	(40)	-
Total current tax (credit)/charge	(60)	39
Deferred tax		
Origination and reversal of timing differences	-	-
Tax (credit)/charge on loss on ordinary activities	(60)	39

5. Taxation on loss on ordinary activities (continued)

Factors affecting tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 24.5% (2011: 26.5%). 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:

	2012 $'000	2011 $'000
Loss on ordinary activities before tax	(30)	(1,333)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	(7)	(353)
Effects of:		
Expenses not deductible/income not taxable for tax purposes	4	-
Transfer pricing adjustments	101	-
Fixed asset timing differences	(9)	40
Rate changes during the period	21	-
Other timing differences	328	1,451
Adjustments to tax charge in respect of prior periods	(40)	-
Group relief claimed for nil consideration	(454)	(1,099)
Effect of overseas tax rates	(4)	-
Current tax (credit)/charge for the year	(60)	39

Deferred tax

There is an unrecognised deferred tax asset in respect of US losses and timing differences of $155,838 (2011: $164,070) and $1,798,483 (2011: $1,531,134) 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, reduced the rate from 26 per cent to 24 per cent from 1 April 2012. The 2012 Finance Act also reduced the main rate of corporation tax from 24 per cent to 23 per cent from 1 April 2013 and the subsequent 2013 Finance Bill announced that the corporation tax rate would be further reduced to 21 per cent from 1 April 2014, instead of 22 per cent as per the 2012 Finance Act. The decrease from 23 per cent to 21 per cent is not expected to be substantively enacted until just before the 2013 Finance Bill is ready to receive Royal Assent. The 2013 Budget announced that the corporation tax rate would be further reduced from 21 per cent to 20 per cent from 1 April 2015. However, due to no deferred tax being recognised in the UK entities, these effects would not have any impact on the financial statements.

6. Profit attributable to the company

The profit for the financial year dealt with in the financial statements of the Company was $25,000 (2011: loss of $1,335,000). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company.

7. Share based payments

During 2012 and 2011, Seven Energy International Limited 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 $1,444,000 (2011: $3,875,000) for the Group and $1,444,000 (2011: $3,663,000) for the Company and has been treated as a capital contribution from the ultimate parent company.

Discretionary Share Option Plan

Seven operates a US dollar 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 are provided in Seven Energy's 2012 financial statements.

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 2011	53,539	339.58	50,802	340.72
Granted during the year	16,397	350.00	16,397	350.00
Forfeited during the year	(18,416)	343.35	(18,216)	343.60
Outstanding at 31 December 2011	51,520	341.75	48,983	342.61
Exercisable at 31 December 2011	18,601	-	17,052	-
Outstanding at 1 January 2012	51,520	341.75	48,983	342.61
Granted during the year	3,472	304.31	3,472	304.31
Forfeited during the year	(1,464)	350.00	(1,464)	350.00
Outstanding at 31 December 2012	53,528	310.42	50,991	310.85
Exercisable at 31 December 2012	35,924	309.43	32,772	307.22

The weighted average remaining contractual life of the options outstanding at 31 December 2012 was 8.03 years (2011: 8.40 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 2012 and 2011 were as follows:

Seven Energy (UK) Limited

Notes to the accounts
Year ended 31 December 2012

7. Share-based payments (continued)

	2012	2011
Weighted average share price	$315.00	$350.00
Weighted average exercise price	$304.31	$350.00
Weighted average target price before eligibility to exercise (barrier)	n/a	$700.00
Expected volatility	106.30%-111.00%	61.00-77.00%
Expected life (years)	0.67	2.5
Risk-free rate	0.31-0.33%	0.52-0.82%
Expected dividends	nil	nil

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.

8. Tangible fixed assets

Group and Company	Leasehold improvements $'000	Furniture, fixtures & equipment $'000	Computer software & hardware $'000	Total $'000
Cost or valuation				
At 1 January 2012	300	269	183	752
Additions	7	9	304	320
At 31 December 2012	307	278	487	1,072
Depreciation				
At 1 January 2012	59	112	76	247
Charge for the year	31	60	66	157
At 31 December 2012	90	172	142	404
Net book value at 31 December 2012	217	106	345	668
Net book value at 31 December 2011	241	157	107	505

9. Debtors

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Amounts owed by fellow subsidiary undertakings	55,020	57,950	48,272	50,598
Prepayments	115	130	115	130
Other debtors	1,131	889	1,116	887
	56,266	58,969	49,503	51,615

10. Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Amounts owed to fellow subsidiary undertakings	46,362	51,363	39,644	44,204
Other creditors	1,167	1,403	1,181	1,241
Accruals	2,026	1,055	2,002	892
	49,555	53,821	42,827	46,337

11. Share capital

	2012	2011
	$	$
Authorised		
100 Ordinary shares of £l each	155	155
Allotted, called up and fully paid		
1 Ordinary shares share of £1 each	2	2

The par value of the shares is stated in Pounds Sterling and translated at a historical £/$ rate of 1.5456.

12. Reserves

Group	Capital contribution account $'000	Currency translation reserve $'000	Profit and loss account $'000	Total $'000
At 1 January 2012	7,114	(144)	(506)	6,464
Profit for the financial year	-	-	30	30
Share based payments issued by Seven	1,444	-	-	1,444
At 31 December 2012	8,558	(144)	(476)	7,938

Currency translation reserve: The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations. The reserve was frozen from 1 January 2012 as the functional currency of Seven Energy (UK) Limited was changed from Sterling to US dollars on the basis that the US dollar is more representative of its expanded group-wide support activities.

Company	Capital contribution account $'000	Profit and loss account $'000	Total $'000
At 1 January 2012	6,675	(259)	6,416
Profit for the financial year	-	25	25
Share based payments issued by Seven	1,444	-	1,444
At 31 December 2012	8,119	(234)	7,885

13. Reconciliation of movement in consolidated shareholder's funds

Group	2012 $'000	2011 $'000
Profit/(loss) for the financial year	30	(1,372)
Share based payments issued by Seven	1,444	3,875
Other recognised losses relating to the year (net)	-	(84)
Net additions to shareholder's funds	1,474	2,419
Opening shareholder's funds	6,464	4,045
Closing shareholder's funds	7,938	6,464

14. Reconciliation of operating loss to operating cash flows

	2012 $'000	2011 $'000
Operating loss	(30)	(1,335)
Depreciation expense	157	152
Loss on disposal	-	2
Share-based payments	1,444	3,875
Foreign exchange movements	(290)	-
Decrease/(increase) in debtors	4,042	(18,213)
(Decrease)/increase in creditors	(5,504)	15,621
Net cash inflow from operating activities	(181)	102

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.

The total cost charged to income of the Group is $524,000 (2011: $462,000), and of the Company is $523,000 (2011: $453,000) representing contributions payable to these schemes by the Group and Company at rates specified in the rules of the plans. As at 31 December 2012, no contributions (2011: $23,000) were due in respect of the current accounting period.

16. Related party transactions

Transactions with the director of the Company are disclosed in note 4.

During 2012, the Company and Group made sales of $9,440,000 to fellow subsidiary undertakings in Seven Energy.

During 2011, the Company made sales of $10,481,000 and the Group made sales of $11,074,000 to fellow subsidiary undertakings in Seven Energy.

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 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 Seven Energy. The Company owns 100% of the $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 2012

19. Operating lease commitments

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

	Land and buildings	
	2012	**2011**
	$'000	**$'000**
Group and Company		
Expiry date		
- Within one year	4	6
- Within 2 to 5 years	622	635
- After 5 years	-	-
	626	641