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REGISTERED NUMBER: SC274045

TOT DRILLING LIMITED

REPORT OF THE DIRECTOR AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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COMPANIES HOUSE

Johnston Carmichael LLP
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

TOT DRILLING LIMITED (REGISTERED NUMBER: SC274045)

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FOR THE YEAR ENDED 31 DECEMBER 2012

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TOT DRILLING LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTOR:	A J Croll
SECRETARY:	Raeburn Christie Clark & Wallace
REGISTERED OFFICE:	8th Floor Salvesen Tower Blaikies Quay Aberdeen AB11 5PW
REGISTERED NUMBER:	SC274045
AUDITORS:	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL

REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 31 DECEMBER 2012

The director presents his report with the financial statements of the company and the group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES
The principal activities of the group in the year under review were those of the provision of management services for offshore drilling rigs and other related oilfield services.

REVIEW OF BUSINESS
The results of group show a pre-tax profit\(loss) of £6,061,555 (2011 - £(4,531,458)) and turnover of £2,729,361 (2011 - £7,565,645).

The group's turnover continued to decline due to the lack of availability of drilling contracts but due to recovery of bad debts previously written off profitability increased.

The group still only has one active management agreement for operating a rig in offshore Mexico. This agreement has approximately one year to run.

The group continues to be dependent on operation of drilling rigs for its management income but no opportunities have arisen to enable the group to obtain any rig management contracts.

The group continues to review its cash flow requirements on a regular basis and maintains relatively high liquidity levels.

Given the straightforward nature of the business the directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the group.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2012.

DIRECTOR
A J Croll held office during the whole of the period from 1 January 2012 to the date of this report.

REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director 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 the group and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and he 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 group's auditors are aware of that information.

AUDITORS

The auditors, Johnston Carmichael LLP, will be deemed re-appointed under s487 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



A J Croll - Director

Date: 3 April 2014

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TOT DRILLING LIMITED

We have audited the financial statements of TOT Drilling Limited for the year ended 31 December 2012 on pages six to twenty seven. 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 a Report of the Auditors 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 director and auditors
As explained more fully in the Statement of Director's Responsibilities set out on page three, 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 Report of the Director 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.

Basis for qualified opinion on financial statements
The group interest in associates includes £4,960,000 for the group share of net assets of Larsen Oil & Gas Pte, a subsidiary of the associate Larsen Oil & Gas FZCO. The financial statements of Larsen Oil & Gas Pte have not been audited for the year ended 31 December 2012. Consequently we have been unable to obtain sufficient appropriate audit evidence to substantiate the Larsen Oil & Gas Pte net assets of £4,960,000 included in group interest in associates. Any adjustment to the net assets of Larsen Oil & Gas Pte may also impact on the amortisation of goodwill of associates of £950,000 and the profit on disposal of fixed asset investments of £3,220,000.

Qualified opinion on financial statements
In our opinion, except for the effects of the matter referred to in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the group's and of the parent 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 properly prepared in accordance with the Companies Act 2006.

Emphasis of matter - Going Concern
In forming our opinion on the financial statements, which is not qualified in this respect, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. These disclosures indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was 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 Report of the Director 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
In respect solely of the limitation on our work relating to the interest in associates, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.
- we were unable to determine whether adequate accounting records had been kept.

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:

- 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 director's remuneration specified by law are not made.

Johnston Carmichael LLP

Niall Farquharson (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

Date: 3 April 2014

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
TURNOVER	2	2,729,361	7,565,645
Cost of sales		782,198	1,020,647
Exceptional item	5	(981,079)	(4,377,872)
GROSS PROFIT		2,928,242	10,922,870
Administrative expenses		831,857	5,621,624
Exceptional item		(4,720,588)	5,363,783
		6,816,972	(62,537)
Other operating income		719,432	1,960
GROUP OPERATING PROFIT/(LOSS)	4	7,536,404	(60,577)
Share of operating profit/(loss) in Associates		1,839,508	(3,005,770)
Amortisation of goodwill Associates		948,453	(71,672)
Loss on sale of investments	5	3,221,687	-
		7,102,678	(3,138,019)
Interest receivable and similar income		156,513	258,325
		7,259,191	(2,879,694)
Interest payable and similar charges	6	1,197,636	1,651,764
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		6,061,555	(4,531,458)
Tax on profit/(loss) on ordinary activities	7	123,153	915,917
PROFIT/(LOSS) FOR THE FINANCIAL YEAR FOR THE GROUP		5,938,402	(5,447,375)

The notes form part of these financial statements

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

The notes form part of these financial statements

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2012

	Notes	2012 £	2012 £	2011 £	2011 £
FIXED ASSETS					
Tangible assets	10		328,418		685,182
Investments	11				
Interest in associates			5,111,817		1,560,200
			5,440,235		2,245,382
CURRENT ASSETS					
Debtors	12	2,445,137		2,853,054	
Cash at bank and in hand	13	14,986,017		21,836,226	
		17,431,154		24,689,280	
CREDITORS					
Amounts falling due within one year	14	10,490,089		20,215,434	
NET CURRENT ASSETS			6,941,065		4,473,846
TOTAL ASSETS LESS CURRENT LIABILITIES			12,381,300		6,719,228
PROVISIONS FOR LIABILITIES	15		12,534		51,682
NET ASSETS			12,368,766		6,667,546
CAPITAL AND RESERVES					
Called up share capital	16		10,000		10,000
Foreign exchange reserve	17		(141,025)		96,157
Profit and loss account	17		12,499,791		6,561,389
SHAREHOLDERS' FUNDS	20		12,368,766		6,667,546

The financial statements were approved by the director on 3 April 2014 and were signed by:

.....
A J Croll - Director

The notes form part of these financial statements

COMPANY BALANCE SHEET
31 DECEMBER 2012

	Notes	2012 £	2012 £	2011 £	2011 £
FIXED ASSETS					
Tangible assets	10		328,418		685,182
Investments	11		3,209		3,209
			331,627		688,391
CURRENT ASSETS					
Debtors	12	2,431,664		3,025,658	
Cash at bank and in hand	13	14,912,651		21,750,045	
		17,344,315		24,775,703	
CREDITORS					
Amounts falling due within one year	14	10,822,240		20,557,119	
NET CURRENT ASSETS			6,522,075		4,218,584
TOTAL ASSETS LESS CURRENT LIABILITIES			6,853,702		4,906,975
PROVISIONS FOR LIABILITIES	15		12,534		51,682
NET ASSETS			6,841,168		4,855,293
CAPITAL AND RESERVES					
Called up share capital	16		10,000		10,000
Profit and loss account	17		6,831,168		4,845,293
SHAREHOLDERS' FUNDS	20		6,841,168		4,855,293

The financial statements were approved by the director on 3 April 2014 and were signed by:

A J Croll - Director

The notes form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2012 £	2011 £	2011 £
Net cash (outflow)/inflow from operating activities	1		(6,134,464)		4,176,627
Returns on investments and servicing of finance	2		3,469		21,683
Taxation			(1,186,358)		192,713
Capital expenditure and financial investment	2		467,144		438,480
Equity dividends paid			-		(3,600,000)
			(6,850,209)		1,229,503
Financing	2		8,338,528		(22,347)
Increase in cash in the period			1,488,319		1,207,156

	Notes				
Reconciliation of net cash flow to movement in net funds	3				
Increase in cash in the period		1,488,319		1,207,156	
Cash (inflow)/outflow from (decrease)/increase in liquid resources		(8,338,528)		22,347	
Change in net funds resulting from cash flows			(6,850,209)		1,229,503
Movement in net funds in the period			(6,850,209)		1,229,503
Net funds at 1 January			21,836,226		20,606,723
Net funds at 31 December			14,986,017		21,836,226

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit/(loss)	7,536,404	(60,577)
Depreciation charges	356,764	356,764
Profit on disposal of fixed assets	-	(438,480)
Foreign exchange movements	23,516	18,414
	-	(8,576,044)
(Increase)/decrease in debtors	(4,170,925)	7,498,232
(Decrease)/increase in creditors	(9,880,223)	5,378,318
Net cash (outflow)/inflow from operating activities	(6,134,464)	4,176,627

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	15,952	21,683
Interest paid	(12,483)	-
Net cash inflow for returns on investments and servicing of finance	3,469	21,683
Capital expenditure and financial investment		
Sale of tangible fixed assets	-	438,480
Sale of fixed asset investments	467,144	-
Net cash inflow for capital expenditure and financial investment	467,144	438,480
Financing		
Decrease/(increase) in arrested funds	8,338,528	(22,347)
Net cash inflow/(outflow) from financing	8,338,528	(22,347)

The notes form part of these financial statements

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.12 £	Cash flow £	At 31.12.12 £
Net cash:			
Cash at bank and in hand	21,836,226	(6,850,209)	14,986,017
Less: Arrested funds	(14,871,904)	8,338,528	(6,533,376)
	6,964,322	1,488,319	8,452,641
	6,964,322	1,488,319	8,452,641
Arrested funds	14,871,904	(8,338,528)	6,533,376
	14,871,904	(8,338,528)	6,533,376
Total	21,836,226	(6,850,209)	14,986,017

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Basis of preparation of the financial statements
The financial statements have been prepared on the going concern basis. As detailed in note 18 there is an ongoing claim against the company. The current financial resources of the company are such that, should it be unsuccessful in defending the claim it is unlikely that the company would be able to find sufficient funds to continue. To date no legal action has been instigated in this case and as the outcome remains uncertain, the directors are of the opinion that the company remains a going concern.

Basis of consolidation
The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings for the year ended 31 December 2012. No profit and loss account is presented for TOT Drilling Limited as provided by section 408 of the Companies Act 2006.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group accounts, associates are accounted for using the equity method.

Turnover
Turnover represents net invoiced sales of goods and services, excluding value added tax, and is recognised when the group obtains the right to consideration in exchange for its performance.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery - 10-25% on cost

Deferred tax
Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date, to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

continued...

1. ACCOUNTING POLICIES - continued

Foreign currencies

Company

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over the useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or circumstances indicate that the carrying value may not be recoverable.

Negative goodwill, up to the fair value of non-monetary assets acquired, is capitalised, classified as an asset on the balance sheet and amortised over the period in which those assets are written off.

2. TURNOVER

The turnover and profit (2011 - loss) before taxation are attributable to the principal activities of the group.

An analysis of turnover by geographical market is given below:

	2012	2011
	£	£
United Kingdom	30,647	14,769
Europe	102,243	6,986,846
Rest of the World	2,596,471	564,030
	2,729,361	7,565,645

3. STAFF COSTS

	2012	2011
	£	£
Wages and salaries	186,204	394,416
Social security costs	13,974	12,710
	200,178	407,126

continued...

3. STAFF COSTS - continued

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

	2012	2011
Direct	3	3
Directors	1	2
	4	5

4. OPERATING PROFIT/(LOSS)

The operating profit (2011 - operating loss) is stated after charging/(crediting):

	2012	2011
	£	£
Depreciation - owned assets	356,764	356,764
Profit on disposal of fixed assets	-	(438,480)
Auditors' remuneration	35,750	24,450
Foreign exchange differences	860,561	(31,756)
Amortisation of goodwill	(948,453)	71,672
Directors' remuneration	50,000	260,000

5. EXCEPTIONAL ITEMS

Included within cost of sales is a credit in regard to the amount provided for ongoing legal actions against the company of £981,079 (2011 - £4,377,872).

Included in administrative expenses is the write back of an amount due from an associated company of £4,720,588 (2011 - amount written off £5,363,783).

The loss on sale of investment arose following the part disposal of Larsen Oil & Gas FZCO.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Bank interest	83	8,020
Other interest payable	1,197,553	1,643,744
	1,197,636	1,651,764

continued...

7. TAXATION

Analysis of the tax charge
The tax charge on the profit on ordinary activities for the year was as follows:

	2012 £	2011 £
Current tax:		
UK corporation tax	162,300	902,580
Over provision in previous years	-	(2,456,166)
Associates corporation tax	-	(86,691)
Total current tax	162,300	(1,640,277)
Origination and reversal of timing differences	(39,147)	2,556,194
Tax on profit/(loss) on ordinary activities	123,153	915,917

Factors affecting the tax charge
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2012 £	2011 £
Profit/(loss) on ordinary activities before tax	6,061,555	(4,531,458)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.497% (2011 - 26.500%)	1,484,899	(1,200,836)
Effects of:		
Expenses not deductible for tax purposes	314,931	2,725,363
Income not taxable for tax purposes	(807,325)	-
Capital allowances in excess of depreciation	(48,561)	(52,782)
Utilisation of tax losses	-	(53,625)
Adjustments to tax charge in respect of previous periods	-	(2,542,857)
Losses carried forward	13,648	7,237
Other timing differences	(354,105)	(241,345)
Different tax rates in other countries	(440,234)	(283,848)
Overseas taxation	-	2,416
Marginal relief	(953)	-
Current tax charge	162,300	(1,640,277)

continued...

8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £1,985,875 (2011 - £(2,558,273) loss).

9. DIVIDENDS

	2012 £	2011 £
A Ordinary Shares shares of £1 each		
Final	-	3,600,000

10. TANGIBLE FIXED ASSETS

Group

	Plant and machinery £
COST	
At 1 January 2012 and 31 December 2012	2,346,213
DEPRECIATION	
At 1 January 2012	1,661,031
Charge for year	356,764
At 31 December 2012	2,017,795
NET BOOK VALUE	
At 31 December 2012	328,418
At 31 December 2011	685,182

continued...

10. TANGIBLE FIXED ASSETS - continued

Company

	Plant and machinery £
COST	
At 1 January 2012 and 31 December 2012	2,346,213
DEPRECIATION	
At 1 January 2012	1,661,031
Charge for year	356,764
At 31 December 2012	2,017,795
NET BOOK VALUE	
At 31 December 2012	328,418
At 31 December 2011	685,182

continued...

11. FIXED ASSET INVESTMENTS

Group

	Interest in associates £
COST	
At 1 January 2012	6,122,392
Additions	6,510,277
Disposals	(3,688,831)
Exchange differences	(448,982)
Transfers	(2,810,451)
At 31 December 2012	5,684,405
PROVISIONS	
At 1 January 2012	4,562,192
Provision for year	(948,453)
Provision written back	(42,416)
Exchange differences	(188,284)
Transfers	(2,810,451)
At 31 December 2012	572,588
NET BOOK VALUE	
At 31 December 2012	5,111,817
At 31 December 2011	1,560,200

continued...

11. **FIXED ASSET INVESTMENTS – continued**

Group

Interest in associates

	Share of net assets £	Goodwill £
COST		
At 1 January 2012	5,764,033	358,359
Additions	7,530,401	(1,020,124)
Disposals	(3,688,831)	-
Exchange differences	(448,982)	-
Transfers	(2,810,451)	-
At 31 December 2012	6,346,170	(661,765)
PROVISIONS		
At 1 January 2012	4,275,504	286,688
Provision for year	-	(948,453)
Provision written back	(42,416)	-
Exchange differences	(188,284)	-
Transfers	(2,810,451)	-
At 31 December 2012	1,234,353	(661,765)
NET BOOK VALUE		
At 31 December 2012	5,111,817	-
At 31 December 2011	1,416,858	71,671

The group's aggregate share of associates at the year end is as follows:

	2012 £	2011 £
Turnover	39,342	1,275,476
Share of assets		
Fixed assets	2,924,986	2,216,084
Current assets	5,597,480	6,702,512
Share of liabilities		
Share of liabilities due within one year	(3,043,937)	(7,073,800)
Share of liabilities due after one year or more	(366,712)	(356,267)
Share of net assets	5,111,817	1,488,529

continued...

11. **FIXED ASSET INVESTMENTS - continued**

Group

Larsen Oil & Gas FZCO
The group's share of Larsen Oil & Gas FZCO is as follows:

	2012 £	2011 £
Turnover	-	335,609
Profit before tax	608,782	891,745
Taxation	-	86,691
Profit after tax	608,782	978,436
Share of assets		
Fixed assets	1,784,431	5,026,535
Current assets	5,118,110	6,220,440
Share of liabilities		
Liabilities due within one year	(2,946,017)	(6,983,245)
Liabilities due after one year or more	(366,712)	(356,267)
Share of net assets	3,589,812	3,907,463

Company

	Shares in group undertakings £	Interest in associates £	Totals £
COST			
At 1 January 2012 and 31 December 2012	3,209	128,499	131,708
PROVISIONS			
At 1 January 2012 and 31 December 2012	-	128,499	128,499
NET BOOK VALUE			
At 31 December 2012	3,209	-	3,209
At 31 December 2011	3,209	-	3,209

continued...

11. FIXED ASSET INVESTMENTS - continued

The company had the following investments at the year end:

Name	County of incorporation	Class of shares held	% held	Nature of business
Subsidiaries				
Petrolia Drilling (UK) Limited	Scotland	Ordinary	100.0%	Dormant
Larsen Oil & Gas Brasil Limited	Brazil	Ordinary	99.9%	Exploration and exploitation of oil
Associates				
Larsen Oil & Gas FZCO	United Arab Emirates	Ordinary	64%	Management of oil rigs
Network Drilling Limited	United Arab Emirates	Ordinary	32%	Provision of oilfield services personnel
Subsidiaries of associates				
Larsen Oil & Gas Pte	Singapore	Ordinary	64%	Provision of management services and operation of rigs

In June 2012 the company purchased additional shares in Larsen Oil & Gas FZCO which increased its' shareholding to 96%. In December 2012 the company sold 48% of it's shares to Network Drilling Limited. As the company does not control Network Drilling Limited, it does not control Larsen Oil & Gas FZCO, and therefore the company remains an associate.

Network Drilling Pte, a subsidiary of Network Drilling Limited, was liquidated by the shareholders during the year.

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	1,009,245	161,524	995,867	161,524
Amounts owed by group undertakings	-	-	-	191,111
Amounts owed by participating interests	5,200	4,875	5,200	4,875
Other debtors	592,901	2,553,616	592,901	2,535,128
VAT	61,481	96,622	61,481	96,622
Prepayments and accrued income	776,310	36,417	776,215	36,398
	2,445,137	2,853,054	2,431,664	3,025,658

continued...

13. CASH AT BANK AND IN HAND

Group and company
Included in cash at bank and in hand is £6,533,376 (2011 - £14,871,904) of funds which have been arrested as part of the legal action ongoing against the company. The action was settled post year end using the arrested funds. The full amount due is included within creditors.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	1,535,553	9,660,401	1,535,554	9,661,181
Amounts owed to group undertakings	-	-	346,427	346,427
Tax	1,062,022	2,086,080	1,062,022	2,086,080
Social security and other taxes	11,152	16,065	9,203	15,802
Other creditors	372,171	455,166	362,143	451,307
Accruals and deferred income	7,509,191	7,997,722	7,506,891	7,996,322
	10,490,089	20,215,434	10,822,240	20,557,119

15. PROVISIONS FOR LIABILITIES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Deferred tax				
Accelerated capital allowances	12,534	51,682	12,534	51,682

Group

	Deferred tax
	£
Balance at 1 January 2012	51,682
Credit to profit and loss account during year	(39,148)
Balance at 31 December 2012	12,534

continued...

15. PROVISIONS FOR LIABILITIES - continued

Company

	Deferred tax £
Balance at 1 January 2012	51,682
Credit to profit and loss account during year	(39,148)
Balance at 31 December 2012	12,534

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2012 £	2011 £
1,000	A Ordinary Shares	£1	1,000	1,000
9,000	B Ordinary Shares	£1	9,000	9,000
			10,000	10,000

17. RESERVES

Group

	Profit and loss account £	Foreign exchange reserve £	Totals £
At 1 January 2012	6,561,389	96,157	6,657,546
Profit for the year	5,938,402	-	5,938,402
Foreign exchange gain/(loss)	-	(237,182)	(237,182)
At 31 December 2012	12,499,791	(141,025)	12,358,766

Company

	Profit and loss account £
At 1 January 2012	4,845,293
Profit for the year	1,985,875
At 31 December 2012	6,831,168

continued...

18. CONTINGENT LIABILITIES

Company
Petroleo Brasileiro SA - Petrobas have made a claim for $60.5 million for liquidated damages against the company. The company holds a management agreement with Petromena ASA which provides the company with an indemnity against such claims. To date no legal proceedings have been instituted against the company in relation to the claim.

continued...

19. RELATED PARTY DISCLOSURES

Company
The company was under the control of B G Larsen during the current and previous year.

During the year the company recharged expenses of £nil (2011 - £3,754) to Dove Energy Limited and incurred costs £2,328 (2011 - £56) on behalf of Dove Energy Limited, a company in which B G Larsen has an indirect shareholding. The balance due to Dove Energy Limited at the year end was £93 (2011 - £nil).

During the year the company provided services of £21,450 (2011 - £11,550), incurred sponsorship of £nil (2011 - £175,000) and incurred costs of £7,532 (2011 - £6,656) to Hartlepool United Football Club Limited, a company in which B G Larsen has an indirect shareholding. The balance due from Hartlepool United Football Club Limited at the year end was £1,980 (2011 - £13,504).

During the year the company recharged expenses of £8,176 (2011 - £6,331), received interest of 142,807 (2011 - £236,642), incurred costs of £nil (2011 - £16,500) and advanced a loan of £nil (2011 - £1,067,537) to Larsen Oil & Gas FZCO, an associated company. An amount of £4,707,449 due from Larsen Oil & Gas Limited was converted to shares during the year. The balance due from Larsen Oil & Gas FZCO at the year end was £1,250,437 (2011 - £5,363,873). A bad debt provision of £nil (2011 - £5,363,873) was made against this debtor during the year.

During the year the company recharged expenses of £nil (2011 - £797,708). to Larsen Oil & Gas Pte, a subsidiary of an associate.

During the year the company advanced a loan of £nil (2011 - £49,996) to Larsen Oil & Gas Brasil Limited, a subsidiary. The balance due from Larsen Oil & Gas Brasil Limited at the year end was £195,095 (2011 - £191,111). A bad debt provision of £195,095 (2011 - £nil) was made during the year against this debtor.

During the year the company recharged expenses of £271 (2011 - £nil), incurred rent, consultancy fees and other costs of £500,807 (2011 - £554,216) from Increased Oil Recovery Limited, a company in which B G Larsen holds an indirect significant shareholding. The balance due to Increased Oil Recovery Limited at the year end was £nil (2011 - £36,047). The company also held funds to the value of £280,528 (2011 - £7,512) on behalf of the company.

During the year the company recharged expenses of £28,916 (2011 - £60,396), incurred management fees of £nil (2011 - £43,848) from Network Drilling Limited, an associated company. The trading balance due from Network Drilling Limited at the year end was £5,002 (2011 - £4,875).

During the year the company incurred accountancy fees of £399,407 (2011 - £572,734) from A J Croll & Co, a firm owned by A J Croll, the director. The balance due to A J Croll & Co at the year end was £nil (2011 - £25,920).

During the year the company paid fees of £nil (2011 - £166,421) to Callidus Services Limited, a company owned by D W Montgomery, a former director. The balance due to Callidus Services Limited at the year end was £nil (2011 - £31,044).

continued...

19. **RELATED PARTY DISCLOSURES - continued**

At the year end the company was due £346,427 (2011 - £346,427) to Petrolia Drilling (UK) Limited, a subsidiary.

During the year costs of £2,857 (2011 - £nil) were charged to Independent Oilfield Rentals (IOR) Limited, a company in which B G Larsen holds an indirect shareholding. At the year end the balance due from Independent Oilfield Rentals (IOR) Limited was £nil (2011 - £14,962).

At the year end the company was due £236,339 (2011 - £246,344) to B G Larsen, the controlling shareholder.

20. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

Group

	2012	2011
	£	£
Profit/(loss) for the financial year	5,938,402	(5,447,375)
Dividends	-	(3,600,000)
	5,938,402	(9,047,375)
Foreign exchange reserve movement	(237,182)	74,206
Net addition/(reduction) to shareholders' funds	5,701,220	(8,973,169)
Opening shareholders' funds	6,667,546	15,640,715
Closing shareholders' funds	12,368,766	6,667,546

Company

	2012	2011
	£	£
Profit/(loss) for the financial year	1,985,875	(2,558,273)
Dividends	-	(3,600,000)
Net addition/(reduction) to shareholders' funds	1,985,875	(6,158,273)
Opening shareholders' funds	4,855,293	11,013,566
Closing shareholders' funds	6,841,168	4,855,293