

Registered number: SC402713

REACH ENERGY LIMITED

UNAUDITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2015

ABBREVIATED BALANCE SHEET
AS AT 30 JUNE 2015

	Note	£	2015 £	£	2014 £
FIXED ASSETS					
Exploration & evaluation assets	3		101,340		482,718
Property, plant & equipment	4		<u>150,115</u>		<u>603,201</u>
			251,455		1,085,919
CURRENT ASSETS					
Debtors		61,802		73,869	
Cash at bank and in hand		<u>180,742</u>		<u>82,178</u>	
		242,544		156,047	
CREDITORS: amounts falling due within one year			<u>(105,691)</u>	<u>(67,793)</u>	
NET CURRENT ASSETS			<u>136,853</u>		<u>88,254</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			388,308		1,174,173
CREDITORS: amounts falling due after more than one year			<u>(1,707,433)</u>	<u>(1,359,703)</u>	
NET LIABILITIES			<u>(1,319,125)</u>	<u>(185,530)</u>	
CAPITAL AND RESERVES					
Called up share capital	5		2		2
Profit and loss account			<u>(1,319,127)</u>	<u>(185,532)</u>	
SHAREHOLDERS' DEFICIT			<u>(1,319,125)</u>	<u>(185,530)</u>	

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 30 June 2015 and of its loss for the year in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

REACH ENERGY LIMITED

ABBREVIATED BALANCE SHEET (continued)
AS AT 30 JUNE 2015

The abbreviated accounts, which have been prepared in accordance with the provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, were approved and authorised for issue by the board and were signed on its behalf by:

M Newman
Director

Date: 2 February 2016

The notes on pages 3 to 6 form part of these financial statements.

**NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. GOING CONCERN

At 30 June 2015 the company had net liabilities of £1,319,125. Included within these liabilities are amounts due to the directors of £1,707,433. The directors have confirmed that they shall not seek repayments of amounts due to the detriment of other creditors. Furthermore the directors have confirmed that the company continued trading and generated revenue in the following financial year. As a result of assurances given by the directors, the accounts have been prepared on a going concern basis.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

2.2 Turnover

Turnover comprises revenue recognised by the company in respect of oil and gas production sold, exclusive of Value Added Tax.

2.3 Exploration and evaluation assets (E&E)

E&E costs, including the costs of acquiring undeveloped land and drilling costs are initially capitalised until the drilling of the well is complete and the results have been evaluated. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. If proved and/or probable reserves are found, the drilling costs and associated undeveloped land are transferred to development and production assets. The cost of undeveloped that expires or any impairment of capitalised E&E expenditures recognised during a period is charged to the profit and loss account.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units ("CGU's").

**NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2015**

2. ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

Items of property, plant and equipment currently consists of office equipment, fixtures and fittings and oil and gas development and production assets. Property, plant & equipment assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses.

The cost of development and production assets will include; transfers from E&E assets, which generally include the cost to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs; geological and geophysical costs; and directly attributable overheads.

When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Development and production assets are grouped into CGU's for impairment testing.

Depletion and depreciation:

The net carrying value of development and production assets will be depleted using the unit of production method by reference to the ratio of production in the period to the related estimate of recoverable reserves.

Fixtures and fittings and office equipment costs are depreciated over their expected useful lives on the following bases:

Fixtures and Fittings	- 15% straight line
Office Equipment	- 33% straight line

2.5 Impairment

Property, plant and equipment and E&E assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. An asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of property, plant and equipment is calculated as the difference between its carrying amount and the recoverable amount, which is either the present value of the estimated future cash flows discounted at the original effective interest rate or fair value less cost of disposal. An impairment loss in respect of E&E assets is recognised if the carrying amount of a CGU exceeds its estimated recoverable amount.

Impairment losses are recognised as a depletion and depreciation expense in the profit and loss account.

2.6 Foreign currencies

The functional currency of the Company is Sterling. Foreign currency denominated transactions are translated into the entity's functional currency as follows; monetary items denominated in foreign currencies are translated into its functional currency at the rates of exchange at the period end date. Non-monetary items translated to the functional currency at the historical exchange rate. Any gains or losses are recorded in the profit and loss account.

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (continued)

2.7 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.

Deferred tax assets and liabilities are not discounted.

3. EXPLORATION AND EVALUATION ASSETS

	£
Cost	
At 1 July 2014	482,718
Additions	66,373
Licence relinquishments	(102,854)
At 30 June 2015	446,237
Impairment	
At 1 July 2014	-
Charge for the year	344,897
At 30 June 2015	344,897
Net book value	
At 30 June 2015	101,340
At 30 June 2014	482,718

During the year and post year end, oil prices have fallen significantly and as a result an impairment review of the exploration and evaluation assets was carried out. This review resulted in a charge of £344,897. The assets were valued at their recoverable amount based on current licence/acreage market values of between \$250-\$350 per acre.

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2015

4. PROPERTY, PLANT AND EQUIPMENT

	£
Cost	
At 1 July 2014	650,085
Additions	<u>271,678</u>
At 30 June 2015	<u>921,763</u>
Depreciation and impairment	
At 1 July 2014	46,884
Depreciation charge for the year	85,605
Impairment charge for the year	<u>639,159</u>
At 30 June 2015	<u>771,648</u>
Net book value	
At 30 June 2015	<u><u>150,115</u></u>
At 30 June 2014	<u><u>603,201</u></u>

During the year and post year end, oil prices have fallen significantly and an impairment review of the development and production assets was carried out. This review resulted in a charge of £639,159. The assets were valued at their recoverable amount based on current licence/acreage market values of between \$250-\$350 per acre. Post year end cash flows were also taken into consideration.

5. SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u><u>2</u></u>	<u><u>2</u></u>

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