Registration No 1021486

# First Oil Expro Limited

## Report and Financial Statements

30 April 2012

## Directors

| | |
|---|---|
| I A Suttie | Executive Chairman |
| S D Bowyer | Managing Director |
| B R Cameron | Exploration Director |
| S R George | Finance Director (appointed 26 July 2011) |

## Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

## Bankers

BNP Paribas
10 Harewood Avenue
London
NW1 6AA

## Solicitors

CMS Cameron McKenna LLP
6 Queens Road
Aberdeen
AB15 4ZT

## Registered Office

21 Regatta House
32 Twickenham Road
Teddington
Middlesex
TW11 8AZ

# Directors' report

The directors present their report and financial statements for the year ended 30 April 2012

## Results and dividends

The operating profit before exceptional costs was £23,384,000 (2011 £21,084,000) The loss for the year, after taxation, amounted to £2,132,000 (2011 £3,888,000) The directors do not recommend the payment of any dividends (2011 £nil)

## Principal activities and review of the business

The principal activities of the company are oil and gas exploration and production

We have made significant progress in the growth and development of the assets and reserves of the company We completed the acquisition of First Oil and Gas Limited, formerly Celtic Oil Limited, on 16th June 2011 providing a low cost entry to the Kraken field The Kraken appraisal well, drilled within a month of completion of the transaction, confirmed the potential for a development well to flow at over 10,000 boepd, providing a high degree of confidence in the Kraken fields development potential Following the successful appraisal well we agreed to farm down 15% of our Kraken interest to Enquest in exchange for a substantial development carry This farm down was completed post year end

In addition to the Kraken transactions in 2011 we acquired a 14% interest in the Enoch field from Dyas in an off market transaction

The financial position of the company has been strengthened by entering into a new reserve based borrowing facility with lead lender BNP Paribas, Commonwealth Bank of Australia and Barclays

## Principal risks and uncertainties

The Board considers principal risks and uncertainties on an ongoing basis and implements the necessary policies to mitigate these risks and uncertainties

The principal risks and uncertainties facing the group can be broadly defined as price, operational and legislative risk

- Price Risk – the risk of falls in oil or gas prices directly affects the profitability of the Group This is mitigated by First Oil's prudent hedging strategy
- Operational Risk – this includes factors such as timing of work programmes, cost over-runs, reservoir performance and retention of key personnel The impact of any operational issues on any field is mitigated by First Oil's diverse portfolio of assets
- Legislative Risk – this includes the risk of increased taxation burdens and revisions to UK and European legislation The UK and Netherlands Continental Shelf are classed as low risk from a legislative perspective

## Directors

The current directors are shown on page 1

## Directors' indemnities

The company has granted an indemnity to its directors under which the company will, to the extent provided by the Articles of Association, indemnify them against all losses or liabilities which they sustain or incur in the execution of their duties

# Directors' report

## Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with At 30 April 2012, the company had an average of 33 days purchases outstanding (2011 33 days)

## Financial derivative instruments

The company uses hedging instruments to reduce its exposure to fluctuations in oil and gas prices The accounting policy relating to these instruments is discussed in note 1 to the financial statements A further disclosure has been made in note 21 of the financial statements related to hedging instruments for oil and gas sales and exposure of the group to price risk

## Future developments

Acquisition success and continued progress on our hopper of exploration and development opportunities has positioned us for an exciting 2012/13 We anticipate a period of strong organic growth and in parallel will be actively targeting further acquisitions where we can identify upside potential to enhance our balanced portfolio of assets We are scheduled to participate in the drilling of 14 wells in 2012/13, including the drilling of 8 production wells and 4 well interventions, which will have an immediate impact on short-term production levels and turnover The Juliet development was sanctioned in June 2012 A Juliet development well will be drilled and we are scheduled to commence offshore installation activities in preparation for first gas in 2013 Development planning is ongoing on Waddock Cross Studies are being progressed to assess the potential for future development of Alfa Sentral The drilling of our first operated exploration well at Centurion South in the first half of 2013 is a major step forward in the company's development We are carried on the costs of drilling the Platypus appraisal well and drilling the Contender exploration well and we will be involved in further exploration drilling at Romeo and Scotney, where Suncor is the operator We continue to actively manage our exploration portfolio and will seek to access exploration and appraisal opportunities which provide a replenishment of prospectivity through Licence round activity

## Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

## Re-appointment of auditors

In accordance with s 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst and Young LLP as auditor of the company

Steven George
Finance Director
9th November 2012

# Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' 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 judgments and accounting estimates that are reasonable and prudent,

- state whether applicable UK 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 directors are 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 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 auditors' report

**to the members of First Oil Expro Limited**

We have audited the company's financial statements for the year ended 30 April 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatement 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 company's affairs as at 30 April 2012 and of the loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### 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

# Independent auditors' report (continued)

**to the members of First Oil Expro Limited**

**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

Ernst & Young LLP

Kevin Weston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
9 November 2012

# Profit and loss account

**for the year ended 30 April 2012**

| | Notes | *2012* *£000* | *2011* *£000* |
|---|---|---|---|
| Turnover | 2 | 53,223 | 72,142 |
| Cost of sales | | (27,689) | (43,642) |
| ***Gross profit*** | | 25,534 | 28,500 |
| Administrative expenses | | (2,885) | (2,499) |
| Foreign exchange gains/(losses) | | 735 | (4,917) |
| ***Operating profit before exceptional costs*** | | 23,384 | 21,084 |
| Exploration costs expensed | 8 | (16,808) | (7,719) |
| Impairment charge on fixed assets | 9 | (7,379) | - |
| ***Operating (loss)/profit after exceptional costs*** | 3 | (803) | 13,365 |
| Interest receivable and similar income | 5 | 23 | - |
| Interest payable and similar charges | 6 | (3,319) | (1,205) |
| ***(Loss)/profit on ordinary activities before taxation*** | | (4,099) | 12,160 |
| Total current tax | 7 | 806 | (26) |
| Deferred tax – other movements | 7 | 1,161 | (8,142) |
| Deferred tax – impact of increase in supplementary charge from 20% to 32% | 7 | - | (7,880) |
| ***Loss retained for the financial year*** | 18 | (2,132) | (3,888) |

All items dealt with in arriving at the loss for the year relate to continuing activities

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £2,132,000 attributable to the shareholders for the year ended 30 April 2012 (2011 loss of £3,888,000)

# Balance sheet
**at 30 April 2012**

| | Notes | 2012 £000 | 2011 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 8 | 36,181 | 55,603 |
| Tangible assets | 9 | 122,623 | 95,522 |
| Investments | 10 | 38,943 | 26,165 |
| | | 197,747 | 177,290 |
| **Current assets** | | | |
| Debtors | 11 | 19,610 | 13,484 |
| Cash at bank | | 1,099 | 5,469 |
| | | 20,709 | 18,953 |
| *Creditors:* amounts falling due within one year | 12 | (60,213) | (57,140) |
| **Net current liabilities** | | (39,504) | (38,187) |
| **Total assets less current liabilities** | | 158,243 | 139,103 |
| *Creditors:* amounts falling due after more than one year | 13 | (79,395) | (60,344) |
| ***Provisions for liabilities and charges*** | | | |
| Decommissioning | 15 | (28,232) | (24,850) |
| Deferred Taxation | 7(c) | (42,291) | (43,452) |
| | | 8,325 | 10,457 |
| **Capital and reserves** | | | |
| Share capital | 17 | - | - |
| Profit and loss account | 18 | 8,325 | 10,457 |
| **Equity shareholders' funds** | 18 | 8,325 | 10,457 |

Steven George
Finance Director
9th November 2012

Company number 01021486

# Notes to the financial statements

**at 30 April 2012**

## 1. Accounting policies

***Basis of preparation***

The financial statements have been prepared under the historical cost convention and the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning activities" and in accordance with applicable accounting standards

The financial statements present information about the company as an individual undertaking and not about its group The company is a wholly owned subsidiary of First Oil plc and, as such, the oil and gas reserve quantities of the company are included in the consolidated oil and gas reserve quantities disclosed in the Annual Report and Accounts of First Oil plc Consequently the directors have elected not to publish this information for the company

***Cash flow statement***

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

***Related parties transactions***

The company is a wholly owned subsidiary of First Oil plc, the consolidated accounts of which are publicly available Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the First Oil plc group

***Exploration and appraisal expenditure***

The company adopts the successful efforts method of accounting for exploration and appraisal costs All pre-licence, licence acquisition, exploration and appraisal costs are initially capitalised as intangible fixed assets in cost centres by well, field or exploration area, as appropriate, pending determination of commercial reserves These costs are then written off, unless commercial reserves have been established or the determination process has not been completed

Following the discovery of a commercially viable well, the attributable costs are transferred to tangible fixed assets, in single field cost centres

***Fixed assets***

All fixed assets are initially recorded at cost The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

***Depletion and amortisation***

All expenditure carried within each field is amortised from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, on a field-by-field basis

Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs

Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively

***Depreciation***

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Equipment - 3 to 4 years

# Notes to the financial statements

**at 30 April 2012**

## 1. Accounting policies (continued)

***Investments in subsidiary undertakings***

Investments are shown at cost, less provision for impairment

***Corporation taxation***

UK Corporation tax payable is provided at amounts expected to paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward currency contract Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, the forward contract rate

All differences are taken to the profit and loss account, with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments These differences are taken directly to reserves, together with exchange differences on the carrying amount of the related investments Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves

***Derivative financial instruments***

The company uses hedging instruments to reduce its exposure to fluctuations in oil and gas prices Premiums paid to enter such derivative financial instruments are charged to cost of sales over the period of the hedge Payments and receipts arising under the financial instruments are recognised in turnover in the same periods as the hedged transactions In circumstances where the company cancels a hedged position, any gain or loss arising is recognised in the period in which the cancellation is effected

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates Foreign currency contracts are not fair valued or shown in the balance sheet at year end Payments and receipts arising under foreign currency contracts are recognised in cost of sales on maturity

***Commercial reserves***

Commercial reserves are proven and probable oil and gas reserves, as defined in the UK Statement of Recommended Practice, "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities"

# Notes to the financial statements
**at 30 April 2012**

## 1. Accounting policies (continued)

***Decommissioning***

The Group recognises the full discounted cost of decommissioning when the obligation to rectify environmental damage arises The amount recognised is the present value of the estimated future expenditure determined by local conditions and requirements and is re-assessed each year A corresponding tangible fixed asset of an equivalent amount to the provision is also created unless the associated activity resulted in write-off to the profit and loss account

This asset is subsequently depreciated as part of the capital costs of the production and related pipeline facilities, on a unit of production basis The unwinding of the discount on the decommissioning provision is included in the interest expense Changes in the estimates of commercial reserves of decommissioning cost estimates are dealt with prospectively

***Operating leases***

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term

## 2. Turnover

All of the company's operations take place and all of its oil and gas assets are held in the United Kingdom and Europe and in one business segment, the production and sale of hydrocarbons All sales were to third parties and took place in the United Kingdom and Europe

Turnover represents the sales value, net of VAT, of the company's share of production in the year, on an entitlements basis Revenues received under take-or-pay sales contracts in respect of undelivered volumes are accounted for as deferred income

## 3. Operating (loss)/profit

| | *2012* | *2011* |
|---|---|---|
| | *£000* | *£000* |
| **Operating (loss)/profit is stated after charging/(crediting):** | | |
| Depletion and amortisation of oil and gas properties | 14,595 | 19,183 |
| Impairment charge on fixed assets | 7,379 | - |
| Depreciation of other fixed assets | 29 | 20 |
| Foreign exchange (gains)/losses | (735) | 4,917 |
| Commodity hedging losses | 5,444 | 1,591 |
| Operating lease rentals – land & buildings | 58 | 39 |
| Auditors remuneration audit services | 34 | 34 |

## 4. Staff costs

The company has no employees The directors did not receive any emoluments from the company during the year I A Suttie, S D Bowyer, B R Cameron and S R George are directors of First Oil plc in whose accounts the information required by the Companies Act 2006 of regards to emoluments is given

# Notes to the financial statements

**at 30 April 2012**

## 5. Interest receivable and similar income

| | *2012* | *2011* |
|---|---|---|
| | *£000* | *£000* |
| Bank interest receivable | 1 | - |
| Other interest receivable | 22 | - |
| | 23 | - |

## 6. Interest payable and similar charges

| | *2012* | *2011* |
|---|---|---|
| | *£000* | *£000* |
| Bank interest payable | 1,803 | 1,053 |
| Other interest payable/(waived) | 37 | (1,114) |
| Unwinding of discount on long term provisions | 1,479 | 1,266 |
| | 3,319 | 1,205 |

## 7. Tax on (loss)/profit on ordinary activities

(a) Tax on (loss)/profit on ordinary activities

The tax charge is made up as follows

| | *2012* | *2011* |
|---|---|---|
| | *£000* | *£000* |
| *Current tax* | | |
| Prior year UK corporation tax | 636 | - |
| Prior year foreign taxation | (1,442) | 26 |
| Total current tax (note 7 (b)) | (806) | 26 |
| *Deferred tax* | | |
| Impact of increase in supplementary charge from 20% to 32% | - | 7,880 |
| Origination and reversal of timing differences | (3,250) | 8,142 |
| Other prior year adjustment | 2,089 | - |
| Tax on profit on ordinary activities | (1,967) | 16,048 |

# Notes to the financial statements

**at 30 April 2012**

## 7. Tax on (loss)/profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK The differences are reconciled below

| | *2012* | *2011* |
|---|---|---|
| | *£000* | *£000* |
| (Loss)/profit on ordinary activities before taxation | (4,099) | 12,160 |
| (Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 62% (2011 51 25% ) | (2,541) | 6,232 |
| Disallowed expenses & non-taxable income | 60 | 39 |
| Depreciation less than capital allowances | (777) | (1,894) |
| Losses un-utilised/(utilised) | 2,873 | (7,785) |
| Non ring fence loss | - | 1,636 |
| Rate differences | - | 1,421 |
| Prior year differences | (806) | - |
| Foreign tax expensed | - | 26 |
| Other timing differences | 202 | 351 |
| Other differences | 183 | - |
| Total current tax (note 7(a)) | (806) | 26 |

(c) Deferred tax

| | *2012* | *2011* |
|---|---|---|
| | *£000* | *£000* |
| Capital allowances in excess of depreciation | (88,406) | (87,065) |
| Capital gains | (752) | (780) |
| Tax losses available | 29,735 | 28,135 |
| Other timing differences | 17,132 | 16,258 |
| Provision for deferred taxation | (42,291) | (43,452) |

| | £000 |
|---|---|
| At 1 May 2011 | (43,452) |
| Provided during the year | 3,250 |
| Adjustments in respect of prior years | (2,089) |
| At 30 April 2012 | (42,291) |

# Notes to the financial statements

**at 30 April 2012**

## 8. Intangible fixed assets

| | *Exploration and appraisal expenditure £000* |
|---|---|
| At 1 May 2011 | 55,603 |
| Additions | 33,336 |
| Amounts transferred to tangible fixed assets | (35,950) |
| Amounts written off | (16,808) |
| At 30 April 2012 | 36,181 |

The amounts written off above relate to licences where, following completion of appraisal activities, it has not been possible to determine commercial viability The costs of such unsuccessful exploration and appraisal are written off to the profit and loss account in the period the relevant events occur

## 9. Tangible fixed assets

| | *Oil & Gas properties £000* | *Other £000* | *Total £000* |
|---|---|---|---|
| **Cost** | | | |
| At 1 May 2011 | 195,500 | 108 | 195,608 |
| Additions | 13,090 | 64 | 13,154 |
| Amounts transferred from intangible fixed assets | 35,950 | - | 35,950 |
| At 30 April 2012 | 244,540 | 172 | 244,712 |
| **Depreciation, depletion and amortisation** | | | |
| At 1 May 2011 | (100,002) | (84) | (100,086) |
| Charge for the year | (14,595) | (29) | (14,624) |
| Impairment charge | (7,379) | - | (7,379) |
| At 30 April 2012 | (121,976) | (113) | (122,089) |
| **Net book value** | | | |
| At 30 April 2012 | 122,564 | 59 | 122,623 |
| At 1 May 2011 | 95,498 | 24 | 95,522 |

# Notes to the financial statements

**at 30 April 2012**

## 10. Fixed asset investments

At 30 April 2012, the subsidiary undertakings were

| Name | Activity | % | Country of operation | Country of incorporation |
|---|---|---|---|---|
| First Oil SNS Limited | Dormant | 100 | UK | UK |
| First Oil Exploration (North Sea) Limited | Dormant | 100 | UK | UK |
| First Oil Royalties Limited | Dormant | 100 | UK | UK |
| First Oil EBT Trustee Limited | Dormant | 100 | UK | UK |
| First Oil and Gas Limited | Oil exploration | 100 | UK | UK |

| | *Investment in subsidiary undertakings* *£000* |
|---|---|
| At 1 May 2011 | 26,165 |
| Additions | 12,778 |
| At 30 April 2012 | 38,943 |

The additions above relate to the acquisition of 100% of the issued share capital of Celtic Oil Limited, which subsequently changed its name to First Oil and Gas Limited, from the Korean entity SK Innovation Co Ltd The principal activities of the company are oil and gas exploration

## 11. Debtors

| | *2012* *£000* | *2011* *£000* |
|---|---|---|
| Trade debtors | 2,930 | 3,692 |
| Amounts owed from group undertakings | 10,985 | - |
| Production underlift | 3,919 | 3,146 |
| Corporation tax | 360 | 45 |
| Other debtors | 722 | 1,534 |
| Prepayments and accrued income | 694 | 5,067 |
| | 19,610 | 13,484 |

# Notes to the financial statements

**at 30 April 2012**

## 12. Creditors: amounts falling due within one year

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Trade creditors | 460 | 4,989 |
| Amounts owed to group undertakings | 38,841 | 38,116 |
| Other taxation and social security | - | 135 |
| Production overlift | 3,436 | 4,256 |
| JV creditor | 10,050 | 5,475 |
| Other creditors | 1,209 | 2,429 |
| Accruals and deferred income | 6,217 | 1,740 |
| | 60,213 | 57,140 |

## 13. Creditors: amounts falling due after more than one year

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Loans (see note 14) | 79,395 | 60,344 |

## 14. Loans

Loans repayable, included within creditors, are analysed as follows

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Wholly repayable within five years | 70,234 | 51,400 |
| Not wholly repayable within five years (see note 16) | 10,790 | 8,944 |
| | 81,024 | 60,344 |
| Less unamortised finance costs | (1,629) | - |
| | 79,395 | 60,344 |

Loans wholly repayable within five years

At 30 April 2012 the company had a committed borrowing facility under a revolving credit arrangement The maximum amount that may be drawn down is determined by reference to the net present value of the assets comprising the underlying borrowing base as well as certain other financial tests The maximum drawdown available under the facility is reviewed and adjusted at six monthly intervals

At 30 April 2012 £70,234,000 (2011 £51,400,000) was drawn under the facility, and under the terms of that facility will be repayable in full by 30 September 2016

The bank loan is secured by fixed and floating charges over the assets and shares of the group companies

At year end the lending model supported a borrowing capacity of £74 million, with only £70 million drawn down Post year end we were able to add Juliet and Enoch into the lending model, and at the last redetermination in August 2012 the lending model supported a borrowing capacity of over £100 million, which we could access if we applied to increase the facility limit

# Notes to the financial statements
**at 30 April 2012**

## 15. Provisions for liabilities and charges

| | *Decommissioning costs £000* |
|---|---|
| At 1 May 2011 | 24,850 |
| Revisions | 3,017 |
| Unwinding of discount on provision | 1,478 |
| Utilisation of provision | (1,113) |
| At 30 April 2012 | 28,232 |

These decommissioning costs are expected to be incurred between 2012 and 2040 The provision has been calculated by applying inflation of 2 5% (2011 2 5%) to the current prices of existing methods of decommissioning and discounted to the net present value using a rate of 8% (2011 6%)

## 16. Related party transactions

The company has a loan outstanding due to I A Suttie The balance on this loan at 30 April 2012 was £10,790,000 (2011 £8,944,000) as shown in Note 14 Under the terms of the bank facility agreement, this loan can only be repaid if certain financial conditions are met

The company paid the firm of IDJ Properties £58,130 for the rent of their office at 1 Queens Terrace, Aberdeen, during the year ended 30 April 2012 I A Suttie is the principal of IDJ properties

No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

## 17. Share capital

| | | *Authorised* |
|---|---|---|
| | **2012** | **2011** |
| | **£** | **£** |
| Ordinary shares of £1 each | 100 | 100 |

| | *Allotted, called up and fully paid* | | | |
|---|---|---|---|---|
| | | **2012** | | **2011** |
| | **No** | **£** | **No** | **£** |
| Ordinary shares of £1 each | 2 | 2 | 2 | 2 |

## 18. Reconciliation of shareholders' funds and movement on reserves

| | *Profit and loss account £000* |
|---|---|
| At 1 May 2011 | 10,457 |
| Loss for the year | (2,132) |
| At 30 April 2012 | 8,325 |

# Notes to the financial statements

**at 30 April 2012**

## 19. Capital commitments

Amounts contracted in relation to ongoing projects but not provided for in the financial statements totalled £26 6 million (2011 £31 2 million)

## 20. Ultimate parent company

The immediate parent company is First Oil UK Holdings Limited First Oil plc, a company incorporated in Scotland, is the ultimate parent undertaking First Oil plc is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member Copies of the audited First Oil plc accounts can be obtained from Companies House

## 21. Commitments and contingencies

As at 30 April 2012, the company had entered into hedging instruments for oil for the period May 2012 to December 2013 for a total amount of 544,500 barrels The fair value of outstanding hedging instruments for oil at 30 April 2012 was an unrealised loss of £5 7 million (2011 unrealised loss of £12 2 million)

As at 30 April 2012, the company had entered into hedging instruments for gas for a total amount of nil therms The fair value of hedging instruments for gas at 30 April 2012 was nil (2011 unrealised loss of £0 9 million)

Additionally, at 30 April 2012 the company had entered into foreign currency contracts The fair value of outstanding foreign currency contracts at 30 April 2012 was an unrealised deficit of £1 8m (2011 unrealised surplus of £1 7m)

## 22. Business combinations

On 16th June 2011 the company acquired 100% of the issued share capital of Celtic Oil Limited, which subsequently changed its name to First Oil and Gas Limited, from the Korean entity SK Innovation Co Ltd The principal activities of the company are oil and gas exploration The consideration for the acquisition was satisfied by a combination of cash and contingent consideration Further analysis of the acquisition has been provided in the First Oil plc financial statements