

PETROSWEDE U.K. LIMITED
(Renamed on 18 June 2008:
Svenska Petroleum Exploration U.K. Limited)

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007
REGISTERED NUMBER
1191501



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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Petroswede U.K. Limited ("Petroswede" or "the Company"), for the year ended 31 December 2007. Note that on 18 June 2008, the name of the company was changed to Svenska Petroleum Exploration U.K. Limited.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were

S-E Zachrisson

M. Schmeitzner

J. Hagen

None of the directors held any beneficial interest in the shares of the Company during the year then ended. Messrs Zachrisson and Schmeitzner resigned their directorships respectively on 12 June 2008 and 30 May 2008. Messrs F. Ohrn and D. Rushworth were appointed Directors on 12 June 2008.

BUSINESS REVIEW

Operations and principal activities

Petroswede U.K. Ltd was a dormant company until the acquisition of the Oil & Gas Technical Services business of Svenska Petroleum Exploration U.K. Ltd, registration number 1241035, ("Svenska") on the 31st of December 2007. This involved the purchase of related assets and working capital, together with the transfer of all Svenska staff. For the foreseeable future the Company will carry out the following main activities relating to the Svenska Group's oil and gas assets outside Europe:

DIRECTORS' REPORT (continued)

(a) Evaluation of new ventures

(b) Management of existing interests, both operated and non-operated

This will be achieved with an appropriate combination of technical and commercial staff

Operating results

The Company's profit for the period amounted to £34,300. This comprised primarily a deferred tax adjustment. The Company only became active on the 31st of December 2007 and minor costs related to tax and legal consultancy work. There was no revenue in 2007.

Financial Position

The financial position reflects the pre-operational status of the Company, with office assets, property and working capital funded by the parent company, Svenska Petroleum Exploration AB.

Future strategy

The Company (renamed Svenska Petroleum Exploration U.K Limited on 18 June 2008) will gear itself up with appropriate staff and organisational structure in order to provide the technical services required by the Svenska Group outside Europe, and to ensure effective pursuit of new business. The Company will be concentrating on the African continent. Angola, Cote d'Ivoire, Guinea Bissau and Nigeria are current areas of activity, with:-

- (a) a major development drilling campaign in the Baobab field (Cote d'Ivoire) – operated by Canadian Natural Resources,
- (b) exploration drilling on 2 offshore blocks in Nigeria, operated respectively by ENI and ExxonMobil;
- (c) commencement of exploration on 2 new offshore licences in Guinea Bissau, operated by the Svenska Group
- (d) major 3D seismic campaigns on 2 blocks in Angola - both operated by Maersk

DIRECTORS' REPORT (continued)

Pending completion of the sale of Svenska Petroleum Exploration UK Ltd, by Svenska Petroleum Exploration AB, the Company will continue to manage the North Sea assets in which Svenska Petroleum Exploration UK Ltd has an interest. Note that the sale was completed on 29 April 2008, and the Company will continue to provide some support services to the purchaser of Svenska (the Oilexco Group) during the transition stage

Risk factors

The Company is subject to various risks relating to political, taxation, environmental, social, industry, business and financial conditions. The Company considers the following risk factors, which are not exhaustive, particularly relevant to its business activities

(i) Political risk

The Company's activities are focused on countries with histories of social and political unrest. Such volatility could impact on activity levels, with possible suspension, expropriation or abandonment of projects

(ii) Tax risk

With increasing tax complexity, exposure to erroneous tax computations also increases. This could result in submission of incorrect financial statements and the imposition of penalties by the tax authorities.

(iii) Currency risk

Currency risk for the Company, due to trading, is minimal. Income is denominated in GBP, and the majority of costs are incurred in GBP. However parent company funding is in US\$, which will expose the company to exchange gains/losses

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT

As indicated above, the Company's operations expose it to a variety of financial risks. The Company does not undertake hedging activities to mitigate currency risk.

INDEMNITIES AND INSURANCE

The Company has agreed to indemnify to the extent permitted by law, the directors listed on page 3 and individuals who formerly held one of these positions, against liability incurred in, or arising out of the conduct of business of the Company or the discharge of duties by the Director

ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regard to its activities, and works vigorously to minimise the exposure of the Svenska Group companies in this area.

POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no political or charitable contributions made by the Company during the year.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution proposing the reappointment of KPMG LLP as auditors of the Company, will be put forward at the forthcoming Annual General Meeting.

By order of the board



Jan Ivar Hagen

Managing Director

Date: 7 October 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG LLP

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London
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United Kingdom*

Independent auditors' report to the members of Petroswede UK Limited

(Renamed Svenska Petroleum Exploration U.K. Limited on June 18 2008)

We have audited the financial statements of Petroswede UK Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP

7th October 2008

Chartered Accountants

Registered Auditor

Profit & Loss Account


	Notes	2007 <u>£'000</u>	2006 <u>£'000</u>
Turnover	2	-	-
Administration Costs	3	<u>(5.9)</u>	<u>-</u>
Profit/(Loss) Before Taxation		(5.9)	-
Tax on Profit/(Loss)		-	-
Deferred Tax Adjustment	4	<u>40.2</u>	<u>-</u>
Profit after Taxation		34.3	-
Retained profits brought forward		-	-
Retained profits/(Losses) carried forward		<u>34.3</u>	<u>-</u>

Year Ended 31 December 2007

BALANCE SHEET

	Notes	2007		2006	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fixed assets					
Intangible		-			
Tangible	6		<u>1,278 5</u>		<u>-</u>
			1,278 5		-
Current assets					
Stock		-		-	
Debtors	7/8	127.4		-	
Cash at bank and in hand		-		-	
		<u>127.4</u>		<u>-</u>	
Creditors: amounts falling due within:-					
One year	9	(1,371 6)		<u>-</u>	
Net current assets			<u>(1,244 2)</u>		<u>-</u>
Total assets less current liabilities			34 3		-
Provisions for liabilities and charges			<u>-</u>		<u>-</u>
Net assets			<u>34.3</u>		<u>-</u>
Capital and reserves					
Called up share capital	10		-		-
Profit and loss account			<u>34 3</u>		<u>-</u>
Shareholders funds			<u>34 3</u>		<u>-</u>

These accounts were approved by the board of directors on 7. October 2008 and signed on their behalf by


Jan Ivar Hagen
Director

NOTES TO THE ACCOUNTS

1 Accounting policies

(i) Accounting standards and convention

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

(ii) Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements, except as noted below.

As the Company is a wholly owned subsidiary within the Petroswede AB Group, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investors of the group qualifying as related parties) Additionally, the Company has also taken advantage of the exemption from the disclosure requirements contained within FRS 29 as Petroswede AB provides disclosures which comply with FRS 29 (IFRS 7).

The consolidated financial statements of Petroswede AB, within which this company is included, can be obtained from the address given in note 13.

The financial statements have been prepared on the going concern basis.

(iii) Fixed assets - other assets

Depreciation is provided on all fixed assets at rates calculated to write off those assets on a straight-line method over their estimated useful lives

(iv) Foreign currencies

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transactions Monetary assets and liabilities denominated in currencies other than Pounds Sterling are translated at the rate of exchange ruling at the balance sheet date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

NOTES TO THE ACCOUNTS (continued)**(v) Operating Leases**

Rentals under operating leases are charged against income as they are incurred.

(vi) Taxation

The charge for taxation is based on the profit or loss for the year and takes into account deferred tax in respect of all timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, as required by FRS 19

(xi) Cash flow Statement

Under the provision of FRS 1 paragraph 5, the Company is not preparing a cashflow statement. Its cashflows have been consolidated into the cash flows of its ultimate parent company, Petroswede AB

2 Turnover

There was no turnover recognised for the year, assets having been acquired on the last day of trading

3. Administration Costs

	2007	2006
	£'000	£'000
Other External Costs	<u>(5.9)</u>	<u>-</u>
	<u>(5.9)</u>	<u>-</u>

4. Deferred Taxation Adjustment

The purchase of the business from Svenska Petroleum Exploration U.K. Limited was calculated on the basis of the transfer of a deferred tax liability of £21,500. Subsequently the tax base of the transferred assets was revised upwards, resulting in a deferred tax asset of £18,700 (see also note 8)

NOTES TO THE ACCOUNTS (continued)**5 Directors' Remuneration**

None of the Directors received any remuneration in 2007.

6. Fixed Assets**(a) Tangible Assets**

	Office Equipment £'000	Fixtures & Fittings £'000	Leasehold Company Flat £'000	Total £'000
Cost:				
1 January 2007	-	-	-	-
Transfers	-	-	-	-
Additions	59.0	238.7	980.8	1,278.5
Disposals	-	-	-	-
31 December 2007	59.0	238.7	980.8	1,278.5
Provision for depreciation and amortisation				
1 January 2007	-	-	-	-
Transfers	-	-	-	-
Charge for the year	-	-	-	-
Disposals	-	-	-	-
31 December 2007	-	-	-	-
Net Book Value				
31 December 2007	59.0	238.7	980.8	1,278.5
Net Book Value				
31 December 2006	-	-	-	-

Prior to the additions of fixed assets, the Company did not own any tangible fixed assets
There was no depreciation charge for the year.

NOTES TO THE ACCOUNTS (continued)**7 Debtors**

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Receivable from Parent Company #	-	-
Deferred Tax Asset (ref Note 8 below)	18.7	-
Prepaid rent, rates & service charge	<u>108.7</u>	<u>-</u>
	<u>127.4</u>	<u>-</u>
#: £3 only due from Parent Company in respect of shareholding		

8. Deferred taxation

Deferred Corporation Taxation normally relates to accelerated depreciation, whereby the tax base net book value(NBV) is less than the NBV, calculated according to company depreciation policy. This normally results in a deferred tax liability.

In this case, however, the tax base of the assets transferred from Svenska to Petroswede was revised upwards significantly following a review of the treatment of capital allowances. Consequently, the tax-base NBV is higher than the booked NBV, resulting in a deferred tax asset of £18,700, as included in Note 7 above.

9 Creditors

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Amount due to Group Company	1,027.9	-
Accrued expenses	<u>343.7</u>	<u>-</u>
	<u>1,371.6</u>	<u>-</u>

NOTES TO THE ACCOUNTS (continued)

10. Share capital

	2007	2006
	<u>£</u>	<u>£</u>
Authorised share capital		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Authorised, allotted, called-up and fully paid		
Ordinary shares of £1 each	3	3
	<hr/>	<hr/>

11. Commitments

	2007	2006
	<u>£'000</u>	<u>£'000</u>
At 31 December 2007, the following minimum annual rental obligations existed under operating leases expiring :		
Within 2 – 5 years	1,457 7	-
More than 5 years	2,795 1	-
	<hr/> 4,252 8 <hr/>	<hr/> - <hr/>

12 Related party transactions

The Company is exempt, under Financial Reporting Standard 8, from the requirement to disclose related party transactions on the grounds that it is a wholly owned subsidiary undertaking. This exemption covers transactions with other Group undertakings but not the balances with them.

NOTES TO THE ACCOUNTS (continued)

13. Ultimate parent undertaking

Petroswede U K Limited is owned by Svenska Petroleum Exploration AB, a company registered in Sweden. Petroswede U. K. Limited's ultimate parent company is Petroswede AB, a company also incorporated in Sweden. Consolidated accounts for the group are available from Petroswede AB's registered address at Sandhamnsgatan 51, P.O. Box 27823, S-11593 Stockholm, Sweden.

14 Subsequent Events

As indicated throughout this Annual Report, the name of the company was changed to Svenska Petroleum Exploration U.K. Limited on 18 June 2008.