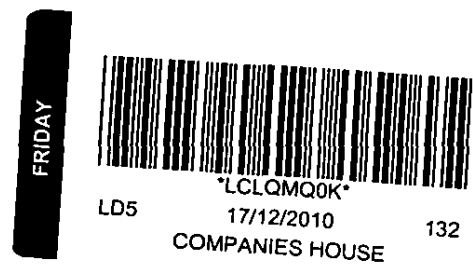


# **Svenska Petroleum Exploration U.K. Limited**

**FINANCIAL STATEMENTS**  
**18 MONTHS ENDED 30 JUNE 2010**  
**REGISTERED NUMBER**  
**1191501**



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## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of Svenska Petroleum Exploration U K Limited ("the Company"), for the 18 months ended 30 June 2010

### **DIRECTORS AND THEIR INTERESTS**

The directors who held office during the period were

J Hagen

D Rushworth

F Ohrn

None of the directors held any beneficial interest in the shares of the Company during the period then ended

## **BUSINESS REVIEW**

### ***Operations and principal activities***

The Company has met the requirements in S417 of Companies Act 2006 to obtain the exemption provided from the presentation of an enhanced business review

Svenska Petroleum Exploration U K Ltd (formerly 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, ("Old Svenska") on the 31<sup>st</sup> of December 2007. This involved the purchase of related assets and working capital, together with the transfer of all Old Svenska staff. Since January 2008, the Company has carried out the following main activities relating to the Svenska Group's oil and gas assets outside Europe

(a) Evaluation of new ventures

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

## **DIRECTORS' REPORT (continued)**

A Svenska Group restructuring, whereby UK activities were transferred by the Company to a UK Branch (the "Branch") of the Parent Company, Svenska Petroleum Exploration AB, on 31 December 2009, means that no trading has been carried out by the Company since that date. This transfer was formalised finally on 30 June 2010 with the signature of a Business Sales Agreement.

### ***Operating results***

The Company's profit for the period amounted to £712,600 (2008 loss of £746,900). This profit included two major exceptional items, namely an impairment charge in respect of a flat owned by the Company of £135,200 prior to disposal of the Branch and a profit of £634,300 arising from the waiving of an intercompany loan balance due to Svenska Petroleum Exploration AB.

### ***Financial Position***

The financial position reflects the transfer, in its entirety, of the Company's business to the UK Branch of Svenska Petroleum Exploration AB. This involved the sale of the net assets of the Company for a consideration of £998,000 and the waiving of the outstanding intercompany loan as at 30 June 2010 of £634,300. All the net assets were transferred at book value.

### ***Future strategy***

As a result of the corporate restructuring, the business carried out by the Company was transferred to the Branch with effect from 31 December 2009. This involved the transfer of existing employees, the sale of net assets and the assignment of contracts and leases to the Branch. The transfer was formalised in a Business Sales Agreement, signed 30 June 2010, but effective on 31 December 2009.

## **DIRECTORS' REPORT (continued)**

### ***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.

#### *(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 exposes the company to exchange gains/losses.

## **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.

## **DIRECTORS' REPORT (continued)**

### **PENSIONS**

The company operates a group personal pension scheme for directors and employees. The scheme is a defined contribution scheme. Contributions are expensed as they are incurred.

### **SUPPLIER PAYMENT POLICY**

Payments are made to suppliers in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with.

### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

There were no donations to charities during the period (£620 in 2008).

### **DISCLOSURE OF INFORMATION TO AUDITORS**

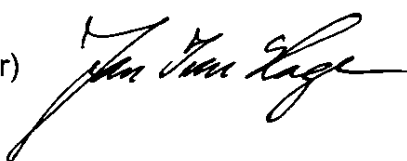
The directors who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of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

### **AUDITORS**

In accordance with section 485 of the Companies Act 2006, 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

15/12-10

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND 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 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)

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 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 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 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

## **Independent auditors' report to the members of Svenska Petroleum Exploration UK Limited**

We have audited the financial statements of Svenska Petroleum Exploration UK Limited for the period ended 30 June 2010 as set out on pages 10 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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 7, 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 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**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 June 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by 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.

### **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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



J Lowes (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London E14 5GL

15 December 2010

**Profit & Loss Account**

<b>for the 18 months ended 30 June 2010</b>	<b>Notes</b>	<b>18 months to June 2010 <u>£'000</u></b>	<b>Year 2008 <u>£'000</u></b>
Turnover	2	2,556 2	2,264 6
Cost of sales	3	<u>(2,253 0)</u>	<u>(2,076 0)</u>
Gross Profit		303 2	188.6
Administration expenses	4	<u>(36 9)</u>	<u>(27 4)</u>
Operating Profit		266 3	161.2
Impairment of fixed assets	5	(135 2)	-
Waiving of intercompany loan		634 3	-
Interest receivable and similar Income	6	241 7	51 6
Interest payable and similar charges	7	<u>(203 6)</u>	<u>(955 6)</u>
Profit/(Loss) on operating activities before taxation		803 5	(742 8)
Tax on profit on operating activities	10	<u>(90 9)</u>	<u>(4 1)</u>
Profit/(Loss) after Taxation		712 6	(746 9)
Retained profit brought forward		(712 6)	34 3
Retained (Losses)/Profits carried forward		<u>(0 0)</u>	<u>(712 6)</u>

**Note**

- All income arises from discontinued operations. There were no gains or losses in the period, except as above
- Accordingly a statement of total recognised gains and losses has not been prepared
- Notes on pages 12 – 20 form part of the financial statements

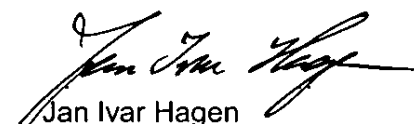
**BALANCE SHEET**

At 30 June 2010

	Notes	June 2010		December 2008	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Fixed assets</b>					
Tangible	11	-	-	1,251 8	1,251 8
<b>Current assets</b>					
Debtors	12	-	-	276 2	
Cash at bank and in hand		-	-	554 9	
		-	-	831 1	
<b>Creditors: amounts falling due within -</b>					
One year	14	-	-	(2,795 5)	
<b>Net current (liabilities)/assets</b>			-	(1,964 4)	
<b>Total assets less current liabilities</b>			-	(712 6)	
<b>Provisions for liabilities and charges</b>			-	-	
<b>Net (liabilities)/assets</b>			-	(712 6)	
<b>Capital and reserves</b>					
Called up share capital	15	-	-	-	
Profit and loss account		-	-	(712 6)	
<b>Shareholders (deficit)/funds</b>			-	(712 6)	

These accounts were approved by the board of directors on  
and signed on their behalf by

15/12/10

  
Jan Ivar Hagen  
Director

## Note

- Notes on pages 12 – 20 form part of the financial statements

## 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 18

The directors have prepared the accounts on the basis that all assets and trading activity were transferred to the newly established UK branch of the Company's Swedish Parent Company, Svenska Petroleum Exploration AB, with effect from 31 December 2009, and that consequently the company would become dormant

#### *(iii) Fixed 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 as follows

- Office equipment and furniture – 3 years
- Office fixtures & fittings – 10 years
- Company apartment – 43 years (the life of the lease at purchase date)

#### *(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

**NOTES TO THE ACCOUNTS (continued)**

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

*(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 period 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

*(vii) 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**

Turnover is generated from the charging of technical and commercial services rendered to Svenska Group companies In 2008, services were also rendered to the company that acquired Old Svenska's North Sea assets on 01 January 2008 (Oilexco N S Exploration Limited) Turnover is split as follows

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Svenska Group companies	2,556 2	2,150 4
Non-Group	-	114 2
	<u>2,556 2</u>	<u>2,264 6</u>

**NOTES TO THE ACCOUNTS (continued)****3 Cost of Sales**

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Personnel Costs	1,304 4	1,087 4
Office Costs & Depreciation	720 8	732 5
External Costs	<u>227 8</u>	<u>256 1</u>
	2,253 0	2,076 0

**4 Audit, taxation and legal costs**

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Audit of these UK Statutory financial statements	24 5	14 0
Auditors' remuneration for tax services	7 4	11 2
Legal costs	<u>5 0</u>	<u>2 2</u>
	36 9	27 4

**5 Impairment of fixed assets**

The property (a flat) owned by the Company was valued during the period at £800,000, compared with a book value of £ 935,200. This asset was therefore written down by an amount of £135,200 prior to transferring to the Branch.

**6 Interest receivable & similar income**

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable from bank	1 0	12 3
Foreign exchange gains	<u>240 7</u>	<u>39 3</u>
	241 7	51 6

**NOTES TO THE ACCOUNTS (continued)****7 Interest payable & similar charges**

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank charges	2 8	1 9
Interest expense	20 4	27 1
Foreign exchange losses	180 4	926 6
	<u>203 6</u>	<u>955 6</u>

**8 Directors' remuneration**

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Gross Salaries	296 5	287 9
Pension contributions	32 3	33 5
Benefits in kind	11 6	12 9
	<u>340 4</u>	<u>334 3</u>

The highest paid director received emoluments of £170,983, inclusive of pension contributions of £16,960. Retirement benefits are accruing to two directors under the Company's defined contribution scheme.

**9 Staff numbers and cost**

The average number of persons employed by the company (excluding non-executive directors) during the period was as follows

	<b>Jan 2009- June 2010</b>	<b>2008</b>
Management and technical	5	7
Administration	2	2
	<u>7</u>	<u>9</u>

**NOTES TO THE ACCOUNTS (continued)****9 Staff numbers and cost (continued)**

The aggregate payroll costs (excluding non-executive directors) were as follows

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	960 5	786 3
Social Security Costs	105 8	83.7
Other pension costs	111 5	59.5
	<u>1,177 8</u>	<u>929 5</u>

**10 Tax on profit on operating activities****10 (a) Analysis of charge in the period**

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Current UK corporation tax charge	86 1	-
Adjustment in respect of prior periods	-	-
Deferred UK corporation tax charge/(credit)		
Capital allowances (greater than)/less than depreciation	(3 9)	12 8
Short term timing differences	8 7	(8 7)
Tax on profit on operating activities	<u>90 9</u>	<u>4 1</u>



**NOTES TO THE ACCOUNTS (continued)****10 (b) Factors affecting total current CT charge for the period**

The Corporation tax rate for the period is 28%. The Corporation tax rate for 2008 was 28.5%, a weighted average of the rates for 2007-8 (30%) and 2008-9 (28%)

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(Loss) on ordinary activities before tax	803.5	(742.8)
Profit/(Loss) on ordinary activities multiplied by 28% (28.5% in 2008)	224.9	(211.7)
Actual current period corporation tax charge	<u>86.1</u>	<u>0.0</u>
Difference	(138.8)	211.7
Comprising effects of		
Short term timing differences	1.7	8.9
Permanent differences	(175.1)	66.0
Accelerated capital allowances	52.7	(6.5)
Unrecognised losses utilised	(18.1)	
Unrecognised and unutilised losses/(profits) carried forward	<u>-</u>	<u>143.3</u>
	(138.8)	211.7

**NOTES TO THE ACCOUNTS (continued)****11 Fixed Assets****(a) Tangible Assets**

	<b>Office Equipment £'000</b>	<b>Fixtures &amp; Fittings £'000</b>	<b>Leasehold Company Flat £'000</b>	<b>Total £'000</b>
<b>Cost:</b>				
1 January 2009	144 1	238 7	980 8	1,363 6
Additions	8 5	-		8 5
Transfer	(152 6)	(238 7)	(980 8)	(1,372 1)
30 June 2010	-	-	-	-
<b>Provision for depreciation and amortisation</b>				
1 January 2009	54 0	35 0	22 8	111 8
Charge for the period	45 8	35 0	22 8	103 6
Impairment			135 2	135 2
Transfer	(99 8)	(70 0)	(180 8)	(350 6)
30 June 2010	-	-	-	-
<b>Net Book Value</b>				
30 June 2010	-	-	-	-
<b>Net Book Value</b>				
31 December 2008	90 1	203 7	958 0	1,251 8

**12. Debtors**

	<b>Jan 2009- June 2010 £'000</b>	<b>2008 £'000</b>
Receivable from Parent Company	-	9 5
Deferred Tax Asset (ref Note 13 below)	-	14 6
Other debtors	-	100 4
Prepaid rent, rates & service charge	-	151 7
	-	276 2

Amounts all receivable within one year

**NOTES TO THE ACCOUNTS (continued)****13 Deferred taxation**

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Capital allowances less than depreciation	-	5 9
Short term timing differences	-	8 7
Net deferred tax asset	-	14 6

**14 Creditors (Amounts falling due within one year)**

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Amount due to Group Company	-	1,415 3
Bank overdraft	-	899 1
Accrued expenses	-	481 1
	-	2,795 5

**15. Share capital**

	<b>Jan 2009- June 2010</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>Authorised share capital</b>		
Ordinary shares of £1 each	100	100
<b>Authorised, allotted, called-up and fully paid</b>		
Ordinary shares of £1 each	3	3

**NOTES TO THE ACCOUNTS (continued)****16. Commitments**

	<b>Jan 2009- June 2010 <u>£'000</u></b>	<b>2008 <u>£'000</u></b>
At 30 June 2010, the following minimum annual rental obligations existed under operating leases expiring		
Within 1 year	-	364 4
Within 2 – 5 years	-	1,457 7
More than 5 years	-	2,430 7
Note the office lease was assigned to Svenska Petroleum Exploration AB on 30 June 2010	-	4,252 8

**17 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.

**18 Ultimate parent undertaking**

Svenska Petroleum Exploration U K Limited is owned by Svenska Petroleum Exploration AB, a company registered in Sweden. Svenska Petroleum Exploration 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 Biblioteksgatan 29, P O Box 27823, SE-115 93 Stockholm, Sweden.