

Company Registration Number SC210359

**ALBA RESOURCES LIMITED**

**DIRECTORS REPORT AND ACCOUNTS**

**YEAR ENDED  
30 JUNE 2008**

WEDNESDAY



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# **ALBA RESOURCES LIMITED**

## **DIRECTORS REPORT**

The directors present their report and the financial statements for the year to 30 June 2008.

### **Business review and principal activities**

The company is a wholly owned subsidiary of Alba Resources (Holdings) Limited, which is a wholly owned subsidiary of Nautical Petroleum plc an AIM listed company engaged in oil exploration, development and production.

The company holds a 26.67% interest in the UK North Sea block 9/11a, the Mariner field, which is the company's only asset. The field is at the pre-development phase and the activity in the period was to continue to evaluate the field.

### **Results and dividends**

The company made a loss of £51,080 in the year to June 2008 (2007: profit of £420,070). The directors do not recommend the payment of a dividend.

### **Future developments**

The company will continue to evaluate the Mariner field and development options with a view to developing the field.

### **Principal risks and uncertainties.**

In accordance with all pre-development fields, the principal risk, both upside and downside, is the level of commerciality, with the most influential factors being oil prices and the ultimate size of recoverable reserves and the cost of the development. With the serious deterioration in the financial markets since mid 2008, there are additional risks associated with financing developments.

The company is financed by loans from Nautical Petroleum plc, which is well funded to take Mariner to development submission. Nautical will remain flexible on equity interests in development assets depending on the availability of development funding. Nautical's website ([www.nauticalpetroleum.com](http://www.nauticalpetroleum.com)) contains further information about the group including the recently published interim accounts for December 2008, in which the Chief Executives statement discusses how the group is managing the current challenging market.

When production commences revenue will most likely be in US dollars. The company is therefore exposed to currency movements, which it will seek to manage with a range of measures, including consideration of appropriate financing and hedging.

### **Directors and their interests**

The directors of the company in the year were:

Mr H Thanawala  
Mr I Williams  
Mr S Jenkins  
Mr P Jennings

On 17 October 2008 Mr Thanawala and Mr Williams resigned as directors of the Company and Mr W Mathers was appointed as a director.

None of the directors have any interest in the shares of the company. The interests of the directors in its parent, Alba Resources (Holdings) Limited, and its ultimate parent, Nautical Petroleum plc, are set out in the reports and accounts of those companies, which do not form part of this report.

## **ALBA RESOURCES LIMITED**

### **Significant events**

On 2 November 2007 Nautical Petroleum plc, the ultimate parent of the company, entered into a 18 month £7.5 million borrowing facility with the Bank of Scotland. Security for the facility includes a first ranking debenture over the assets of the company.

### **Disclosure of information to the auditors**

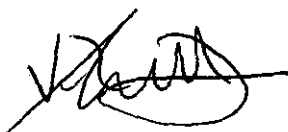
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, 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.385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young as auditor of the company.

The directors report has been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small entities.

By order of the Board



I Smith  
Secretary

Date: 26<sup>th</sup> March 2009

## **ALBA RESOURCES LIMITED**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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). The financial statements are required by law to give a true and fair view of the state 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 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 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 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 Alba Resources Limited

We have audited the company's financial statements for the year ended 30 June 2008 which comprise the Profit and Loss Account, the Statement of Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13. 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 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**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also 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.

### **Basis of audit opinion**

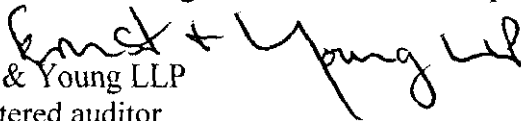
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its loss 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.

  
Ernst & Young LLP  
Registered auditor  
Aberdeen

16 March 2009

**ALBA RESOURCES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
for the year to 30 June 2008

	Note	2008 £	2007 £
Administrative expenses		(24,862)	344,424
<b>Operating (loss) / profit</b>	2	<b>(24,862)</b>	344,424
Finance income	4	142,477	249,646
Finance costs	4	(168,526)	(174,000)
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(50,911)</b>	420,070
Tax on ordinary activities	5	(169)	-
<b>(Loss) / profit on ordinary activities after taxation</b>		<b>(51,080)</b>	420,070

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year to 30 June 2008

	2008 £	2007 £
(Loss) / profit for the period attributable to shareholders and total recognised gains and losses relating to the period	(51,080)	420,070
Prior periods adjustments	-	344,718
<b>Total gains and (losses) recognised since last annual report</b>	<b>(51,080)</b>	764,788

**ALBA RESOURCES LIMITED**  
**BALANCE SHEET – at 30 June 2008**

	Note	2008 £	2007 £
<b>Fixed Assets</b>			
Intangible assets	6	10,738,989	8,125,008
<b>Current Assets</b>			
Debtors	7	467,312	468,952
Cash at bank and in hand		9,457	7,057
		<u>476,769</u>	<u>476,009</u>
<b>Creditors: Amounts falling due within one year</b>	8	<u>(6,632,733)</u>	<u>(4,016,859)</u>
<b>Net Current Liabilities</b>		<u>(6,155,964)</u>	<u>(3,540,850)</u>
<b>Total Assets Less Current Liabilities</b>		4,583,025	4,584,158
<b>Creditors: Amounts falling due after more than one year</b>	9	<u>(3,023,532)</u>	<u>(2,973,585)</u>
		<u>1,559,493</u>	<u>1,610,573</u>
<b>Capital and Reserves</b>			
Called-up share capital	11,12	197,159	197,159
Share premium	11,12	2,907,890	2,907,890
Profit and loss account	12	<u>(1,545,556)</u>	<u>(1,494,476)</u>
<b>Shareholders' Funds</b>		<u>1,559,493</u>	<u>1,610,573</u>

Signed on behalf of the board of directors



Director – William Mathers

26/3/09  
 Date

## ALBA RESOURCES LIMITED

### NOTES TO THE ACCOUNTS – 30 June 2008

#### 1. Accounting Policies

##### (a) *Basis of Accounts Preparation*

The financial statements have been prepared under the historic cost convention and in accordance with applicable United Kingdom accounting standards. In addition to the requirements of UK accounting standards, the accounting for oil and gas exploration and production activities is guided by the Statement of Recommended Practice ("SORP") "Accounting for Oil and Gas Exploration, Production and Decommissioning Activities" issued by the UK Oil Industry Accounting Committee on 7 June 2001. The financial information has been prepared in accordance with the provisions of the SORP.

The parent company has agreed to provide the company with funds as required. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

##### (b) *Exploration, Evaluation and development expenditure*

All costs incurred after to the rights to explore an area have been obtained are accumulated and capitalised as intangible exploration and evaluation (E&E) assets. If facts and circumstances indicate that the carrying value of the E&E asset may exceed its recoverable amount an impairment review is performed.

Development and Production (D&P) assets are accumulated into single field cost centres and represent the costs of developing the commercial reserves and bringing them into production together with the E&E expenditures incurred in finding commercial reserves.

When production commences the capital costs incurred plus an estimate of future costs of development are depleted on the unit of production method based on proven and probable reserves for the cost centre. Changes in reserve quantities are recognised prospectively from the last reporting date.

##### (c) *Depreciation*

The cost of fixed assets is written off over their expected useful lives as follows:

Computer equipment	3 years
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##### (d) *Foreign Currencies*

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions; monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. The resulting profits or losses are dealt with in the profit and loss account.

##### (e) *Related Party Transactions*

The company is part of the Nautical Petroleum Plc group, the consolidated accounts of which are publicly available. Accordingly the company has taken advantage of the exemption in Financial Reporting Standard no. 8 from disclosing transaction with members of the Nautical Petroleum group where the group controls 90% of the voting rights.

##### (f) *Long term payables*

Long term payables are measured at amortised cost using the effective interest rate method, with the unwinding of the discount passing through the profit and loss account as a finance cost. At each balance sheet date, the estimates used to determine the discount period are assessed and changes made as appropriate, with the effect of the change being recorded in the current year.

##### (g) *Cash flow statement*

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the



**ALBA RESOURCES LIMITED****NOTES TO THE ACCOUNTS – 30 June 2008**

grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

**2. Operating loss**

	2008 £	2007 £
<b>Operating loss is stated after charging:</b>		
Depreciation of fixed assets	-	2,283
Foreign exchange loss / (gain)	23,821	(347,805)
Auditors remuneration (see note 3)	4,000	4,000

**3. Auditors remuneration**

	2008 £	2007 £
Auditors remuneration:		
Audit services – Ernst & Young	4,000	4,000
Auditors remuneration:	<u>4,000</u>	<u>4,000</u>

The current year's audit fees of £4,000 were absorbed by the parent company.

**4. Interest income and similar items**

	2008 £	2007 £
<b>Finance income</b>		
Bank interest	77	1,848
Effects of changes in estimates to discounts on long term payables	142,400	247,798
	<u>142,477</u>	<u>249,646</u>
<b>Finance costs</b>		
Unwinding of discount on long term payable	<u>168,526</u>	<u>174,000</u>

**5. Tax**

	2008	2007 £
(Loss) / Profit on ordinary activities before tax	<u>(50,911)</u>	<u>420,070</u>
UK corporation tax @28% (2007: 30%)	(14,255)	126,021
Disallowed (income) & expenses	14,269	(22,139)
Utilisation of brought forward losses	(14)	(103,882)
Tax paid on prior year profits	169	-
Total current tax	<u>169</u>	<u>-</u>

The company has losses of £1,839,737 (2007:£1,548,450) arising in the UK that are available against future taxable profits. Deferred tax assets of £739,954 at 28% (2007: £464,535 at 30%) have not been recognised as a result of existing uncertainties of their realisation

**ALBA RESOURCES LIMITED****NOTES TO THE ACCOUNTS – 30 June 2008****6. Intangible Fixed Assets**

	Exploration and Evaluation £
At 1 July 2007	8,125,008
Additions	2,613,981
<b>Net book value at 30 June 2008</b>	<b><u>10,738,989</u></b>

Intangible fixed assets relate to a 26.67% interest in UKCS block 9/11a (the Mariner field), plus costs relating to a 6.67% carried interest.

The directors have considered the carrying amounts for the intangible assets and following the principles explained in Note 1(b) consider that there has been no impairment of these amounts.

**7. Debtors: amounts falling due within one year**

	at 30 June 2008 £	at 30 June 2007 £
Other debtors	1,323	2,963
Amounts owed by group undertakings	465,989	465,989
	<u>467,312</u>	<u>468,952</u>

**8. Creditors: amounts falling due within one year**

	at 30 June 2008 £	at 30 June 2007 £
Trade creditors	154,760	167,929
Accruals	2,000,000	-
Amounts owed by group undertakings	4,477,973	3,848,930
	<u>6,632,733</u>	<u>4,016,859</u>

**9. Creditors: amounts falling due after one year**

<b>Amounts relating to the Mariner field development</b>	£
At 1 July 2007	2,973,585
Effect of changes in estimates	(142,400)
Unwinding of discount	168,526
Exchange adjustments	23,821
<b>At 30 June 2008</b>	<b><u>3,023,532</u></b>

The above amount relating to the Mariner Field is for 2 elements: (1) \$4.0m due on field development plan (FDP) approval by the Department of Trade and Industry; and (2) \$2.8m due on first oil.

**10. Borrowings**

On 2 November 2007 Nautical Petroleum plc, the ultimate parent of the company, entered into a 18 month £7.5 million borrowing facility with the Bank of Scotland. Security for the facility includes a first ranking debenture over the assets of the company.

**ALBA RESOURCES LIMITED****NOTES TO THE ACCOUNTS – 30 June 2008****11. Share capital**

<b>Called up Share capital</b>	<b>at 30 June 2008</b>	<b>at 30 June 2007</b>
<b>Authorised:</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>
<b>Allotted, called up and fully paid:</b>		
Ordinary shares of £1 each	<u>197,159</u>	<u>197,159</u>
<b>Share Premium</b>	<u>2,907,890</u>	<u>2,907,890</u>

**12. Reserves**

	<b>Share capital £</b>	<b>Share premium £</b>	<b>Profit and loss reserve £</b>
At 1 July 2006	197,159	2,907,890	(1,914,546)
Profit for the year	-	-	420,070
At 1 July 2007	197,159	2,907,890	(1,494,476)
Loss for the year	-	-	(50,080)
<b>At 30 June 2008</b>	<b><u>197,159</u></b>	<b><u>2,907,890</u></b>	<b><u>(1,544,556)</u></b>

**13. Parent Undertakings**

The immediate parent undertaking is Alba Resources (Holdings) Limited, whose ultimate parent undertaking and controlling party is Nautical Petroleum Plc. It has included the company in its group financial statements, copies of which are available from its registered office, Parnell House, 25, Wilton Road, London SW1V 1YD.