Company Registration No. 972618

Suncor Energy UK Limited

Annual Report and Financial Statements

31 December 2018

Contents

Officers and professional advisors

Directors
R. Davie (resigned 30 April 2019)
D. Zeller (resigned 20 June 2019)
A. Campbell (appointed 4 June 2019)
S. Trueman

Secretary
Oakwood Corporate Services Limited

Registered Office
c/o Oakwood Corporate Services Limited
3rd Floor, 1 Ashley Road
Altrincham
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WA14 2DT

Bankers
Bank of America

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Capitol
431 Union Street
Aberdeen
AB11 6DA

Strategic report

Suncor Energy UK Limited ("The company") continues to pursue its strategy of improving the profitability of existing core areas, delivering profitable growth in its current portfolio and targeting new opportunities with focus on long life assets and building a balanced exploration program.

Overall net production in barrels of oil equivalent per day (boepd) for 2018 was 46,591 (2017: 63,443 boepd).

Hydrocarbon reserves (unaudited)

Movements in commercial reserves, defined as proven developed and undeveloped hydrocarbon reserves, all of which are located within the United Kingdom Continental Shelf, were as follows:

2018	**Oil MMbbls**	**Gas Bcf**	**NGLs MMbbls**	**Total MMboe**
Opening reserves (proved)				
- developed	56.9	1.7	0.1	57.3
Revisions of previous estimates	2.7	0.8	0.1	3.0
Discoveries	0.5	0.1	-	0.5
Production	(16.6)	(1.8)	(0.1)	(17.0)
Closing reserves (proved)	43.5	0.8	0.1	43.8
Closing reserves (proved) made up of:				
- developed	43.5	0.8	0.1	43.8
Total closing reserves (proved)	43.5	0.8	0.1	43.8

Source: Sproule evaluation of the reserves for the North Sea properties of Suncor Energy Inc. ("Suncor").

Definitions:	MMbbls	Millions of barrels
	Bcf	Billions of cubic feet
	MMboe	Millions of barrels of oil equivalent
	Mboepd	Thousands of barrels of oil equivalent per day

Fields

In 2018, Buzzard maintained a production efficiency of 82% and continued to improve the water injection system performance. Buzzard production for the year was 10% under budget at 34.2 mboepd net. This was primarily due to planned reservoir decline and two downgrading production shutdowns; drilling rig pull in September and a maintenance shutdown in November/December to repair corrosion under insulation of oil lines.

An Infill Drilling project was started in September which will continue into 2019. The first well was completed and tied-in with production starting in January 2019.

Buzzard Phase II (BPII) development project continued in 2018, and was fully sanctioned at Gate 3 in July. This project includes drilling of six wells in the Northern Terrace of the reservoir which will access new reserves. The wells will be tied back to the Buzzard platform as a subsea tie-back. A new module will be installed on the Buzzard 'P' platform to take this new production stream. First oil from this project is planned for late 2020.

Strategic Report (continued)

Fields (continued)

Golden Eagle Area Development (GEAD) continued to perform well in 2018 with high production efficiency of 91.5% throughout the year. Production from Golden Eagle was 12.4 mboepd net for 2018, lower than the previous year due to planned reservoir decline. There was no development drilling in the year.

SEUK's participating interest in the UK North Sea Rosebank project was increased to 40% in 2018. In fourth quarter of 2018, Equinor initiated a purchase of Chevron's share of Rosebank, which was executed in early January 2019.

The Rosebank project, located approximately 80 miles (130 kilometres) northwest of the Shetland Islands in water depths of approximately 3,600 feet (1,110 metres), was discovered in December 2004 and is considered one of the best and largest remaining undeveloped resources in the U.K. North Sea. Joint venture parties are now; operator Equinor (40%), Suncor (40%) and Siccar Point Energy (20%).

Production

The company's net share of production in 2018 was 17.0 MMboe (2017: 23.2 MMboe), a decrease of 27% from the previous year.

Exploration

The company continued the West of Shetland analysis and has identified and ranked a number of leads to evaluate further. A work plan was developed along with a list of required data to further the analysis. The data was purchased towards the end of 2018 and the analysis will continue into 2019, possibly leading to a licence round application in the 32nd round.

The operator, Nexen Petroleum U.K. Limited (" Nexen"), has reviewed a number of licences around the Buzzard/GEAD area and with partner approval has relinquished area licenses P2171, P2283, P2155 and P1893.

The company evaluated various exploration farm-in opportunities, two of which were taken forward and successfully completed. The company farmed-in to the Blackrock prospect in licence P1830, and has 25% working interest and the well will be drilled in the first half of 2019 by operator Siccar Point Energy. The company also successfully farmed-in to the Chimera prospect in licence P2312 with a 40% working interest and the well will be drilled in second half of 2019 by operator Cairn Energy.

Capital Investment

Capital investment of £88 million (2017: £32 million) was undertaken during the year; primarily the investment is on Buzzard, Rosebank and Golden Eagle Area Development Project.

Staff

The average monthly number of staff employed by the company during the year was 32 (2017: 35).

Supplier Payment Policy

The company's policy is to set terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 December 2018 were equivalent to 26 days purchases (2017: 1), based on the average daily amount invoiced by suppliers during the year.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company website and publications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Key performance indicators (KPIs)

Key results	**2018**	**2017**	**Increase/(decrease)**
Production (boepd)	46,591.4	63,442.6	(16,851.2)
Turnover (£ million)	942.2	914.0	28.2
Gross profit (£ million)	708.0	692.4	15.6
Operating profit (£ million)	640.0	680.1	(40.1)
Profit before taxation (£ million)	685.3	634.9	50.4
Profit for the financial year(£ million)	419.8	370.7	49.1

Key statistics : £ per boe	**2018**	**2017**	**Increase/(decrease)**
Effective realised price:			
- crude oil	52.32	41.44	10.88
- gas : per mcf	4.26	3.38	0.88
- NGL	30.23	25.01	5.22
Depreciation, depletion and amortisation	2.02	6.96	(4.94)
Administration expenses	0.58	0.55	0.03

Key statistics : Staff	**2018**	**2017**	**Decrease**
Number of staff	32	35	(3)

Profit and loss account

Operating profit has decreased compared to the prior year primarily due to an impairment of the investment in Petro-Canada Energy North Sea Limited.

Balance sheet

The company's net assets have increased by £49.3 million to £536.4 million in 2018 (2017 - £487.1 million). The financial position of the company remains stable and the current developments are intended to maintain that position.

Financial risk management objectives and policies

The company's main activities expose it to a number of financial risks including price risk, foreign exchange risk and liquidity risk. There were no unrealised hedges outstanding at 31 December 2018. The Board will, however, continue to closely monitor the risks associated with commodity price, and currency fluctuations and manage these with regard to the company's commitments.

Foreign Exchange risk

The company's activities expose it primarily to the financial risks in changes of foreign currency exchange rates. The company may enter into forward exchange contracts as necessary although primarily any foreign currency exposure is managed at corporate level in compliance with Suncor Group policies.

Price risk

The company is exposed to commodity price risk. The company does not manage its exposure to commodity prices due to cost benefit considerations. The commodity price risk associated with the company is managed as part of a broader portfolio at the Suncor corporate level.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term inter-company debt finance. These are typically at fixed interest rates and therefore the company is not significantly exposed to interest rate risk.

Principal risks and uncertainties

Factors that may affect results include reservoir performance and facility reliability. Reservoir performance is managed by monitoring static data and dynamic simulation. Production efficiency is maintained by controlling planned maintenance, monitoring and acting on unplanned maintenance issues and trends. Drilling campaigns are approved on the basis of economic resource addition which includes assessment of technical and drilling uncertainties. Overall catastrophic risk is mitigated by having insurances in place, such as business interruption insurance.

Summary and Outlook

The company will continue to seek to maximise value both from its existing portfolio of assets and from any other investment or divestment opportunities which may arise. Additionally, it will look for and exploit other value adding opportunities in the UK sector of the North Sea as well as to provide technical and support services to associated companies.

Approved by the Board of Directors
and signed on behalf of the Board

A. Campbell
Director
26 August 2019

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activities of the company are oil and gas exploration, development and production. The company also provides technical and commercial support to other companies within Suncor's International and Offshore Business Unit. It also acts as a holding company to Petro-Canada Energy North Sea Limited.

Business review

The directors are required by the Companies Act to set out in this report a fair review of the business of the company during the financial year ended 31 December 2018 and of the position of the company at the end of the year, including a description of the principal risks and uncertainties facing the company ('business review'). The information that fulfils the requirements of the business review can be found within the Strategic report on pages 3 to 6. The Report on the year also includes details of expected future developments in the business of the company, financial risk management objectives and policies and details of the key performance indicators used by management.

Results and dividends

The company's profit for the financial year was £419.8 million (2017: £370.7 million). Dividends of £372.0 million were paid during the year to the company's immediate parent company, Suncor Energy UK Holdings Limited (2017: £480.0 million). No further dividend is proposed by the directors.

As at 31 December 2018 the company had capital commitments of £73 million primarily relating to the development of the Buzzard Asset.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

R. Davie	(British)	(resigned 30 April 2019)
D. Zeller	(Canadian)	(resigned 20 June 2019)
A. Campbell	(Canadian)	(appointed 4 June 2019)
S. Trueman	(British)	

The directors who held office at the end of the financial year do not have any interests in the shares of the company or any other UK group company.

Going concern

After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Charitable and political contributions

The company contributed £0.02M to charities (2017 - £0.03M). Most community support activities are funded through a corporate budget. No political contributions were made.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Independent Auditors

PricewaterhouseCoopers LLP (PwC) will resign as auditors of the company, which will be completed following the sign-off of the Company's financial statements for the year ended 31 December 2018. The Board of Directors will appoint KPMG LLP as auditor to fill the vacancy that will be created by PwC's resignation.

Suncor Energy UK Limited

Approved by the Board of Directors
and signed on behalf of the Board

A. Campbell
26 August 2019

Independent auditors' report to the members of Suncor Energy UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Suncor Energy UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the Profit and loss account, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

K Reynard

Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
26 August 2019

Suncor Energy UK Limited

Profit and loss account

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	5	**942,179**	913,986
Cost of sales	6	**(234,165)**	(221,614)
Gross profit		**708,014**	692,372
Administrative expenses	7	**(26,903)**	(12,848)
Investment (impairment) / reversal of impairment	14	**(41,151)**	603
Operating profit		**639,960**	680,127
Income from subsidiary undertaking	14	**42,000**	-
Interest receivable and similar income	8	**3,498**	1,982
Interest payable and similar expenses	9	**(169)**	(47,254)
Profit before taxation		**685,289**	634,855
Tax on profit	11	**(265,462)**	(264,121)
Profit for the financial year		**419,827**	370,734

The company's results are all derived from continuing activities in both years.

There are no material differences between the profit before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

Suncor Energy UK Limited

Statement of comprehensive income
For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Profit for the financial year		**419,827**	370,734
Items that will not be reclassified to the P&L			
Actuarial gain relating to pension scheme	23	**2,575**	16,605
UK deferred tax attributable to actuarial result	19	**(1,030)**	(6,642)
Total comprehensive income for the financial year		**421,372**	380,697

Suncor Energy UK Limited

Balance sheet

As at 31 December 2018

	Note	2018 £000	2017 as restated £000
Fixed assets			
Intangible assets	13	**161,908**	86,380
Tangible assets	13	**548,903**	674,545
Investments	14	**95,784**	136,935
		806,595	897,860
Current assets			
Stocks	15	**12,368**	13,519
Debtors	16	**493,172**	349,161
		505,540	362,680
Creditors: amounts falling due within one year	17	**(459,035)**	(204,013)
Net current assets		**46,505**	158,667
Total assets less current liabilities		**853,100**	1,056,527
Creditors: amounts falling due after more than one year	18	**-**	(206,992)
Provisions for liabilities	19	**(314,174)**	(355,261)
Net assets excluding pension deficit		**538,926**	494,274
Pension deficit	23	**(2,500)**	(7,220)
Net assets including pension deficit		**536,426**	487,054
Capital and reserves			
Called up share capital	20	**11,523**	11,523
Share Premium account		**52,493**	52,493
Capital redemption reserve		**1,649**	1,649
Other reserves		**295,287**	295,287
Profit and loss account		**175,474**	126,102
Total shareholders' funds	21	**536,426**	487,054

Company number 972618

The financial statements from pages 12 to 39 were approved by the Board of Directors on 26 August 2019.

Signed on behalf of the Board of Directors

A. Campbell
Director

Statement of changes in equity

For the year ended 31 December 2018

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2017	11,523	52,493	296,936	225,405	586,357
Profit for the financial year	-	-	-	370,734	370,734
Other comprehensive income for the year	-	-	-	9,963	9,963
Total comprehensive income for the financial year	-	-	-	**380,697**	**380,697**
Dividends paid to equity holders of the company (Note 21)	-	-	-	(480,000)	(480,000)
Total distributions to owners of the company, recognised directly in equity	-	-	-	**(480,000)**	**(480,000)**
Balance at December 31 2017	11,523	52,493	296,936	126,102	487,054
Profit for the financial year	-	-	-	419,827	419,827
Other comprehensive income for the year	-	-	-	1,545	1,545
Total comprehensive income for the financial year	-	-	-	**421,372**	**421,372**
Dividends paid to equity holders of the company (Note 21)	-	-	-	(372,000)	(372,000)
Total distributions to owners of the company, recognised directly in equity	-	-	-	**(372,000)**	**(372,000)**
Balance at December 31 2018	11,523	52,493	296,936	175,474	536,426

1. General information

Suncor Energy UK Limited (the company) is a limited liability company, incorporated and domiciled in England. The principal activity of the company is the exploration, development and production of oil and gas. The company also provides technical and commercial support to Suncor's International and Offshore Business Unit.

The company's principal place of business is Aberdeen, United Kingdom. The company's registered office is c/o Oakwood Corporate Services Limited, 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

The immediate parent company is Suncor Energy UK Holdings Limited. The ultimate parent company is Suncor Energy Inc., which is incorporated in Canada.

Suncor Energy Inc. is the parent undertaking of the largest company of undertakings to consolidate these financial statements as at 31 December 2018. The consolidated financial statements of Suncor Energy Inc. are available from:

Suncor Energy Inc. 150 – 6th Avenue SW, Calgary, Alberta, Canada, T2P 3E3

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act) as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurements and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 24 gives details of the company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The company has adopted the intermediate parent exemption under section 401 of the Companies Act 2006, hereby it is not required to prepare consolidated financial statements as the ultimate parent company prepares publicly available consolidated financial statements in accordance with IFRS.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities including pension assets and liabilities.

2. Summary of significant accounting policies (continued)
2.2 Disclosure exemption

The company has adopted the disclosure exemption as allowed by FRS 101. The exemption covers some (but not all) disclosures in the following standards:

IFRS 2 - For share-based payment (SBP) arrangements in a subsidiary's financial statements, using equity instruments of another company entity; and in an ultimate parent's separate financial statements, using its own equity instruments.

IFRS 7 - Disclosure of financial instruments.

IFRS 13 - Disclosure relating to fair value measurement.

IAS 1 - Information on capital management.

IAS 1 - From the requirement to present a balance sheet as at the beginning of the preceding period if there is a prior year adjustment.

IAS 7 - A cash flow statement is not required.

IAS 24 - Disclosure of key management personnel compensation, and for related party transaction entered into between two or more members of a group (for wholly owned subsidiaries).

Others - The requirement to present comparatives in roll-forward reconciliations, including movements in share capital (IAS 1), PP&E (IAS 16) and intangible assets (IAS 38).

2.3 Going concern

The company's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on the year on page 3 to 6. The Report also outlines the company's financial risk management policies. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2.4 Investment in subsidiaries

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). This is also the presentation currency of the company. The financial statements are presented in Great British pounds (GBP), which is the company's functional currency.

2. Summary of significant accounting policies (continued)
2.5 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except where deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in the profit and loss account within 'interest payable and similar expenses.

2.6 Fixed assets

i) Intangible fixed assets

The costs to acquire non-producing oil and gas properties or licenses to explore, drill exploratory wells and the costs to evaluate the commercial potential of underlying resources, including related borrowing costs, are initially capitalised as intangible fixed assets. These costs are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources.

If an area or exploration well is no longer considered commercially viable, the related costs are charged to Exploration expense.

When management determines with reasonable certainty that the intangible asset will be developed, as evidenced by the classification of proved or probable reserves and the appropriate internal and external approvals, the asset is transferred to tangible fixed assets.

Exploration costs not directly related to a specific license are charged to expense as incurred.

ii) Tangible fixed assets

The costs to acquire developed or producing oil and gas properties, and to develop oil and gas properties, including completing geological and geophysical surveys and drilling development wells, and the costs to construct and install development infrastructure, such as wellhead equipment, well platforms, offshore platforms and subsea structures are capitalised within tangible fixed assets.

iii) Depreciation, Depletion and Amortisation

Intangible fixed assets are not subject to depreciation, depletion and amortisation. Once transferred to producing fields within tangible fixed assets and commercial production commences, these costs are depleted on a unit-of-production basis over proved developed reserves, with the exception of property acquisition costs which are depleted over proved reserves.

Capital expenditures are not depleted until assets are substantially completed and ready for their intended use.

Costs to develop oil and gas properties are depleted on a unit-of-production basis over proved developed reserves. A portion of these costs may not be depleted if they relate to undeveloped reserves. Costs related to offshore facilities are depleted over proved and probable reserves.

2. Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets

Assets that have an indefinite life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial instruments

(a) Classification

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income, or at amortized cost. This determination is made at initial recognition. All financial instruments are initially recognized at fair value on the balance sheet, net of any transaction costs except for financial instruments classified as fair value through profit and loss, where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification. The company classifies cash and cash equivalents and accounts receivable as financial assets at amortized cost, and accounts payable and accrued liabilities and other long-term liabilities as financial liabilities at amortized cost.

(b) Recognition and measurement

The fair value of a financial instrument is determined, whenever possible, based on observable market data. If not available, the Company uses third party models and valuation methodologies that utilize observable market data that includes forward commodity prices, foreign exchange rates and interest rates to estimate the fair value of financial instruments, including derivatives. In addition to market information, the Company incorporates transaction specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and loans and borrowings.

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short term maturities of those instruments.

The Company's loans payable and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans payable and receivable are recorded at amortized cost using the effective interest rate method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2. Summary of significant accounting policies (continued)

2.10 Impairment of financial assets

The company assesses at the end of each reporting year whether there is objective evidence that a financial asset measured at amortized cost or group of financial assets measured at amortized cost is impaired. A financial asset measured at amortized cost or a group of financial assets measured at amortized cost is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset measured at amortized cost or group of financial assets measured at amortized cost that can be reliably estimated.

Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents the purchase price of spare parts and consumables. Net realisable value is based on estimated selling price, less further costs expected to be incurred to complete or dispose. Provision is made for obsolete, slow-moving or defective items where appropriate.

2.12 Cash

Cash and cash equivalents consist primarily of cash in banks, term deposits, certificate of deposit and all other highly liquid investments at the time of purchase.

2.13 Called up share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Summary of significant accounting policies (continued)

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Loans and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

2.16 Current and deferred income tax

Accounting policies relating to petroleum revenue tax and corporation tax payable to the UK government are as follows:

i) Petroleum revenue tax (PRT) is provided for on a unit of production basis over the estimated total production to the final year in which PRT is estimated to be payable. The computation is made separately for each field and is based on estimated future oil and gas prices, exchange rates and cost levels, and assumes that the current estimated profile of future production determined by the company will be achieved and that the current rules governing PRT will remain unaltered.

ii) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates the positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

iii) Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax asset are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

The company has a defined benefit pension scheme. The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. The defined

2. Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

benefit scheme is funded with the assets of the scheme held separately from those of the company, in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

From 9 April 2008, the company closed the defined benefit pension scheme to new employees and introduced a defined contribution scheme. For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2.18 Provisions

Decommissioning costs

The company recognises liabilities for the future decommissioning and restoration of exploration and evaluation assets. These provisions are based on estimated costs, which take into account the anticipated method. Estimated decommissioning costs are provided on a field by field basis and are discounted to present value. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included in interest payable. The discounted present value is also capitalised in fixed assets and depreciated on a unit of production basis. These costs are assumed to be eligible for tax relief, based on current tax legislation.

2.19 Turnover

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below.

Sale of hydrocarbons

Sales of hydrocarbons are recognised when the company has delivered and the title has passed on to the customer.

2.20 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the year in which the dividends are approved by the company's shareholders or paid in the case of interim dividends.

2. Summary of significant accounting policies (continued)

2.22 Leases

Leases that transfer substantially all the benefits of ownership of the leased asset to the company are classified as finance leases. Costs for all other leases (net of any incentive received by the company) are charged to the profit and loss account as incurred.

2.23 Petroleum over-lifts and under-lifts

The quantities of oil and other hydrocarbons actually lifted may differ from the company's entitlements. This gives rise to over-lift or under-lift which is accounted for at year-end market value. Under-lift is shown in debtors, over-lift is shown in creditors. The movement in value of under-/over-lift during the financial year is shown in cost of sales.

2.24 Joint arrangements

The company's exploration, development and production activities are generally conducted in joint arrangements (that are not entities) with other companies. The financial statements reflect the relevant proportions of income, expenditure, assets and liabilities applicable to the company's interests.

2.25 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

3. Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

(a) Income taxes

The company is subject to income taxes in the UK. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3. Critical accounting estimates and judgements (continued)

(b) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

(c) Determination of Cash Generating Units (CGU's)

A CGU is the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGU's requires significant judgement and interpretations with respect to the integration between assets, the existence of reserves, appropriate approvals from regulatory bodies and the company's internal project approval process.

(d) Asset impairment and reversals

Management applies judgement in assessing the existence of impairment and impairment reversal indicators based on various internal and external factors.

The recoverable amount of CGU's and individual assets is determined based on the higher of fair value less costs of disposal or value-in-use calculations. The key estimates the company applies in determining the recoverable amount normally include estimated future commodity prices, expected production volumes, future operating and development costs, discount rates, tax rates, and refining margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of occurrence of a future event. Changes to these estimates and judgments will affect the recoverable amounts of CGU's and individual assets may then require a material adjustment to their related carrying value.

(e) Decommissioning and restoration costs

The company recognizes liabilities for the future decommissioning and restoration of intangible and tangible assets. Management applies judgment in assessing the existence and extent as well as the expected method of reclamation of the company's decommissioning and restoration obligations at the end of each reporting period. Management also uses judgment to determine whether the nature of the activities performed is related to decommissioning and restoration activities or normal operating activities.

In addition, these provisions are based on estimated costs, which take into account the anticipated method and extent of restoration and technological advances. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations related to the use of certain technologies, the emergence of new technology, operating experience, prices and closure planes. The estimated timing of future decommissioning and restoration many change due to certain factors, including reserves life. Changes to estimates related to future expected costs, discount rates, inflation assumptions, and timing may have a material impact on the amounts presented.

3. Critical accounting estimates and judgements (continued)

(f) Effect of changing field estimates

Changes in reserves estimates, estimated decommissioning costs, price and exchange rate assumptions and other variables used in unit of production calculations are accounted for prospectively over the remaining commercially recoverable reserves of the field.

4. Recently announced accounting pronouncements

Recently announced accounting standards, amendments and interpretations are not presented as an exemption allowed under FRS101.

4.1 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations

i. Effective January 1, 2018, the company adopted IFRS 9 *Financial Instruments* (IFRS 9) which replaces the multiple classification and measurement models for financial assets under IAS 39 *Financial Instruments* (IAS 39) with a new model that has two measurement categories: amortized cost and fair value, either through profit/loss (FVTPL) or through other comprehensive income. This determination is made at initial recognition. For financial liabilities, the new standard retains most of the IAS 39 requirements; however, the main change arises in cases where the company chooses to designate a financial liability as FVTPL. In these situations, the portion of the fair value change related to the company's own credit risk is recognized in other comprehensive income rather than net earnings. As a result of adopting IFRS 9, the company's financial assets classified as loans and receivables at December 31, 2017 have been reclassified to financial assets at amortized cost; however, there is no impact to the measurement of these financial assets. There were no changes to the classifications of the company's financial liabilities. The classification and measurement guidance was adopted retrospectively in accordance with the transitional provisions of IFRS 9.

   After the adoption of IFRS 9, the company's accounting policies are substantially the same as December 31, 2017 and there were no impacts to the company's financial statements, except for the change in financial asset categories as discussed above.

ii. On January 1, 2018, the company adopted IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), which sets out guidelines for the recognition of revenue, using the retrospective method.

   IFRS 15 replaces IAS 18 *Revenue* and presents a new single model for recognition of revenue from contracts with customers. The model features a contract-based five-step analysis of transactions to determine the nature of an entity's obligation to perform and whether, how much, and when revenue is recognized.

   Under IFRS 15, the revenue from the sale of commodities and other operating revenue the company earns represent contractual arrangements with customers. The company recognizes revenue when title of the product is transferred to the buyer and collection is reasonably assured in accordance with specified contract terms. All operating revenue is generally earned at a point in time and is based on the consideration that the company expects to receive for the transfer of the goods to the customers.

   The company has reviewed its sources of revenue and major contracts with customers using the guidance found in IFRS 15 and determined there are no material changes to the timing and measurement of the company's revenue in the reporting period, as compared to the provisions of the previous standard.

4. Recently announced accounting pronouncements (continued)

(b) Recently Announced Accounting Pronouncements

The standards, amendments and interpretations that are issued but not yet effective up to the date of authorisation of the company's financial statements, and that may have an impact on the disclosures and financial position of the company, are disclosed below. The company intends to adopt these standards, amendments and interpretations when they become effective.

i. IFRS 16, 'Leases', in January 2016, the IASB issued IFRS 16 Leases which replaces the existing leasing standard (IAS 17 Leases) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low-value items. The accounting treatment for lessors remains essentially unchanged, with the requirement to classify leases as either finance or operating. The company will adopt IFRS 16 on the effective date of 1 January 2019, and has selected the modified retrospective transition approach. The company will leverage the transition team developed by the company's parent company to assess the impact of IFRS 16 and implement the necessary changes to accounting systems, business processes and internal controls as a result of the new standard. The standard will have no impact on the financial statements of the company.

5. Turnover

The company's activities arise predominantly from a single class of business being oil and gas exploration and production. All production activities originate in the United Kingdom. The geographical analysis by destination is as follows:

	2018	**2017**
	£000	**£000**
United Kingdom	**138,771**	240,870
Europe	**435,492**	332,697
Other	**367,916**	340,419
	942,179	913,986

6. Cost of sales

	2018	**2017**
	£000	**£000**
Operating costs	**69,358**	77,216
Depreciation, depletion and amortisation	**94,174**	161,267
Exploration and pre-development costs written off	**4,999**	1,611
Decrease/(Increase) in net underlift balance	**65,634**	(18,480)
	234,165	221,614

7. Administrative expenses

	2018 £000	2017 £000
Administration expenses include:		
Office properties lease rentals	**302**	410
The analysis of the auditors' remuneration in respect of the company is as follows:		
Fees payable to the company's auditors for the audit of the company's annual financial statements	**120**	117
Fees payable to the company's auditors for the audit of the associated pension scheme	**9**	9

Administrative expenses are stated net of recharges to parent and affiliated companies of £0.2 million (2017: £1.2 million).

8. Interest receivable and similar income

	2018 £000	2017 £000
Bank and other interest receivable and similar income	**3,498**	1,982
	3,498	1,982

9. Interest payable and similar expenses

	2018 £000	2017 £000
Interest on bank loans and overdrafts	**122**	630
Interest on inter-company loans	**9,069**	8,547
Unwinding of discount on decommissioning	**8,924**	8,501
Net finance expense of pension scheme	**150**	648
Exchange (gains)/ losses	**(18,096)**	28,928
	169	47,254

10. Employee information

Profit before taxation is stated after charging staff costs (including directors' emoluments) as follows:

	2018 £000	2017 £000
Wages and salaries	**2,728**	2,858
Social security costs	**932**	909
Other pension costs:		
- defined benefit scheme	**2,468**	1,935
- defined contribution scheme	**182**	171
	6,310	5,873

Of the above costs, £3.1 million was either recharged to other Suncor Group companies or capitalised within fixed assets as part of the cost of the company's oil & gas properties (2017: £2.9 million).

The average monthly number of persons employed by the company during the year (including executive directors) was as follows:

	2018 No.	2017 No.
Technical services	**20**	20
Management and corporate services	**7**	10
Finance and business services	**5**	5
	32	35

Details of directors' remuneration are as follows:

	2018 £000	2017 £000
Aggregate emoluments	**1,160**	1,203
	No.	No.
The number of directors who are members of a defined benefit pension scheme	**3**	3

The directors' remuneration shown above included:

	2018 £000	2017 £000
Highest paid director		
Remuneration for services	**390**	402
Exercised share options	**144**	164
	534	566

10. Employee information (continued)

During the year, the company made contributions to the defined benefit pension scheme on behalf of one director (2017: one) who was a member of the scheme. The highest paid director did not accrue entitlements under the scheme.

Two directors exercised stock options in the ultimate parent company during 2018 (2017: two).

11. Tax on profit

	2018 £000	2017 £000
Current tax:		
Current tax on profits of the year	**272,828**	321,421
Adjustment in respect of previous years	**(677)**	(311)
Total current tax	**272,151**	321,110
Deferred tax:		
Current year	**(6,122)**	(56,989)
Adjustment in respect of previous years	**(567)**	-
Total deferred tax	**(6,689)**	(56,989)
Tax on profit	**265,462**	264,121

The tax on the company's profit before taxation differs in 2018 and 2017 from the theoretical amount that would arise using the applicable tax rate as follows:

	2018 £000	2017 £000
Profit before taxation	**685,289**	634,855
Tax on profit before taxation at standard UK tax rate of 40.00% (2017: 40.00%)	**274,116**	253,942
Effects of:		
Non ring fence losses not recognized	**-**	9,844
Expenses not deductible for tax purposes	**18,182**	1,497
Income not taxable	**(16,800)**	(241)
Adjustments in respect of previous years	**(1,244)**	(311)
Effect of income taxed at 20.00%	**(864)**	-
Investment allowance	**(7,928)**	(610)
Total tax charge for the year	**265,462**	264,121

12. Dividends paid

During the year the company paid interim and final dividends totalling £372 million, representing £32.28 per ordinary share, to its immediate parent company, Suncor Energy UK Holdings Limited (2017: £480 million, £41.65 per ordinary share). No further dividends were proposed (2017: nil).

13. Fixed assets

	2018 £000	2017 as restated See note 25 £000
Intangible assets – oil and gas exploration assets		
At beginning of year	**86,380**	68,812
Transfers to tangible	**(391)**	(177)
Additions	**75,919**	17,745
At end of year	**161,908**	86,380

Tangible assets

	Producing fields £000	Developing fields £000	Decommissioning asset £000	Total £000
Cost:				
At 1 January 2018	1,931,207	1,467	189,107	2,121,781
Transfers	391	-	-	391
Changes in decommissioning and restoration	-	-	(44,352)	(44,352)
Additions	12,208	285	-	12,493
At 31 December 2018	**1,943,806**	**1,752**	**144,755**	**2,090,313**
Accumulated Depreciation:				
At 1 January 2018	1,300,604	-	146,632	1,447,236
Charge	82,734	8	11,432	94,174
At 31 December 2018	**1,383,338**	**8**	**158,064**	**1,541,410**
Net book value:				
At 31 December 2017 as restated – See note 25	630,603	1,467	42,475	674,545
At 31 December 2018	**560,468**	**1,744**	**(13,309)**	**548,903**

14. Investment

	2018 £000	2017 £000
Investment in subsidiary undertaking	**95,784**	136,935

Subsidiary undertaking	Registered Address	Principal activity	Holding	Incorporated
Petro-Canada Energy North Sea Limited	c/o Oakwood Corporate Services Limited, 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT	The company has no trading activities and only generates income from a loan to Petro-Canada (International) Holdings B.V.	100%	Great Britain

During 2018 the company received a dividend of £42 million from Petro-Canada Energy North Sea Limited and subsequently impaired the investment by a similar amount.

The movements in the company's investment during the year were as follows:

	2018 £000	2017 £000
At beginning of year	**136,935**	136,332
(Impairment) / reversal of impairment	**(41,151)**	603
At end of year	**95,784**	136,935

The impairment in 2018 and the reversal of impairment in 2017 reflect the movement in the recoverable amount of the company's investment in Petro-Canada Energy North Sea Limited. The directors believe that the carrying value of the investment is supported by its underlying net assets.

15. Stocks

	2018 £000	2017 £000
Materials and supplies	**12,368**	13,519

The stock value is made up of £11.2 million (2017: £10.3 million) of inventory for current and future development wells for GEAD and Buzzard and £1.2 million (2017: £3.2 million) for pipeline stock for Buzzard and GEAD.

During 2018, a total of £0.1 (2017: £1.8 million) million surplus drilling inventory was recognised as an expense. No write downs or write backs were recorded.

16. Debtors

	2018 £000	2017 £000
Trade debtors for petroleum sales	**29,290**	29,647
Amounts owed by other group undertakings		
Intercompany current accounts	**145,911**	56,619
Internal clearing accounts	**300,982**	104,458
Short term loan to Suncor Energy UK Holdings Limited	**-**	100,000
Underlift	**6,009**	51,598
Other debtors	**4,129**	177
Prepayments and accrued income	**6,851**	6,662
	493,172	349,161

To optimise the use of liquid funds, the company's cash is held within a cash pooling system which is administered by another company within the group. Interest at normal market rates is payable or receivable on these balances but there are no set repayment terms.

Intercompany current accounts under amounts owed by other group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The short term loan to Suncor Energy UK Holdings Limited is repayable on demand.

17. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Amounts due to parent and other group companies	**75,379**	45,960
Corporation tax	**62,530**	80,480
Other creditors	**3,517**	191
Accruals and deferred income	**58,869**	25,634
Loan from Suncor Energy UK Holdings Limited (Note 18)	**258,740**	51,748
	459,035	204,013

Amounts due to parent and other group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

18. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Loan from Suncor Energy UK Holdings Limited	**258,740**	258,740
Due within one year	**(258,740)**	(51,748)
	-	206,992
The above borrowings are repayable as follows:		
Between one and two years	**-**	51,748
Between two and five years	**-**	155,244
	-	206,992

In December 2014 the company received a loan from its parent company Suncor Energy UK Holdings Limited to the value of £258.7m. Loan interest is calculated at 6 month Libor + 2.75%, the loan and interest is repayable in full by November 2019 and therefore has been reclassified to current in 2018.

19. Provisions for liabilities

	2018 £000	2017 £000
Deferred UK corporation tax	**116,205**	123,753
Decommissioning costs	**198,969**	234,397
	315,174	358,150
Add back impact of pension deficit (Note 23)	**(1,000)**	(2,889)
	314,174	355,261

Deferred corporation tax

The deferred UK corporation tax liability reflects the following timing differences:

	2018 £000	2017 £000
Fixed assets	**193,527**	213,474
Decommissioning provisions	**(79,541)**	(93,759)
Pension liability	**(1,000)**	(2,889)
Other timing differences	**360**	360
Field/investment allowances	**(2,269)**	(1,570)
Stock	**4,128**	5,248
	115,205	120,864

The movement on deferred UK corporation tax comprises:

	2018 £000	2017 £000
Provision at start of year	**120,864**	171,211
Adjustment in respect of prior years	**(567)**	-
Deferred tax charge to income statement for the year	**(6,122)**	(56,989)
Deferred tax charge in other comprehensive income for the year	**1,030**	6,642
End of year	**115,205**	120,864

Decommissioning costs

	2018 £000	2017 £000
The movement on decommissioning costs comprises:		
At beginning of year	**234,397**	215,087
(Deductions) / additions to decommissioning	**(44,352)**	10,809
Unwinding of discount	**8,924**	8,501
End of year	**198,969**	234,397

Decommissioning estimates are based on the latest technical assessments available of the costs involved and the date at which they will be incurred. Decommissioning is expected to occur around 2031 for Golden Eagle and 2040 for Buzzard.

20. Called up share capital

	2018 £000	2017 £000
Authorised		
15,000,000 ordinary shares of £1 each (2017: 15,000,000)	**15,000**	15,000
Called up, allotted and payable on demand:		
11,523,415 ordinary share of £1 each (2017: 11,523,415)	**11,523**	11,523

21. Total shareholders' funds

	2018 £000	2017 £000
Total comprehensive income for the financial year	**421,372**	380,697
Dividends paid	**(372,000)**	(480,000)
Net increase / (decrease) to total shareholders' funds	**49,372**	(99,303)
Opening total shareholders' funds	**487,054**	586,357
Closing total shareholders' funds	**536,426**	487,054

22. Financial commitments

Capital Commitments

	2018 £000	2017 £000
Commitments for the acquisition of intangible and tangible fixed assets	**73,035**	11,283

Capital commitments predominately relate to the ongoing development of the Buzzard, Golden Eagle Area, and Rosebank.

Annual commitments under non-cancellable operating leases are as follows:

Land and buildings	2018 £000	2017 £000
Expiry date:		
Within one year	**225**	150
Between one and five years	**520**	745
	745	895

23. Pension arrangements

The company operates a defined benefit pension scheme in the UK, the assets of which are held in a separate, trustee administered fund. This scheme was closed to new employees on 9 April 2008 and a defined contribution scheme was introduced.

Members of the defined benefit scheme continue to accrue benefits based on their final salary. The last triennial valuation of the defined benefit scheme was carried out at 31 December 2017. The results of this have been used by an independent qualified actuary to calculate the liabilities at 31 December 2018 in accordance with IAS 19. The results of these calculations, and the principal assumptions used, are set out below.

	2018	2017
Rate of increase in salaries	**3.80%**	3.90%
Rate of increase in pensions in payment	**3.20%**	3.30%
Discount rate	**2.90%**	2.50%
Inflation assumption - RPI	**3.30%**	3.40%
Inflation assumption - CPI	**2.30%**	2.40%

The mortality assumptions were as follows:

	2018		2017	
	Male	Female	Male	Female
Member aged 65 (current life expectancy)	**23.0**	**24.1**	23.2	24.2
Member aged 45 (life expectancy at age 65)	**24.3**	**25.5**	24.4	25.6

The fair value of the assets in the scheme, the present value of the liabilities in the scheme at the balance sheet date were:

	2018 £000	2017 £000
Equities	**48,751**	54,488
Bonds	**49,746**	49,248
Cash	**994**	1,048
Total fair value of assets	**99,491**	104,784
Present value of scheme liabilities	**(101,991)**	(112,004)
Scheme deficit	**(2,500)**	(7,220)
Related deferred tax asset	**1,000**	2,889
Net pension deficit	**(1,500)**	(4,331)

The fair value of the scheme assets at 31 December 2018 was £99.5 million (2017: £104.8 million). The present value of the scheme of liabilities at 31 December 2018 was £102.0 million (2017: £112.0 million). The pre-tax deficit at 31 December 2018 was £2.5 million (2017: deficit of £7.2 million).

The actual return on assets over the year to 31 December 2018 was a loss of £5.3 million (2017: £9.8 million).

The actuarial valuation at 31 December 2018 showed a decrease in the pre-tax deficit from £7.2 million to £2.5 million.

The company is required to contribute 62.8% (2017: 62.8%) of pensionable earnings plus a lump sum of £0.2m per month until 31 December 2023.

Reconciliation of present value of scheme liabilities	2018 £000	2017 £000
1 January	**112,004**	126,169
Service cost	**173**	177
Contributions by employees	**11**	10
Interest cost	**2,770**	3,297
Benefits paid	**(2,452)**	(8,228)
(Gain)/Loss from changes in the assumptions for value of scheme liabilities	**(10,515)**	(9,421)
31 December	**101,991**	112,004

Reconciliation of fair value of scheme assets	2018 £000	2017 £000
1 January	**104,784**	101,234
Interest on scheme assets	**2,620**	2,649
Actuarial (losses) / gains	**(7,940)**	7,184
Contributions by employer	**2,468**	1,935
Contributions by employee	**11**	10
Benefits paid	**(2,452)**	(8,228)
31 December	**99,491**	104,784

The scheme is subject to the statutory funding objective requirements set up by the Pensions Act 2004. The objective requires a defined benefit pension scheme to be funded to at least the level of its technical provisions (which are an actuarial estimate of the assets needed to provide for benefits already accrued under the plan at that time) and regular valuations must be obtained by the trustees to check whether the statutory funding objective is met.

The scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees are required to act in the best interests of the scheme's employees.

Risks

The company's statement of financial position is exposed to movements in the defined benefit scheme's net deficit. In particular, the statement of financial position could be sensitive to reasonably likely movements in the scheme's principal assumptions. The company is exposed to a number of risks arising from the defined benefit scheme as follows:

Asset volatility

Falls in asset values which are not offset by a rise in the discount rate used to value liabilities.

Yield/discount rate

A decrease in the corporate bond yields would increase the scheme's liabilities.

Inflation

An increase in inflation expectations in isolation would be expected to increase the cost of future benefit accrual and scheme liabilities.

Life expectancy

Increases in life expectancy beyond those currently assumed will lead to an increase in scheme liabilities as benefits would be paid for longer.

Sensitivities

Future changes that could reasonably be expected to affect the above assumptions have been estimated as follows:

- Reduction in discount rate of 0.25% would increase the scheme liabilities by £4.7m
- Increase in inflation rates (RPI, CPI, Salary) of 0.25% would increase scheme liabilities by £3.6m
- Increase in life expectancy of one year would increase the scheme liabilities by £3.4m.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The company and Trustees have agreed an investment strategy where 49% of the Assets are invested in equity type assets, 50% invested in bond type assets and 1% in cash. The scheme actuary has confirmed that this asset allocation is consistent with the liabilities of the scheme. The company and Trustees monitor the assets and liabilities on a regular basis.

At the 31st December 2016 triennial valuation the Trustees of the company agreed that they will aim to eliminate the pension scheme deficit over the next 10 years. Funding levels are monitored on an annual basis and the current agreed company contribution rate is 62.8% of pensionable salaries. In addition the company is paying £0.2m per month until 31 December 2023 to eliminate the deficit.

- The expected contributions to the scheme for the year ending 31st December 2019 are £2.48m.
- The weighted average duration of the pension obligation is 18 years.

Defined contribution scheme

The pension charge for the defined contribution scheme in 2018 amounted to £0.2 million (2017: £0.2 million).

24. Ultimate parent company and controlling party

The immediate parent undertaking is Suncor Energy UK Holdings Limited. The ultimate parent company and controlling entity at 31 December 2018 was Suncor Energy Inc., a company incorporated in Canada. As the company is a wholly owned subsidiary of Suncor Energy Inc., the company has taken advantage of the exemption available under paragraph 8 of FRS101 which allows exemption from disclosure of related party transactions with other group companies. The consolidated financial statements of the Suncor Group, the smallest and largest to include the financial statements of the company, are available from Suncor Energy Inc., at 150 – 6th Avenue SW, Calgary, Alberta, Canada T2P 3ES.

25. Reclassification of fixed assets

As a result of the reclassification between Intangible and Tangible assets prior year financial statements were restated. The change has resulted in a balance sheet increase to Intangible assets and a decrease to Tangible assets - accumulated depreciation. The reclassification has no impact on the profit and loss account for 2017.

	2017 As originally presented £000	Reclassification £000	2017 Restated £000
Fixed assets			
Intangible assets	49,892	36,488	**86,380**
Tangible assets	711,033	(36,488)	**674,545**
Investments	136,935	-	**136,935**
Current assets	362,680	-	**362,680**
Creditors: amounts falling due within one year	(204,013)	-	**(204,013)**
Creditors: amounts falling due after more than one year	(206,992)	-	**(206,992)**
Provisions for liabilities	(355,261)	-	**(355,261)**
Pension deficit	(7,220)	-	**(7,220)**
Net assets including pension deficit	487,054	-	**487,054**
Capital and reserves			
Called up share capital	11,523	-	**11,523**
Share Premium account	52,493	-	**52,493**
Capital redemption reserves	1,649	-	**1,649**
Other reserves	295,287	-	**295,287**
Profit and loss account	126,102	-	**126,102**
Total shareholders' funds	487,054	-	**487,054**