Company Registration No. 01789505 (England and Wales)

PERENCO OIL AND GAS COLOMBIA LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

PERENCO OIL AND GAS COLOMBIA LIMITED

COMPANY INFORMATION

Directors	A Eager J B Parr E M P Colombel (Appointed 8 June 2018)
Secretary	A Eager
Company number	01789505
Registered office	8 Hanover Square London, England W1S 1HQ
Auditors	Deloitte LLP Statutory Auditor London, UK

PERENCO OIL AND GAS COLOMBIA LIMITED

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PERENCO OIL AND GAS COLOMBIA LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report and financial statements for the year ended 31 December 2017.

Perenco Oil and Gas Colombia Limited, the "Company", is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales subject to the companies act 2006.

Review of the business
2017 saw a recovery on commodity prices compared to 2016. As a result of this, the Company's purchasing and selling of third party oil increased. Capital expenditure restrictions were also relaxed in light of the improved trading conditions to aid an increase in production. The increase in commodity prices also meant that the level of proved, developed, producing reserves increased at the end of the year which led to a decreased depletion expense being charged through 2017. All of these contributing factors meant the Company was able to improve on last year's result to record an overall profit for the year.

Revenue for the period was derived from production from fields including Boqueron, Trinidad, Canada Norte, Puntero and Tiple.

The profit after tax for the year ended 31 December 2017 amounted to $2,084k (2016: loss of $3,081k).

The Company's overall equity at the end of the year amounted to $231,587k (2016: $229,503k).

The key performance indicators for the Company are revenue, gross profit margin and profit after tax.

No dividends were paid in 2017 (2016: $nil).

Going concern
The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Principal risks and uncertainties
The Company's operations expose it to a variety of financial risks that include credit risk, foreign currency risks oil and gas price risk and liquidity risk. The Company is not exposed to material interest rate risk.

Credit risk
The Company's principal financial assets are cash and cash equivalents and intercompany receivables. The Company's counterparty risks in relation to its cash and cash equivalents are considered to be limited because counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies. The credit risk on intercompany receivables is monitored by the Company's parent and balances at 31 December 2017 are considered to be recoverable. There are not considered to be any impairment indicators for intercompany receivables in 2017.

Foreign currency risk
The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company considers that movements in foreign exchange are a regular part of its business environment. The Company accepts this foreign exchange risk and does not use foreign currency derivative instruments.

Oil and gas price risk
The most significant financial risk to which the Company is exposed are movements in oil and gas prices. The Company considers that volatility in gas prices is a regular part of its business environment. The Company does not systematically hedge through financial instruments to mitigate these risks.

Liquidity risk
The Company manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial debts and liabilities.

Approved by the Board and signed on their behalf by

J B Parr
Director
7 September 2018

Jonathan Parr

The directors present their annual report and financial statements for the year ended 31 December 2017.

Principal activities
The principal activity of the company continued to be that of holding interests in and operating fields with oil and gas exploration, development and production activities.

Results and dividends
The results for the year are set out on page 8.

No dividends were paid nor proposed during the year.

Directors
The directors, who served throughout the year except as noted, were as follows:

N Fallows	(Resigned 8 June 2018)
A Eager	
J B Parr	
E M P Colombel	(Appointed 8 June 2018)

Future developments
The Company will continue to hold interests and operate fields with oil and gas exploration, development and production activities in Colombia, as well as to sell and commercialise crude oil.

Auditors
In accordance with the company's articles, a resolution proposing that Deloitte LLP be reappointed as auditors of the company will be put at a General Meeting.

Statement of disclosure to auditors
Each director in office at the date of approval of this annual report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Financial risks
The financial risks to the Company and how these are mitigated are explained in the Strategic Report on page 1.

Approved by the Board and signed on their behalf by

Jonathan Parr

J B Parr
Director
7 September 2018

PERENCO OIL AND GAS COLOMBIA LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Perenco Oil and Gas Colombia Limited:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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

7 September 2018
William Brooks (Senior Statutory Auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
London, UK

PERENCO OIL AND GAS COLOMBIA LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 $'000	2016 $'000
Revenue	5	46,759	33,711
Cost of sales			
Production and operating costs		(23,815)	(13,630)
Depreciation, depletion and amortisation	13	(21,103)	(27,794)
Gross profit/(loss)		1,841	(7,713)
Administrative expenses		(1,497)	(1,905)
Operating profit/(loss)	6	344	(9,618)
Investment revenues	9	4,824	7,945
Finance costs	10	(72)	(91)
Other gains and losses	11	1,076	(954)
Profit/(loss) before taxation		6,172	(2,718)
Income tax expense	12	(4,088)	(363)
Profit/(loss) for the year	28	2,084	(3,081)

The income statement has been prepared on the basis that all operations are continuing operations.

PERENCO OIL AND GAS COLOMBIA LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 $'000	2016 $'000
Non-current assets			
Property, plant and equipment	13	68,330	84,418
Investments	14	34,567	34,567
		102,897	118,985
Current assets			
Inventories	15	7,311	9,413
Trade and other receivables	16	143,456	120,953
Cash and cash equivalents		16,202	16,251
		166,969	146,617
Total assets		269,866	265,602
Current liabilities			
Trade and other payables	24	12,953	14,235
Decommissioning provision	27	940	-
		13,893	14,235
Net current assets		153,076	132,382
Non-current liabilities			
Decommissioning provision	27	5,334	5,514
Deferred tax liabilities	25	13,379	10,236
Long term provisions	26	5,673	6,114
		24,386	21,864
Total liabilities		38,279	36,099
Net assets		231,587	229,503
Equity			
Other reserves	29	307,007	307,007
Retained earnings	28	(75,420)	(77,504)
Total equity		231,587	229,503

The financial statements were approved by the Board of directors and authorised for issue on 7 September 2018

Signed on its behalf by:

Jonathan Parr

J B Parr

Director

Company Registration No. 01789505

PERENCO OIL AND GAS COLOMBIA LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Capital contribution $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2016	307,007	(74,423)	232,584
Loss for the year	-	(3,081)	(3,081)
Total comprehensive loss for the period	-	(3,081)	(3,081)
Balance at 31 December 2016	307,007	(77,504)	229,503
Profit for the year	-	2,084	2,084
Total comprehensive profit for the period	-	2,084	2,084
Balance at 31 December 2017	307,007	(75,420)	231,587

PERENCO OIL AND GAS COLOMBIA LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Cash generated from operations	33		29,272		15,780
Tax paid			(777)		(3,519)
Net cash inflow from operating activities			28,495		12,261
Investing activities					
Purchase of property, plant and equipment		(4,356)		(3,273)	
Proceeds on disposal of property, plant and equipment		61		3,022	
Interest received		1,665		841	
Dividends received		3,159		7,104	
Net cash generated from investing activities			529		7,694
Financing activities					
Increase in cash pool with related parties		(29,073)		(25,173)	
Net cash used in financing activities			(29,073)		(25,173)
Net decrease in cash and cash equivalents			(49)		(5,218)
Cash and cash equivalents at beginning of year			16,251		21,469
Cash and cash equivalents at end of year			16,202		16,251

1 General information

Perenco Oil and Gas Colombia Limited (the "Company") is a company incorporated in England and Wales under the Companies Act. The address of the registered office is: 8 Hanover Square, London, England, W1S 1HQ. The nature of the Company's operations and its principal activities are set out in the Strategic report.

2 Accounting policies

2.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements have been prepared on the historical cost basis.

The principal accounting policies adopted are set out below.

2.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Interest income is recognised as the interest accrues using the effective interest method (applying the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend income from investments, held at cost, is recognised when the shareholders receive payment.

2.4 Property, plant and equipment

The Company uses the full cost method of accounting for exploration, evaluation, development and production expenditure in relation to oil and gas assets, having regard to the requirements of IFRS 6 '*Exploration for and Evaluation of Mineral Resources*'. These costs are capitalised in separate geographical costs pools ("full cost pools") having regard to the operational structure of the Company.

Tangible assets used in E&E activities are classified as property, plant and equipment.

Intangible E&E assets are not depreciated and are carried forward until the existence (or otherwise) of proved reserves has been determined. If proved reserves have been discovered, the relevant E&E assets are then reclassified as development and production assets within property, plant and equipment and depreciated using the method described below. Intangible E&E assets that are determined not to have resulted in the discovery of proved reserves and cannot be associated with an established full cost pool are written off at the date of determination, whereas those that are associated with an established pool are carried forward and amortised over the total reserves of the pool, subject to there being no impairment of the pool as a whole.

2 Accounting policies **(Continued)**

Oil and gas assets: development and production

Development and production assets are accumulated under the principle of full cost accounting on a field-by-field basis and represent the cost of developing proved reserves discovered and bringing them into production, together with the exploration and evaluation expenditures incurred in finding proved reserves.

The net book values of producing assets are depreciated on a field-by-field basis using the unit of production method by reference to the ratio of production in the period to the related proved reserves of the field.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold premises	20 years
Leasehold improvements	10 years or the life of the lease if shorter
Plant and equipment	3-10 years

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

2.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2 Accounting policies **(Continued)**

2.6 Inventories

Crude oil inventory is carried at market value in accordance with specific exclusions applicable to mineral products under IAS 2 '*Inventory*'.

Materials, supplies and all other non-mineral inventories are stated at the lower of weighted average cost and net realisable value. The Group reviews annually the stock of material for obsolescence and a provision on obsolete stock is made accordingly.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

2.9 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

2 Accounting policies **(Continued)**

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

2.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Other taxes, which include value added tax and sales tax, represent the amount receivable or payable to local authorities in the countries where the Company operates and are charged to the income statement.

2 Accounting policies **(Continued)**

2.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A provision for the cost of decommissioning of an asset and for site restoration at the end of the asset's producing life is recognised as that asset is installed. The amount provided is the discounted amount of the estimated cost of the future decommissioning event. That amount is capitalised as part of the cost of the oil and gas assets and depleted in accordance with the oil and gas assets accounting policy above. Periodically the discounted value of the provision is re-assessed. Any adjustment arising from the re-assessment of the estimated cost of decommissioning is capitalised whilst the adjustment arising from the unwinding of the discount is taken to the income statement.

2.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

3 Adoption of new and revised standards and changes in accounting policies

In the current year, In the current year, the following new and revised Standards and Interpretations have been adopted by the Group. The directors note that no impact on the presentation of the financial statements has occurred during the year through adopting the following standards.

The adoption of these Standards and Interpretations has not had any significant impact of the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IAS 12 (amended)	Recognition of deferred tax assets for unrealised
losses	
IAS 7 (amended)	Disclosure initiative
2014-2016 cycle	Annual improvements to IFRS

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective and therefore not adopted:

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases (effective 1 January 2019)

The Directors do not expect that the adoption of IFRS 9 & 15 listed above, which are both effective from 1 January 2018, to have a material impact on the financial statements of the Group in future periods. Conversely, the implementation of IFRS 16 will have an effect on both the measurement and disclosures of items within the financial statements, though we have yet to evaluate this impact.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements
There are no critical judgements made by the directors in applying the Company's accounting policies.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

Reserves

Development and production assets within property, plant and equipment are depreciated on a unit of production basis at a rate calculated by reference to proved developed producing reserves estimated using the standards required by the US Securities Exchange Commission ("SEC"). Proved reserves estimates are based on a number of underlying assumptions, including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Proved reserves estimates are supported by reserves reports for the Group which are reviewed by independent petroleum reservoir engineers.

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets has been impaired.

The carrying amounts of development and production assets as at 31 December 2017 is shown in note 13.

Decommissioning

The provision for decommissioning obligations depends on the cost and timing of decommissioning works, legal requirements and the inflation and discount rates to be applied to such costs. Management has conducted an internal review of these factors, based on information currently available, in the calculation of the provision.

The carrying amounts of decommissioning provisions at 31 December 2017 are shown in note 27.

Impairment of assets

Under the full cost method of accounting for production and development costs, such costs are capitalised by reference to appropriate cost pools, and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves estimation as to (i) the likely life of the field, (ii) future revenues and operating costs with which the asset in question is associated, (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value, (iv) the oil price assumption. Note 13 discloses the carrying amounts of the Company's development and production assets.

5 Revenue

An analysis of the company's revenue is as follows:

	2017 $'000	2016 $'000
Oil sales	46,759	33,711
	46,759	33,711
Interest income	1,665	841
	48,424	34,552

6 Profit/(loss) for the year

	2017 $'000	2016 $'000
Profit for the year is stated after charging/(crediting):		
Net foreign exchange (gains)/losses	(1,076)	954
Depreciation of property, plant and equipment	21,103	27,794
Loss on disposal of property, plant and equipment	31	2,357
Staff costs	3,728	3,842

7 Auditors' remuneration

The analysis of auditor's remuneration is as follows:

	2017 $'000	2016 $'000
Fees payable to the company's auditors for the audit of the company's financial statements	17	14

8 Employees

The average monthly number of employees (including non-executive directors) were:

	2017 Number	2016 Number
Administration	41	41
Operations	36	34
	77	75

Their aggregate remuneration comprised:

Employment costs	2017 $'000	2016 $'000
Wages and salaries	2,901	3,051
Social security costs	827	791
	3,728	3,842

None of the directors are employees of the Company and the directors received no remuneration from the Company during the year. It is not practicable to allocate their remuneration between their services for the Company during the period and their services for other Perenco group companies.

9 Investment income	**2017 $'000**	**2016 $'000**
Interest income		
Bank deposits	415	418
Other interest income	1,250	423
Total interest revenue	1,665	841
Dividends received	3,159	7,104
	4,824	7,945

10 Finance costs	**2017 $'000**	**2016 $'000**
Unwinding of discount on decommissioning provision (note 27)	72	91

11 Other gains and losses	**2017 $'000**	**2016 $'000**
Net foreign exchange (gains)/losses	(1,076)	954

12 Income tax expense

	2017 $'000	**2016 $'000**
Corporation tax		
Current year	945	3,147
Adjustments in respect of prior periods	-	(3,811)
	945	(664)
Deferred tax		
Origination and reversal of temporary differences (note 25)	3,143	1,027
Total tax charge	4,088	363

12 Income tax expense

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2017 $'000	2016 $'000
Profit/(loss) before taxation on continued operations	6,172	(2,718)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of Colombia corporation tax of 40.00% (2016; - 40.00%)	2,469	(1,087)
Taxation impact of factors affecting tax charge:		
Expenses not deductible in determining taxable profit	4,942	10,931
Unutilised tax losses carried forward	(3,826)	-
Adjustment in respect of prior years	-	(3,811)
Other	503	(5,670)
Total adjustments	1,619	1,450
Tax charge for the year	4,088	363

13 Property, plant and equipment

	Development and production assets	Other assets	Total
	$'000	$'000	$'000
Cost			
At 1 January 2016	298,751	10,980	309,731
Additions	1,086	2,188	3,274
Disposals	(7,076)	(497)	(7,573)
Change in decommissioning estimates (note 27)	392	-	392
At 31 December 2016	293,153	12,671	305,824
Additions	4,355	-	4,355
Disposals	(255)	(1,644)	(1,899)
Change in decommissioning estimates (note 27)	689	-	689
At 31 December 2017	297,942	11,027	308,969
Accumulated depreciation/impairment			
At 1 January 2016	194,638	1,168	195,806
Charge for the year	26,893	901	27,794
Eliminated on disposal	(1,701)	(493)	(2,194)
At 31 December 2016	219,830	1,576	221,406
Charge for the year	20,390	713	21,103
Eliminated on disposal	(255)	(1,615)	(1,870)
At 31 December 2017	239,965	674	240,639
Carrying amount			
At 31 December 2017	57,977	10,353	68,330
At 31 December 2016	73,323	11,095	84,418
At 31 December 2015	104,113	9,812	113,925

14 Investments

	2017	2016
	$'000	$'000
Investment in oil pipeline	34,567	34,567

The Company holds a 6.56% interest in Oleoducto de Colombia which owns and operates a pipeline system in Colombia. The investment is recorded at cost in the financial statements.

15 Inventories

	2017 $'000	2016 $'000
Oil stock	4,454	4,989
Material stock	2,857	4,424
	7,311	9,413

16 Trade and other receivables

	2017 $'000	2016 $'000
Trade receivables	134	5,302
Other receivables	5,708	7,530
Corporation tax recoverable	433	758
VAT recoverable	-	3
Amounts due from fellow group undertakings	136,916	106,997
Amounts due from joint venture partners	194	101
Prepayments	71	262
	143,456	120,953

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The amounts due from fellow group undertakings relates to a balance held with the Company's parent as part of the cash pooling agreement between the two companies. The applicable interest rate for the outstanding balance is 1 Week US LIBOR.

17 Trade receivables - credit risk

Fair value of trade receivables
The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting end date.

18 Financial instruments

The Company's financial instruments, grouped according to the categories defined in IAS 39 'Financial Instruments: Recognition and Measurement', were as follows:

	2017 $'000	2016 $'000
Financial assets		
Available for sale investments	34,567	34,567
Loans and receivables (including cash and cash equivalents)	159,225	136,443
Financial liabilities		
Financial liabilities measured at amortised cost	(10,973)	(11,110)
	182,819	159,900

19 Fair value of financial liabilities

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

20 Liquidity risk

The following table details the remaining contractual maturity for the company's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the company may be required to pay.

	Less than 1 month $'000
At 31 December 2016	
Non-interest bearing	11,110
At 31 December 2017	
Non-interest bearing	10,973

Liquidity risk management
The Company aims to meet its cash flow requirements out of operating cash flows, however from time to time may rely on its parent, Perenco Colombia Ltd, to provide additional liquidity.

21 Market risk

Market risk management
The Company monitors and manages the financial risks relating to its operations on a continuous basis. These include natural gas price risk, credit and liquidity risks. The Company's significant financial instruments are trade and other receivables and trade payables.

21 Market risk **(Continued)**

Oil and gas price risk
The most significant financial risk to which the Company is exposed are movements in oil and gas prices. The Company considers that volatility in gas prices is a regular part of its business environment. The Company does not systematically hedge through financial instruments to mitigate these risks.

22 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company.

The Company controls credit risk by requiring systematically a letter of credit as part of the sale agreement, except for customers with a good credit history (major international oil groups and national oil companies).

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk.

The company does not hold any collateral or other credit enhancements to cover this credit risk.

23 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to shareholders.

The company is not subject to any externally imposed capital requirements.

24 Trade and other payables

	2017	2016
	$'000	$'000
Trade payables	7,390	3,520
Amounts due to fellow group undertakings	476	225
Amounts due to joint venture partners	3,107	7,365
Accruals	1,164	2,230
Other taxes	636	714
Other payables	1,120	181
	12,953	14,235

The amounts due to fellow group undertakings are not interest bearing.

25 Deferred tax liability

	2017 $'000	2016 $'000
Balance at the beginning of the year	10,236	9,209
Charge to the income statement (note 12)	3,143	1,027
	13,379	10,236

Deferred tax analysis

	2017 $'000	2016 $'000
Accelerated capital allowances	10,704	12,080
Decommissioning provision	(2,070)	(1,819)
Accruals	(1,584)	(1,287)
Oil stock	1,185	1,262
Tax losses not used	5,144	-
Net deferred tax liability provided	13,379	10,236

Deferred tax assets are recognised for unsused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the carried forward unused tax credits and tax losses can be utilised.

26 Provisions

	2017 $'000	2016 $'000
Defined benefit pension liability	3,113	2,930
Other provisions	2,560	3,184
	5,673	6,114

Provision for contractual retirement obligations reflects the charge in actual estimates of the net pension liability.

	Defined benefit pension liability $'000	Other provisions $'000	Total $'000	2016 $'000
At 1 January 2017	2,930	3,184	6,114	7,215
Additional provisions in the year	292	-	292	45
Utilisation of provision	-	(624)	(624)	(1,270)
Exchange difference	(109)	-	(109)	124
At 31 December 2017	3,113	2,560	5,673	6,114

27 Decommissioning provision

The decommissioning costs related to the decommissioning provision provided for are expected to be incurred between 2018 and 2023.

The provision is the discounted value of the directors' estimates using existing technology, at current prices. Decommissioning cost estimates have been inflated to the date of decommissioning at 2% (2016: 2%) and discounted back to the year end at 1.2% (2016: 1.3%). Any adjustment arising from the re-assessment of the estimated cost of decommissioning is capitalised whilst the adjustment arising from the unwinding of the discount is taken to the income statement as a finance cost.

	2017 $'000	2016 $'000
Balance at 1 January	5,514	5,031
Unwinding of discount (note 10)	72	91
Change in estimate (note 13)	689	392
Balance at 31 December	6,274	5,514

27 Decommissioning provision **(Continued)**

Decommissioning payments falling due:		
Due to be paid within one year	940	-
Due after more than one year	5,334	5,514
	6,274	5,514

28 Retained earnings

	$'000
At 1 January 2016	(74,423)
Loss for the year	(3,081)
At 31 December 2016	(77,504)
Profit for the year	2,084
At 31 December 2017	(75,420)

29 Other reserves

	Capital contribution $'000
At 31 December 2016 & 31 December 2017	307,007

On 1 January 2014 the Company was considered to acquire the rights and obligation of the licenses previously held by another company via an agency agreement. A fair valuation of the acquired business was performed at the acquisition date with the fair value of assets and liabilities acquired recognised by the Company at that date. The equivalent value of the net assets acquired was $307.0 million and has been treated as a capital contribution at the acquisition date.

30 Capital commitments

The Company is committed to its share of future exploration, development and operating costs beyond 2017 under the terms of its joint venture agreements.

31 Related party transactions

31 Related party transactions **(Continued)**

Other transactions with related parties

During the year the company entered into the following transactions with related parties:

	Amounts charged to related parties		Amounts charged from related parties	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Parent company	1,471	637	2,601	1,311
Other related parties	25	12	1,516	1,813
	1,496	649	4,117	3,124

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2017	2016
	$'000	$'000
Other related parties	476	225
	476	225

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2017	2016
	$'000	$'000
Parent company	136,916	106,941

No guarantees have been given or received.

Other related parties are Companies within the Perenco International Limited group, the largest group of undertakings of which Perenco Oil and Gas Colombia Ltd is a member.

32 Controlling party

Perenco Oil and Gas Colombia Ltd is a 100% subsidiary of Perenco Colombia Ltd which is incorporated in the Bahamas.

Perenco S.A.: Lyford Manor, Lyford Cay, West Bay Street, PO Box N10 051, Nassau, Bahamas, a company incorporated in the Bahamas, is the smallest group of undertakings, of which Perenco Oil and Gas Colombia Ltd is a member, for which group financial statements are prepared. The financial statements of Perenco S.A. are not available to the public.

Perenco International Limited, a company incorporated in the Bahamas, is the ultimate.controlling party and the largest group of undertakings for which group financial statements are prepared and is owned and controlled by the Perrodo family and trusts for their benefit. The financial statements of Perenco International Limited are not available to the public.

33 Cash generated from operations

	2017 $'000	2016 $'000
Operating profit/(loss)	344	(9,618)
Adjustments for:		
Loss/(gain) on disposal of property, plant and equipment	(31)	2,356
Depreciation, depletion and amortisation	21,103	27,794
Foreign exchange gains/(losses)	-	(954)
Movements in working capital:		
Decrease/(increase) in inventories	2,102	(850)
Decrease in trade and other receivables	6,568	56,082
Decrease in trade and other payables	(1,282)	(57,928)
Increase/(decrease) in provisions	468	(1,102)
Cash generated from operations	29,272	15,780