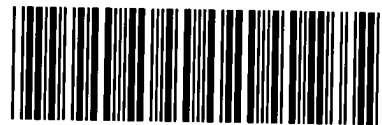


Company Registration No. 04740791 (England and Wales)

PERENCO CUU LONG LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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PERENCO CUU LONG LIMITED

COMPANY INFORMATION

Officers and professional advisers

Directors

N J Fallows
A P Eager
J B Parr
F Poli
T Sandford

Secretary

A P Eager

Company number

04740791

Registered office

8 Hanover Square
London, England
W1S 1HQ

Auditors

Deloitte LLP
Statutory Auditor
London, UK

PERENCO CUU LONG LIMITED

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PERENCO CUU LONG LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Review of the business

Revenue for the year was \$201,399k (2015: \$354,514k) and was derived from production from the Cuu Long fields including Su Tu Den, Su Tu Vang and Su Tu Nau fields.

The profit after tax for the period ended 31 December 2016 amounted to \$49,177k (2015: \$39,642k). The gross profit margin has decreased to 28% (2015: 42%).

The Company's overall equity at the end of the year decreased to \$204,372k as at 31 December 2016 from \$235,197k at 31 December 2015. The company also paid dividends of \$80,000k in the year (2016: \$60,000k).

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

Principle risks and uncertainties

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

Operational risk

The operations of the Company may be curtailed or delayed due to bad weather conditions, mechanical difficulties, shortages or delays in the delivery of equipment and compliance with governmental requirements. The Company's operations are subject to industry-specific operating risks including the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations, and environmental hazards, such as oil spills.

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 2016 are considered to be recoverable. There are not considered to be any impairment indicators for intercompany receivables in 2016.

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.

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.

On behalf of the board



N J Fallows

Director

22 September 2017

PERENCO CUU LONG LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities

The objective of Perenco Cuu Long Limited is to hold interests in joint ventures involved in the exploration for development and production of oil and gas in Vietnam.

Principal risks and uncertainties

Information regarding principal risks and uncertainties is included in the strategic report.

Results and dividends

The results for the year are set out on page 7.

Directors

The directors, who served throughout the year and through to the date of signing, were as follows:

N J Fallows

A P Eager

J B Parr

F Poli

T Sandford

Future developments

The Company will continue to provide services to and hold interests in joint ventures involved in oil and gas exploration, development and production in Vietnam.

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.

PERENCO CUU LONG LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Going concern

The Company's business activities, key financial risks, performance and position are set out in the Strategic Report. The financial position of the Company is set out in the financial statements and related notes.

The Company is self-funding and therefore meets its day-to-day working capital requirements through net proceeds received from its oil and gas production.

On the basis of current financial projections and facilities available, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

On behalf of the board



N J Fallows

Director

22 September 2017

PERENCO CUU LONG LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

PERENCO CUU LONG LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PERENCO CUU LONG LIMITED

We have audited the financial statements of Perenco Cuu Long Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 and the Directors' Report.

PERENCO CUU LONG LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF PERENCO CUU LONG LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



William Brooks
Senior Statutory Auditor for and on behalf of Deloitte LLP

Statutory Auditor

London, UK

22 September 2017

PERENCO CUU LONG LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 \$'000	2015 \$'000
Continuing operations			
Revenue	5	201,399	354,514
Cost of sales			
Production and operating costs	6	(30,217)	(101,448)
Depreciation, depletion and amortisation	6, 12	(115,541)	(104,247)
Gross profit		55,641	148,819
Administrative expenses	8	(936)	(1,700)
Operating profit		54,705	147,119
Finance costs	9	(1,141)	(1,379)
Other gains and losses	10	678	(80)
Profit before taxation		54,242	145,660
Income tax expense	11	(5,065)	(106,018)
Profit for the year attributable to shareholder		49,177	39,642

The income statement has been prepared on the basis that all operations are continuing operations. There were no income or expenses in the periods presented other than those disclosed above. Accordingly, no separate statement of comprehensive income has been prepared.

PERENCO CUU LONG LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 \$'000	2015 \$'000
Non-current assets			
Property, plant and equipment	12	296,346	341,005
Long-term receivables	13	25,156	18,225
		<u>321,502</u>	<u>359,230</u>
Current assets			
Inventories	14	13,224	17,779
Trade and other receivables	15	64,402	87,068
Cash and cash equivalents		4,385	9,863
		<u>82,011</u>	<u>114,710</u>
Total assets		<u>403,513</u>	<u>473,940</u>
Current liabilities			
Trade and other payables	16	(46,108)	(50,764)
Current tax liabilities		(6,761)	-
		<u>(52,869)</u>	<u>(50,764)</u>
Non-current liabilities			
Decommissioning provision	17	(66,570)	(56,817)
Deferred tax liabilities	18	(79,702)	(131,164)
Total liabilities		<u>(199,141)</u>	<u>(238,745)</u>
Net assets		<u>204,372</u>	<u>235,195</u>
Equity			
Called up share capital	20	137,775	137,775
Retained earnings		66,597	97,420
Total equity		<u>204,372</u>	<u>235,195</u>

The financial statements were approved by the Board of directors and authorised for issue on 22 September 2017

Signed on its behalf by:



N J Fallows
Director

Company Registration No. 04740791

PERENCO CUU LONG LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2015	137,775	117,778	255,553
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	39,642	39,642
Dividends paid (note 23)	-	(60,000)	(60,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	137,775	97,420	235,195
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	49,177	49,177
Dividends paid (note 23)	-	(80,000)	(80,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	137,775	66,597	204,372
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

PERENCO CUU LONG LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 \$'000	2015 \$'000
Cash generated from operations	21	170,369	279,390
Tax paid		(56,526)	(98,285)
Net cash inflow from operating activities		<u>113,843</u>	<u>181,105</u>
Investing activities			
Expenditure on fixed assets	12	(62,271)	(58,910)
Interest paid		(1,181)	(82)
Contributions to the decommissioning fund		(6,931)	(408)
Decrease/(Increase) in cash pool with related parties		31,062	(72,004)
Net cash used in investing activities		<u>(39,321)</u>	<u>(131,404)</u>
Financing activities			
Dividends paid to owners of the company	23	(80,000)	(60,000)
Net cash used in financing activities		<u>(80,000)</u>	<u>(60,000)</u>
Net decrease in cash and cash equivalents		<u>(5,478)</u>	<u>(10,299)</u>
Cash and cash equivalents at beginning of year		9,863	20,162
Cash and cash equivalents at end of year		<u><u>4,385</u></u>	<u><u>9,863</u></u>

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 General information

Perenco Cuu Long Limited is a private company limited by shares. It is incorporated and domiciled in the United Kingdom 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 and Directors' report.

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

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

IFRS 11 (amended)	Joint Arrangements
IAS 27 (amended)	Reinstating Equity Method as an Accounting Option
IAS 38 (amended)	Clarification of Acceptable Methods of Depreciation and Amortisation
2012-2014 Cycle	Annual Improvements to IFRS

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.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments (effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers (effective 1 January 2018)
IFRS 16	Leases (effective 1 January 2019)
IAS 7 (amended)	Statement of Cash Flows
IAS 12 (amended)	Recognition of Deferred Tax Assets for Unrealised Losses
IAS 28 (amended)	Application of the Consolidation Exception

The Directors do not expect that the adoption of the other Standards or Interpretations listed above, which are all effective from 1 January 2016 (unless otherwise stated), will have a material impact on the financial statements of the Group in future periods, except for IFRS 9 which will impact both the measurement and disclosures of items within the financial statements, though we have yet to evaluate the impact of IFRS 15 Revenue or IFRS 16 Leases.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Accounting policies

3.1 Accounting convention

The financial statements have been prepared on a going concern basis and, except for the revaluation of certain financial instruments and inventory, under the historical cost convention in accordance with applicable International Financial Reporting Standards ("IFRSs"), as adopted by the EU. The accounting policies have been applied consistently with prior years.

3.2 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.

3.3 Revenue

Revenue represents the value of sales exclusive of related sales taxes of oil and gas arising from upstream operations and is recognised at market value when the oil has been lifted or the gas has been delivered and title has passed.

Interest income is recognised when it is probable that the economic benefits will flow to the Company, and the amount of revenue can be measured reliably. Interest income in the Company relates to interest received on bank deposits and balances owed by related parties.

3.4 Oil and gas assets

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.

Oil and gas assets: exploration and evaluation

Exploration and evaluation ("E&E") costs are initially capitalised as 'intangible assets', in accordance with IFRS 6. Such E&E costs may include costs of licence acquisition, technical services and studies, seismic acquisitions and exploration drilling and testing.

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.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased. The reversal is recorded in the income statement.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 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.

Impairment of oil and gas assets (ceiling test)

A ceiling test is carried out if there is a significant reason for the directors to believe that impairment could have occurred. This test is to assess whether the carrying amount of each field or full cost pool (as applicable) exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell, and its value in use as defined by IAS 36 'Impairment of assets'. The fair value less cost to sell is determined by discounting the anticipated post-tax net cash flows at a risk adjusted discount rate using proved and probable reserves. Where a fair value less cost to sell method is used, the carrying amount includes any deferred tax asset or liability associated with the capitalised costs in the cost pool. Any deficiency arising under this comparison is recognised in the income statement. An impairment test for an exploration and evaluation asset is conducted on a full cost pool basis. An impairment test of a development or production asset is undertaken for the particular cash generating unit which is generally the field.

3.5 Inventories

Crude oil inventory is carried at market value in accordance with specific exclusions applicable to mineral products under IAS 2 'Inventory'. The value of oil stock reported at the end of the year of \$6,934k (2015; \$nil) has been calculated using the year-end market value of \$56.54. All oil stock is classified as a level 1 financial asset as a quoted price can be obtained for the commodity, it is traded on an open market and can be assessed on the measurement date.

Underlifts and overlifts of entitlement to crude oil production are recorded within inventories, both measured at market value, consistent with the crude oil inventory valuation policy.

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

3.6 Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprises cash at bank.

3.7 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.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3	Accounting policies	(Continued)
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Loans and receivables

Trade receivables represent amounts owed for the sale of oil and gas. The carrying value of these assets is approximate to their fair value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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.

3.8	Financial liabilities
-----	-----------------------

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

Other financial liabilities

Trade payables principally comprise amounts outstanding for trade purchase and ongoing costs. The carrying amounts of trade payables approximates to their fair value.

Derecognition of financial liabilities

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

3.9	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.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3

Accounting policies

(Continued)

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 balance sheet 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 and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised at acquisition as part of the assessment of fair value of assets and liabilities acquired.

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.

3.10

Provisions

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.

3.11

Decommissioning fund

When the Company is required to maintain decommissioning funds in order to cover decommissioning expenditure, these are separately disclosed within long-term receivables as disclosed in note 13.

3.12

Joint arrangements accounting policy

The Company is engaged in oil and gas exploration, development and production through jointly controlled assets. The Company accounts for its share of the result and net assets of these joint arrangements as joint operations.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

4 Critical accounting estimates and judgements

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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a. 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 prepared 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 Company's development and production assets has been impaired.

The carrying amount of development and production assets at 31 December 2016 is shown in note 12.

b. Decommissioning

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

The carrying amount of the decommissioning provisions at 31 December 2016 are shown in note 17.

c. 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 judgement 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 12 discloses the carrying amounts of the Company's production and development assets. No impairment has been recognised in 2016 or 2015.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

5 Revenue

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

	2016 \$'000	2015 \$'000
Oil Sales	194,823	347,811
Gas Sales	6,576	6,703
	<u>201,399</u>	<u>354,514</u>

6 Cost of sales

	2016 \$'000	2015 \$'000
Production and operating costs	30,217	101,448
Depreciation, depletion and amortisation (Note 12)	115,541	104,247
	<u>145,758</u>	<u>205,695</u>

7 Staff costs

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

	2016 Number	2015 Number
Operations	22	28
Administration	14	14
	<u>36</u>	<u>42</u>

Their aggregate remuneration comprised:

	2016 \$'000	2015 \$'000
Employment costs		
Wages and salaries	6,260	6,394
	<u>6,260</u>	<u>6,394</u>

None of the directors are employees of the Company and the directors received no remuneration from the Company during the period. 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.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Administrative expenses

	2016 \$'000	2015 \$'000
General administration costs	936	1,700
	<u>936</u>	<u>1,700</u>

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were \$13k in 2016 (2015: \$11k). Fees payable to Deloitte and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

9 Finance costs

	2016 \$'000	2015 \$'000
Unwinding of discount on decommissioning provisions (note 17)	1,141	1,379
	<u>1,141</u>	<u>1,379</u>

10 Other financial gains and losses

	2016 \$'000	2015 \$'000
Foreign exchange gains/(losses)	471	(153)
Interest receivable from related parties	207	73
	<u>678</u>	<u>(80)</u>

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Income tax expense

	2016 \$'000	2015 \$'000
Corporation tax		
UK tax	-	-
Foreign tax	56,526	98,285
Total current tax	<u>56,526</u>	<u>98,285</u>
Deferred tax		
Origination and reversal of temporary differences (note 18)	(51,461)	7,733
Total tax charge	<u>5,065</u>	<u>106,018</u>
Effective tax rate excluding deferred tax	104%	67%

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

	2016 \$'000	2015 \$'000
Profit before taxation on continued operations	<u>54,242</u>	<u>145,660</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2015; 20.25%)	<u>10,848</u>	<u>29,496</u>
Taxation impact of factors affecting tax charge:		
Adjustment in respect of prior years	-	233
Effect of overseas tax rates	(5,783)	76,289
Total adjustments	<u>(5,783)</u>	<u>76,522</u>
Tax charge for the year	<u>5,065</u>	<u>106,018</u>

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Property, plant and equipment

	Development and production assets \$'000
	\$'000
Cost	
At 1 January 2015	1,036,948
Additions	58,910
Change in decommissioning provisions (note 17)	2,382
At 31 December 2015	1,098,240
Additions	62,271
Change in decommissioning provisions (note 17)	8,613
At 31 December 2016	1,169,124
Accumulated depletion and depreciation	
At 1 January 2015	(652,988)
Charge for the year	(104,247)
At 31 December 2015	(757,235)
Charge for the year	(115,541)
At 31 December 2016	(872,776)
Net book value	
At 31 December 2016	296,346
At 31 December 2015	341,005
At 31 December 2014	383,960

In accordance with the Company's policy, the cost of decommissioning the development and production assets was reviewed during the year. Changes in estimates of the expected timing of costs of the decommissioning obligations are dealt with prospectively by recording an adjustment to the provision (note 17), and a corresponding adjustment to the development and production asset cost.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

13 Long-term receivables	2016 \$'000	2015 \$'000
Decommissioning fund	25,156	18,225
	<u>25,156</u>	<u>18,225</u>

When the Company is required to maintain decommissioning funds in order to cover decommissioning expenditure, these are separately disclosed within long-term receivables.

14 Inventories	2016 \$'000	2015 \$'000
Material stock	6,290	17,779
Oil stock	6,934	-
	<u>13,224</u>	<u>17,779</u>

The group maintains a provision for obsolete materials and supplies of \$8.7 million (2015; \$nil) based on specific potential obsolescence identified or of the age of the items, to account for items that may not be used in the future. The movement in the year has been recognised directly through the income statement.

The movement in crude oil inventory is included within production and operation costs. In 2016, the Company recognised a net profit of \$18.0 million (2015; \$34.3 million net loss) on oil stock movements including adjustments for under/overlift.

15 Trade and other receivables	2016 \$'000	2015 \$'000
Trade receivables	22,716	16,139
Other receivables	715	2,475
VAT recoverable	-	1,781
Amounts due from group cash pooling arrangement	21,388	53,087
Amounts due from joint ventures	19,583	13,586
	<u>64,402</u>	<u>87,068</u>

Amounts owed from group cash pooling arrangement relates to cash paid to Perenco Petroleum Limited under a cash pooling treasury agreement. Amounts are paid in US dollars and interest is calculated on a weekly basis using the 1 week US Dollar London Interbank Offered Rate (1W LIBOR).

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 Trade and other payables

	2016 \$'000	2015 \$'000
Trade payables	5,029	21,111
Accruals	38,677	27,421
Other payables	1,239	1,492
Corporation tax		
Amounts due to related parties	1,163	740
	<u>46,108</u>	<u>50,764</u>

17 Decommissioning provision

	2016 \$'000	2015 \$'000
Balance at beginning of the year	56,817	53,056
Change in estimate (note 12)	8,613	2,382
Unwinding of discount (note 9)	1,141	1,379
	<u>66,571</u>	<u>56,817</u>

The decommissioning costs related to the decommissioning provision provided for are expected to be incurred in 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% (2015: 2%) and discounted back to the year end at 1.3% (2015: 1.8%). Any adjustment arising from the re-assessment of the estimated cost of decommissioning is capitalised (see note 12) whilst the adjustment arising from the unwinding of the discount is taken to the income statement as a finance cost (note 9).

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

18 Deferred tax liability

	2016 \$'000	2015 \$'000
Balance at the beginning of the year	131,164	123,431
(Credit)/charge to the income statement (note 11)	(51,461)	7,733
	<u>79,702</u>	<u>131,164</u>

Deferred tax analysis

	2016 \$'000	2015 \$'000
PP&E	128,858	173,282
Decommissioning	(33,285)	(28,408)
Accruals	(19,338)	(13,710)
Oil stock	3,467	-
Net deferred tax liability provided	<u>79,702</u>	<u>131,164</u>

19 Equity

Share capital	No. of shares	\$'000
Ordinary shares		
Authorised shares of £1 each		
At 31 December 2015 and 31 December 2016	<u>73,327,720</u>	<u>137,775</u>
Allotted, called up and fully paid		
At 31 December 2015 and 31 December 2016	<u>73,327,720</u>	<u>137,775</u>

Dividend

A dividend of \$80 million was declared and paid in 2016 (2015: \$60 million). This is the equivalent to dividend per ordinary share of \$580.66 (2015: \$435.49).

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

20 Financial Instruments

Financial risk management

The Company monitors and manages the financial risks relating 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.

Capital risk management

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

The Company had no external borrowings at 31 December 2016 (2015: \$ nil).

Oil and gas price risk

The most significant financial risks 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. A 10% decline in the average oil price attained during 2016 would have reduced revenues for the year by \$19.5m (2015: \$34.8m).

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 represents the Company's maximum exposure to credit risk without taking account of any collateral obtained.

As receivables are owed by other group companies or longstanding joint venture partners with a solid history of creditworthiness, management deem that the risk of non-payment is low.

Liquidity risk

The Company aims to meet its cash flow requirements out of operating cash flows, however from time to time may rely on Perenco Overseas Holdings Ltd to provide additional liquidity.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

20 Financial Instruments

(Continued)

Categories of financial instruments

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

	2016 \$'000	2015 \$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	93,943	115,156
Financial liabilities		
Financial liabilities measured at amortised cost	(46,108)	(50,764)
	<u>47,835</u>	<u>64,392</u>

There were no financial instruments measured subsequent to initial recognition at fair value and accordingly no analysis of the level of the degree to which the fair value is observable has been provided. The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	2016 \$'000	2015 \$'000
31 December 2016						
Non - interest bearing	(46,108)	-	-	-	(46,108)	(50,764)

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016.

21 Notes to cash flow statement

Reconciliation of operating profit to cash generated by operations

	2016 \$'000	2015 \$'000
Cash flows from operating activities:		
Operating profit	54,705	147,119
Adjustments for:		
Depreciation, depletion and amortisation	115,541	104,247
Operating cash flow prior to working capital changes	170,246	251,366
Decrease in inventory	4,555	18,447
(Increase) / decrease in debtors	(6,313)	32,564
Increase / (decrease) in creditors	1,881	(22,987)
Net cash from operating activities	170,369	279,390

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term liquid investments with a maturity of three months or less.

22 Joint arrangements

The Company holds a 36% share in a joint arrangement with Vietnam Oil and Gas Corporation and Japan Vietnam Petrol Company Limited (JVPC) with operations in Vietnam. JVPC is the Operator. The Company accounts for the joint arrangement as a joint operation.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

23 Related party transactions

The following table provides the total amounts of transactions which have been entered into with related parties for the relevant financial year.

	Charge	Charge	Debtor / (Creditor)	Debtor / (Creditor)
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<i>Amounts owed to affiliated companies</i>				
Perenco Holdings	(356)	(467)	(72)	(51)
Perenco	(874)	88	(702)	-
Perenco S.A.	(339)	(4,597)	(352)	(479)
Perenco Rio Del Ray	-	(16)	-	-
Perenco Peru	-	(6)	-	-
Perenco UK Limited	-	(3,713)	-	(210)
Perenco Vietnam A.S.	(49)	-	(37)	-
	<u>(1,618)</u>	<u>(8,711)</u>	<u>(1,163)</u>	<u>(740)</u>
<i>Amounts owed by affiliated companies</i>				
Perenco Petroleum Limited	(637)	(948)	21,388	53,087
	<u>(637)</u>	<u>(948)</u>	<u>21,388</u>	<u>53,087</u>

Dividends of \$80m (2015: \$60m) were paid to Perenco Overseas Holdings Limited, the immediate parent company, in the year. This is the equivalent to dividend per ordinary share of \$1.09.

24 Capital risk management

The company is committed to its share of future exploration, development and operating costs beyond 2016 under the terms of its joint venture.

25 Events after the reporting date

There are no significant subsequent events that have occurred after 31 December 2016. No dividend has been proposed by the directors of the Company for 2017.

PERENCO CUU LONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

26 Controlling party

Perenco Overseas Holdings Ltd, a company incorporated in the United Kingdom and registered in England and Wales, is the immediate parent company and the smallest group of undertakings, of which Perenco Cuu Long Limited is a member, for which group financial statements are prepared. The address at which Perenco Overseas Holdings Ltd financial statements are available is 8 Hanover Square, London, England W1S 1HQ.

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 registered address of Perenco International Limited is Lyford Manor, Lyford Cay, West Bay Street, PO BOX N10 051, Nassau, Bahamas.

The financial statements of Perenco International Limited are not available to the public.