

KOV BORNEO LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2016

Registered no. 04918144

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KOV BORNEO LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

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KOV BORNEO LIMITED

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BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

YEAR ENDED 31 DECEMBER 2016

Board of Directors

Jeffrey D. Auld
Karen J Miliner
Liberty R Davey

Company secretary

M&N Secretaries Limited

Independent auditors

Lubbock Fine

Registered office

3rd Floor Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

THE DIRECTORS' REPORT**YEAR ENDED 31 DECEMBER 2016**

The Directors of KOV Borneo Limited (“the Company”) present their report and the financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The Company’s principal activity was the exploration for oil and gas principally in the Asia Pacific Region.

The exploration agreement in respect of Block M expired on 27 August 2012 and has not been renewed.

GOING CONCERN

In accordance with their responsibilities, the Directors have considered the appropriateness of the going concern basis for the preparation of the Financial Statements.

Given that the exploration agreement has not been renewed the Directors have determined that the Financial Statements should be prepared on a basis other than that of going concern. Further details are disclosed in note 2 of the Financial Statements.

PRINCIPAL RISKS

The principal risk facing the Company would be the removal of financial support from the parent company. The Company continually reviews this risk and takes any action deemed necessary.

KEY PERFORMANCE INDICATORS

The Company considers its net deficit position to be its key performance indicator and this was in a deficit position of US\$21,664,913 (2015 – US\$21,640,089) at the balance sheet date.

RESULTS AND DIVIDENDS

The Company recorded a loss of US\$24,824 (2015 – income of US\$25,327) for the year. The Directors have not recommended a dividend.

FINANCIAL INSTRUMENTS

Details of the Company’s financial risk management objectives and policies are included in Note 11 to the accounts.

SHARE CAPITAL

There were no changes in the authorized and issued share capital of the Company during the year.

THE DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2016

DIRECTORS

The directors who served the company during the year were as follows:

Jock M Graham (resigned 1 September 2016)

Karen J Milliner

Liberty R Davey

Jeffrey D Auld (appointed 1 September 2016)

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare 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 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in note 2 to the financial statements, the Directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis.

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.

KOV BORNEO LIMITED
THE DIRECTORS' REPORT (continued)
YEAR ENDED 31 DECEMBER 2016

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AUDITORS

Lubbock Fine are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Each of the persons who is a Director at the date of approval of this report confirm that:

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

Signed on behalf of the Directors


Liberty R Davey
Director

Approved by the Directors on ..19.09.17...

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KOV BORNEO LIMITED**YEAR ENDED 31 DECEMBER 2016**

We have audited the financial statements of KOV Borneo Limited for the year ended 31 December 2016. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB'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 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. 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 income for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KOV BORNEO LIMITED (continued)**YEAR ENDED 31 DECEMBER 2016****EMPHASIS OF MATTER – BASIS OF PREPARATION**

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the going concern basis of accounting. Due to the expiration of the Company's exploration agreement, and the Company having no other activities, the Directors consider that the financial statements should be prepared on a basis other than that of going concern. As explained in note 2, no adjustments are required to the financial statements as a result of preparing these on this basis.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

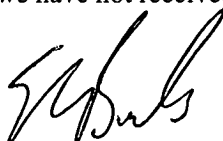
In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and the report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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.


Stephen Banks (Senior Statutory Auditor)

For and on behalf of

Lubbock Fine

Chartered Accountants
& Statutory Auditor

Date:

20/9/2017

Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$	2015 US\$
Administrative (expenses)/ recovery	4	(24,824)	25,327
(Loss)/income from operations		(24,284)	25,327
Net finance expenses		-	-
(Loss)/income before taxation		(24,284)	25,327
Taxation	5	-	-
(Loss)/income for the year		(24,284)	25,327
Total comprehensive (loss)/income for the year		(24,284)	25,327

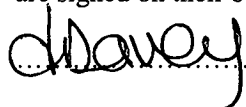
The notes on pages 11 to 19 form part of these financial statements.

KOV BORNEO LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

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	Note	2016 US\$	2015 US\$
Assets			
Current assets			
Trade and other receivables	6	<u>33,835</u>	<u>41,727</u>
Total current assets		<u>33,835</u>	<u>41,727</u>
Total assets		<u>33,835</u>	<u>41,727</u>
Equity			
Share capital	10	14,533,083	14,533,083
Share premium	10	787,986	787,986
Retained earnings		<u>(36,985,982)</u>	<u>(36,961,158)</u>
Total equity attributable to the equity holders of the Company		<u>(21,664,913)</u>	<u>(21,640,089)</u>
Current liabilities			
Trade and other payables	8	21,540,348	21,523,416
Decommissioning provisions	7	<u>158,400</u>	<u>158,400</u>
Total current liabilities		<u>21,698,748</u>	<u>21,681,816</u>
Total liabilities		<u>21,698,748</u>	<u>21,681,816</u>
Total equity and liabilities		<u>33,835</u>	<u>41,727</u>

These financial statements were approved by the Board of Directors and authorized for use on 19.01.17 and are signed on their behalf by:

.....

Liberty R Davey
Director

Company Registration Number: 04918144

The notes on pages 11 to 19 form part of these financial statements.

STATEMENT OF CHANGES OF EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total equity US\$
Balance at 1 January 2015	14,533,083	787,986	(36,986,485)	(21,665,416)
Total comprehensive income for the year	-	-	25,327	25,327
Balance at 31 December 2015	<u>14,533,083</u>	<u>787,986</u>	<u>(36,961,158)</u>	<u>(21,640,089)</u>
Balance at 1 January 2016	14,533,083	787,986	(36,961,158)	(21,640,089)
Total comprehensive loss for the year	-	-	(24,824)	(24,824)
Balance at 31 December 2016	<u>14,533,083</u>	<u>787,986</u>	<u>(36,985,982)</u>	<u>(21,664,913)</u>

The notes on pages 11 to 19 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$	2015 US\$
Cash flows from operating activities			
(Loss)/income for the year		(24,824)	25,327
Operating activities before working capital changes		(24,824)	25,327
Change in trade and other receivables	6	7,892	8,720
Change in trade and other payables	8	16,932	(34,047)
Net cash from operating activities		-	-
Net cash used in investing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The notes on pages 11 to 19 form part of these financial statements.

KOV BORNEO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(in US dollars, except as noted)

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1. INCORPORATION AND PRINCIPAL ACTIVITY

The Company is incorporated in the United Kingdom. The principal activity of the Company is to pursue potential opportunities in petroleum, gas exploration and production in Brunei. The Company is a wholly owned subsidiary of Serinus Holdings Limited, a company incorporated in Cyprus.

The ultimate parent company until 29 October 2013 was Serinus Energy Inc, a company registered in Canada. Subsequent to this the ultimate parent company was Kulczyk Investments S.A., a company registered in Luxembourg.

Serinus Energy Inc remained the most senior company for which consolidated financial statements are publicly available.

2. BASIS OF PREPARATION

Basis of measurement

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

As explained in the going concern note below, the Directors do not consider the going concern basis to be appropriate and therefore the financial statements have not been prepared on this basis.

Going concern

The Company incurred a loss of US\$24,824 for the year ended 31 December 2016 and, as of that date, the Company's total liabilities exceeded its total assets by US\$21,664,913.

On 27 August 2012 the exploration agreement in respect of Block M, which represented the Company's only activity, expired and was not renewed. The Company has not commenced any further exploration activity subsequent to this event. For these reasons, the Directors have determined that the going concern basis is no longer appropriate, and the financial statements have been prepared on a basis other than that of going concern.

On this basis, all assets and liabilities have been stated at their estimated recoverable value at 31 December 2016.

The preparation of the financial statements on this basis, rather than as a going concern, has not resulted in a material change to the amounts included within these financial statements.

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

2. BASIS OF PREPARATION (continued)

Adoption of new and revised International Financial Reporting Standards and Interpretations

During the current year the Company adopted all the changes to International Financial Reporting Standards ("IFRS") that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the financial statements of the Company.

At the date of approval of these financial statements, standards, revised standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others were not yet adopted. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company.

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Functional and presentation currency

The financial statements are for the year ended 31 December 2016 and are expressed in United States Dollars (US\$) which is the functional and presentation currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

Jointly controlled operations and jointly controlled assets

Jointly controlled operations are those in which the company has certain contractual agreements with other participants to engage in joint activities that do not create an entity carrying on a trade or business on its own. The Company recognizes its share of the jointly controlled assets and liabilities it has incurred, and cash flows in joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the Company's interest in the jointly controlled operations. The Company combines its share of the jointly controlled assets and liabilities, income and expenses of the jointly controlled assets and liabilities with similar items, line by line, in its own financial statements. The company conducts its exploration and development activities jointly with other companies in this way. Adjustments are made where necessary to bring accounting policies in line with that of the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

Taxation

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommission provisions

The Company's activities give rise to dismantling, decommissioning and site disturbance rededication activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of Management's best estimate of expenditure required to settle the present obligation at the reporting date subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance cost whereas increase/decrease due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of decommissioning obligations are charged against the provision to the extent the provision was established.

Financial instruments

Financial assets in the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which do not include transaction costs. Purchases or sales of financial assets that require delivery of assets in a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date at which the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, and trade receivables.

Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities are classed as trade and other payables.

Trade receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank at the end of the financial year.

Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements listed below, are those that the Company reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

In July 2015, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The adoption of IFRS 9 may have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification of the Company's financial liabilities.

The Company expects no material impact on its financial position, performance, disclosures or stated accounting policies from the adoption of these amendments.

4. ADMINISTRATIVE EXPENSES/(RECOVERY)

	2016	2015
Corporate secretary fees	4,841	-
Auditor's remuneration – audit of the financial statements	4,834	6,387
Auditor's remuneration – tax fees	-	(2,525)
Directors fees	7,258	2,091
Other	<u>7,891</u>	<u>(31,280)</u>
	<u>24,824</u>	<u>(25,327)</u>

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

5. TAXATION

There is no current period charge to corporate tax in view of the loss made in the year.

Factors affecting current tax charge:

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporate tax in the UK of 20% (2015 – 20%).

	2016	2015
(Loss)/income on ordinary activities before taxation	<u>(24,825)</u>	<u>25,327</u>
(Loss)/income on ordinary activities by rate of tax	(4,965)	5,065
Loss carry forward applied	-	(5,065)
Losses generated in the year carried forward	<u>4,965</u>	<u>-</u>
Total current tax	<u><u>-</u></u>	<u><u>-</u></u>

6. TRADE AND OTHER RECEIVABLES

	2016	2015
Amounts due from joint operation partner	<u>33,835</u>	<u>41,727</u>

Amounts receivable from joint venture partner represent contributions made to the joint operations in excess of the actual operating expenses incurred.

The fair value of trade and other receivables due within one year approximate to their carrying amounts as presented above.

7. DECOMMISSIONING PROVISIONS

	2016	2015
Balance at 1 January and 31 December	<u>158,400</u>	<u>158,400</u>

The Company's provisions consist entirely of decommissioning obligations which result from its ownership interests in oil and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to retain and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning obligations to be US\$158,400.

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

8. TRADE AND OTHER PAYABLES

	2016	2015
Amounts due to related companies (Note 9 (i))	15,533,501	15,516,412
Block M penalty liability	6,000,000	6,000,000
Accruals	<u>6,847</u>	<u>7,004</u>
	<u>21,540,348</u>	<u>21,523,416</u>

Block M penalty liability represents an accrual for the non-performance penalty under the PSA with PetroleumBRUNEI.

Accruals represent amounts due for audit and tax services during 2016.

The fair value of trade and other payables due within one year approximates to the carrying amounts as presented above.

9. RELATED PARTY TRANSACTIONS

The Company is controlled by Serinus Holdings Limited, incorporated in Cyprus, which owns 100% of the Company's shares. The next most senior parent which produces publicly available consolidated financial statements is Serinus Energy Inc.

(i) Amounts due to related companies (Note 8)

Name	Relationship	Nature of transactions	2016	2015
Serinus Holdings Limited	Holding company	Financing	<u>15,533,501</u>	<u>15,516,412</u>

KOV Borneo Limited has entered into an agreement with its immediate parent undertaking, Serinus Holdings Limited, for an interest free loans facility. The loans are granted for the purpose of funding the pursuit and implementation of international oil and gas activities and for the Borrower's general administrative costs. Since there are no specific repayment terms these amounts were classified as short term and are repayable on demand.

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

10. SHARE CAPITAL

Allotted, called up and fully paid:

	2016 No	2016 US\$	2015 No	2015 US\$
'A' Ordinary shares of £1 each	8,095,058	13,321,602	8,095,058	13,321,602
'B' Ordinary shares of £0.20 each	<u>3,136,444</u>	<u>1,211,481</u>	<u>3,136,444</u>	<u>1,211,481</u>
	11,231,502	14,533,083	11,231,502	14,533,083
Share premium	<u>-</u>	<u>787,986</u>	<u>-</u>	<u>787,986</u>
	<u>11,231,502</u>	<u>15,321,069</u>	<u>11,231,502</u>	<u>15,321,069</u>

Authorized share capital:

	2016 No	2015 No
'A' Ordinary shares of £1 each	8,095,058	8,095,058
'B' Ordinary shares of £0.20 each	<u>8,579,445</u>	<u>8,579,445</u>

A and B ordinary shares rank pari passu.

There were no changes in the share capital of the Company during the year.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENTFinancial risk factors

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk.

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

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is reliant on finance from its parent company, Serinus Holdings Limited in order to meet its obligations. As there is significant uncertainty as to the availability of future funding, as well as the Company ceasing to have any trading activity after the expiry of its exploration agreement, the financial statements have been prepared on a basis other than that of going concern (see note 2).

(iii) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Company does not have significant exposure to currency risk.

12. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2016.

13. COMMITMENTS

The Company had no commitments as at 31 December 2016 as the current exploration agreement expired on 27 August 2012.

14. EVENTS AFTER THE REPORTING PERIOD

There were no other significant events after the reporting period date which affect the financial statements as at 31 December 2016.