Registered No. 5562373

FAIRFIELD ENERGY LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDING 30 JUNE 2016

Contents

Strategic report

During the 12 month period under review (2015: 18 month period) the principal activity of the company transitioned from that of oil and gas exploration, development and production to decommissioning. As a result of this change, the subsidiaries forfeited their interest in the Greater Dunlin Area, though remain as the Operator for the Area.

Following the decision to cease production from the Dunlin Cluster on 15 June 2015, the Company concluded a long term transaction with its Joint Venture Partner, MCX, which underpins the long term financial stability of the Company.

On 3 May 2016, Decom Energy Limited acquired the entire issued share capital of Fairfield Energy Limited and its subsidiaries. The purchase was entered into as part of a restructuring of the Fairfield Energy Limited Group, from being an exploration and production company into a late life asset management and decommissioning entity. The Company will continue to perform certain critical roles, such as being the employing and administrative entity for the Group.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Fairfield remains wholly committed to conducting its business in a manner that protects people from harm and preserves the environment. The company has designed policies and procedures to honour this commitment. These include, inter alia:

- Prescribing annual HSE performance targets and reporting regularly on those targets to the Board HSE subcommittee
- Ensuring the availability of specialist support and providing advice to the Executive and the Board
- Assigning specific responsibilities for HSE performance within the organisation

Decommissioning Preparations

Following the announcement to terminate production and commence decommissioning of the Dunlin Area facilities, a transition plan was developed and implemented. This included a Management of Change (MOC) process that followed regulators' guidelines, and which addressed the design and implementation of a new operating organisation onshore and offshore.

As in previous years, an annual HSE improvement plan was developed, taking cognisance of the changing risk profile on the installation. This plan addresses improvement opportunities in areas such as risk management, third party management, and competence assurance and has proceeded on schedule through the course of the year.

With regard to the 2015 Safety Case regulations, a revised submission date has been agreed with the regulators. A wholly revised case will be submitted in 4Q'17 with planned acceptance In 2Q'18. It is anticipated that this submission will coincide with moving from an 'Operations' case to a 'Dismantling' case. In the interim, the Operations Safety Case continues to be kept current, as per regulatory requirements.

FINANCIAL REVIEW

In June 2015 a decision to cease production from Dunlin was taken. Prior to this the predominant source of revenue for the Group was oil sales in USD. Following this, a review was undertaken to determine if there had been a change in the primary currency of the Group. Both the funding of the Group and the majority of the costs being incurred during the decommissioning phase are in GBP. It was therefore established that a change in the primary currency of the Group had occurred. Having considered the aggregate effect of all relevant factors, the Directors concluded that a point was reached on 1 July 2015 where the presentational and functional currency should be GBP.

Following the change in focus of the Group to that of a Decommissioning Operator the SPC's were reclassified from debt to equity and were subsequently converted to share capital on 25 November 2015.

The Group Bridging Loan Facility Agreement with MCX Dunlin (UK) Limited on 22 May 2015 to cover the running costs of the Group was extended to \$100m on 13 January 2016. The loan is expected to stay in place until early November 2016, when it is expected to be repaid in full.

Financial performance

Gross loss for the period was £1.2m (2015; £41.2m).

The loss for the period after tax was £44.3m (2015: £769.6m). The significant movement is predominantly due to the fact that forfeiture on 6 April 2016 resulted in the release of certain assets and liabilities that were transferred to MCX Dunlin (UK) Limited.

The Company is in a net assets position of £0.3m (2015: £23.1m).

Under the long term financial agreement signed 13 January 2016, the Company entered in to a security assignment deed with MCX Dunlin (UK) Limited securing rights to the net assets of the Company in return for assuring the financial viability of the Company.

Financial risk management

Following cessation of production, the Company's foreign exchange exposure is significantly reduced as it is mostly funded by the Joint Venture in the same currency as expenditure is incurred.

The Company continues to put significant focus on risk management initiatives through tight controls over cash forecasting and budgetary constraints to ensure future expenditure is planned and projected appropriately

The trading results of the Company and the Company's balance sheet at the end of the period are shown in the attached financial statements.

Strategic report (Continued)

Risk management and internal control

The Board regards the identification and assessment of risks, together with the mitigating internal controls, to be fundamental to achieving the Company's strategic objectives. The Board has overall responsibility for the Company's system of internal control and risk management which is designed to manage rather than eliminate the risk of failure to achieve its objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. As part of the management process the Company has identified the key risks facing the Company and those risks with a high level of potential impact and occurrence are summarised in the Risk Register which is reviewed by the Board.

Fairfield, as an operator in the North Sea oil and gas industry faces a variety of risks. The nature of these risks may be specific to the oil and gas industry, the Fairfield Company and/or regulatory risks associated with the markets the Company operates within. Many of these risks are outside the Company's control.

Key risks the Company faces include, but are not limited to:

Risk	Mitigation
Health, Safety & Environment (H,S&E)	
Decommissioning activities are highly complex and HS&E is inherent in all areas of our operations. Risks cover many areas including operational safety, personal health and safety, compliance with regulatory requirements and potential environmental harm.	Fairfield is committed to conducting its business in a manner that protects people from harm and preserves the environment. The Company has designed policies and procedures to meet this commitment and aligns these with its suppliers, through the implementation of the 5 year strategic plan for H,S&E.
Funding	
The Company is required to be well funded, in order to meet the operating and capital spending programmes and the decommissioning costs going forward as well as meeting the obligations within debt agreements.	The Group has secured a long term funding agreement with MCX (Dunlin) UK Limited to cover the decommissioning project.
External environment	
Changes in the regulatory or fiscal environment may affect the Company's ability to execute its strategy.	It is difficult for the Company to predict changes in this area. However, the Company does engage with government and other appropriate organisations both directly and through industry associations. This ensures the Company is aware of potential changes, so it can assess the potential impact and take an active role in making appropriate representations.
People	
The Group's success is dependent upon its ability to attract and retain key personnel in a highly competitive market.	The Company places significant importance on its offer to the current and potential employees and to the recruitment and retention of technically qualified individuals. The Company maintains an attractive employment offer through the use of strong remuneration terms as well as long term incentives for management. The Company also places strong emphasis on the ability to develop individuals personally and as such focuses regularly on creating opportunities to do this. Delivery of this plan is executed by an experienced HR department who monitor the market very closely for developments.
Supply Chain	
The Company's ability to execute its plans relies on its ability to access key equipment with long lead times in a highly competitive market.	The Company has a strong brand within the market after delivering some sizeable Projects; as such relationships with key suppliers are strong.

Directors' report

The directors' present their report and financial statements for the year ended 30 June 2016.

Registered Number

5562373

Directors of the Company

The directors who served on the Board during the period are shown on page 18.

Dividends

The directors do not recommend the payment of a dividend (2015: nil).

Future developments

Please refer to the review of assets section of the Strategic report for discussion of future developments.

Change in functional currency

During the year the Board determined to change the Company's functional and presentational currency to Sterling (GBP) given that the Company is now primarily funded in GBP and the significant majority of costs are incurred in GBP.

Events since the balance sheet date

Events since the balance sheet date are disclosed in note 21 of these financial statements.

Going concern

The directors are satisfied that the Company has access to adequate resources to continue to operate for the foreseeable future. The Group's forecasts and projections show that the Group has access to sufficient financial resources. As a consequence, the directors have a reasonable expectation that the Group is well placed to manage its business risks and to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Directors' liabilities

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

The Directors of the Company are also the Directors of other affiliate Companies and/or the parent undertaking.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be approved at the next Board meeting.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the board at the time of approving the Directors' report are listed above. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

The Strategic Report and the Directors' Report were approved by the Board on 28 October 2016.

For and on behalf of the Board

John Wiseman
Director
31 October 2016

Statement of Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report, and the financial statements in accordance with applicable United Kingdom 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

John Wiseman
Director
31 October 2016

Independent auditor's report

TO THE MEMBERS OF FAIRFIELD ENERGY LIMITED

We have audited the financial statements of Fairfield Energy Limited for the year ended 30 June 2016 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 and Accounts 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 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

Ernst & Young LLP

Ernst & Young LLP
Jamie Dixon (Senior Statutory Auditor)
for and on behalf of Ernst &Young LLP, Statutory Auditor
Aberdeen
31 October 2016

Income statement

for the year ended 30 June 2016

	Notes	2016 £000	2015 £000
Turnover	3	**1,035**	41,182
Cost of sales		**157**	-
Gross profit		**1,192**	41,182
Administration expenses		**(29,201)**	(45,653)
Provision for inter-company debt		**-**	(656,436)
Write back intercompany balances		**18,247**	-
Operating loss		**(9,762)**	(660,907)
Gain on derivative financial instruments	4ii	**-**	5
Non-operating income		**16,543**	-
Interest receivable and similar income		**12**	9
Interest payable and similar cost	4iii	**(6,313)**	(108,751)
Exceptional items	4vii	**(44,761)**	-
Loss before tax		**(44,281)**	(769,644)
Tax expense	5	**-**	-
Loss after tax		**(44,281)**	(769,644)

Statement of comprehensive income

for the year ended 30 June 2016

	2016 £000	2015 £000
Loss for the period	**(44,281)**	(769,644)
Total comprehensive loss	**(44,281)**	(769,644)

Balance sheet
as at 30 June 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible fixed assets		**326**	899
Loans receivable from inter-group entities		**-**	41,695
Other financial assets	7	**19,722**	3,885
		20,048	46,479
Current assets			
Trade and other debtors	8	**146**	3,431
Prepayments	10	**356**	539
Amounts due from group undertakings		**23,571**	-
Cash at bank and in hand	9	**1,102**	945
		25,175	4,915
Creditors: amounts falling due within one year			
Trade and other creditors	11	**27,607**	1,221
Accruals	12	**1,934**	2,331
Loans and borrowings	14	**14,262**	9,263
Provisions	13	**213**	376
Amounts due to group undertakings		**881**	14,858
		44,897	28,049
Net current (liabilities)		**(19,722)**	(23,134)
Total assets less current liabilities		**326**	23,345
Creditors: amounts falling due after more than one year			
Provisions	13	**-**	245
		-	245
Total liabilities		**44,897**	28,294
NET ASSETS		**326**	23,100
Capital and reserves			
Share capital		**164**	164
Preference shares		**786,441**	786,441
Capital redemption reserve		**174**	174
Retained earnings		**(786,453)**	(763,679)
TOTAL EQUITY		**326**	23,100

John Wiseman
Director
31 October 2016

Statement of changes in equity

for the year ended 30 June 2016

2016	Share Capital			Preference shares		Reserves		
	Founder shares	Incentive ordinary shares	Super incentive shares	A preference shares	B preference shares	Capital redemption reserve	Retained (deficit)/profit	Total equity
At July 2015	13	124	27	13,186	773,255	174	(763,679)	23,100
Share-based payment	-	-	-	-	-	-	17,779	17,779
Contributions from shareholders	-	-	-	-	-	-	3,728	3,728
Total (loss) for the Period	-	-	-	-	-	-	(44,281)	(44,281)
At 30 June 2016	13	124	27	13,186	773,255	174	(786,453)	326

2015	Share Capital			Preference shares		Reserves		
	Founder shares	Incentive ordinary shares	Super incentive shares	A preference shares	B preference shares	Capital redemption reserve	Retained (deficit)/profit	Total equity
At January 2014	13	124	27	173	41,187	174	5,003	46,701
Share-based payment	-	-	-	-	-	-	(2,900)	(2,900)
Contributions from shareholders	-	-	-	-	-	-	3,862	3,862
Share issue	-	-	-	13,013	732,068	-	-	745,081
Total (loss) for the Period	-	-	-	-	-	-	(769,644)	(769,644)
At 30 June 2015	13	124	27	13,186	773,255	174	(763,679)	23,100

Notes to the financial statements

1. Authorisation of financial statements and statement of compliance with FRS 101

Reporting entity

The financial statements of Fairfield Energy Limited (the "Company") for the year ended 30 June 2016 were authorised for issue by the board of directors on 28 October 2016 and the Balance sheet was signed on the board's behalf by John Wiseman. Fairfield Energy Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Decom Energy Limited.

The results of Fairfield Energy Limited are included in the consolidated financial statements of Decom Energy Limited, the ultimate parent entity, which are available from Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting Policies

a) Basis of preparation

The Company transitioned in 2013 from EU-adopted IFRS to FRS 101 for all periods presented. There were no material amendments on the adoption of FRS 101.

The accounting policies which follow set out those policies which apply in preparing financial statements for the period ended 30 June 2016.

The Company applies FRS 101 – *Reduced Disclosure Framework* and has as a result taken the following disclosure exemptions:

- (a) The requirements of IFRS 7 *Financial Instruments: Disclosures;*
- (b) The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - (i) Paragraph 79(a)(iv) of IAS 1;
  - (ii) Paragraph 73(e0 of IAS 16 *Property, Plant and Equipment;*
  - (iii) Paragraph 118(e) of IAS 38 *Intangible assets;*
- (c) the requirements of IAS 7 *Statement of Cash Flows*;
- (d) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors;*
- (e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements;*
- (f) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets;*
- (g) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures;* and
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities that have been measured at fair value.

c) Change in functional currency

IAS 21, 'The Effects of Changes in Foreign Exchange Rates', describes functional currency as "the currency of the primary economic environment in which an entity operates". The Company incurs and sources the majority of costs in Sterling.

A change in functional currency reflects the accumulation over time of those factors which are the main determinants of functional currency. Having considered the aggregate effect of all relevant factors, the Directors concluded that this point was reached on 1 July 2015 when the primary USD revenue stream materially discontinued and the Company moved into its new phase where the majority of the costs in the decommissioning phase will be incurred in GBP.

Accordingly, the Directors determined that the functional currency of Fairfield Energy Limited had changed to GBP from 1 July 2015.

In accordance with IAS 21 this change has been accounted for prospectively from this date.

d) Change in presentation currency

From 1 July 2015 the Company also changed its presentation currency to Sterling. Comparative information has been restated in GBP in accordance with the guidance defined in IAS 21. The 2016 financial statements and associated notes have been retranslated from USD to Sterling using the procedures outlined below:

- Assets and liabilities were translated into GBP at closing rates of exchange at 30 June 2015 and opening rates of exchange at 1 July 2015.
- Trading results were translated into GBP at the rates of exchange prevailing at average rates.
- Share capital, share premium and other capital reserves were translated at the historic rates prevailing at the dates of transactions.
- Differences resulting from the retranslation of the opening net assets and the results for the year have been taken to reserves.

e) Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's functional currency spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement.

f) Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and any provisions for impairment, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

IT equipment	3 years
Furniture and fittings	5 years

g) Investments

Investments are initially measured at cost and carried net of any provisions for impairment

h) Trade and other receivables

Trade and other receivables, including receivables from related parties, are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectable amounts. Collectability and impairment are assessed on a regular basis. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

i) Provisions and contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed (and is virtually certain), the reimbursement is recognized as a separate asset. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably except where the contingent liability results as part of a business combination.

j) Investment strips

The Company issues financial instruments referred to as investment strips comprising either an A or a B preference share and a Subordinated Preference Certificate ("SPC"). SPCs are assessed each period to determine whether they are a liability or an equity instrument. The SPCs were initially recognised as financial liabilities are measured at amortised cost less transaction costs. During the current period, the SPCs been reclassified to equity. Preference shares are accounted for as equity and the value of preference shares was initially calculated as the difference between the net proceeds of the investment strip and amortised cost of the SPC. Specific details regarding investment strips are set out in note 23 of the consolidated financial statements.

k) Financial instruments

Loans and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables.

Loans and receivables are initially measured at fair value less directly attributable transactions costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method less any impairment.

Trade and other receivables are recognised when invoiced.

Bank deposits

Bank deposits with an original maturity of over three months are held as a separate category of current asset and presented on the face of the statement of financial position.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand, restricted cash holdings (cash held in joint venture) and short-term deposits with an original maturity of three months or less.

For the purposes of the company statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Trade payables and other non-derivative financial liabilities

Trade payables and other creditors are non-interest bearing and are measured at cost.

l) Deferred Income tax

Deferred income tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction (other than a business combination), that at the time of the transaction, affects neither, accounting nor taxable profit or loss.

A deferred tax asset is recognised to the extent that it is probable that future income tax profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured based on tax rates (and tax laws) enacted or substantively enacted at the statement of financial position date. Deferred tax relating to items recognised directly in equity is recognised in equity and not the income statement. Deferred tax liabilities may be offset against deferred tax assets within the same tax entity and tax jurisdiction. Measurement of deferred tax liabilities and assets reflect the tax consequences expected to arise from the manner in which the asset or liability is recovered or settled.

m) Pension and other post-employment benefits

The Company contracts out to recognised personal pension schemes which are defined contribution pension schemes. Amounts payable to the pension plan are charged to the income statement in the same period in which the services have been rendered by the employees.

n) Revenue

Income received as operator from joint ventures is recognised on an accruals basis in accordance with joint venture agreements and is included within 'turnover' in the income statement.

o) Exceptional items

Items which are significant by virtue of their size or nature and which are considered non-recurring are classified as exceptional items. Such items, which include for instance the credits on release of balance sheet items on forfeiture of the licences are included within the appropriate income statement category, albeit analysed as a separate line within that category, and are highlighted separately in the notes to the financial statements.

p) Changes in accounting policy and disclosures

All accounting policies adopted are consistent with those of the previous financial year.

q) New standards and interpretations not yet adopted

Standards issued but not yet effective up to the date of issue of the Company's financial statements have been considered. While the Company intends to adopt those standards (where applicable) when they become effective they are not expected to have a significant impact on the Company.

3. Turnover

	2016 £000	2015 £000
JV Recoveries	-	41,182
Decommissioning Licence Operator Services	1,035	-
Total turnover	1,035	41,182

4. Other income / expenses

i. Depreciation and amortisation

	2016 £000	2015 £000
Included in administration expenses		
Amortisation of intangible fixed assets	-	3
Depreciation of tangible fixed assets	498	799
Total depreciation and amortisation	498	802

ii. Derivative financial instruments

	2016 £000	2015 £000
Fair value adjustments on foreign exchange contracts	-	5
	-	5

iii. Interest payable and similar costs

	2016 £000	2015 £000
Interest on loans and other finance costs	2,217	817
Interest and finance costs on SPCs	-	102,964
Loss on substantial modification of SPCs	-	(147)
Amortisation of SPC transaction costs	-	514
Foreign exchange losses	4,096	4,603
Total finance costs	6,313	108,751

iv. Operating leases

	2016 £000	2015 £000
Minimum lease payments recognised as an expense	394	1,237
The future minimum lease payments at period end are shown in the table below:		
Payable within:		
One year	379	379
One to five years	1,515	1,515
More than five years	221	599
	2,115	2,493

The operating leases relate to rental office accommodation. There were no contingent rentals or sub-lease payments relating to the operating leases.

v. Auditors' remuneration

	2016 £000	2015 £000
Audit of the financial statements	15	197
Total fees payable to auditor	15	197

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the Group financial statements of Decom Energy Limited.

vi. Employee benefits expense

	2016 £000	2015 £000
Wages and salaries - directors	**3,538**	2,360
Wages and salaries - staff	**3,739**	8,831
Bonuses	**1,491**	4,961
Social security costs	**1,241**	2,157
Pension costs	**828**	1,937
Insurance (medical and life)	**124**	177
Share-based credit/(expense)	**-**	(2,740)
Total employee benefits expense	**10,961**	17,683

Average number of employees:		
Directors	**2**	3
Finance and administration	**18**	25
Technical and operational	**25**	29
Offshore	**10**	10
	55	67

vii. Exceptional items

	2016 £000	2015 £000
Indemnity Charge	**44,761**	-
Total exceptional items	**44,761**	-

Under the long term financial agreement signed 13 January 2016, the Company entered in to a security assignment deed with MCX Dunlin (UK) Limited securing rights to the net assets of the Company in return for assuring the financial viability of the Company. This has resulted in an indemnity charge to the Company.

5. Income tax

i. Company income statement

There was no income tax charge for either of the year ended 30 June 2016 or the 18 month period ended 30 June 2015.

ii. Company statement of comprehensive income

There were no deferred tax items charged directly or credited within equity for the periods ended 30 June 2015 and 30 June 2016.

A reconciliation between tax expense and the product of accounting profit multiplied by the UK standard income tax rate for the year ended 30 June 2016 is as follows:

	2016 £000	2015 £000
Accounting loss before income tax	**(44,281)**	(769,645)
Accounting loss multiplied by the UK standard rate of corporation tax of 20% (2015: 23.25%)	**(8,856)**	(178,327)
Expenditure not deductible for tax purposes	**5,762**	16,152
Temporary differences not recognised	**3,094**	162,175
	-	-

The Company has tax losses of £46.1m (2015: £30.6m) which arose in the UK and are available indefinitely for offset against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as they are not expected to offset taxable profits in the Company in the foreseeable future.

6. Investments

Investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Nature of business	Proportion of voting rights and shareholding
Fairfield Energy No.1 Limited	Ordinary shares	Holding company	100%
Fairfield Energy Holdings Limited	Ordinary shares	Holding company	100%
Fairfield Acer Limited	Ordinary shares	Oil and gas exploration	0%
Fairfield Betula Limited	Ordinary shares	Decommissioning	100%
Fairfield Cedrus Limited	Ordinary shares	Oil and gas exploration	0%
Fairfield Fagus Limited	Ordinary shares	Decommissioning	100%

Fairfield Energy No1 Limited is the only subsidiary held directly by the Company, the other subsidiaries are held indirectly. All subsidiaries are incorporated and operated in the United Kingdom, valued at cost. On 27 October 2015 Fairfield Acer Limited and Fairfield Cedrus Limited were disposed of, which contained the working interest of the Clipper South field, amongst other assets. The entities were held at fair value and shown as assets held for sale in the Group accounts for the period ended 30 June 2015. There is no continuing interest in the companies.

7. Other financial assets

	2016 £000	2015 £000
Restricted cash	19,660	3,823
Other financial assets: Capitalised transaction costs	62	62
	19,722	3,885

Restricted cash comprises £19.6m ($26.4m) hold back on certain of proceeds of from the sale of Fairfield Acer Limited and Fairfield Cedrus Limited. Fairfield Energy Limited is liable in respect of any warranty claims up to a maximum amount of £19.6m ($26.4m) until 27 October 2016. Thereafter any residual amounts in the restricted accounts will be paid to MCX Dunlin (UK) Limited after any other residual contractual arrangements have been settled. (2015: £3.8m of security on the over/underlift position at Sullom Voe Terminal).

8. Trade and other debtors

	2016 £000	2015 £000
Trade and other debtors	-	2,727
VAT debtor	146	704
	146	3,431

9. Cash at bank and in hand

	2016 £000	2015 £000
Cash at bank and in hand	1,102	945
	1,102	945

10. Prepayments

	2016 £000	2015 £000
Prepayments	356	539
	356	539

11. Trade and other creditors

	2016 £000	2015 £000
Trade creditors	30	233
Other creditors	27,577	988
	27,607	1,221

Other creditors mainly relates to the indemnity charge for the year (£26.8m). Under the long term financial agreement signed 13 January 2016, the Company entered in to a security assignment deed with MCX Dunlin (UK) Limited securing rights to the net assets of the Company in return for assuring the financial security of the Company.

12. Accruals

	2016 £000	2015 £000
Accruals	1,934	2,331
	1,934	2,331

13. Provisions

30 June 2016	Other provisions 2016 £000	Total 2015 £000
At 1 July 2015	621	1,083
New or increased provisions	-	374
Reduction in provisions	(408)	(836)
At 30 June 2016	213	621
Of which:		
Current	213	376
Non-current	-	245

Deferred payments

For the period ended 30 June 2015, an earn out payment of $1.0 million was payable to the former owners of the Crawford field upon attaining a certain level of production, or the sale of the field subsequent to submitting a development plan with a certain level of reserves being booked. This was reversed in the period ended 30 June 2015 as it was deemed remote this will become payable. There are no deferred payments for the year ended 30 June 2016.

Contingent consideration

There is a contingent payment of £nil (2015: £1.7m relating to a retention bonus paid on 15 January 2016 providing a specific performance condition was met).

As a result of the closure of the Staines office on 31 December 2015, a provision of £0.4m was recognised at 30 June 2015. This included £0.1m, for rent due until 17 October 2016, £0.1m for the furniture and office upgrade, lease settlements and a £0.1m dilapidation provision. During the year ended 30 June 2016, £0.2m has been utilised.

14. Loans & Borrowings

	2016	2015
	£000	£000
MCX Bridge facility	14,262	9,263
	14,262	9,263

In an agreement made on 22 May 2015, Fairfield Energy Limited entered in to a loan facility agreement up to $100m with MCX Dunlin (UK) Limited. Interest accrues daily on the loan balance and all outstanding interest and arrangement fees will be paid on the repayment date. The loan is expected to be repaid in November 2016 and bears interest at 7 percent per annum.

15. Capital Management

The primary objective of the Company's capital management is to ensure financial stability and manage financial risks.

16. Issued capital and reserves

Authorised and fully paid issued capital is as follows:

	2016		2015	
	Number of shares	Nominal value $000	Number of shares	Nominal value $000
Founder ordinary shares ($0.01 each)				
Allotted, called-up and fully paid	303,001	3	303,001	3
A Preference Shares ($0.01 each)				
Allotted, called-up and fully paid	366,281	4	366,281	4
B Preference Shares ($0.01 each)				
Allotted, called-up and fully paid	104,811,319	1,048	104,811,319	1,048
Incentive Ordinary shares ($0.01 each)				
Allotted, called-up and fully paid	6,958,096	70	6,958,096	70
Super incentive shares ($0.001 each)				
Allotted, called-up and fully paid	715,000	1	715,000	1

17. *Pensions and other post-retirement benefits*

The Group contracts out to recognised personal pension schemes which are defined contribution schemes.

The expense charged to the income statement for the period amounted to:

	2016 £000	2015 £000
Pension costs expensed to the income statement – directors	18	20
Pension costs expensed to the income statement – staff	810	1,917
Pension costs expensed to the income statement	828	1,937

18. Compensation of key management personnel

IAS 24 defines key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The key management personnel of the Group are considered to be the directors. Key management compensation is listed in the following table:

	2016 £000	2015 £000
Short-term employee benefits	**3,413**	2,075
Compensation for loss of office	**1,056**	383
Social security costs	**602**	417
Value of employer contributions to pension schemes	**18**	20
Total	**5,089**	2,895

There was only one director accruing pension benefits under the defined contribution plan (2015: one). Other directors' pension allowances were taken as a salary supplement. As at 30 June 2016 the amount of accrued pension was nil (2015: £nil). The highest paid director received emoluments of £2.844m for the year to 30 June 2016 (18 month period to 30 June 2015: £0.848m).

19. Commitments, contingencies and guarantees

Capital and other commitments

At 30 June 2016 the Company was party to gross capital and other commitments of £nil (2015: £nil). These commitments include both capital and operating contractual obligations.

20. Other financial commitments

The Fairfield Group has a loan from MCX Dunlin (UK) Limited ("MCX") dated 22 May 2015 and as amended and restated on 16 July 2015, 29 August 2015 and 13 January 2016 (the "Loan Facility") for originally US$26m, as increased on 16 July 2015 to US$34m, on 29 August 2015 to US$89m and on 13 January 2016 to US$100m. It is fully anticipated that this loan will be repaid in full in early November 2016.

On 22 May 2015, in relation to the Loan Facility, the Company entered into the following arrangement with MCX, a debenture including a fixed and floating charge which was confirmed by a deed of confirmation dated 29 August 2015.

On 13 January 2016 the Company entered into the following arrangement in favour of MCX, under a security assignment deed, a fixed charge with full title guarantee and as a continuing security for the payment and discharge of the secured liabilities under a restructuring umbrella agreement dated 13 January 2016 and entered into between, amongst others, the Company and MCX.

21. Events after the reporting date

There are no significant or disclosable post balance sheet events.

Glossary of terms

$	United States Dollar
Board	The Board of Directors of Fairfield Energy Limited
Companies Act	The Companies Act 2006 (as amended) and/or the Companies Act 2006 (as amended), as appropriate
Dunlin Area	Dunlin area assets include references to the Dunlin, Dunlin South West, Skye/Block 6, Osprey and Merlin fields. The first three fields are held in the subsidiary Fairfield Betula Limited. The remainder are held in Fairfield Fagus Limited.
FRS	Financial Reporting Standard
Group	The Company and its subsidiaries
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard(s)
JV	Joint Venture
KPI	Key Performance Indicator
Mm	Million
MCXD	MCX Dunlin (UK) Limited
MCXO	MCX Osprey (UK) Limited
SPC(s)	Subordinated Preference Certificate(s)
SVT	Sullom Voe Terminal

Company information

Registered No. 5562373

Directors

Ronald Emerson (resigned 31 January 2016)
Simon Eyers (resigned 17 December 2015)
Jérôme Halbout (resigned 17 December 2015)
(Peter) Mark Hope (resigned 31 December 2015)
Peter Kagan (resigned 17 December 2015)
Simon Neathercoat (resigned 31 December 2015)
David Pearce (resigned 21 January 2016)
Jeff van Steenbergen (resigned 21 January 2016)
Ian Sharp*
Ralph Alexander (resigned 17 December 2015)
David Peattie* (resigned 31 December 2015)
John Wiseman* (appointed 1 January 2016)
Graeme Fergusson (appointed 21 January 2016)
Andrew Hockey (appointed 21 January 2016)
Peder Bratt (appointed 22 October 2015, resigned 16 November 2015)
Charles Chipchase (appointed 9 December 2015, resigned 17 December 2015)
David Johnson (appointed 29 August 2015, resigned 23 September 2015)
Alfredo Marti Gago (appointed 2 March 2015, resigned 17 December 2015)

* denotes Executive Directors

Secretary

Graeme Fergusson (resigned 31 December 2015)
Calum Crighton (appointed 28 January 2016)

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