

ALPHA PETROLEUM (UK) HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
REGISTRATION NUMBER: 08774092

FRIDAY



A7JBY27D

A22

23/11/2018

#70

COMPANIES HOUSE

Directors

Daniel Reis
Arun Subbiah

Administrator and Secretary

from 15 January 2018 to date
Vistra Fund Services Limited
4th Floor, St Paul's Gate
22-24 New Street
St Helier
Jersey JE1 4TR
Channel Islands

Advisor

Petroleum Equity LLP
2 Babmaes Street
St James's
London
SW1Y 6HD
United Kingdom

Registered Office

11 - 12 3rd Floor
St James's Square
London
SW1Y 4LB
United Kingdom

Legal Advisors

Debevoise & Plimpton LLP
65 Gresham Street
London
EC2V 7NQ
United Kingdom

Independent Auditor

Deloitte LLP
Statutory auditor
2 New Street Square
London
EC4A 3BZ
United Kingdom

ALPHA PETROLEUM (UK) HOLDINGS LIMITED
REGISTRATION NUMBER: 08774092
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

2.

The directors present their annual report and the audited financial statements of Alpha Petroleum (UK) Holdings Limited (the 'Company') for the year ended 31 December 2017.

This report of the directors has been prepared in accordance with the provisions applicable to Companies Act 2006.

The Company is a private company limited by shares and is incorporated and domiciled in England. The principal place of business is 35 Great St. Helen's London EC3A 6AP.

Going concern

Results

The results for the year are set out on page 7. The directors do not recommend payment of a dividend.

Events after the reporting period

Events after reporting period are disclosed in note 10 of the financial statements.

Future developments

The Company has no significant future developments to report.

Financial risk management

The financial risk management objectives and policies are disclosed in Note 2.

Proposed dividend

The director have not proposed a dividend in respect of the period (2016:USD nil).

Directors

The directors in office during the year and when these financial statements were approved are shown on page 1. The directors did not receive any remuneration from the Company for the year ended 31 December 2017 (2016: USD nil).

Post balance sheet events

There are no post balance sheet events to report as stated on Note 10.

Employees

The Company had no employees during the year.

Secretary

The Secretary for the year and subsequently is as stated on page 1.

Auditor

Deloitte LLP have indicated their willingness to continue in office. In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed for the re-appointment of Deloitte LLP as auditor of the Company.

Directors' Responsibilities Statement

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 (IFRS) 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 IFRS 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Director

Date: 28-03-2018 ARUN SUBBIAH

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

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

We have audited the financial statements of Alpha Petroleum (UK) Holdings Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 10.

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.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies exemptions from the requirement to prepare a Strategic Report

We have nothing to report in respect of these matters.



Bevan Whitehead FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28th March 2018

ALPHA PETROLEUM (UK) HOLDINGS LIMITED
REGISTRATION NUMBER: 08774092
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

6.

		For the year 1 January 2017 to 31 December 2017		For the year 1 January 2016 to 31 December 2016	
	Notes	USD	USD	USD	USD
Expenses					
Administration fees		36,829		47,812	
Audit fees		18,516		19,433	
Legal and professional fees		5,739		12,000	
Bank charges		73		48	
Sundry expenses		1,202		2,128	
Net foreign exchange loss / (gain)		8,291		(3,838)	
Total operating expenses			(70,650)		(77,583)
Net gain on financial assets at fair value through profit or loss	3		1,903,225		35,892,465
Net profit before taxation			1,832,575		35,814,882
Taxation	8		-		-
Total profit and comprehensive income for the year			1,832,575		35,814,882

There were no components of 'other comprehensive income' which are required to be separately disclosed during the current and prior year.

All of the amounts above are in respect of continuing operations.

The notes on pages 10 to 20 form an integral part of these audited financial statements.


ALPHA PETROLEUM (UK) HOLDINGS LIMITED
REGISTRATION NUMBER: 08774092
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

7.

	Notes	31 December 2017 USD	31 December 2016 USD
Assets			
Non current assets			
Financial assets at fair value through profit or loss	3, 4	143,623,458	123,120,233
Total non current assets		143,623,458	123,120,233
Current assets			
Cash and cash equivalents	6	2,919,618	15,033
Total current assets		2,919,618	15,033
Total assets		146,543,076	123,135,266
Equity and liabilities			
Current liabilities			
Accruals and other payables		52,232	76,997
Loans payable	5	70,275,168	48,675,168
Total current liabilities		70,327,400	48,752,165
Total liabilities		70,327,400	48,752,165
Equity			
Share capital	7	1	1
Retained earnings		76,215,675	74,383,100
Total equity		76,215,676	74,383,101
Total equity and liabilities		146,543,076	123,135,266

The financial statements of Alpha Petroleum (UK) Holdings Limited were approved and authorised for issue by the Board of Directors on **28 MARCH 2018** and were signed on its behalf by:

Director


A. SUBBIAH
ARUN SUBBIAH

The notes on pages 10 to 20 form an integral part of these audited financial statements.

ALPHA PETROLEUM (UK) HOLDINGS LIMITED
REGISTRATION NUMBER: 08774092
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

8.

	Notes	Share Capital USD	Retained Earnings USD	Total USD
Balance as at 1 January 2016		1	38,568,218	38,568,219
Comprehensive income for the year		-	35,814,882	35,814,882
Balance as at 31 December 2016	7	1	74,383,100	74,383,101
Comprehensive income for the year		-	1,832,575	1,832,575
Balance as at 31 December 2017	7	1	76,215,675	76,215,676

The notes on pages 10 to 20 form an integral part of these audited financial statements.

ALPHA PETROLEUM (UK) HOLDINGS LIMITED
REGISTRATION NUMBER: 08774092
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

9.

	Notes	For the year 1 January 2017 to 31 December 2017 USD	For the year 1 January 2016 to 31 December 2016 USD
Cash flows from operating activities			
Total profit and comprehensive income for the year		1,832,575	35,814,882
<i>Adjustments for:</i>			
Net gain on financial assets at fair value through profit or loss	3	(1,903,225)	(35,892,465)
Decrease in payables		(24,765)	(7,385)
Net cash used in operating activities		<u>(95,415)</u>	<u>(84,968)</u>
Cash flows from investing activities			
Investment in interest-free loans	3	<u>(18,600,000)</u>	<u>(3,000,000)</u>
Net cash used in investing activities		<u>(18,600,000)</u>	<u>(3,000,000)</u>
Cash flows from financing activities			
Loans from HoldCo II		<u>21,600,000</u>	<u>3,000,000</u>
Net cash generated from financing activities		<u>21,600,000</u>	<u>3,000,000</u>
Net cash increase / (decrease) in cash and cash equivalents		<u>2,904,585</u>	<u>(84,968)</u>
Cash and cash equivalents at the beginning of the year		<u>15,033</u>	<u>100,001</u>
Cash and cash equivalents at the end of the year	6	<u><u>2,919,618</u></u>	<u><u>15,033</u></u>

The notes on pages 10 to 20 form an integral part of these audited financial statements.

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been prepared under the historical cost convention as modified for the revaluation of certain financial assets and liabilities at fair value. The financial statements are prepared in US Dollars ('USD'), the primary currency in which the Company operates ('Functional currency').

Consolidation

The Company owns 100% of the issued shares of Alpha Petroleum Resources Limited ('APR'). The registered address of APR is 4th Floor, Friary Court, 13-21 High Street, Guildford, Surrey GU1 3DL.

On adoption of IFRS 10 Consolidated Financial Statements, the Company has determined that it meets the definition of an investment entity as disclosed in Note 1.8 and therefore APR was not consolidated. The Company's investment in APR is accounted for at fair value through profit or loss.

Going concern

The Company meets its funding requirements through the loans provided by its immediate parent, Alpha Petroleum HoldCo II Limited ('HoldCo II'). HoldCo II meets its funding requirements through the loans provided by Alpha Petroleum HoldCo I Limited ('HoldCo I'), the ultimate parent and controlling party. Both HoldCo I and HoldCo II are incorporated in Jersey, Channel Islands.

As described in note 2b, HoldCo I has provided the Company with a letter of support. HoldCo I expects to provide such support from cash on hand together with additional funding available to be called from its shareholders.

The directors, after carrying out necessary enquiries, believe that the Company has adequate sources of funding to meet its future investments and the payment of its expenses and is well placed to manage its business risk successfully.

As a consequence of the above, the directors have reasonable expectation that the Company has adequate resources and procedures in place to manage its business risks for the foreseeable future. Accordingly, the Company has adopted the going concern basis in the preparation of the financial statements.

Critical accounting judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and exercise of judgement by the directors while applying the Company's accounting policies. These estimates are based on the directors' best knowledge of the events, which existed at the financial position date; however, the actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

There are significant areas of estimation uncertainty and critical judgement involved in the calculation of fair values. Further details in relation to key assumptions made in determining the fair values of the Company's investment in APR are disclosed in Note 4.

1. Summary of significant accounting policies - continued

Adoption of new and revised standards

There have been no new standards, amendments or interpretations, effective for the financial year beginning on or after 1 January 2017, that have had a material impact on the Company.

New Standards, Amendments and Interpretations not yet effective and not early adopted

The directors have made an assessment of the impact of applicable new standards and amendments that are either not yet permitted to be adopted, or are not yet mandatory, and have not yet been adopted by the Company.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests. To qualify for hedge accounting, it requires an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that management actually uses for risk management purposes. Contemporaneous documentation is still required, but it is different from that currently prepared under IAS 39. There is an accounting policy choice to continue to account for all hedges under IAS 39. IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The directors have concluded that the implementation of IFRS 9 has no material impact on the Company for future periods.

In the directors' opinion, all other pronouncements which are in issue but have not been adopted by the Company will not have a material impact on the financial statements of the Company, and consequently have not been listed.

1.2 Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise the Company's investment in APR. The Company's policy is for the Board of Directors to evaluate the information about this investment on a fair value basis together with other related information. Assets in this category are classified as current assets if there is a possibility they can be settled within 12 months; otherwise, they are classified as non-current.

1. Summary of significant accounting policies - continued

1.2 Financial assets - continued

Classification - continued

(b) Loans and receivables

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents and are included in the statement of financial position.

Recognition and measurement

Financial assets carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, financial assets in this category are re-measured at fair value.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income in the year in which they arise.

Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards or ownership.

Loans and receivables are initially recognised at fair value plus transaction costs, if any, which are directly attributable to their acquisition or origination. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

1.3 Payables

Payables are recorded at amortised cost.

1.4 Expenses

All items of expenses are recognised on an accruals basis.

1.5 Foreign currency translation

Foreign currency transactions are translated to USD using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated to USD using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

1. Summary of significant accounting policies - continued

1.6 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the date of the statement of financial position. Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

1.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, bank overdrafts and other short term liquid investments with original maturities of three months or less.

1.8 Investment entity

IFRS 10 Consolidated Financial Statements introduced an exception to the principle that all subsidiaries should be consolidated. The amendments define an investment entity and require a parent entity that is an investment entity to measure its subsidiaries at fair value through profit or loss, in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement instead of consolidating those subsidiaries. The Company meets the definition of an investment entity on the basis of the following criteria;

- the Company obtains funds from multiple investors through Alpha Petroleum HoldCo I Limited ('HoldCo I') for the purpose of providing those investors with investment management services;
- the Company commits to its investors, through HoldCo I, that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

To determine if the Company meets the definition of an investment entity, further consideration is given to the following characteristics of an investment entity that are demonstrated by the Company;

- it has more than one investor through HoldCo I;
- it has investors, through HoldCo I, that are not related parties
- it has ownership interests in the form of equity or a similar interest; and
- it holds investments for a limited period only i.e. it has an exit strategy for its investments.

1.9 Capital management

For the purpose of the Company's capital management, capital includes issued share capital and retained earnings attributable to the Company's shareholder. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder. The shareholder will invest additional monies into the Company by providing interest-free loans in order to ensure that the Company can meet its ongoing financial obligations. These shall be provided at such times as the Company may require for working capital purposes or for meeting any obligation of the Company. The Company is not subject to any external capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

2. Use of financial instruments

The Company's activities expose its shareholders to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The risk management policies employed by the Company to manage these risks are discussed below.

The carrying values of the Company's financial assets and liabilities below are not considered to be materially different from their fair values.

(a) Market risk

(i) Price risk

The Company's investment in APR is susceptible to market price risk arising from uncertainties about future cash flows from APR's assets, which affect the value of the Company's investment in APR. The basis of the valuation and the Company's exposure to price risk are set out in Note 4.

(ii) Currency risk

The Company has some monetary financial liabilities denominated in currencies other than USD, the functional currency of the Company. Consequently the Company is exposed to currency risks since the value of the liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

As at 31 December 2017

	GBP denominated	USD denominated	Total USD
Assets			
Cash and cash equivalents	-	2,919,618	2,919,618
Total assets	-	2,919,618	2,919,618
Liabilities			
Accruals and other payables	26,668	25,564	52,232
Loans payable	-	70,275,168	70,275,168
Total liabilities	26,668	70,300,732	70,327,400
Net liabilities	(26,668)	(67,381,114)	(67,407,782)

As at 31 December 2016

	GBP denominated	USD denominated	Total USD
Assets			
Cash and cash equivalents	-	15,033	15,033
Total assets	-	15,033	15,033
Liabilities			
Accruals and other payables	51,433	25,564	76,997
Loans payable	-	48,675,168	48,675,168
Total liabilities	51,433	48,700,732	48,752,165
Net liabilities	(51,433)	(48,685,699)	(48,737,132)

The GBP exchange rate at 31 December 2017 was GBP 1 to 1.35 (2016: GBP 1 to USD 1.23).

As at 31 December 2017, a 10% increase/decrease in GBP against USD will result in an increase/decrease in the net assets of the Company by USD 2,667 (2016: increase/decrease of USD 5,143).

2. Use of financial instruments - continued

(a) Market risk - continued

(ii) Currency risk - continued

The sensitivity analysis includes only outstanding foreign currency denominated financial assets and liabilities and adjusts their translation at the year end for a 10% change in foreign currency rate thus indicating the potential movement in net assets of the Company. 10% is management's assessment of a reasonably possible change in foreign exchange rates.

(iii) Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks for interest bearing monetary financial assets and liabilities at the date of origination.

As at 31 December 2017

	Interest bearing Up to 1 year USD	Non interest bearing Up to 1 year USD	Total USD
Assets			
Cash and cash equivalents	2,919,618	-	2,919,618
Total assets	2,919,618	-	2,919,618
Liabilities			
Accruals and other payables	-	52,232	52,232
Loans payable	-	70,275,168	70,275,168
Total liabilities	-	70,327,400	70,327,400
Total interest bearing	2,919,618		

As at 31 December 2016

	Interest bearing Up to 1 year USD	Non interest bearing Up to 1 year USD	Total USD
Assets			
Cash and cash equivalents	15,033	-	15,033
Total assets	15,033	-	15,033
Liabilities			
Accruals and other payables	-	76,997	76,997
Loans payable	-	48,675,168	48,675,168
Total liabilities	-	48,752,165	48,752,165
Total interest bearing	15,033		

The cash and cash equivalents are held with floating rate of interest. The directors believe that there is no significant net interest rate risk to the Company.

2. Use of financial instruments - continued

(b) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

HoldCo I has provided a letter of support to the Company confirming that it will ensure that additional monies are invested into the Company in order to ensure that the Company can meet its ongoing financial obligations for the foreseeable future, being at least the next twelve months. These shall be contributed at such times as the Company may require for working capital purposes or for meeting any obligation of the Company including loan contributions to APR, accordingly, the directors consider that the Company has no significant liquidity risk for the foreseeable future.

Liquidity risk could result from an inability to sell a financial asset quickly at its fair value. The investment held by the Company is unlikely to be readily realisable. This is mitigated by only incurring liabilities and expenditure obligations on terms which are compatible with the illiquidity of the Company's investment and by closely monitoring market developments relevant to APR and evaluating all potential exit opportunities.

(c) Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's maximum exposure to credit risk on financial assets is the total carrying amount of the financial assets as set out below:

	31 December 2017	31 December 2016
	USD	USD
Cash and cash equivalents	<u>2,919,618</u>	<u>15,033</u>

The cash and cash equivalents are held with banks with reputable credit rating on which the directors believe that there is no significant credit risk to the Company.

3. Fair value estimation

The table on the following page analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for asset or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

3. Fair value estimation - continued

The following table presents the Company's financial instruments that are measured at fair value:

As at 31 December 2017

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Investment in APR	-	-	143,623,458	143,623,458

As at 31 December 2016

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Investment in APR	-	-	123,120,233	123,120,233

Financial instruments classified within level 3 have significant unobservable inputs. The key assumptions made in determining the fair values of the Company's investment in APR are disclosed in Note 4.

At every year-end, the Advisor presents to the directors its assessment if there have been transfers between levels. A transfer is deemed to have occurred if any of the significant inputs in the fair value model have changed from unobservable (Level 3) to either quoted (Level 1) or observable (Level 2). Transfers between levels are effective from the end of the financial year.

	31 December 2017 USD	31 December 2016 USD
Financial assets at fair value through profit or loss		
<i>Investment in APR</i>		
Opening balance	123,120,233	84,227,768
Interest-free loans to APR	18,600,000	3,000,000
Net gain on financial assets at fair value through profit or loss	1,903,225	35,892,465
Ending balance	143,623,458	123,120,233

The sensitivity of fair values to reasonably possible alternative assumptions, being a 10% (2016: 10%) favourable or unfavourable change to the price of recent investment or financing round is ± USD 14,362,346 (2016: USD 12,312,023).

4. Financial assets at fair value through profit or loss

	31 December 2017 USD	31 December 2016 USD
Investment in APR		
Cost	67,175,168	48,575,168
Fair Value	143,623,458	123,120,233

On 23 December 2013, the Company entered into an agreement with ATP Oil & Gas Corporation to purchase the entire issued capital of APR (formerly ATP Oil & Gas (UK) Limited). Pursuant to the agreement, the Company paid USD 1,000 for the shares of APR. The details of the Company's ownership of APR is as follows:

	% Ownership	Place of incorporation and operations	Nature of business
Direct subsidiary			
Alpha Petroleum Resources Limited ('APR')	100%	United Kingdom	Acquisition and development of oil and gas properties

As disclosed in Notes 1.1 and 1.8, the Company meets the definition of an investment entity and therefore does not consolidate APR.

The Company is also required to provide loan contributions to APR in line with the agreement. As at 31 December 2017, USD 37,574,168 of loan contributions have been made (2016: USD 37,574,168).

As at 31 December 2017, the Company has also acquired USD 29,600,000 of APR's interest-free funding securities (2016: USD 11,000,000). The loan contributions and interest-free funding securities are included within the carrying amount of the investment in APR.

The valuation of the investments is determined as follows:

	31 December 2017 USD	31 December 2016 USD
Net asset value of APR, adjusted	425,648,605	332,849,805
Contingent payments	(49,363,698)	(62,036,727)
Liquidity discount	(232,661,449)	(147,692,845)
Valuation of investment	143,623,458	123,120,233

The net asset value of APR is based on the discounted cash flows from its development and producing assets. The resulting net asset value of APR amounting to USD 396,048,605 (2016: USD 321,849,805) was adjusted to add back the intercompany loans provided by the Company to APR in the form of interest-free funding securities amounting to USD 29,600,000 (2016: USD 11,000,000). The discounted cash flows of APR involve a number of judgements and estimates including future oil and gas prices, production levels, future capital and operating expenditures and discount rate. These assumptions are inherently uncertain.

4. Financial assets at fair value through profit or loss - continued

The USD 49,363,698 (2016: USD 62,036,727) contingent payments relate to the discounted value of the expected payments required from the Company, pursuant to the agreement relating to the Company's purchase of the entire issued share capital of APR and the company voluntary arrangement of APR. The payments will be triggered by certain milestones being achieved as defined in the agreement. The payments required are fixed contractual sums of up to USD 75,000,000 (2016: USD 75,000,000) however the discounted value of these reflects assumptions about whether, the milestones will be achieved and the discount rate to be applied which are inherently uncertain.

A discount of 63% (2016: 55%) was then applied based on the observed average discount of equities to net asset values of companies similar to APR. This discount reflects a period of turmoil in global oil markets, and therefore there is significant uncertainty as to whether and to what extent such a discount will endure. In the current year, HoldCo I raised new equity at arm's length. Accordingly, the input assumptions used in the Company's valuation were calibrated so as to align the valuation using the Company's valuation approach with the value implied by the issue price of new equity.

The movement in the fair value of the Company's investment in APR is disclosed in Note 3.

5. Loans payable

	31 December 2017 USD	31 December 2016 USD
Loans payable to HoldCo II	<u>70,275,168</u>	<u>48,675,168</u>

As at 31 December 2017, the Company has issued a total of USD 70,275,168 unsecured Interest-free Funding Securities ('IFFS') to HoldCo II (2016: USD 48,675,168), its parent. This is pursuant to the Interest Free Funding Securities Deed Poll by the Company on 19 December 2013. Per the Deed Poll, the aggregate principal of the IFFS the Company can issue is limited to USD 88,500,000.

The Company shall be entitled at all times to prepay or repay the outstanding IFFS. The Company can also be called upon to repay the amount due. Repayment of the IFFS is subject to certain limitations to protect the Company's liquidity. The IFFS are otherwise mandatorily convertible into the Company's shares at the fifty-first anniversary of its effective date.

6. Cash and cash equivalents

For the purposes of cash flows, the year end cash and cash equivalents comprise the following:

	31 December 2017 USD	31 December 2016 USD
Cash at bank	<u>2,919,618</u>	<u>15,033</u>

7. Share capital

The following are the share issued and fully paid as at the year end.

	31 December 2017 USD	31 December 2016 USD
Ordinary USD 1 par value shares (1 share)	<u>1</u>	<u>1</u>

8. Taxation

	31 December 2017 USD	31 December 2016 USD
Current tax		
UK Corporation Tax	-	-
Tax reconciliation		
Net profit before taxation	1,832,575	35,814,882
Income tax expense at UK tax rate of 19% (2016: 20%)	(348,189)	(7,162,976)
Non taxable income	361,613	7,178,493
Tax losses carried forward on which no deferred tax asset is recognised	(13,424)	(15,517)
Deferred tax	-	-
Total taxation	-	-

The Company has unrecognised deferred tax assets in relation to tax losses amounting to USD 39,545 (2016: USD 32,646). These assets are not recognised on the basis of insufficient evidence concerning profits being available against which deferred tax assets could be utilised.

The UK tax rate will reduce to 17% with effect from 1 April 2020 following the enactment of Finance Act 2016. The unrecognised deferred tax asset included in these financial statements are based on the reduced rate of 17%.

9. Related party transactions and ultimate controlling party

As disclosed in Note 2, the Company owns 100% of APR's ordinary shares. The Company's investments and loans provided to APR are disclosed in Note 4.

The Company's ordinary shares are 100% owned by HoldCo II. The Company's loans payable to HoldCo II are disclosed in Note 5.

As at 31 December 2017, an amount of USD 25,564 is due to HoldCo I, the parent company of HoldCo II and the ultimate controlling party of the Company (2016: USD 25,564).

10. Events after the reporting period

The directors have evaluated the subsequent events from the date of the financial statements through to the date the financial statements were available to be issued. There were no subsequent events identified which required accrual or disclosure in these financial statements.