Registered No. SC238015

Marubeni Oil & Gas (North Sea) Limited

Report and Financial Statements

31 December 2016

Contents

Registered No. SC238015

Company information

Directors
G Nienow
H Toyota (resigned 01/04/2016)
S Sato (resigned 01/04/2016)
I Suzuki (appointed 01/04/2016)
T Morita (appointed 01/04/2016)

Secretary
H Toyota (resigned 01/04/2016)
T Morita (appointed 01/04/2016)

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
HSBC Bank PLC
8 Canada Square
London E14 5HQ

Registered Office
13 Queens Road
Aberdeen AB15 4YL

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Business review

The Company signed a sale and purchase agreement in September 2014 for the disposal of the Magnus asset and associated infrastructure interests. The transaction completed in April 2015 in respect of the Magnus asset whilst the associated infrastructure interests completed in June 2016.

With effect 31 December 2015 the remaining assets of the Company were transferred to Marubeni Oil & Gas (U.K.) Limited. The transfer was at book value.

On 11 December 2015 the Company entered into an ageement with Marubeni North Sea Limited for the sale and purchase of shares in Marubeni Oil & Gas (U.K.) Limited. The consideration of $35 million was left outstanding on completion and settled by a share cancellation in December 2016.

The profit for the year, after taxation, is $730,617 (2015: $10,546,493).

The Company's key financial and other performance indicators during the year were as follows:

	2016	*2015*	*Change*
	$'000	*$'000*	*%*
Turnover	0	15,067	(100)
Operating profit	769	9,822	(92)
Profit for the year	731	10,546	(93)

There was no tunnover as the producing assets of the company were transferred to Marubeni Oil and Gas (U.K) Ltd in December 2015.
Operating profit for the year was lower due to the transfer of assets.

Strategic report (continued)

Principal risks and uncertainties

The business assets and liabilities of the Company was transferred to Marubeni Oil & Gas (U.K.) Limited on 31 December 2015.

By order of the board

T Morita
Secretary
17 March 2017

Directors' report

Registered No. SC238015

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

Directors of the Company

The current directors are listed on page 1.

There are no directors' interests requiring disclosure under the Companies Act 2006.

Results and dividends

The profit for the year, after taxation, is $730,617 (2015: $10,546,493). Dividends of $730,617 were paid during the year (2015: $Nil).

Going concern

After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

Financial Instruments

The Company financed its activities with a cash.

- Use of derivatives

All of the Company's open derivative position were novated to a fellow subsidiary Marubeni Oil & Gas (U.K) Limited on 31 December 2015. There are currently no open derivative positions.

Directors' report (continued)

Events since the balance sheet date

There were no post balance sheet events for which disclosure is required.

Political contributions

The Company made no political contributions during the year.

Disclosure of information to auditors

So far as each person who was a director at the date of approving the report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and therefore Ernst & Young LLP will continue in office as auditor of the Company.

By order of the Board

T Morita
Secretary
17 March 2017

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Independent auditor's report
to the members of Marubeni Oil & Gas (North Sea) Limited

We have audited the financial statements of Marubeni Oil & Gas (North Sea) Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity and the Balance Sheet, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standard for Auditors.

Scope of the audit of 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any material misstatements or uncertainties we consider the implications for our report.

Opinion on the 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 its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework';
  and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report

to the members of Marubeni Oil & Gas (North Sea) Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or 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.

Ernst & Young LLP

Stephane Lagut (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, 2 March 2017

Statement of comprehensive income

for the year ended 31 December 2016

	Notes	*2016*	*2015*
		$	*$*
Turnover	4	-	15,067,380
Cost of sales	6	461,591	(1,449,932)
Gross profit		461,591	13,617,448
Administrative expenses		(366,566)	(2,062,956)
Other operating expenses		-	1,342,931
Profit (Loss) on disposal	5	673,480	(3,075,326)
Operating profit	6	768,505	9,822,097
Interest receivable and similar income	8	202	20,361
Interest payable and similar charges	9	-	(1,079,194)
Profit (loss) on ordinary activities before taxation		768,707	8,763,264
Taxation	10	(38,090)	1,783,229
Profit for the year		730,617	10,546,493
Other comprehensive income			
Items that can be reclassified to profit or loss:			
Cash flow hedges:			
• Profits (Losses) arising during the year		-	(1,186,776)
		-	(1,186,776)
Tax on items relating to components of other comprehensive income		-	735,801
Other comprehensive (loss) income for the year, net of tax		-	(450,975)
Total comprehensive income for the year		730,617	10,095,518

Statement of changes in equity

for the year ended 31 December 2016

	Notes	Called up share capital $	Cash flow hedge reserve $	Retained earnings $	Total Equity $
At 1 January 2015		35,922,300	450,975	10,184,462	46,557,737
Loss for the year		-	-	10,546,493	10,546,493
Other comprehensive income		-	(450,975)	-	(450,975)
Total comprehensive income for the year		-	(450,975)	10,546,493	10,095,518
Dividends paid		-	-	-	-
At 31 December 2015		35,922,300	-	20,730,955	56,653,255
Profit for the year		-	-	730,617	730,617
Share capital		-	-	-	-
Other comprehensive loss		-	-	-	-
Total comprehensive income (loss) for the year		-	-	730,617	730,617
Dividend paid		-	-	(730,617)	(730,617)
Return of capital		-	-	(19,064,051)	(19,064,051)
Cancellation of shares	18	(35,922,298)	-	-	(35,922,298)
At 31 December 2016		2	-	1,666,904	1,666,906

Balance sheet
as at 31 December 2016

	Notes	2016 $	2015 $
Fixed assets			
Tangible fixed assets	12	-	-
Investments	13	-	-
Deferred tax	10	-	-
		-	-
Current assets			
Debtors	14	-	35,041,766
Cash at bank		1,895,981	21,762,667
Non-current assets classified as held for sale		-	-
		1,895,981	56,804,433
Creditors: amounts falling due within one year	15	229,075	-
Liabilities directly associated with non-current assets classified as held for sale		-	151,178
		229,075	151,178
Net current assets		1,666,906	56,653,255
Total assets less current liabilities		1,666,906	56,653,255
Provisions for liabilities and charges	17	-	-
Net assets		1,666,906	56,653,255
Capital and reserves			
Called up share capital	18	2	35,922,300
Cash flow hedge reserve		-	-
Retained earnings		1,666,904	20,730,955
Total equity		1,666,906	56,653,255

Approved by the Board of Directors on and signed on their behalf by:

I Suzuki
Director
17 March 2017

Notes to the financial statements
as at 31 December 2016

1 Authorisation of financial statements and compliance with FRS 101

The financial statements of Marubeni Oil & Gas (North Sea) Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the board of directors on 17 March 2017 and the balance sheet was signed on the board's behalf by I Suzuki. The Company is incorporated and domiciled in Scotland.

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 US Dollars.

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

2 Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, in US Dollars, and in accordance with applicable UK accounting standards.

The directors consider it appropriate to prepare the accounts on a going concern basis, since the Company has adequate resources to continue in operational existence for the foreseeable future.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) 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*Presentation of Financial Statements;*
   - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment;*
   - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*;

b) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements;*

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 paragraph 17 of IAS 24 *Related Party Disclosures*;

f) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

g) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*; and

h) the requirements of paragraphs 33(c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations.

Notes to the financial statements
as at 31 December 2016

2 Accounting policies (continued)

Oil and natural gas exploration, evaluation and development expenditure

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.
Pre-licence costs are expensed in the period in which they are incurred.

Exploration expenditure comprises all costs associated with the acquisition of new acreage, the drilling of exploratory wells and other costs incurred in evaluating the commercial viability of hydrocarbon deposits. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Appraisal expenditure comprises costs incurred in the survey, exploration and appraisal of licence areas not yet under development or in production.

Once the legal right to explore has been acquired, exploration and appraisal expenditure is classified as an intangible fixed asset until a decision is reached concerning the commercial viability of the field to which it relates. Expenditure is then either written off to the profit and loss account, if no potentially commercial hydrocarbons are discovered, or transferred to oil and gas properties, if extractable hydrocarbons are found and, subject to further appraisal activity, it is probable that they can be commercially developed. The costs continue to be carried as intangible assets while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

General seismic and other expenditure not connected with a specific exploration licence is written off to the profit and loss account immediately. Exploration expenditure written off is classified within cost of sales.

Tangible fixed assets

Oil and gas properties and other tangible fixed assets are stated at cost, less accumulated depreciation/depletion and accumulated impairment losses.

Expenditure on oil and gas properties /production assets represents the Company's share of total expenditure on the exploration, appraisal and development of oil and gas fields which are currently in commercial production. This expenditure includes costs of capital assets, financing costs (where identifiable with specific developments), the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), plus for depreciation calculation purposes only, any anticipated future development expenditure and is stated at cost.
Oil and gas properties are depreciated/amortised by field on a unit-of-production basis, in the proportion of the actual production for the period to the total estimated remaining commercial reserves (proven and probable) for the field on an entitlement basis. The remaining commercial reserves in the reserves estimated at the end of the period plus the production during the period.

Other tangible fixed assets are generally depreciated on a straight-line basis over their estimated useful lives.

Notes to the financial statements

as at 31 December 2016

2 Accounting policies (continued)

Impairment of non-financial assets

The Company assesses impairment whenever there is a change in events or circumstances which give an indication that an asset's or cash generating unit's ('CGU's') carrying value may not be recoverable. Management has assessed the CGU as being a field or inter-related group of fields, which is the lowest level for which cash inflows independent of those of other assets. If any indication exists the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal and its value in use. To the extent that the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

The value in use is determined from estimated future net cash flows discounted to their present values using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset/CGU.

For all non-financial assets (other than goodwill) an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairments losses may no longer exist or may have decreased, in which case the impairment loss may be reversed.

Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

The Company's turnover is attributable to one continuing activity, the production of oil and natural gas.

Revenues from the production of oil and natural gas relating to properties in which the Company has an interest with other producers are recognised when title passes to the customer and on the basis of the Company's working interests in those properties (the entitlement method).

Under/overlift balances represents the difference between production sold and the Company's share of production in properties in which the Company has an interest with other producers. Adjustments in respect of under/overlift are recorded against cost of sales and working capital balances at market value.

Notes to the financial statements
as at 31 December 2016

2 Accounting policies (continued)

Income taxes

Current tax (for both corporate tax and petroleum revenue tax) is based on taxable profit for the period. Taxable profit differs from accounting profit because it excludes items of income or expenditure which are taxable or deductible in other periods and it excludes items of income or expenditure which are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

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 recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward 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 carryforward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Notes to the financial statements
as at 31 December 2016

2 Accounting policies (continued)

Income taxes (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currencies

The Company's financial statements are presented in US Dollars, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the average monthly exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit or loss for the period.

Provisions

A provision is 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.

Decommissioning

The Company makes full provision for the future costs of decommissioning oil and gas production facilities on a discounted basis on the acquisition or installation of those facilities. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements.

Notes to the financial statements

as at 31 December 2016

2 Accounting policies (continued)

Provisions (continued)

Decommissioning (continued)

A corresponding tangible fixed asset of an amount equivalent to the provision is also created and recognised with the oil and gas properties. This is subsequently depreciated as part of the capital costs of the production and transportation facilities.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets.

Financial Instruments

1) Financial Assets

Cash at bank

Cash at bank in the balance sheet comprises cash at banks including any short term deposits..

2) Derivative financial instruments

The Company uses derivative financial instruments ("derivatives") to reduce certain of its exposures to changes in commodity prices. The Company considers that its derivate instruments are used solely to hedge price exposures on its underlying oil production. More specifically, for commodity price contracts, the derivative instrument must be in respect of expected production volumes for the relevant period and the contract must reduce the Company's exposure to the risk of commodity price movements.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Gains or losses arising from changes in the fair value of derivatives that are not designated as effective hedging instruments are recognized in profit or loss for the year.

Notes to the financial statements
as at 31 December 2016

2 Accounting policies (continued)
Financial Instruments (continued)

2) Derivative financial instruments (continued)

Cash flow hedges

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. The Company's oil price swaps are classified as cash flow hedges.

Hedge relationships are formally designated and documented at inception, together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged item. Such hedges are expected at inception to be highly effective in achieving offsetting changes in fair value or cash flows.

For hedges meeting the criteria for hedge accounting as cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised within other comprehensive income, while the ineffective portion is recognised in the profit and loss account as other operating expenses. Amounts taken to other comprehensive income are transferred to the profit and loss account when the hedged transaction affects profit or loss. The gain or loss relating to the effective portion of oil swaps hedging commodity prices is recognised in the profit and loss account within interest payable and similar charges

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Notes to the financial statements
as at 31 December 2016

2 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 10.

Notes to the financial statements

as at 31 December 2016

3 Judgements and key sources of estimation uncertainty (continued)

Estimates and assumptions

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

Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Units of production (UOP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. The life of each asset, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

Decommissioning costs

Decommissioning costs will be incurred by the Company at the end of the operating life of some of the Company's facilities and properties. The Company makes full provision for the future costs of decommissioning oil and gas production facilities on a discounted basis on the acquisition or installation of those facilities. The provision has been estimated using cost estimates based on existing technology discounted to their present value using a discount rate of 1.8% (2014: 2.5%). These costs are expected to be incurred over the next 25 years. The provision is based on best estimate of future costs and the economic lives of the facilities and pipelines. There is uncertainty regarding both the amount and timing of incurring these costs. The Company assesses its decommissioning provisions at each reporting date.

Recovery of deferred tax assets

Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations and judgements about the application of existing tax laws in the jurisdiction where the Company operates. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Notes to the financial statements

as at 31 December 2016

4 Turnover

Turnover recognised in the profit and loss account is analysed as follows:

	2016	*2015*
	$	*$*
Sales of oil and natural gas	-	15,067,380
Turnover from continuing operations	-	15,067,380

All turnover was generated from continuing operations in the United Kingdom in 2015.

No revenue was derived from exchanges of goods or services (2015: $nil).

5 Profit (Loss) on disposal

	2016	*2015*
	$	*$*
Profit (Loss) on disposal of tangible fixed assets	673,480	(3,075,326)
	673,480	(3,075,326)

The gain on disposal of tangible fixed assets relates to the sale of the Company's interest in the infrasture of Sullom Voe Terminal and Ninian Pipeline System.

6 Operating profit (loss)

This is stated after (crediting) charging:

	2016	*2015*
	$	*$*
Cost of sales	461,591	(1,449,932)
Depreciation of oil and gas properties	-	(9,895,139)
Auditor's Remuneration – audit of financial statements	-	48,668
Net foreign currency exchange gain	366,426	(78,591)

Cost of sales in 2016 includes an actualisation of cost as advised by the operator.

Notes to the financial statements
as at 31 December 2016

7 Staff costs and directors' remuneration

There were no employees during the period (2015 : nil).

No remuneration was paid to the directors in respect of their services to the Company in 2016 (2015: $nil).

The directors G Nienow and T Morita are senior executives of, and are remunerated by Marubeni North Sea Ltd and received no remuneration for services to this Company. The director I Suzuki is a senior executive of, and is remunerated by Marubeni Corporation Tokyo and received no remuneration for services to this Company.

8 Interest receivable and similar income

	2016	*2015*
	$	*$*
Bank interest receivable	2	96
Other interest receivable	200	20,265
Total interest income for financial assets measured at amortised cost	202	20,361
Total Interest receivable and similar income	202	20,361

9 Interest payable and similar charges

	2016	*2015*
	$	*$*
Bank loans	-	50,332
Related parties loan interest and similar charges	-	52,049
Interest on other financial liabilities	-	13,706
Total interest expense	-	116,087
Unwinding of discount on decommissioning provisions	-	963,107
Total interest payable and similar costs	-	1,079,194

Notes to the financial statements

as at 31 December 2016

10 Tax

(a) Tax on profit (loss) on ordinary activities

The total tax credit is made up as follows:

	2016	*2015*
	$	*$*
Current tax:		
UK corporation tax	-	-
Supplementary charge	-	13,107
Petroleum revenue tax (PRT)	-	(87,890)
Group relief	38,090	895,881
Current income tax charge	38,090	821,098
Adjustments in respect of prior periods	-	-
Total current income tax	38,090	821,098
Deferred tax:		
Origination and reversal of temporary differences	-	4,742,328
Change of tax rate	-	(1,345,951)
Deferred petroleum revenue tax (PRT)	-	(6,000,704)
Total deferred tax	-	(2,604,327)
Total tax charge (credit) in profit or loss	38,090	(1,783,229)

The supplementary charge to corporation tax rate changed from 20% to 10% effective 1 January 2016.

Notes to the financial statements

as at 31 December 2016

10 Tax (continued)

(b) Tax relating to items charged or credited to other comprehensive income

	2016	2015
	$	$
Deferred tax:		
Net loss on revaluation of cash flow hedges	-	735,801
Total deferred tax	-	735,801
Tax income (expense) in other comprehensive income	-	735,801

(c) Reconciliation of the total tax charge

The tax assessed on the profit on ordinary activities for the year is lower than effective combined corporation tax rate of 40% (2015 : 50%) comprising the standard rate of corporation tax in the UK of 30% and the supplementary charge to corporation tax rate of 10% (2015 : 20%). The differences are reconciled below:

	2016	2015
	$	$
Profit (loss) on ordinary activities before tax	768,707	8,763,264
Profit (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 40% (2015 : 50%)	307,483	4,381,632
Expenses not deductible for tax purposes	-	85,094
Petroleum revenue tax (PRT)	-	(3,044,297)
Disposal of asset	(269,393)	(1,244,907)
Prior year adjustment	-	(614,800)
Change of tax rate	-	(1,345,951)
Total tax charge (credit) reported in profit or loss	38,090	(1,783,229)

Notes to the financial statements
as at 31 December 2016

10 Tax (continued)

(d) Deferred Tax

The deferred tax included in the balance sheet is as follows:

	2016	2015
	$	$
Deferred tax asset		
Decommissioning provision	-	-
Other temporary differences	-	-
Tax losses	-	-
Derivative financial instruments	-	-
	-	-
Deferred tax liability		
Accelerated capital allowances	-	-
Petroleum revenue tax (PRT)	-	-
Derivative financial instruments	-	-
	-	-
Disclosed on the balance sheet		
Deferred tax asset	-	-
Deferred tax liability	-	-
	-	-

11 Dividends

	2016	2015
	$	$
Dividends declared and paid	730,617	-

Notes to the financial statements
as at 31 December 2016

12 Tangible fixed assets

	Oil and gas properties	*Total*
	$	*$*
Cost:		
At 1 January 2016	-	-
Additions	-	-
Change in decommissioning provision	-	-
Disposals	-	-
Transfer to Marubeni Oil & Gas (U.K.) Limited	-	-
At 31 December 2016	-	-
Depreciation and impairment:		
At 1 January 2016	-	-
Charge for the year	-	-
Disposals	-	-
Transfer to Marubeni Oil & Gas (U.K.) Limited	-	-
At 31 December 2016	-	-
Net book value:		
At 31 December 2016	-	-
At 1 January 2016	-	-

Impairment

13 Investments

Subsidiary undertakings

	Total
	$
Cost:	
At 1 January 2016	-
Investments	-
At 31 December 2016	-

On 11 December 2015 the Company entered into an ageement with Marubeni North Sea Limited for the sale and purchase of shares in Marubeni Oil & Gas (U.K.) Limited.

Notes to the financial statements
as at 31 December 2016

14 Debtors

	2016	*2015*
	$	*$*
Trade debtors	-	-
Underlift	-	-
Prepayments and accrued income	-	-
Other debtors	-	-
Amounts due from fellow subsidiaries	-	35,041,766
Derivative financial instruments (note 16)	-	-
	-	35,041,766

15 Creditors: amounts falling due within one year

	2016	*2015*
	$	*$*
Trade Creditors	-	-
Overlift	-	-
Amounts due to fellow subsidiary	229,075	-
Other creditors	-	-
Accruals	-	-
	229,075	-

16 Derivative financial instruments

	2016	*2015*
	$	*$*
Financial assets		
Cash flow hedges - oil price swap:		
Current portion	-	-

The hedge contracts were novated to Marubeni Oil & Gas (U.K.) Limited on 31 December 2015 following the transfer of the underlying assets and liabilities.

Notes to the financial statements
as at 31 December 2016

17 Provisions for liabilities and charges

	Decommissioning $	*Deferred tax (note 10)* $	*Total* $
At 1 January 2016			
Current	-	-	-
Non-current	-	-	-
Arising during the year			
Utilised	-	-	-
Unwinding of discount	-	-	-
Revision of estimate	-	-	-
At 31 December 2016	-	-	-
Analysed as:			
Current	-	-	-
Non-current	-	-	-
	-	-	-

18 Share capital

Authorised	*2016* No.	*2016* $	*2015* No	*2015* $
Ordinary shares of £1 each	600,000	1,073,000	600,000	1,073,000
Redeemable ordinary shares of $1 each	35,000,000	35,000,000	35,000,000	35,000,000
		36,073,000		36,073,000

Allotted, called-up and fully paid	*2016* No.	*2016* $	*2015* No	*2015* $
Ordinary shares of £1 each	1	2	575,000	922,300
Redeemable ordinary shares of $1 each	-	-	35,000,000	35,000,000
		2		35,922,300

On 13 December 2016 the Company cancelled share capital of 35,000,000 and 574,999. $35,000,000 was in respect of a parent company receivable, and a capital repayment of $20,716,965 was made.

Notes to the financial statements
as at 31 December 2016

19 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to $Nil (2015 : $Nil).

20 Related Party Transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries that are part of the Marubeni Corporation group.

There were no other related party transactions in the year.

21 Ultimate parent undertaking

The immediate parent undertaking of the Company is Marubeni North Sea Limited.
The ultimate parent undertaking of the Company for which financial statements are drawn up, and of which the Company is a member, is Marubeni Corporation, a company registered in Japan. Copies of Marubeni Corporation's financial statements can be obtained from the Marubeni Oil & Gas (North Sea) Limited registered office.