Company Registration No. 05975475

TAQA BRATANI LIMITED

Report and Financial Statements

For the year ended 31 December 2018

TAQA BRATANI LIMITED

Report and Financial Statements 2018

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TAQA BRATANI LIMITED

Report and Financial Statements 2018

Officers and Professional Advisers

Directors

Donald Taylor
Alexander Hutchison
Neil Fowler
David Gibson (resigned 10th May 2019)
Awad Saeed Bakhit Saeed Alketbi
Vivek Gambhir
Mohammed Abdulla Falah Jaber Al Ahbabi

Secretary

Alexander Hutchison
c/o CMS Cameron McKenna LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Registered Office

c/o CMS Cameron McKenna LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Independent Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

TAQA BRATANI LIMITED

Strategic Report

The directors present their strategic report and the audited financial statements for the year ended 31 December 2018.

Principal Activity

The Company is involved in the exploration, development, production and decommissioning of offshore oil and gas fields in the UK sector of the North Sea.

Business Review

During 2018, the Company has continued to develop and exploit its oil and gas production, development, exploration, pipeline and terminal interests in the UK continental shelf. The Company continues to place the highest priority on the safety of its workforce, driving a culture of continuous improvement and a no complacency approach, which is the foundation of everything we do. The Company significantly increased capital investment during the year including a subsea development well activity and a high value subsea multiphase pump installation. The company also continued to integrate decommissioning activity into the wider capital program with platform and subsea well plug and abandonment operations completed during the year. Notably this includes the completion of the plug and abandonment of all wells on the Eider platform with the facility transitioning to utility mode in early 2019 as part of TAQA's efficient late life operating strategy. To support the ongoing capital and decommissioning programs of the Company a multi-year mobile rig contract was entered into with a March 2018 commencement date and is expected to run until at least mid-2020. This increased activity has been undertaken whilst maintaining strong positive cashflow and working to maintain the operational cost savings and efficiencies achieved in recent years which has allowed the Company to take advantage of rising commodity prices through 2018.

Key Performance Indicators

The directors currently consider the key performance indicators of the Company to be as follows:

KPI	KPI Type	At/for the year 31 December 2018	At/for the year 31 December 2017	Movement
Production	Non-financial	35.2mboepd	38.8mboepd	(3.6)mboepd
Operating efficiency	Non-financial	83.64%	75.77%	7.87%
Free Cashflow	Financial	$157,195,000	$90,201,000	$66,994,000
Operating costs	Financial	$469,043,000	$450,829,000	($18,214,000)
Net profit (loss)	Financial	$137,222,000	($15,231,000)	$152,453,000
Capex	Financial	$169,786,000	$93,253,000	$76,533,000
Abex	Financial	$123,921,000	$76,145,000	$47,776,000

Outlook for 2019

During 2019 the Company will continue to execute the long term capital and decommissioning program, including the utilisation of an operated mobile drill string. The Company aims to generate positive cashflow and profit, whilst continuing to seek ways to improve core operations.

Financial Review

The Company's profit for the financial year was $137,222,000 (2017: loss $15,231,000). This profit has been transferred to reserves. No dividends were paid in the year (2017: $nil).

Sales revenues totalled $898,003,000 (2017: $770,211,000) and the average crude oil price achieved in the year was $71/bbl (2017: $54/bbl) and the average gas price achieved was 57p per therm (2017: 46p/therm).

Cost of Sales, including field operating costs, transportation tariffs, DD&A and dry hole charges amounted to $681,262,000 (2017: $592,082,000). Depreciation, depletion and amortisation (DD&A) amounted to $164,068,000 (2017: $120,878,000). Total Administrative expenses were $1,741,000 (2017: $1,765,000).

Finance costs were $137,357,000 (2017: $142,551,000). These are mainly related to the unwinding of discounts on abandonment provisions (see note 7).

The cash balance at the end of 2018 was $1,000 (2017: deficit $4,000). Under group cash management procedures, any surplus cash is transferred to a fellow group company with the amount receivable under this in-house banking arrangement at year-end being $577,104,000 included within intercompany receivables (2017: $422,040,000). Net cash generated from operating activities was $319,985,000 (2017: $183,133,000). Investing activities saw an outflow of $162,790,000 (2017: $92,932,000), mainly related to drilling and field development costs. Net cash from financing activities was an outflow of $157,190,000 (2017: $89,243,000) relating to cash transfers to a fellow group company under the group cash management agreement.

Risks and uncertainties

The Company is exposed to a number of risks inherent in hydrocarbon exploration, development, production and decommissioning which include:

Ability to find, develop or acquire additional reserves

The Company's future success depends on its ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Exploration and development drilling may not result in commercially productive reserves. Successful acquisitions require an assessment of a number of factors, many of which are uncertain. These factors include recoverable reserves, exploration potential, future oil and gas prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and their accuracy is inherently uncertain.

Asset integrity and operational hazards

Oil and gas drilling and producing operations are subject to many risks, including the possibility of fire, explosions, mechanical failure, pipe failure, chemical spills, accidental flows of oil, natural gas or well fluids, sour gas releases, storms or other adverse weather conditions and other occurrences or accidents, which could result in personal injury or loss of life, damage or destruction of properties, environmental destruction of properties, environmental damage, interruption of business, regulatory investigations and penalties and liability to third parties. Any incident that occurs during operations is fully investigated by the Company and/or its contractors to ensure that any remedial actions that are identified are fully implemented. Many of the Company's production assets are mature and subject to increased risk of failure, for example through corrosion and reduced reliability and /or increased maintenance and renewal costs. Risks of equipment failure due to deterioration with age and use are generally not insurable, but are regularly monitored.

Volatility of oil and gas prices

Prices received for crude oil and natural gas are sensitive to numerous worldwide factors, many of which are beyond the Company's control. Changes in world commodity prices may significantly affect the results of the Company, the cash generated from operating activities and the value of the Company's oil and gas properties. The volume of recognised economic oil and gas reserves may also reduce as a result of a material and sustained decrease in commodity prices.

Ability to decommission safely and cost efficiently

The Company has obligations under UK law to decommission wells, platforms, terminals and associated infrastructure in which it holds an ownership interest. The decommissioning work program required to meet this obligation will be undertaken over many years and exposes the Company to risks associated with large scale engineering activity in harsh environments and to economic risks associated with the efficient execution of the program of work.

HSE

To mitigate any risks with regards to HSE the Company has in place an HSE management plan which attempts to ensure that all our operations are conducted within normal industry standards and procedures. We also seek to ensure that all our contractors have the appropriate systems and procedures in place to ensure safe operations. Response plans for various contingencies are in place and regularly tested.

Any incident that occurs during operations is fully investigated by the Company and/or its contractors to ensure that any remedial actions that are identified are fully implemented.

TAQA BRATANI LIMITED

Strategic Report

Insurance
The Company has a comprehensive insurance program in place, subject to certain limits and deductibles to cover damage or significant loss for various insurable risks which may occur including costs resulting from an unplanned release of hydrocarbons to the environment.

Other
Disabled employees
The Company gives full consideration to the applications for employment from disabled persons where the candidate's particular aptitudes are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement
The Company provides employees with information relating to the economic and financial factors affecting its performance. Meetings are held between local management and employees to allow a free flow of information and ideas.

Human Rights
The Company has a zero tolerance approach to modem slavery and is committed to ensuring that there is no modem slavery or human trafficking in any part of its business, including its supply chain. The Company complies with all requirements of the Modern Slavery Act 2015. A link to the Company's supporting statement and measures in place to address the risk of modern slavery can be found on the website (https://www.taqaglobal.com/about-us/corporate-governance).

Supplier payment policy
It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that the all the trading terms and conditions have been complied with. At 31 December 2018, the Company had an average of 28 days purchases owed to trade creditors (2017: 27 days).

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

Donald Taylor
14 May 2019

TAQA BRATANI LIMITED- Company Registration No. 05975475

Directors' Report

The directors present their report for the year ended 31 December 2018.

Dividends

The Company's profit for the financial year was $137,222,000 (2017: loss $15,231,000). This profit has been transferred to reserves. No dividends were paid during the year (2017: nil).

Going Concern

The Company's business activities and key performance indicators are presented in the Strategic Report and the company's financial risk management objectives are described in note 18 together with a discussion of its exposures to price, credit, liquidity and foreign exchange risk.

The Company has an externally reviewed oil and gas reserves base, significant technical and managerial expertise and the support of its parent entities in the pursuit of its business goals, as evidenced by the capital contribution effected on 9 May 2018. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

After making enquiries, 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 annual report and accounts.

Directors

The present membership of the board is set out on page 1.

Auditors

So far as each person who was a director at the date of approving this 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. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

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

Donald Taylor
14 May 2019

TAQA BRATANI LIMITED

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law. The directors have chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

United Kingdom law and IAS 1 requires that directors must not approve financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that year. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;

- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and

- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records which 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 and the Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Member of TAQA BRATANI LIMITED

Opinion

We have audited the financial statements of TAQA Bratani Limited for the year ended 31 December 2018 which comprise of the Income Statement, the Statement of Comprehensive Income/ Loss, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 24, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Other information

The other information comprises the information included in the report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Member of TAQA BRATANI LIMITED

Matters on which we are required to report by exception
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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors
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, 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 https://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.

Ernst & Young LLP

Clarke Cooper (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen 15 May 2019

TAQA BRATANI LIMITED

Income Statement
Year ended 31 December 2018

	Note	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Revenue	3	898,003	770,211
Cost of sales		(633,869)	(590,060)
Gross Profit		264,134	180,151
Exploration and evaluation expenses	10	(45,976)	(8,824)
Administrative expenses		(1,741)	(1,765)
Foreign exchange gain / (loss)		8,442	(8,196)
Operating Profit	4	224,859	161,366
Finance income	7	7,549	2,934
Finance costs	7	(137,357)	(142,551)
Profit before tax		95,051	21,749
Income tax credit / (charge)	8	42,171	(36,980)
Profit / (Loss) for the year		137,222	(15,231)

Statement of Comprehensive Income / (Loss)
Year ended 31 December 2018

	31 December 2018 $'000	31 December 2017 $'000
Profit / (Loss) for the year	137,222	(15,231)
Total Comprehensive Profit / (Loss) for the year	137,222	(15,231)

TAQA BRATANI LIMITED

Statement of Changes in Equity
Year ended 31 December 2018

	Issued Share Capital (Note 19) $'000	Share Premium (Note 19) $'000	Capital Contribution $'000	Retained Earnings $'000	Total Equity $'000
As at 1 January 2017	193,266	188,636	271,203	(1,170,105)	(517,000)
Loss for the period	-	-	-	(15,231)	(15,231)
As at 31 December 2017	193,266	188,636	271,203	(1,185,336)	(532,231)
Profit for the period	-	-	-	137,222	137,222
Issue of share capital	550,000	-	-	-	550,000
As at 31 December 2018	743,266	188,636	271,203	(1,048,114)	154,991

TAQA BRATANI LIMITED

Statement of Financial Position
Year ended 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Non-current assets			
Intangible assets	10	3,770	3,103
Property, plant & equipment	12	703,691	748,263
Deferred tax asset	9	1,184,608	1,150,173
		1,892,069	1,901,539
Current assets			
Cash and cash equivalents		1	-
Inventories	14	7,485	6,667
Trade and other receivables	13	1,271,932	582,224
		1,279,418	588,891
Total assets		3,171,487	2,490,430
Current liabilities			
Cash and cash equivalents		-	(4)
Trade and other payables	15	(231,938)	(250,842)
		(231,938)	(250,846)
Non-current liabilities			
Provisions	16	(2,784,558)	(2,771,815)
		(2,784,558)	(2,771,815)
Total liabilities		(3,016,496)	(3,022,661)
Net assets / (liabilities)		154,991	(532,231)
Equity			
Issued share capital	19	743,266	193,266
Share premium	19	188,636	188,636
Capital contribution		271,203	271,203
Retained earnings		(1,048,114)	(1,185,336)
Total equity		154,991	(532,231)

These financial statements were approved by the Board of Directors on 14 May 2019
Signed on behalf of the Board of Directors

Donald Taylor

Donald Taylor

TAQA BRATANI LIMITED

Statement of Cash Flows
Year ended 31 December 2018

	Note	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Net cash generated from operating activities	20	319,985	183,133
Investing activities			
Purchase of property, plant & equipment		(162,790)	(84,115)
Expenditure on exploration and evaluation assets		-	(8,817)
Net cash used in investing activities		(162,790)	(92,932)
Financing activities			
Cash transfer to Group treasury		(164,670)	(89,243)
Interest received		7,480	-
Net cash consumed by financing activities		(157,190)	(89,243)
Net cash increase in cash and cash equivalents		5	958
Cash and cash equivalents at 1 January		(4)	(962)
Cash and cash equivalents at 31 December		1	(4)

There were no material non-cash changes in liabilities arising from financing activities in the year.

Donald Tracey

1 Corporate information and basis of preperation

TAQA Bratani Limited is a company incorporated and domiciled in the United Kingdom. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

These financial statements are presented in US Dollars, which is also the functional currency of the Company. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

2.1 Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of TAQA Bratani Limited for the year ended 31 December 2018 were authorised for issue by the board of directors on 14 May 2019 and the statement of financial position was signed on the board's behalf by Donald Taylor. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2018.

2.2 Changes in accounting policy and disclosures

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 9 Financial Instruments - New Standard
- IFRS 15 Revenue with Contracts from Customers - New standard
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, at the end of the reporting period. These estimates and judgements are subject to change based on experience and new information. The financial statement areas that require significant estimates, judgements and assumptions are as follows:

Significant Judgement

Impairment of non-financial assets

Management determines at each reporting date whether there are any indicators of impairment relating to the Company's property, plant and equipment including exploration and evaluations assets. A broad range of internal and external factors are considered as part of the indicator review process.

Significant Estimates and Assumptions

Estimation of oil and gas reserves

Oil and gas reserves and resources used for accounting purposes are estimated using internationally accepted methods and standards. The Company's annual oil and gas reserves and resources review process includes an external audit process conducted by appropriately qualified parties. All reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes in oil and gas reserves are an important indication of impairment or reversal of impairment and may result in subsequent impairment charges or reversals as well as affecting the unit-of-production depreciation charge in the income statement.

2.3 Significant accounting judgements, estimates and assumptions *continued*

Provision for decommissioning
Decommissioning costs will be incurred by the Company at the end of the operating life of certain of the Company's facilities and properties. The ultimate decommissioning costs or asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation, and/or due to changes in commodity prices.

Income taxes
The Company recognises the net future tax benefit to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. 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. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

2.4 Summary of significant accounting policies

Revenue recognition
IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods or services to a customer.

Step 1 Identify contract(s) with a customer;
Step 2 Identify performance obligations in the contract;
Step 3 Determine the transaction price;
Step 4 Allocate the transaction price to the performance obligations in the contract; and
Step 5 Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.
b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

Revenue is recognised at the point in time at which one of the above performance obligation's are satisfied.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

Revenue is recognsed to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

2.4 Summary of significant accounting policies *continued*

Oil and gas
Revenue from the sale of oil and gas is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when the product is physically transferred into a delivery mechanism such as a vessel or a pipeline.

Under / Overlift Accounting
Lifting or offtake arrangements for oil and gas produced by certain of the Company's jointly owned assets are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative production entitlement and cumulative sales attributable to each participant at a reporting date represents is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within current assets and current liabilities respectively. Such items are contract assets or liabilities. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income 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 income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred income 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 income tax assets is reviewed at each balance sheet date 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2.4 Summary of significant accounting policies *continued*

Foreign currency translation

The financial statements are presented in US Dollars ($), which is the Company's functional and presentation currency. Functional currency is the currency of the primary economic environment in which an entity operates. Transactions in foreign currencies are initially recorded at the functional currency 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 reporting date. All differences are taken to the income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates approximately at the date when the fair value was determined.

Interests in joint operations

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Company undertakes its activities under joint operations, the Company as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Oil and gas joint operations

Certain of the Company's activities in the oil and gas segment are conducted through joint operations where the venturers have a direct ownership interest in and jointly control the underlying assets of the venture. The Company accounts for its share of the joint operations assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other partners, income from the sale or use of its share of the joint operation's output, together with its share of the expenses incurred by the joint operation, and any expenses it incurs in relation to its interest in the joint operation.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement. Leased assets are depreciated over the useful life of the asset. However if, there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

2.4 Summary of significant accounting policies *continued*

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. See section 2.5 for expected impact of IFRS16, effective from 1 January 2019.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software	4 years

The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is sold.

Emission Rights
Purchased emission rights are recognised initially at cost within intangible assets. Emission rights are not amortised as their carrying value equals their residual value as there is no consumption of economic benefit while the emission right is held. Emission rights are derecognised when utilised or when no future economic benefits are expected.

Oil and natural gas exploration, evaluation and development expenditure
Exploration & evaluation costs - capitalisation
Pre-licence costs and geological and geophysical exploration costs incurred prior to obtaining the rights to explore are recognised in the income statement when incurred. Exploration licences are recognised as an exploration and evaluation (E&E) asset. The cost of that licence includes the directly attributable costs of its acquisition. Examples of such costs may include non-refundable taxes and professional and legal costs incurred in obtaining the licence. Costs incurred after the rights to explore have been obtained, such as geological and geophysical costs, drilling costs, appraisal and development study costs and other directly attributable costs of exploration and evaluation activity, including technical and administrative costs for each exploration asset, are capitalised as intangible E&E assets. E&E costs are not amortised prior to the conclusion of appraisal activities.

At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered then following development sanction, the carrying value of the relevant E&E asset is reclassified as a development and production ("D&P") asset. This category reclassification is only performed after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If commercial reserves are not discovered at the completion of appraisal activity of each asset and it is not expected to derive any future economic benefits, the E&E asset is written off to the income statement.

Development costs
Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

2.4 Summary of significant accounting policies *continued*

Property, plant and equipment

Property, plant and equipment – general

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The present value of the expected cost for the decommissioning obligation of an asset at the end of its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated as follows:

Office equipment, fixtures and fittings	3 to 5 years on a straight line basis
Oil and gas properties	Unit of production

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

The cost of spare parts held as essential for the continuity of operations and which are designated as strategic spares are depreciated on a straight line basis over their estimated operating life. Spare parts used for normal repairs and maintenance are expensed when issued.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Property, plant and equipment - oil and gas properties

Oil and gas properties in the development and production phase (D&P assets) and other related assets are stated at cost, less accumulated depreciation and accumulated impairment losses (net of reversal of previously recognised impairment losses, if any). The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of the decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated on a unit-of-production basis over the proved and probable (2P) reserves of the field concerned. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with estimated future development expenditure. Depreciation on oil and gas properties does not commence until the commencement of production from the property.

Property, plant and equipment - major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalised. Where an asset or part of an asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset (or asset part) which is immediately written off. Inspection costs associated with major maintenance programs are capitalised when the recognition criteria are met and amortised over the period to the next inspection. Day to day servicing and maintenance costs are expensed as incurred.

Property, plant and equipment - capital work in progress

Capital work in progress is included in property, plant and machinery at cost on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

2.4 Summary of significant accounting policies *continued*

Impairment of non-financial assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of all calculations, assumptions are also made regarding the cash flows from each asset's ultimate disposal.

In determining fair value less costs of disposal, recent appropriate market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other fair value indicators. Impairment losses of continued operations are recognised in the income statement in these expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating units recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

For exploration and evaluation assets, an impairment review is performed if and when facts and circumstances indicate that the carrying amount of an E&E asset may exceed its recoverable amount. For the purpose of E&E asset impairment testing, cash generating units are grouped at the operating segment level. An impairment test performed in the E&E phase therefore involves grouping all E&E assets within the relevant segment with the development & production (D&P) assets belonging to the same segment. The combined segment carrying amount is compared to the combined segment recoverable amount and any resulting impairment loss identified within the E&E asset is written off to the income statement. The recoverable amount of the segment is determined as the higher of its fair value less costs to sell and its value in use.

Inventories
Inventories are valued at the lower of cost, determined on the basis of weighted average cost, and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories of oil and oil products, which represent production from oil and gas facilities of the Company which are tanked at storage facilities awaiting sale, are valued at market value.

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

2.4 Summary of significant accounting policies *continued*

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of financial assets

The company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial gaurantee contracts issued; and
- Loan commitments issued.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which the counterparty has an investment grade credit rating or credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

The Company uses a provision matrix to calculate ECLs for financial assets. The provision rates are calculated based on estimates including the probability of default (PD) and the loss incurred in default positions (LGD). These estimates are allocated by assessing the counterparty credit ratings. The Company calibrates the matrix to adjust the provision rates with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are projected to change then the historical default rates are adjusted. At every reporting date, the counterparty credit ratings are updated and changes in the forward-looking estimates are analysed. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

2.4 Summary of significant accounting policies *continued*

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the company on terms that the company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities subsequently measured at amortised cost
Financial liabilities that are not held-for-trading and are not designated at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the finance costs in the consolidated income statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Pensions
Contributions made to defined contribution pension schemes are recognised in the income statement in the period in which they become payable.

2.4 Summary of significant accounting policies *continued*

Cash and short-term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short term deposits, net of outstanding bank overdrafts.

Provisions
General
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. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and 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.

Asset retirement obligations
The Company has legal obligations in respect of site restoration and abandonment of oil and gas properties at the end of their useful lives (decommissioning costs). The Company records a provision for the site restoration and abandonment based upon estimated costs at the end of their useful lives. Accordingly a corresponding asset recognised in property, plant and equipment. Decommissioning costs are recorded at the present value of expected costs to settle the obligations using estimated cash flows and are recognised as part of the cost of each specific asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of the asset retirement obligation are reviewed annually and adjusted as appropriate. Changes to provisions based on revised cost estimates or discount rate applied are added to or deducted from the cost of the relevant asset.

Contingencies
From time to time the Company receives claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. A liability is accrued only if an adverse outcome is more likely than not and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the claim is disclosed as a contingent liability, if material. The actual outcome of a claim may differ from the estimated liability and consequently may affect the financial performance and position of the Company.

2.5 Standards issued but not yet effective

The following standards and interpretations are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements. With the exception of IFRS 16 which is detailed below, none of the new standards or amendments are expected to have a material impact on the Company's financial statements. The effective date for these standards is 1 January 2019 unless stated:

- IFRS 16 Leases
- Amendments to IFRS 10/IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- IFRIC Interpretation 23 Uncertainty over Income Tax treatments
- Amendments to IAS 28 – Long-term interests in associates and joint ventures
- IFRS 3 Business Combination – Business combination achieved in stages
- IFRS 11 Joint Arrangements – Remeasurement of previously held interest
- IAS 12 Income Taxes – Income tax consequences of dividend
- IAS 23 Borrowing Cost – Treatment of Borrowing made to develop qualifying asset as general borrowing

IFRS 16

In January 2016, the IASB issued IFRS 16 Leases which replaces the existing leasing standard (IAS 17 Leases) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low-value items. The accounting treatment for lessors remains essentially unchanged, with the requirement to classify leases as either finance or operating. The company will adopt IFRS 16 on the effective date of January 1, 2019. The company plans to adopt IFRS 16 through the modified retrospective approach. All active leases as on January 1, 2019 are in scope and the impact of future rental payments will be taken in 2019.

Transition to IFRS 16

During 2018, the Company has performed a detailed impact assessment of IFRS 16. The impact of IFRS 16 adoption is expected to be, as follows:

Impact on the statement of financial position as at 1 January 2019:	**1 January 2019 $'000**
Non-current assets	
Property, plant and equipment (right of use asset)	70,993
Non-current liabilities	
Other liabilities (lease liabilities)	70,993

Impact on the consolidated income statement for the year ending 31 December 2019:	**Year Ended 31 December 2019 $'000**
Decrease in operating expenses	7,052
Increase in depreciation, depletion and amortisation	(6,775)
Gross profit	277
Increase in finance costs	(1,285)
Loss for the year	(1,008)

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Gross profit	277
Increase in finance costs	(1,285)
Loss for the year	(1,008)

3 Revenue

Revenue recognised in the income statement is analysed as follows:

	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Oil, gas and condensate sales	848,906	730,097
Processing revenue	35,608	23,175
Other revenue	13,489	16,939
	898,003	770,211

Revenues have been derived from one business segment being upstream oil and gas activities in the UK sector of the North Sea. Annual revenue from three (2017: three) external customers exceeds more than 10% of the Company's revenues and amounts to $708,955,000 (2017: $625,817,000).

4 Operating profit

	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Operating profit is stated after charging:		
Depreciation, depletion and amortisation	164,068	120,878
Minimum lease payments under operating leases	18,843	19,197
Net (underlift) / overlift movement	(8,338)	5,218

5 Auditor's remuneration

	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	291	306
Fees payable to the company's auditor and its associates for other services:		
Audit related assurance services	55	55
Tax advisory and compliance services	131	261
Total audit and non-audit fees	477	622

6 Staff numbers and costs

	Year Ended 31 December 2018	Year Ended 31 December 2017
Average monthly number of persons employed:	**No.**	**No.**
Offshore based	271	280
Office & administration	263	265
	534	545

	Year Ended 31 December 2018	Year Ended 31 December 2017
Staff costs (including directors) during the year:	**$'000**	**$'000**
Wages and salaries	68,415	63,322
Social security costs	8,579	7,973
Pensions costs	11,947	10,984
	88,941	82,279

Remuneration of key management personnel:
Compensation of key management personnel (including directors) is as follows:

	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Short-term employee benefits	4,258	3,446
Post-employment benefits	66	127
	4,324	3,573

Included within the above is the remuneration of Directors. The aggregate of emoluments for the period including under incentive schemes of the highest paid director was $1,033,000 (2017: $896,000).

Awad Saeed Bakhit Saeed Alketbi, Vivek Gambhir and Mohammed Abdulla Falah Jaber Al Ahbabi were remunerated through other Group companies and the Directors do not believe it practical to apportion their remuneration between their services as Director of the Company and as Directors of the other Group companies.

7 Finance income and finance costs

	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Finance income		
Bank interest income	7,480	2,934
Other interest	69	-
	7,549	2,934
Finance costs		
Unwinding of discount on provisions (note 16)	136,664	142,327
Other interest	693	224
	137,357	142,551

8 Income tax

	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Current income tax charge	30,702	43,272
Credit for prior periods	(38,438)	(23,518)
	(7,736)	19,754
Deferred taxation (credit) / charge	(37,804)	5,604
Adjustment for prior periods	3,369	11,622
	(34,435)	17,226
	(42,171)	36,980

The tax assessed for the year differs from that resulting from applying the standard rate of UK corporation tax for oil and gas companies of 40% (2017: 40%) to the profit before tax. The differences are explained below:

	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Profit before tax	95,051	21,749
Tax on profit at UK corporation tax rate of 40% (2017: 40%)	38,020	8,700
Expenses not deductible / (income not taxable) for tax purposes	(1,750)	10,759
PRT Repayment	(9,931)	(4,364)
PRT temporary differences	(33,545)	26,670
Finance credits taxed at a lower rate	(1,209)	(436)
Credits for prior periods	(35,069)	(11,896)
Other	1,313	7,547
	(42,171)	36,980

The tax rate shown above of 40% (2017: 40%) includes the 10% supplementary charge to corporation tax on UK North Sea profits (2017: 10%) and the standard UK corporation tax charge for oil and gas companies of 30%.

9 Deferred tax

The deferred tax asset / (liability) included in the statement of financial position is as follows:

	$'000
At 1 January 2017	1,167,399
Movement in the year	(17,226)
At 31 December 2017	1,150,173
Movement in the year	34,435
At 31 December 2018	1,184,608

Deferred income tax relates to the following:

	31 December 2018 $'000	31 December 2017 $'000
Accelerated depreciation for tax purposes	(229,014)	(240,583)
Asset retirement obligations	1,055,103	1,057,294
Short-term timing differences	4,535	13,023
PRT timing differences	353,984	320,439
	1,184,608	1,150,173

The Company considers that the deferred tax asset arising in respect of its decommissioning obligations should be recoverable in full through the adequacy of historic profits and resultant tax liabilities paid.

Notes to the Financial Statements
Year ended 31 December 2018

10 Intangible assets

	Emissions Rights $'000	Software $'000	Exploration & Evaluation $'000	Total $'000
Cost				
At 1 January 2017	-	34,049	7	34,056
Additions	2,439	1,165	8,817	12,421
Derecognised	(2,439)	-	(8,824)	(11,263)
At 31 December 2017	-	35,214	-	35,214
Additions	3,236	2,071	-	5,307
Transfers from oil and gas assets	-	-	46,400	46,400
Disposals	-	-	(411)	(411)
Derecognised	(3,236)	-	(45,976)	(49,212)
At 31 December 2018	-	37,285	13	37,298
Amortisation and impairment				
At 1 January 2017	-	30,088	-	30,088
Provided in year	-	2,023	-	2,023
At 31 December 2017	-	32,111	-	32,111
Provided in year	-	1,417	-	1,417
At 31 December 2018	-	33,528	-	33,528
Net book value				
At 31 December 2018	-	3,757	13	3,770
At 31 December 2017	-	3,103	-	3,103

During 2018 a development asset was de-booked from 2P reserves following the latest economic assessment and as a result of this the value was transferred from tangible to intangible assets. Following the transfer and change in planned activity set, the corresponding cost incurred to date was de-recognised in the period.

11 Impairment testing of PP&E and goodwill

Carrying amounts & allocation to CGUs

When an indicator of impairment arises, the property, plant and equipment (PP&E) of the Company is divided into cash generating units (CGUs) for the purposes of impairment testing.

Determining recoverable amount

For the purposes of impairment testing the recoverable amount of each CGU represents the Company's assessment of fair value less costs of disposal (FVLCD). In determining FVLCD, an appropriate discounted cash flow valuation model is used, incorporating market based assumptions. The key assumptions for the oil and gas asset FVLCD calculations are outlined below together with the approach management has taken in determining the value to ascribe to each. The valuation models are life of asset models and therefore no extrapolation assumptions have been necessary or applied. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

Key assumptions used in FVLCD calculation

Reserve and resource volumes

Reserve and resource volumes form the basis of the production profiles within the discounted cash flow models. Management engage external reserve auditors to review the Company's internal estimates of volume of proved, probable and possible reserves in each field and location based upon geological data and analysis. Where significant, the contingent resources are also reviewed and reported on. The data generated for each field and location takes into consideration the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets.

Inflation rates

Estimates are obtained from published indices, as well as data relating to specific commodities. Forecast figures are used if data is publicly available. Rate applied of 2.0% (2017: 2.0%)

Commodity prices

Commodity prices follow a market view for the first five years (between $65 and $70 per barrel) and inflated at 2.0% thereafter.

Foreign exchange rates

Foreign exchange rates are based on forward average rates for 2018 and thereafter on management's long term rate assumptions. Management's long term assumptions are set with reference to a range of underlying economic indicators.

Discount rates

The discount rate used reflects the estimated weighted average cost of capital for relevant market participants. An 8.5% post-tax discount rate is applied (2017: 8.5%).

Sensitivity to changes in assumptions

The impairment tests are particularly sensitive to commodity prices, foreign exchange rates and discount rates.

TAQA BRATANI LIMITED

Notes to the Financial Statements
Year ended 31 December 2018

12 Property, plant & equipment

	Development & Production Assets	Leasehold Equipment	Total
	$'000	$'000	$'000
Cost			
At 1 January 2017	6,423,871	9,084	6,432,955
Additions	80,832	-	80,832
Disposals	(197,198)	-	(197,198)
At 31 December 2017	6,307,505	9,084	6,316,589
Additions	164,479	-	164,479
Transfers to exploration & evaluation	(46,400)	-	(46,400)
At 31 December 2018	6,425,584	9,084	6,434,668
Depletion and depreciation			
At 1 January 2017	5,442,955	6,547	5,449,502
Provided in year	118,009	846	118,855
Impairment charge	(31)	-	(31)
At 31 December 2017	5,560,933	7,393	5,568,326
Provided in year	161,981	670	162,651
At 31 December 2018	5,722,914	8,063	5,730,977
Net book value			
At 31 December 2018	702,670	1,021	703,691
At 31 December 2017	746,572	1,691	748,263

13 Trade and other receivables

	31 December 2018 $'000	31 December 2017 $'000
Trade receivables	6,919	7,061
Amounts due from group companies	1,141,115	439,790
VAT receivable	1,473	1,670
Other receivables	6,272	4,396
Other taxes receivable	7,690	-
Prepayments and accrued income	108,463	129,307
	1,271,932	582,224

The increase in amounts due from group companies is driven by an increase in intercompany receivable with TAQA International BV for share capital issued during the year. See Note 19 for further details.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. No assets were assessed as credit impaired.

14 Inventories

	31 December 2018 $'000	31 December 2017 $'000
Materials and equipment	7,485	6,667

15 Trade and other payables

	31 December 2018 $'000	31 December 2017 $'000
Trade payables	19,033	21,662
Amounts due to group companies	864	689
Corporation tax	44,300	50,220
Other taxes payable	2,626	10,267
Other payables	43,507	47,617
Accruals and deferred income	121,608	120,387
	231,938	250,842

Trade payables and accruals principally comprise amounts outstanding for trade purchases and general and administrative costs.

The Company's policy is to agree terms of payment with suppliers when entering into transactions and abide by these terms. Trade payables of the Company at 31 December 2018 were equivalent to 28 days purchases (2017: 27 days). The Company has financial risk management policies in place to ensure that all payables are paid within the credit period.

The directors consider that the carrying amount of trade payables approximates to their fair value.

16 Provisions

	$'000
Decommissioning provisions	
At 1 January 2018	2,771,815
Unwinding of discount (note 7)	136,664
Utilised during year	(123,921)
At 31 December 2018	2,784,558

The decommissioning provision relates to the Company's oil and gas assets. These costs are expected to be incurred over the next 18 years. The provision has been estimated using existing technology at current prices, escalated at 2%, and discounted at 5%. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the respective assets. In addition, the costs of decommissioning are subject to inflationary/deflationary pressures in the cost of third party service provision.

17 Operating lease arrangements

The Company has entered into lease arrangements for supply of a modular drilling rig, boat vessels and office space, with renewal terms at the option of the Company, at lease payments based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases. At the balance sheet date, the Company's future minimum lease payments under non-cancellable operating leases due to expire in the relevant time period were as follows:

	31 December 2018 $'000	31 December 2017 $'000
Not later than one year	53,337	18,843
After one year but not more than five years	20,728	12,582
After five years	-	7,689

18 Financial risk management and financial instruments

Financial risk management objective and policies

The primary financial instruments of the Company comprise inter-company loans, cash, trade receivables and trade payables. The Company's strategy to date has been to finance acquisitions and operations through inter-company borrowings. The Company may consider the use of derivative financial instruments to minimise exposure to fluctuations in foreign exchange rates, interest rates and commodity prices, but to date has not used such instruments. The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk, commodity price risk and credit risk. The Company's risk management position and exposure relative to each of these is outlined below:

Liquidity risk

At the year-end the Company had a cash balance of $1,000 (2017: deficit of $4,000). Under group cash management procedures any surplus cash is transferred to a fellow group company with the amount receivable under this in-house banking arrangement at year end being $577,104,000 included within intercompany receivables. The combination of cash flow from operations and inter-company credit available is considered by management to be sufficient to enable the Company to meet its short to medium term expenditure requirements. The Company does not hold financial assets for the purposes of managing liquidity risk.

At 31 December 2018, bank letters of credit totalling $159,087,000 (2017: $125,144,000) had been issued on behalf of the Company under these facilities, which were provided as security for the costs of decommissioning obligations in the UK. The Company has provided indemnities to the issuing banks.

18 Financial risk management and financial instruments *continued*

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency fluctuations for the year ended 31 December 2018 primarily related to sterling denominated gas revenues and the significant levels of sterling denominated capital and operating costs.

The Company has taken the decision not to hedge these exposures as management believe that US$ exchange rates underlie the sterling denominated revenues and costs to a significant degree and the Company's controlling parent manages foreign exchange risk at a group level.

The table below demonstrates the sensitivity of the Company's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities) to a reasonably possible change in sterling exchange rates with all other variables held constant:

	Increase / decrease in Sterling (US$) rate	Effect on profit before tax $'000	Effect on equity $'000
31 December 2018	(+ or -) 5%	10,684	10,684
31 December 2017	(+ or -) 5%	8,689	8,689

The Company is exposed to commodity price risk on all crude oil sales and management have taken the decision not to limit this exposure by the use of derivative financial instruments. The Company enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur.

Commodity price risk associated with gas sales is limited to three long-term sales agreements. The majority of gas sales are made under an agreement that remains in place until 1 October 2019, with the other 2 agreements based on life of field production.

Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

The Company's maximum exposure to credit risk in respect of its financial assets is their carrying value. All trade receivable balances are less than 30 days old as at the year-end and none are past due date. The Company only sells hydrocarbons to recognised and creditworthy parties, typically the trading arm of large, international oil and gas companies. The VAT receivable balance is due within 30 days of the year-end and is considered to represent minimal credit risk. Cash balances are held with internationally recognised banking institutions and are considered to represent minimal credit risk.

The only material financial liabilities of the Company, other than the lease obligations, are trade payables. For the Company's non-operated interests payments to suppliers occur only after goods and services have been received. For operated interests material or long-term contracts will generally only be awarded after a tender process during which supplier creditworthiness will be evaluated.

18 Financial risk management and financial instruments *continued*

Fair values of financial instruments

The directors consider the book value of all financial assets and liabilities in the financial statements to not be materially different from fair value. No fair value hierarchy analysis of financial instruments has been presented given the nature of the financial instruments of the Company and given that no financial instruments are subsequently measured at fair value after initial recognition.

19 Issued share capital and share premium

	No.	Share Capital $'000	Share Premium $'000	Total $'000
Authorised, allotted, called up and fully paid Ordinary shares of £1 each:				
At 31 December 2018	526,811,100	743,266	188,636	931,902
At 31 December 2017	120,577,257	193,266	188,636	381,902

On the 9th May 2018 the Company issued 406,233,843 fully paid ordinary shares of £1 each to TAQA International BV for an aggregate cash subscription price of $550,000,000. The payment for this issue will be settled upon the tenth anniversary of the issue, or, if sooner, immediately upon a written demand by the Company (such demand to be supported by a unanimous written resolution of the directors of the Company).

20 Net cash from operating activities

	Note	Year Ended 31 December 2018 $'000	Year Ended 31 December 2017 $'000
Profit before tax		95,051	21,749
Adjustments to reconcile profit for the year to net cash from operating activities:			
Depreciation, depletion and amortisation	4	164,068	120,878
Unwinding of discount on provisions	7	136,664	142,327
Decommissioning provision utilised	16	(123,921)	(76,145)
De-recognition of intangible assets	10	49,212	11,263
Non-trading finance income	7	(7,480)	-
Operating cash flows before movements in working capital		313,594	220,072
Decrease / (increase) in current assets		24,144	(27,579)
(Decrease) / increase in current liabilities		(17,534)	55,911
Taxes (paid)		(219)	(65,271)
Net cash generated in operating activities		319,985	183,133

21 Related parties

Transactions of the Company with other group companies

At the balance sheet date the Company had current balances due to fellow group companies of $864,000 (2017: $689,000) (note 15), comprised as follows:

	Transaction value for the year end 31 December		Amounts owed to related parties as at 31 December	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Abu Dhabi National Energy Company PJSC	4,627	3,947	823	604
TAQA North Ltd.	28	192	41	19
TAQA Energy BV	6	936	-	66
TAQA Insurance Limited	8,839	10,111	-	-
	13,500	15,186	864	689

At the balance sheet date the Company had current balances due from fellow group companies of $1,141,115,000 (2017: $439,790,000) (note 13), comprised as follows:

	Transaction value for the year end 31 December		Amounts owed to related parties as at 31 December	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Abu Dhabi National Energy Company PJSC	275	459	-	-
TAQA Atrush BV	169	767	4	12
TAQA Financial Services BV	-	-	577,959	422,375
TAQA International BV	550,000	-	550,000	-
TAQA North Ltd.	1	8	-	-
TAQA Energy BV	1,072	1,170	68	-
Jorf Lasfar Energy Company 5&6 SA	66	16	101	21
TAQA Bratani LNS Limited	5,886	5,426	12,983	17,382
	557,469	7,846	1,141,115	439,790

The above transactions are largely for services provided by or for group companies, except for TAQA Insurance Limited which is in relation to the group insurance policy and TAQA Financial Services BV which is the counterparty for the in-house banking arrangement.

Transactions of the Company with directors

There were no transactions with directors during the year other than their remuneration as executives, disclosed in note 6.

22 Controlling party

At 31 December 2018, the Company was controlled and 100% owned (indirectly) by Abu Dhabi National Energy Company PJSC, incorporated in the United Arab Emirates and whose consolidated financial statements are publicly available on the TAQA website, www.taqaglobal.com/investors. The ultimate parent of the Company is Abu Dhabi Department of Energy (ADDE), whose financial statements are not publicly available. ADDE is wholly owned by the government of Abu Dhabi.

23 Capital management

The ultimate parent company manages the Company's capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders. Efficient access to debt markets is managed by Abu Dhabi National Energy Company PJSC with inter-company financing being provided to the Company by the group as required.

24 Commitments and contingencies

Amounts contracted for at the reporting date but not provided in the financial statements amounted to $298,853,000 (2017: $214,305,000).

The Company is contracted to buy gas from certain 3rd party fields tied back to the Company's NNS fields. The amounts involved are variable and will predominately be incurred between 2019 and 2023.

The Company has entered into decommissioning security agreements for a number of UK North Sea Assets acquired by it, pursuant to which it may be required to provide financial security to the former owners of the assets, either by means of (a) placing monies in trust or procuring the issuance of letters of credit in an amount equal to its share of the net decommissioning costs of the subject fields plus an allowance for uncertainty; or (b) procuring a guarantee from a holding company or affiliate which satisfies a minimum credit rating threshold; or (c) providing security in such other form as may be agreed by parties to the deeds.

In respect of certain UK North Sea Assets the Company initially provided a parent company guarantee, but in the interim the parent company's credit rating was reduced to below the minimum credit rating specified in the deeds. The Company has previously been in good faith discussions with the other parties to the deeds regarding whether and to what extent the Company is required to replace or supplement the parent guarantee in light of a reduction in the parent company's credit rating. No outcome has yet been concluded, and the parent guarantee remains in place. However, since that time, the U.K. Government has introduced a legislative framework that is designed to allow security arrangements for UK North Sea decommissioning obligations to be made on a post-tax basis, to the extent parties to the decommissioning deeds adopt modified decommissioning deeds, and the company would expect that if or when the discussions with counter-parties resume, it would most likely be on that basis. If the Company was required to replace the parent guarantee in its entirety, the amount it would have to procure through the issuance of letters of credit or other collateral, could be in excess of US $1.0 billion.

In respect of certain other UK North Sea Assets TAQA is able to meet the security arrangements for decommissioning obligations by way of provision of a parent company guarantee, so long as TAQA continues in majority-ownership of the Government of Abu Dhabi.