

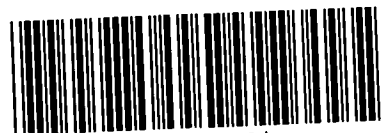
Company Registration No. 05975475

TAQA BRATANI LIMITED

Report and Financial Statements

For the year ended 31 December 2017

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TAQA BRATANI LIMITED

Report and Financial Statements 2017

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TAQA BRATANI LIMITED

Report and Financial Statements 2017

Officers and Professional Advisers

Directors

Donald Taylor

Alexander Hutchison

Neil Fowler

David Gibson

Awad Saeed Bakhit Saeed Alketbi (appointed 31st May 2017)

Vivek Gambhir (appointed 31st May 2017)

Mohammed Abdulla Falah Jaber Al Ahbabi (appointed 31st May 2017)

Saeed Hamad Al Dhaheri (resigned 30th May 2017)

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 2017.

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 2017, the Company has continued to develop and exploit its oil and gas production, exploration, pipeline and terminal interests in the UK continental shelf. The Company increased capital investment during the year and internally approved further capital programs for delivery in 2018 with a view to replacing production decline and maintaining integrity of its assets. These projects include development well drilling, drill rig refurbishment and a field redevelopment including installation of a subsea multiphase pump. The company also increased decommissioning expenditure with significant well plug and abandonment activity during the year and planned for 2018. To support the capital and decommissioning programs of the Company a multi-year mobile rig contract was entered into during 2017 with a March 2018 commencement date. This capital activity has been undertaken whilst maintaining 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 2017 and into 2018. 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.

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 ended 31 December 2017	At / for the year ended 31 December 2016	Movement
Production	<i>Non-Financial</i>	38.8mboepd	48.8mboepd	(10.0mboepd)
Operating Efficiency	<i>Non-Financial</i>	75.77%	77.92%	(2.15%)
Free cashflow	<i>Financial</i>	\$90,201,000	\$161,938,000	(\$71,737,000)
Operating costs	<i>Financial</i>	\$450,829,000	\$450,052,000	(\$777,000)
Net Loss	<i>Financial</i>	\$15,231,000	\$575,650,000	\$560,419,000
Capex	<i>Financial</i>	\$93,253,000	\$73,613,000	\$19,640,000
Abex	<i>Financial</i>	\$76,145,000	\$28,432,000	\$47,713,000

Outlook for 2018

During 2018 the Company will continue to execute the long term capital and decommissioning program, including the utilisation of two operated drill strings (one platform based and one mobile rig based). The Company aims to generate positive cashflow and profit, whilst continuing to seek ways to improve core operations.

Financial Review

The Company's loss for the financial year was \$15,231,000 (2016: loss \$575,650,000). This loss has been transferred to reserves. No dividends were paid in the year (2016: \$nil).

Sales revenues totalled \$770,211,000 (2016: \$704,462,000) and the average crude oil price achieved in the year was \$54/bbl (2016: \$42/bbl) and the average gas price achieved was 46p per therm (2016: 34p/therm).

Cost of Sales, including field operating costs, transportation tariffs, DD&A and PP&E impairments amounted to \$592,082,000 (2016: \$1,228,323). Depreciation, depletion and amortisation (DD&A) amounted to \$120,878,000 (2016: \$828,979,000). Total Administrative expenses were \$1,765,000 (2016: \$4,129,000).

Finance costs were \$142,551,000 (2016: \$147,510,000). These are mainly related to the unwinding of discounts on abandonment provisions (see note 7).

TAQA BRATANI LIMITED

Strategic Report

The cash deficit balance at the end of 2017 was \$4,000 (2016: \$962,000). 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 \$422,040,000 included within intercompany receivables (2016: \$332,797,000). Net cash generated from operating activities was \$183,133,000 (2016: \$243,733,000). Investing activities saw an outflow of \$92,932,000 (2016: \$81,795,000), mainly related to drilling and field development costs. Net cash from financing activities was an outflow of \$89,243,000 (2016: \$162,823,000) 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 damage, interruption of business, regulatory investigations and penalties and liability to third parties. Any incident that occurs during operations is fully investigated by the Group 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 monitored through regular inspections and maintenance programmes.

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 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 Group 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 Group 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 programme in place, subject to certain limits and deductibles to cover damage or significant loss for various insurable risks which may occur during operations 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.

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 2017, the Company had an average of 27 days purchases owed to trade creditors (2016: 26 days).

Post balance sheet event – recapitalisation

Following the reduction in oil prices throughout 2015 and 2016, and the consequent impairment charges booked in the financial statements, the Company balance sheet recorded a significant net liabilities position. On the 9th of May 2018 the Company's parent, TAQA International B.V., injected capital into the Company by way of a share capital issue with cash payment deferred to the 10th anniversary of the issue or, if sooner, immediately upon a written demand or demands by the Company, supported by unanimous resolution of the directors of the Company.

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



Donald Taylor
16 July 2018

TAQA BRATANI LIMITED – Company Registration No.05975475

Directors' Report

The directors present their report for the year ended 31 December 2017.

Dividends

The Company's loss for the financial year was \$15,231,000 (2016: loss \$575,650,000). This loss has been transferred to reserves. No dividends were paid during the year (2016: 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.

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.

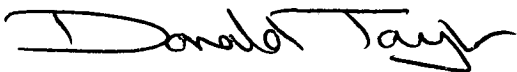
Directors

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
16 July 2018

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 Auditors' Report to the Members of TAQA BRATANI LIMITED

Opinion

We have audited the financial statements of TAQA Bratani Limited for the year ended 31 December 2017 which comprise of the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, Statement of Cash Flows, and the related notes 1 to 26, 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 2017 and of its loss 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 annual 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.

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 by the parent company, 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

Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen, UK
16 July 2018

TAQA BRATANI LIMITED

Income Statement Year ended 31 December 2017

	Note	Year Ended 31 December 2017 \$'000	Year Ended 31 December 2016 \$'000
Revenue	3	770,211	704,462
Cost of sales		(590,060)	(751,224)
PP&E Impairment	12	-	(473,661)
Gross Profit (Loss)		180,151	(520,423)
Exploration and evaluation expenses	10	(8,824)	(22,268)
Administrative expenses		(1,765)	(4,129)
Foreign exchange (loss) gain		(8,196)	17,873
Operating Profit (Loss)	4	161,366	(528,947)
Goodwill impairment charge	10,11	-	(182,626)
Finance income	7	2,934	755
Finance costs	7	(142,551)	(147,510)
Profit (Loss) before tax		21,749	(858,328)
Income tax (charge) credit	8	(36,980)	282,678
Loss for the year	20	(15,231)	(575,650)

Statement of Comprehensive Loss Year ended 31 December 2017

	31 December 2017 \$'000	31 December 2016 \$'000
Loss for the year	(15,231)	(575,650)
Total Comprehensive Loss for the year	(15,231)	(575,650)

TAQA BRATANI LIMITED

Statement of Changes in Equity Year ended 31 December 2017

	Note	\$'000
At 1 January 2016		(212,553)
Loss for the year	20	(575,650)
Capital contribution	20	271,203
		<hr/>
At 31 December 2016		(517,000)
Loss for the year	20	(15,231)
		<hr/>
At 31 December 2017		<u>(532,231)</u>

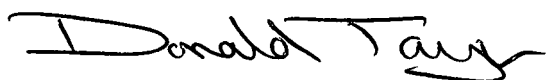
TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

	Note	31 December 2017 \$'000	31 December 2016 \$'000
Non-current assets			
Intangible assets	10	3,103	3,968
Property, plant & equipment	12	748,263	983,453
Deferred tax asset	9	1,150,173	1,167,399
		<u>1,901,539</u>	<u>2,154,820</u>
Current assets			
Inventories	14	6,667	10,658
Trade and other receivables	13	582,224	461,412
		<u>588,891</u>	<u>472,070</u>
Total assets		<u>2,490,430</u>	<u>2,626,890</u>
Current liabilities			
Cash and cash equivalents		(4)	(962)
Trade and other payables	15	(250,842)	(236,760)
		<u>(250,846)</u>	<u>(237,722)</u>
Non-current liabilities			
Provisions	16	(2,771,815)	(2,906,168)
		<u>(2,771,815)</u>	<u>(2,906,168)</u>
Total liabilities		<u>(3,022,661)</u>	<u>(3,143,890)</u>
Net liabilities		<u>(532,231)</u>	<u>(517,000)</u>
Equity			
Issued share capital	19	193,266	193,266
Share premium	19	188,636	188,636
Capital contribution	20	271,203	271,203
Retained earnings	20	(1,185,336)	(1,170,105)
Total equity		<u>(532,231)</u>	<u>(517,000)</u>

These financial statements were approved by the Board of Directors on 16 July 2018.

Signed on behalf of the Board of Directors



Donald Taylor

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

Director	Note	Year Ended 31 December 2017 \$'000	Year Ended 31 December 2016 \$'000
Net cash generated in operating activities	21	183,133	243,733
Investing activities			
Purchase of property, plant & equipment		(84,115)	(74,356)
Expenditure on exploration and evaluation assets		(8,817)	(7,439)
Net cash used in investing activities		(92,932)	(81,795)
Financing activities			
Interest paid		-	(10,525)
Cash transfer to Group treasury		(89,243)	(152,298)
Net cash outflow from financing activities		(89,243)	(162,823)
Net increase (decrease) in cash and cash equivalents		958	(885)
Cash and cash equivalents at 1 January		(962)	(77)
Cash and cash equivalents at 31 December		(4)	(962)

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

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

1. Corporate information and basis of preparation

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 2017 were authorised for issue by the board of directors on 16 July 2018 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 2017.

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective as of 1 January 2017.

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2017, 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.

- IAS7 Disclosure Initiative – Amendments to IAS7
- IAS12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS12
- Annual Improvements 2014 – 2016 Cycle
 - Amendments to IFRS12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS12

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 and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Impairment of non-financial assets – Indicators of impairment

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

Estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.3 Significant accounting judgements, estimates and assumptions *continued*

Estimates and assumptions continued

change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Oil and gas assets – Depreciation, depletion and amortisation

Oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves and incorporating the estimated future cost of developing and extracting those reserves. Proved and probable oil and gas reserves are determined using estimates of oil in place, recovery factors and future oil prices. Future development costs are estimated using assumptions as to number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The volume of estimated oil and gas reserves is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets has been impaired.

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. Any difference between the amounts actually collected in future periods and the amounts expected to be recovered will be recognised in the income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed and a provision applied according to the inventory type. In determining net realisable value, raw materials held for use in the production of inventories are not written down below cost if the finished product in which they will be incorporated are expected to be sold at or above cost..

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived based on quoted prices from active markets, their fair value is determined using valuation techniques including discounted cash flows models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent consideration resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions taken into consideration are the probability of meeting each performance target and the discount factor.

Impairment testing of non-financial assets

The Company's impairment testing for non-financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use and fair value less costs of disposal. Value in use for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.3 Significant accounting judgements, estimates and assumptions *continued*

Estimates and assumptions continued

Fair value less cost to sell for relevant cash-generating units is generally derived from discounted cash flow models using market based inputs and assumptions. Recoverable amount is most sensitive to price assumptions, foreign exchange rate assumptions and discount rates used in the cash flow models. The key assumptions used to determine the recoverable amount are fuller explained in note 11 to the financial statements, which relate to impairment testing..

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.

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. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

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.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

2.4 Summary of significant accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding sales tax, royalties, and other similar levies as applicable.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

Revenue recognition *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.

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. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Finance income

Interest income is recognised as the interest accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

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.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. The measurement of deferred income tax assets and liabilities reflects the tax consequences of the periods in which they are expected to be recovered or settled.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

Taxes *continued*

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the income statement.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, the difference is recognised as a gain in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units or group of cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or group of cash generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit or group of cash-generating units retained, except when the Company determines that some other method better reflects the goodwill associated with the operation disposed of.

Fair value measurement

The company measures financial instruments, such as, derivatives and non-financial assets, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

Fair value measurement *continued*

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

Interests in joint operations *continued*

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 ventures

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 jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

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 inception 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.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

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. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and related expenditure is reflected in the income statement in the year in which the expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation for intangible assets with finite lives is calculated on a straight-line basis as follows:

Computer software	4 years
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The amortisation period and the amortisation method for an intangible asset with finite useful lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

Intangible assets *continued*

asset. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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.

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. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Day-to-day servicing and maintenance costs are recognised in the consolidated income statement as incurred. 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 on a straight line basis over the estimated useful lives of as follows:

Office equipment, fixtures and fittings	3 to 5 years
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

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

Property, plant and equipment *continued*

are depreciated on a straight line basis over their estimated operating life. Spare parts used for normal repairs and maintenance are expensed when issued.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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.

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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

Impairment of non-financial assets *continued*

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-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.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment on an annual basis at the reporting date. Impairment is determined for goodwill by assessing the recoverable amount of the group of cash generating units to which the goodwill is allocated. When the recoverable amount of the group of cash generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Where applicable, for the purposes of testing goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that led to the creation of goodwill, and remain at the reporting date as estimated by the management are treated as part of the relevant group of cash-generating unit's.

Exploration & evaluation (E&E) costs

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.

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

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

Financial instruments *continued*

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.

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

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

Financial liabilities and equity instruments *continued*

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.

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 consolidated 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.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

2.4 Summary of significant accounting policies *continued*

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 Future change in accounting policies – standards issued but not yet effective

A number of new standards are effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted, however, the company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 15: Revenue from Contracts with Customers (1 January 2018)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Management has assessed the impact of IFRS 15 in line with the current revenue recognition policies. Based on this assessment, management believes that there will not be any material impact on the adoption of IFRS 15 in line with revenue recognition policies as detailed out in note 2.4.

The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Company will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 16: Leases (1 January 2019)

IFRS 16 will be adopted on the effective date of 1 January 2019. The Company is currently in the process of reviewing and categorising the Company's contracts and implementing the required information systems changes, however it is too early to quantify the impacts.

IFRS 9: Financial Instruments (1 January 2018)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – amendments to IFRS 4

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The Company's assessment did not indicate any material impact regarding classification of financial liabilities as at 1 January 2018.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	Year Ended 31 December 2017 \$'000	Year Ended 31 December 2016 \$'000
Oil, gas and condensate sales	730,097	652,341
Processing revenue	23,175	29,883
Other revenue	16,939	22,238
	<u>770,211</u>	<u>704,462</u>

Revenues have been derived from one business segment. Annual revenue from three (2016: one) external customers exceeds more than 10% of the Company's revenues and amounts to \$625,817,000 (2016: \$476,300,000).

4. Operating loss

	Year Ended 31 December 2017 \$'000	Year Ended 31 December 2016 \$'000
Operating loss is stated after charging:		
Depreciation, depletion and amortisation	120,878	351,881
Exploration and evaluation costs written off	8,824	22,268
Impairment of PP&E assets	-	473,661
Impairment of goodwill	-	182,626
Minimum lease payments under operating leases	19,197	21,144
	<u>148,999</u>	<u>1,051,580</u>

5. Auditors' remuneration

	Year Ended 31 December 2017 \$'000	Year Ended 31 December 2016 \$'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	306	286
Fees payable to the company's auditor and its associates for other services:		
Audit related assurance services	55	63
Tax advisory and compliance services	261	368
Total audit and non-audit fees	<u>622</u>	<u>717</u>

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

6. Staff numbers and costs

Average monthly number of persons employed

	Year Ended 31 December 2017 No.	Year Ended 31 December 2016 No.
Offshore based	280	259
Office & administration	265	268
	<u>545</u>	<u>527</u>

	Year Ended 31 December 2017 \$'000	Year Ended 31 December 2016 \$'000
Staff costs (including directors) during the year		
Wages and salaries	63,322	65,768
Social security costs	7,973	8,312
Pensions costs	10,984	11,192
	<u>82,279</u>	<u>85,272</u>

7. Finance income and finance costs

	Year Ended 31 December 2017 \$'000	Year Ended 31 December 2016 \$'000
Finance Income		
Bank interest income	2,934	755
	<u>2,934</u>	<u>755</u>
Finance Costs		
Interest on interest bearing loans and borrowings	-	8,776
Unwinding of discount on provisions (note 16)	142,327	138,419
Other interest	224	315
	<u>142,551</u>	<u>147,510</u>

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

8. Income Tax

	31 December 2017 \$'000	31 December 2016 \$'000
Current income tax charge	43,272	63,684
Credit for prior periods	(23,518)	(8,563)
	<u>19,754</u>	<u>55,121</u>
Deferred taxation charge (credit)	5,604	(335,498)
Impact of rate change	-	17,522
Adjustment for prior periods	11,622	(19,823)
	<u>17,226</u>	<u>(337,799)</u>
	<u>36,980</u>	<u>(282,678)</u>

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% (2016: 40%) to the profit before tax. The differences are explained below:

	31 December 2017 \$'000	31 December 2016 \$'000
Profit (Loss) before tax	<u>21,749</u>	<u>(858,328)</u>
Tax on profit (loss) at UK corporation tax rate of 40% (2016: 40%)	8,700	(343,331)
Expenses not deductible for tax purposes	10,759	126,024
Tax rate adjustment	-	17,522
PRT charges	(4,364)	(2,558)
PRT timing differences	26,670	(48,798)
Finance credits	(436)	(477)
Charges / (Credits) for prior periods	(11,896)	(28,386)
Other	7,547	(2,674)
Total tax	<u>36,980</u>	<u>(282,678)</u>

The tax rate shown above of 40% (2016: 40%) includes the 10% supplementary charge to corporation tax on UK North Sea profits (2016: 10%) and the standard UK corporation tax charge for oil and gas companies of 30%. There was no impairment of goodwill or PP&E during 2017 and therefore no impact on the deferred tax charge in the period. In comparison, the deferred tax credit in 2016 included \$170,541,000 relating to the impairment of PP&E in that year. There was no tax credit arising in respect of the impairment of goodwill in 2016, as goodwill connected with oil licences is no longer tax deductible. This follows from changes made in 2011 by the UK Government which removed goodwill connected with oil licences from the scope of tax deductions available under the intangibles assets regime, recognising that for prior periods there was scope for different interpretations. The Company recognised credits in respect of tax deductions for goodwill in years prior to 2011, which were subject to HMRC enquiries. These enquiries have now been closed and, where necessary, prior year adjustments have been recognised in 2017.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

9. Deferred tax

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

	\$'000
At 1 January 2016	829,600
Movement in the year	337,799
At 31 December 2016	1,167,399
Movement in the year	(17,226)
At 31 December 2017	1,150,173

Deferred income tax relates to the following:

	31 December 2017 \$'000	31 December 2016 \$'000
Accelerated depreciation for tax purposes	(240,583)	(319,165)
Asset retirement obligations	1,057,294	1,126,148
Short-term timing differences	13,023	13,234
PRT timing differences	320,439	347,182
	<u>1,150,173</u>	<u>1,167,399</u>

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

10. Intangible assets

	Emissions Rights \$'000	Software \$'000	Exploration & Evaluation Assets \$'000	Goodwill \$'000	Total \$'000
<i>Cost</i>					
At 1 January 2016	251	33,067	14,836	613,031	661,185
Additions	1,457	982	7,439	-	9,878
Derecognised	(1,708)	-	(22,268)	-	(23,976)
At 31 December 2016	-	34,049	7	613,031	647,087
Additions	2,439	1,165	8,817	-	12,421
Derecognised	(2,439)	-	(8,824)	-	(11,263)
At 31 December 2017	-	35,214	-	613,031	648,245
<i>Amortisation and impairment</i>					
At 1 January 2016	-	26,650	-	430,405	457,055
Provided in year	-	3,438	-	182,626	186,064
At 31 December 2016	-	30,088	-	613,031	643,119
Provided in year	-	2,023	-	-	2,023
At 31 December 2017	-	32,111	-	613,031	645,142
<i>Net book value</i>					
At 31 December 2017	-	3,103	-	-	3,103
At 31 December 2016	-	3,961	-	-	3,968

Note 11 provides further details of the goodwill balance and impairment testing.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

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.

The goodwill balance represents the requirement on accounting for business combinations to recognise deferred tax positions associated with timing differences generated on acquisition. Goodwill has not been allocated below the whole company segment (grouped CGU's) as this is the lowest level at which goodwill is monitored for internal management purposes. Goodwill is therefore tested for impairment at the whole company level.

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 for the countries from which products and services are originated, as well as data relating to specific commodities. Forecast figures are used if data is publicly available.

Commodity prices

Commodity prices follow a market view for the first five years (between \$57 and \$70 per barrel) and inflated at 2.0% thereafter.

Foreign exchange rates

Foreign exchange rates are based on forward average rates for 2017 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 (2016: 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 2017

12. Property, plant & equipment

	Development & Production Assets \$'000	Leasehold Equipment \$'000	Total \$'000
Cost			
At 1 January 2016	6,360,136	9,084	6,370,899
Additions	63,735	-	63,735
At 31 December 2016	6,423,871	9,084	6,434,634
Additions	80,832	-	80,832
Disposals	(197,198)	-	(197,198)
At 31 December 2017	6,307,505	9,084	6,318,268
Depletion and depreciation			
At 1 January 2016	4,618,307	5,653	4,625,639
Provided in year	350,987	894	351,881
Impairment charge	473,661	-	473,661
At 31 December 2016	5,442,955	6,547	5,451,181
Provided in year	118,009	846	118,855
Disposals	(31)	-	(31)
At 31 December 2017	5,560,933	7,393	5,570,005
Net book value			
At 31 December 2017	746,572	1,691	748,263
At 31 December 2016	980,916	2,537	983,453

Provision for impairment on property, plant and equipment

There was no impairment in the year ended 31 December 2017. During the prior year ended 31 December 2016, a pre-tax impairment charge of \$473,661,000, post-tax \$303,120,000 was recognised in the income statement, representing the write-down in the NNS & Brae CGUs primarily as a result of lower commodity prices.

The recoverable amounts were based on their fair value less costs of disposal (FVLCD). In determining FVLCD, appropriate discounted cash flow valuation models were used, incorporating market based assumptions.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

13. Trade and other receivables

	31 December 2017 \$'000	31 December 2016 \$'000
Trade receivables	7,061	4,668
Amounts due from group companies	439,790	345,025
VAT receivable	1,670	1,351
Other receivables	4,396	1,568
Prepayments and accrued income	129,307	108,800
	<u>582,224</u>	<u>461,412</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

14. Inventories

	31 December 2017 \$'000	31 December 2016 \$'000
Materials and equipment	<u>6,667</u>	<u>10,658</u>

15. Trade and other payables

	31 December 2017 \$'000	31 December 2016 \$'000
Trade payables	21,662	16,319
Amounts due to group companies	689	3,476
Corporation tax	50,220	81,573
Other taxes payable	10,267	15,922
Other payables	47,617	16,985
Accruals and deferred income	120,387	102,485
	<u>250,842</u>	<u>236,760</u>

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 2017 were equivalent to 27 days purchases (2016: 26 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.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

16. Provisions

	\$'000
<i>Decommissioning provisions</i>	
At 1 January 2017	2,906,168
Unwinding of discount (note 7)	142,327
Utilised during year	(76,145)
Changes in estimates	(200,535)
	<hr/>
At 31 December 2017	2,771,815 <hr/>

The decommissioning provision relates to the Company's oil and gas assets. These costs are expected to be incurred over the next 19 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 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 2017 \$'000	31 December 2016 \$'000
Not later than one year	18,843	19,197
After one year but not more than five years	12,582	32,874
After five years	7,689	967
	<hr/>	<hr/>

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

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 deficit of \$4,000 (2016: deficit of \$962,000). 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 \$422m 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 2017, bank letters of credit totalling \$125,144,000 (2016: \$112,000,000) 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.

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 2017 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 2017	(+ or -) 5%	8,689	8,689
31 December 2016	(+ or -) 5%	7,878	7,878

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.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

18. Financial risk management and financial instruments *continued*

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 2018, 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 related party loan balance and 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.

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 2016 and 2017	120,577,257	193,266	188,636	381,902

On the 9 May 2018 the Company issued shares to the value of \$550,000,000. Refer to subsequent events disclosure (note 26) for details.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

20. Reserves

	Capital Contribution \$'000	Retained earnings \$'000
At 1 January 2016	-	(594,455)
Loss for the year	-	(575,650)
Capital Contribution	271,203	-
At 31 December 2016	271,203	(1,170,105)
Profit (Loss) for the year	-	(15,231)
At 31 December 2017	271,203	(1,185,336)

On 21st September 2016, TAQA International B.V., the Company's immediate parent, by way of a capital contribution to the Company of \$271,203,000 absolutely, irrevocably and unconditionally released, waived and forever discharged the Company from all obligations and liabilities (past, present and future) in relation to payment of the loan principal balances.

After the balance sheet date, TAQA International B.V. made a further capital contribution of \$550,000,000. Refer to subsequent events disclosure (note 26) for details.

21. Net cash from operating activities

	31 December 2017 \$'000	31 December 2016 \$'000
Loss before tax for the year	21,749	(858,328)
Adjustments to reconcile profit for the year to net cash from operating activities:		
Depreciation, depletion and amortisation	120,878	355,319
Impairment of goodwill	-	182,626
Impairment of PP&E assets	-	473,661
Unwinding of discount on provisions	142,327	138,419
Finance costs	-	8,776
Decommissioning provision utilised	(76,145)	(28,432)
De-recognition of intangible assets	11,263	22,519
Operating cash flows before movements in working capital	220,072	294,560
(Increase) decrease in current assets	(27,579)	12,395
Increase (decrease) in current liabilities	55,911	(58,828)
Taxes paid	(65,271)	(4,394)
Net cash generated in operating activities	183,133	243,733

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

22. 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 \$689,000 (2016: \$3,476,000) (note 15), comprised as follows:

	Transaction value for the year end 31 December		Amounts owed to related parties as at 31 December	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Abu Dhabi Energy Company PJSC	3,947	3,450	604	3,361
TAQA North Limited	192	133	19	115
TAQA Energy Limited	936	57	66	-
TAQA Insurance Limited	10,111	11,600	-	-
	<u>15,146</u>	<u>15,240</u>	<u>689</u>	<u>3,476</u>

At the balance sheet date the Company had current balances due from fellow group companies of \$439,790,000 (2016: \$345,025,000) (note 13), comprised as follows:

	Transaction value for the year end 31 December		Amounts owed by related parties as at 31 December	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Abu Dhabi Energy Company PJSC	459	837	-	-
TAQA Atrush BV	767	906	12	11
TAQA Financial Services BV	-	-	422,375	332,898
TAQA North Limited	8	26	-	-
TAQA Energy Limited	1,170	1,059	-	220
Jorf Lasfar Energy Company	16	-	21	-
TAQA Bratani LNS Limited	5,426	7,117	17,382	11,896
	<u>7,846</u>	<u>9,945</u>	<u>439,790</u>	<u>345,025</u>

The above transactions are largely for services provided by group companies except for TAQA Insurance Limited which is in relation to the group insurance policy.

Transactions of the Company with directors

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

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

22. Related parties *continued*

Remuneration of key management personnel

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

	31 December 2017 \$'000	31 December 2016 \$'000
Short-term employee benefits	3,446	3,052
Post-employment benefits	127	120
	<u>3,573</u>	<u>3,172</u>

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 \$896,000 (2016: \$574,000).

Awad Saeed Bakhit Saeed Alketbi, Vivek Gambhir, Saeed Hamad Al Dhaheri 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.

23. Controlling party

At 31 December 2017, 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.taqa-global.com/investors. The ultimate parent of the Company is Abu Dhabi Water and Electrical Authority (ADWEA), whose financial statements are not publicly available. ADWEA is wholly owned by the government of Abu Dhabi.

After the balance sheet date, ADWEA was amalgamated into the newly formed Abu Dhabi department of energy. Refer to subsequent events disclosure (note 26) for details.

24. 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.

25. Commitments and contingencies

Amounts contracted for at the reporting date but not provided in the financial statements amounted to \$214,305,000 (2016: \$84,701,000).

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 2017 and 2023.

The Company has entered into decommissioning security agreements for a number of 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.

TAQA BRATANI LIMITED

Notes to the Financial Statements Year ended 31 December 2017

25. Commitments and contingencies *continued*

In respect of certain 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 will be required to replace or supplement some or all of the parent guarantee with other acceptable credit support but no outcomes were 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 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 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.

26. Subsequent events

Recapitalisation

Following the reduction in oil prices throughout 2015 and 2016, and consequent impairment charges booked in the financial statements, the Company's parent, TAQA International B.V., injected share capital of \$550,000,000 on 9 May 2018 as a capital contribution. Cash payment of the share capital is deferred to the 10th anniversary of the issue or, if sooner, immediately upon a written demand or demands by the Company (supported by unanimous resolution of the directors of the Company).

Ultimate parent

On 25 March 2018, the TAQA Group's ultimate parent, Abu Dhabi Water & Electricity Authority (ADWEA) was amalgamated into the emirates newly established department of energy.