

REGISTERED NUMBER: 07229424 (England and Wales)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
FORTIS PETROLEUM UK LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2013**

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FORTIS PETROLEUM UK LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

DIRECTORS:	M S Haagaard G F Landsend
COMPANY SECRETARY:	WFW Legal Services Limited
REGISTERED OFFICE:	C/O WFW Legal Services Limited 15 Appold Street London EC2A 2HB
REGISTERED NUMBER:	07229424 (England and Wales)
ACCOUNTANTS:	Gary Sargeant + Company Chartered Accountants and Statutory Auditors 5 White Oak Square London Road Swanley Kent BR8 7AG
BANKERS:	DnB Bank ASA 20 St Dunstan's Hill London EC3R 8HY
SOLICITORS:	Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

FORTIS PETROLEUM UK LIMITED (REGISTERED NUMBER: 07229424)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2013

SMALL COMPANIES' EXEMPTIONS

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was that of exploration for oil and gas

REVIEW OF BUSINESS

During 2013, the Company performed regional and semi-regional screening in preparation for the upcoming UK 28th Offshore Licencing Round as well as specific block evaluations related to potential farm-in opportunities

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2013 (2012 £Nil)

FUTURE DEVELOPMENTS

Fortis Petroleum UK Limited has the potential for growth by participating in concession rounds on the UK Continental Shelf in addition to identified and potential farm-in opportunities

DIRECTORS

The directors shown below held office during the year from 1 January 2013 and to the date of this report

M S Haagaard

G F Landsend

All the directors who are eligible offer themselves for election at the forthcoming Annual General Meeting

RISKS AND UNCERTAINTIES

The future risks and uncertainties are limited due to the assets and funds made available by the parent company which secures continued operations

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD:



M S Haagaard - Director



G F Landsend - Director

6 March 2014

6 March 2014

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF FORTIS PETROLEUM UK LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by Fortis Petroleum UK Limited, comprise

- the Profit and Loss Account,
- the Balance Sheet, and
- the Notes to the Financial Statements

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF FORTIS PETROLEUM UK LIMITED

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing



Peter Acloque (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

6 March 2014

FORTIS PETROLEUM UK LIMITED (REGISTERED NUMBER: 07229424)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £	2012 £
TURNOVER		-	-
Administrative expenses		<u>(162,759)</u>	<u>(165,283)</u>
		(162,759)	(165,283)
Other operating income	2	<u>139,421</u>	<u>135,766</u>
OPERATING LOSS	4	(23,338)	(29,517)
Interest payable and similar charges	5	<u>(9,527)</u>	<u>(7,466)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(32,865)	(36,983)
Tax on loss on ordinary activities	6, 11	<u>162</u>	<u>280</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(32,703)</u></u>	<u><u>(36,703)</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current year or previous year

There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above their historical cost equivalents

FORTIS PETROLEUM UK LIMITED (REGISTERED NUMBER: 07229424)**BALANCE SHEET
AS AT 31 DECEMBER 2013**

	Notes	2013 £	2012 £
FIXED ASSETS			
Tangible assets	7	703	1,518
CURRENT ASSETS			
Debtors	8	486	324
Cash at bank and in hand		<u>14,936</u>	<u>23,573</u>
		15,422	23,897
CREDITORS			
Amounts falling due within one year	9	<u>(17,768)</u>	<u>(20,998)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(2,346)</u>	<u>2,899</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,643)	4,417
CREDITORS			
Amounts falling due after more than one year	10	(158,048)	(131,243)
PROVISIONS FOR LIABILITIES	11	<u>(141)</u>	<u>(303)</u>
NET LIABILITIES		<u>(159,832)</u>	<u>(127,129)</u>
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	<u>(159,932)</u>	<u>(127,229)</u>
TOTAL SHAREHOLDERS' DEFICIT	18	<u>(159,832)</u>	<u>(127,129)</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on and were signed on its behalf by



M S Haagaard - Director



G Landsend - Director

6 March 2014

6 March 2014

The notes on pages 8 to 13 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1 ACCOUNTING POLICIES

Going Concern Basis

The financial statements have been prepared on the going concern basis, given that Fortis Petroleum UK Limited has the full on-going support of its parent company Fortis Petroleum Corporation AS for at least 12 months from the date of approval of these financial statements and the directors have received confirmation from Fortis Petroleum Corporation AS that this is the case. In addition, Fortis Petroleum Norway AS, has agreed not to demand repayment of amounts due by the company until the company is in a position to do so.

Accounting convention

The financial statements were prepared under the historical cost convention and in accordance with the Companies Act 2006, applicable United Kingdom accounting standards and the Statement of Recommended Practice of Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities issued in June 2001 (the "SORP") in so far as it is relevant to the company's operations. The accounting policies have been applied consistently.

Cash flow statement

The directors have taken advantage of the exemption in FRS1 (revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent publishes a consolidated cash flow statement.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant and machinery - 33% per annum on cost

Exploration and development expenditure

In accordance with the successful efforts method, licence acquisition costs and all costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs and other direct costs of exploration and appraisals are accumulated and capitalised as intangible assets, pending determination.

Costs incurred prior to acquiring the rights to explore are charged directly to the profit and loss account. On completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered, then, following development sanction, the carrying value of the relevant intangible asset will be reclassified as a development and production asset and transferred to tangible fixed assets and depreciated over the expected productive life of the asset. Whenever a project is considered no longer viable the associated exploration expenditure is written off to the profit and loss account.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The Company contributes into a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the year to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

1 ACCOUNTING POLICIES - continued

Taxation

Current tax, including UK corporation tax and foreign tax, is provided on taxable profits at the current rate of taxation

Deferred tax is recognised in respect of all timing difference that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

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

Other operating income

Other operating income consists of recharges to Fortis Petroleum Norway AS and Fortis Petroleum Corporation AS. The recharges are for staff expenses and man hours relating to the two companies

2 OTHER OPERATING INCOME

	2013	2012
	£	£
Management recharges	<u>139,421</u>	<u>135,766</u>

3 STAFF COSTS

	2013	2012
	£	£
Wages and salaries	113,794	91,875
Social security costs	14,648	11,660
Other pension costs	<u>7,844</u>	<u>7,350</u>
	<u>136,286</u>	<u>110,885</u>

The average monthly number of employees, including the directors, during the year was as follows

	2013	2012
Management and administration	2	2
Technical	<u>1</u>	<u>1</u>
	<u>3</u>	<u>3</u>

The directors did not receive any emoluments in respect of their services to the company (2012: £nil)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

4 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2013	2012
	£	£
Depreciation - owned assets	815	815
Auditors' remuneration	8,000	7,700
Foreign exchange differences	<u>(13,897)</u>	<u>4,031</u>
Directors' remuneration	<u>-</u>	<u>-</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
Interest paid to group companies	<u>9,527</u>	<u>7,466</u>

6 TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of the tax charge

The tax charge on the loss on ordinary activities for the year was as follows

	2013	2012
	£	£
Deferred tax (see note 11)	<u>(162)</u>	<u>(280)</u>
Tax on loss on ordinary activities	<u>(162)</u>	<u>(280)</u>

Factors affecting the tax charge

The tax assessed for the year is higher (2012 – higher) than the standard rate of corporation tax in the UK. The difference is explained below

	2013	2012
	£	£
Loss on ordinary activities before tax	<u>(32,865)</u>	<u>(36,983)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 - 24.50%)	(7,641)	(9,061)
Effects of Capital allowances in excess of depreciation for which deferred tax is not recognised	189	200
Unrecognised tax losses	<u>7,452</u>	<u>8,861</u>
Current tax charge	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

6 TAX ON LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION-continued

Factors affecting current and future tax charges

During the year, the UK corporation tax rate reduced from 24% to 23%, effective from 1 April 2013. The UK corporation tax rate will further reduce to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes were substantially enacted on 2 July 2013. The impact of these changes is expected to be immaterial.

A deferred tax asset of £33,115 (2012: £28,897) in respect of available tax losses has not been recognised as at 31 December 2013. Given the uncertainty of the timing of future profits it is not considered appropriate to recognise the deferred tax asset at this time.

7 TANGIBLE FIXED ASSETS

	Plant and machinery £
COST	
At 1 January 2013 and 31 December 2013	<u>2,469</u>
ACCUMULATED DEPRECIATION	
At 1 January 2013	951
Charge for year	<u>815</u>
At 31 December 2013	<u>1,766</u>
NET BOOK VALUE	
At 31 December 2013	<u>703</u>
At 31 December 2012	<u>1,518</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

8 DEBTORS:

	2013	2012
	£	£
Other debtors	261	96
Prepayments	<u>225</u>	<u>228</u>
	<u>486</u>	<u>324</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Trade creditors	1,290	3,396
Amounts owed to group undertakings	175	770
Taxation and social security	4,287	4,032
Accruals	<u>12,016</u>	<u>12,800</u>
	<u>17,768</u>	<u>20,998</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013	2012
	£	£
Amounts owed to group undertakings	<u>158,048</u>	<u>131,243</u>

11 PROVISIONS FOR LIABILITIES

	2013	2012
	£	£
Deferred tax		
Accelerated capital allowances	<u>141</u>	<u>303</u>

	Deferred tax
	£
Balance at 1 January 2013	303
Charge for the year	<u>(162)</u>
Balance at 31 December 2013	<u>141</u>

12 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			2013	2012
Number	Class	Nominal value	£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

13 PROFIT AND LOSS ACCOUNT

	£
At 1 January 2013	(127,229)
Loss for the year	<u>(32,703)</u>
At 31 December 2013	<u>(159,932)</u>

14 ULTIMATE PARENT COMPANY

The immediate parent undertaking is Fortis Petroleum Corporation AS, a company incorporated in Norway

Fortis Petroleum Corporation AS is majority owned by Azinor Petroleum Ltd, a company incorporated in Bermuda

Fortis Petroleum Corporation AS is the only parent undertaking of the group of undertakings to consolidate these financial statements. The consolidated financial statements of Fortis Petroleum Corporation AS can be obtained from Fortis Petroleum Corporation AS, Solbråveien 20, 1383 Asker, Norway

15 CONTINGENT LIABILITIES

The Company had no contingent liabilities at 31 December 2013 (2012 £Nil)

16 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2013 (2012 £Nil)

17 RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption available under Financial Reporting Standard 8. Related party disclosures not to disclose transactions with other group companies, due to the Company being wholly owned by Fortis Petroleum Corporation AS which has publicly available consolidated financial statements.

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2013 £	2012 £
Loss for the financial year	(32,703)	(36,703)
	<hr/>	<hr/>
Net surplus of shareholders' deficit	(32,703)	(36,703)
Opening shareholders' deficit	<u>(127,129)</u>	<u>(90,426)</u>
Closing shareholders' deficit	<u>(159,832)</u>	<u>(127,129)</u>