Company No.

9696268

ANASURIA HIBISCUS UK LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Company No.
9696268

ANASURIA HIBISCUS UK LIMITED

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ANASURIA HIBISCUS UK LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for the financial year ended 30 June 2017.

GENERAL

The Company is a private limited company, incorporated and domiciled in England and Wales. The registered office and principal place of business are as follows:

Registered office:	78 Cannon Street, London, United Kingdom.
Principal place of business:	Bridge View, 1 North Esplanade West, Aberdeen AB11 5QF, United Kingdom.

The holding company is Atlantic Hibiscus Sdn. Bhd. ("Atlantic Hibiscus"), a company incorporated in Malaysia. The ultimate holding company is Hibiscus Petroleum Berhad ("Hibiscus Petroleum"), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

BUSINESS REVIEW

The Company is principally engaged in the exploration and production of oil and gas. There have been no significant changes in the nature of these activities during the financial year.

During the previous financial period, on 10 March 2016, the Company, with Ping Petroleum UK Limited ("Ping Petroleum UK"), completed the transaction to each acquire 50% of the entire interests of Shell U.K. Limited ("Shell UK"), Shell EP Offshore Ventures Limited ("Shell EP") and Esso Production and Production UK Limited ("Esso UK") in the Anasuria Cluster of oil and gas fields.

The Anasuria Cluster is located approximately 175 kilometres east of Aberdeen in the United Kingdom ("UK") Central North Sea and consists of:

- 100% interest in the Guillemot A field and the related field facilities ("Guillemot A");
- 100% interest in the Teal field and the related field facilities ("Teal");
- 100% interest in the Teal South field and the related field facilities ("Teal South");
- 38.65% interest in the Cook field and the related field facilities ("Cook"); and
- 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading ("FPSO") unit and the related equipment.

There is no expiry date for the license covering the Guillemot A, Teal and Teal South fields. The license for the Cook field expires on 15 March 2018. Application for extension of the license for the Cook field has been submitted to the UK authorities, of which the outcome is pending as at the reporting date. The license is expected to be extended.

The Company, together with Ping Petroleum UK has established the joint operating company, Anasuria Operating Company Limited ("AOCL") in Aberdeen and this company has been approved as the license operator for the assets by the Secretary of State for Energy and Climate Change of the UK Government. On 10 March 2016, AOCL successfully assumed the role of operator for the assets from Shell UK.

BUSINESS REVIEW (CONTINUED)

The Company recorded its first lifting of crude oil in the financial quarter ended 31 March 2016. In the current financial year, the Company sold four offtakes of crude oil compared to the two cargoes sold in the previous financial period. Two cargoes were sold in the previous financial period because the purchase of the Anasuria asset, which contributed to these cargo sales was only completed three months prior to the end of the previous financial period.

Revenue and gross profit from the sale of oil and gas production in the current financial year amounted to United States Dollars ("USD")59.7 million and USD38.0 million respectively. In the previous financial period, such revenue and gross profit amounted to USD19.0 million and USD8.8 million respectively.

Two wells which were shut-in by the previous operator for high hydrogen sulphide ("H2S") production levels, namely Guillemot A-P1 and Teal South-P1, were recently reopened. Both wells are currently producing. Chemical injection levels at the Anasuria FPSO have been enhanced to maintain H2S levels below the gas export limits. A positive financial impact in respect of the implementation of these initiatives will likely be observed by the end of calendar year 2017.

As joint operator of the Anasuria Cluster, the Company continuously focuses on optimising asset performance but it is equally important to note that the performance is impacted daily by external macroeconomic factors over which the Company exert minimal control.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to various risks and uncertainties in the course of its business. The principal risks and uncertainties that may adversely impact its business, financial condition or operating results are discussed below.

1. Market prices for crude oil and gas

   A substantial or extended decline in crude oil or gas prices would reduce the Company's operating results and cash flows and could adversely impact its future rate of growth and the carrying value of its assets.

   Prices for crude oil and gas fluctuate widely. Many of the factors influencing prices of crude oil and gas are beyond the Company's control. The factors include:

   - worldwide supply and demand for crude oil and gas,
   - the cost of exploring for, developing and producing oil and gas,
   - the ability of the members of Organization of the Petroleum Exporting Countries ("OPEC") to agree to and maintain production controls,
   - political instability or armed conflict in oil-producing regions,
   - changes in weather patterns and climatic changes,
   - natural disasters such as hurricanes and tornados,
   - the price and availability of alternative and competing fuels,
   - domestic and foreign governmental regulations and taxes, and
   - general economic conditions worldwide.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINEUD)

1. Market prices for crude oil and gas (continued)

The long-term effects of these and other factors on the prices of crude oil and gas are uncertain.

Significant reductions in crude oil and gas prices could require the Company to reduce its capital expenditures and impair the carrying value of its assets.

2. Estimates of crude oil and gas reserves

Estimates of crude oil and gas reserves depend on many factors.and assumptions, including various assumptions that are based on conditions in existence as at the dates of the estimates. Any material changes in those conditions or other factors affecting those assumptions could impair the quantity and value of the Company's crude oil and gas reserves, as discussed in Note 3(m)(i) to the financial statements.

3. Environmental matters and decommissioning provision

The Company will continue to incur significant capital expenditures and operating costs as a result of compliance with, and changes in, environmental and decommissioning laws and regulations, and, as a result, its profitability could be materially reduced.

The Company provides for decommissioning liabilities in its financial statements in accordance with International Financial Reporting Standards ("IFRSs"). Additional information regarding decommissioning liabilities is set forth in the Note 24 to the financial statements. The process of estimating decommissioning liabilities is complex and involves significant uncertainties concerning the timing of the decommissioning activity, legislative changes, technological advancement, regulatory, environmental and political changes, and the appropriate discount rate used in estimating the liability.

4. Unexpected business interruptions and uninsured losses

The Company's operations are subject to business interruptions and casualty losses and it does not insure against all potential losses and, therefore, it could be seriously harmed by unexpected liabilities.

The Company's production operations are subject to unplanned occurrences, including blowouts, explosions, fires, loss of well control, spills, adverse weather, labour disputes and accidents. Its operations are also subject to the additional hazards of pollution, releases of toxic gas and other environmental hazards and risks, as well as the hazards of marine operations, such as capsizing, collision and damage or loss from severe weather conditions. These hazards could result in loss of human life, significant damage to property and equipment, environmental pollution, impairment of operations and substantial financial losses.

The Company maintains insurance against many, but not all, potential losses or liabilities arising from these operating hazards in amounts that management believes to be prudent. Uninsured losses and liabilities arising from operating hazards could reduce the funds available to the Company for production, and could materially reduce the Company's profitability.

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STRATEGIC REPORT (CONTINUED)

KEY PERFORMANCE INDICATORS

As of 30 June 2017, the Company has been involved in the joint operations of the Anasuria asset for circa fifteen months. Over the fifteen-month period, several milestones have been achieved in areas under the joint operational control which are reflected in the performance indicators shown below:

	Units	March to June 2016	July to September 2016	October to December 2016	January to March 2017	April to June 2017
Average daily oil production rate	barrel ("bbl")/day	2,971	3,032	3,934	2,617	3,204
Average daily gas export rate @	bbl of oil equivalent ("boe")/day	236	374	474	257	317
Average daily oil equivalent production rate	boe/day	3,206	3,406	4,408	2,873	3,522
Average realised oil price	USD/bbl	40.14	45.21	41.70	52.95	50.46
Average gas price	USD/million British thermal units ("mmbtu")	1.19 ∞/ 3.08 #	1.33 ∞/ 3.30 #	1.73 ∞/ 4.16 #	2.11 ∞/ 4.94 #	1.60 ∞/ 3.88 #
Average operating costs per boe	USD/boe	23.13	18.39	12.97	15.12	13.98
Average uptime/ availability of Anasuria facilities	%	88	82	98	76	84

@ *Conversion rate of 6,000 standard cubic feet ("scf")/boe.*

∞ *For Cook field.*

\# *For Guillemot, Teal and Teal South fields.*

On behalf of the Board,

Dr Kenneth Gerard Pereira
Director

6 December 2017

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ANASURIA HIBISCUS UK LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the financial year ended 30 June 2017.

FUTURE DEVELOPMENT

In respect of the Anasuria Cluster, the Company had identified several projects for execution during the period commencing mid-2017 and continuing until mid-2018. These projects are on track and will enhance production volumes by bringing on-stream petroleum resources that have already been discovered. Recognising the fact that the Company is building up the project execution experience in the UK sector of the North Sea, the Company shall initially commence undertaking activities that are low in terms of technical complexity and business risk exposure. The Company is also currently putting in place the necessary financing to ensure that the Company is able to undertake these projects in a timely fashion, if necessary.

Further information on the future development is included at an aggregate level in the Annual Report of its ultimate holding company, Hibiscus Petroleum.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices, credit risk, liquidity risk, interest rate risk and foreign exchange rate risk.

Price risk

Commodity price risk related to crude oil is the Company's significant market risk exposure. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC actions, political events and supply and demand fundamentals. The Company is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices and local market conditions. The Company's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Company may periodically use different types of derivative instrument to manage its exposure to price volatility, thus mitigating fluctuation in commodity-related cash flows.

Credit risk

The Company's accounts receivable with customers in the oil and gas industry are subject to normal industry credit risks. Oil production from the Anasuria Cluster is sold to BP Oil International Limited. Gas production from the Anasuria Cluster is sold to Shell UK and Esso UK.

The Company regularly monitors all customer receivables balances outstanding in excess of 90 days. As at 30 June 2017, all trade receivables were current (being defined as less than 90 days). The Company has no allowance for doubtful debts as at 30 June 2017.

Liquidity risk and cash flow risk

The Company along with its ultimate holding company will ensure it has sufficient available funds to operate its existing licenses and participate in future opportunities.

DIVIDENDS

No dividend was paid since the date of incorporation and the Directors do not recommend the payment of any dividend for the current financial year.

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ANASURIA HIBISCUS UK LIMITED

DIRECTORS' REPORT (CONTINUED)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no significant subsequent events identified after the 30 June 2017 year end.

DIRECTORS

The following persons served as Directors of the Company during the financial year and up to the date of signing of this report:

Dr Kenneth Gerard Pereira
Devarajan Indran
Lim Kock Hooi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year/period. Under that law the Directors have prepared the financial statements in accordance with IFRSs as adopted by the European Union.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and estimates that are reasonable and prudent; 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.

The Directors 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.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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ANASURIA HIBISCUS UK LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

On behalf of the Board,

Dr Kenneth Gerard Pereira
Director

6 December 2017

Independent auditors' report to the members of Anasuria Hibiscus UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Anasuria Hibiscus UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit and cash flows 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2017; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Anasuria Hibiscus UK Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Bruce Collins

Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
6 December 2017

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ANASURIA HIBISCUS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Financial year ended 30.06.2017 USD	21.07.2015 (date of incorporation) to 30.06.2016 USD
Revenue	4	59,658,389	18,989,726
Cost of sales	5	(21,624,428)	(10,151,636)
Gross profit		38,033,961	8,838,090
Other income	6	8,259,184	2,542
Administrative expenses		(3,867,148)	(8,764,558)
Other expenses	7	(17,926,856)	(5,748,503)
Finance costs	8	(5,293,816)	(1,945,032)
Negative goodwill from business combination	11	-	88,411,703
Profit before taxation	9	19,205,325	80,794,242
Taxation	10	10,786,286	22,290
Profit after taxation/Total comprehensive income for the financial year/period		29,991,611	80,816,532

The notes on pages 15 to 50 are an integral part of these financial statements.

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ANASURIA HIBISCUS UK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 USD	2016 USD
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13	179,234,175	190,042,855
Property, plant and equipment	14	89,175,291	100,218,838
		268,409,466	290,261,693
CURRENT ASSETS			
Trade receivables	15	259,872	67,085
Other receivables, deposits and prepayments	16	1,237,300	4,093,048
Amount owing by holding company	17	1	1
Amount owing by ultimate holding company	27	5,482,904	-
Inventories	18	930,393	1,382,536
Cash and cash equivalents	19	11,869,331	1,954,295
		19,779,801	7,496,965
TOTAL ASSETS		288,189,267	297,758,658
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	2	2
Retained earnings		110,808,143	80,816,532
TOTAL EQUITY		110,808,145	80,816,534
NON-CURRENT LIABILITIES			
Deferred consideration	21	-	6,622,156
Contingent consideration	22	408,858	370,103
Deferred tax liabilities	23	75,075,541	96,601,720
Provision for decommissioning costs	24	80,720,615	88,852,512
		156,205,014	192,446,491

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ANASURIA HIBISCUS UK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017 (CONTINUED)

	Note	2017 USD	2016 USD
CURRENT LIABILITIES			
Trade payables	25	56,254	15,030
Current tax liabilities		8,106,754	-
Other payables and accruals	26	3,686,983	5,926,330
Deferred consideration	21	7,315,582	13,920,478
Amount owing to ultimate holding company	27	-	4,126,909
Amount owing to a related party	28	2,010,535	506,886
		21,176,108	24,495,633
TOTAL LIABILITIES		177,381,122	216,942,124
TOTAL EQUITY AND LIABILITIES		288,189,267	297,758,658

The notes on pages 15 to 50 are an integral part of these financial statements.

The financial statements on pages 10 to 50 were authorised for issue by the Board of Directors on 6 December 2017 and were signed on its behalf.

Dr Kenneth Gerard Pereira
Director

Anasuria Hibiscus UK Limited
Registered no. 9696268

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ANASURIA HIBISCUS UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Share capital USD	Retained earnings USD	Total USD
Balance as at the date of incorporation, 21 July 2015	2	-	2
Profit after taxation/Total comprehensive income for the financial period	-	80,816,532	80,816,532
Balance as at 30 June 2016	2	80,816,532	80,816,534
Balance as at 1 July 2016	2	80,816,532	80,816,534
Profit after taxation/Total comprehensive income for the financial year	-	29,991,611	29,991,611
Balance as at 30 June 2017	2	110,808,143	110,808,145

The notes on pages 15 to 50 are an integral part of these financial statements.

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ANASURIA HIBISCUS UK LIMITED

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Financial year ended 30.06.2017 USD	21.07.2015 (date of incorporation) to 30.06.2016 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		19,205,325	80,794,242
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets		17,926,856	5,586,614
Finance costs		5,293,816	1,945,032
Impairment of receivables		1,008,568	-
Unrealised foreign exchange (gain)/loss		(7,579,058)	107,462
Negative goodwill from business combination	11	-	(88,411,703)
Operating profit before working capital changes		35,855,507	21,647
Trade receivables		(183,973)	(72,365)
Other receivables, deposits and prepayments		1,847,180	(4,093,048)
Amount owing by holding company		(9,645,949)	(1)
Inventories		452,143	4,028,987
Trade payables		41,224	15,030
Other payables and accruals		(657,823)	4,024,055
Amount owing to ultimate holding company		-	4,239,173
Amount owing to a related party		1,503,603	506,886
CASH GENERATED FROM OPERATIONS		29,211,912	8,670,364
Tax paid		(2,633,139)	-
Net cash flow generated from operating activities		26,578,773	8,670,364
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(144,142)	-
Net cash outflow arising from business combination		(16,587,955)	(6,693,761)
Net cash flow used in investing activities		(16,732,097)	(6,693,761)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from issuance of shares		-	2
Net cash flow generated from financing activity		-	2
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,846,676	1,976,605
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		68,360	(22,310)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/DATE OF INCORPORATION		1,954,295	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	19	11,869,331	1,954,295

The notes on pages 15 to 50 are an integral part of these financial statements.

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ANASURIA HIBISCUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1 GENERAL INFORMATION

The Company is a private limited company, incorporated and domiciled in England and Wales.

Details of the registered office, principal place of business, holding company and the ultimate holding company are as stated in the Strategic Report.

The Company is principally engaged in the exploration and production of oil and gas.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with IFRS and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The financial statements are presented in USD and all values are rounded to the nearest dollar, unless otherwise indicated.

Going concern

As at 30 June 2017, the Company is in a net current liabilities position of USD1,396,307 (2016: USD16,998,668).

The Directors are of the view that the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements, and there is no material uncertainty on their ability to continue as a going concern. Therefore, the Directors have prepared the financial statements of the Company on a going concern basis.

The Company's cash requirements for the next twelve months include the settlement of the final tranche of the deferred consideration for the acquisition of the Anasuria Cluster and operational requirements for the Anasuria Cluster.

In preparing the cash flow forecast for the next twelve months, the Directors expect to fund their obligations via cash inflow from the operations of the Anasuria Cluster. The cash inflow assumes six offtakes of approximately 250,000 bbls per offtake net to the Company from the Anasuria Cluster production. The production profile is in line with the production profile estimated as at the reporting date. For the purposes of the cash flow forecast, the oil prices are estimated based on Brent futures prices in 2017 and 2018 which range from USD51.54 per bbl to USD56.36 per bbl. The Brent futures is a proxy for the prevailing spot prices on the respective offtake dates.

The ultimate holding company, Hibiscus Petroleum, has informed the Company its present intention to provide financial support to the Company for the next twelve months from the date of the financial statements so as to enable the Company to meet its liabilities as and when they fall due and to carry on its business without curtailment of operations.

2 BASIS OF PREPARATION (CONTINUED)

Changes in accounting policy and disclosures

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and are effective

The Company has applied the following amendments for the first time for the financial year beginning on 1 July 2016:

- Amendments to IAS 1 'Presentation of Financial Statements - Disclosure Initiative'
- Amendments to IAS 27 'Equity Method in Separate Financial Statements'
- Amendments to IFRS 10, IFRS 12 & IAS 28 'Investment Entities - Applying the Consolidation Exception'
- Annual Improvements to IFRSs 2012 - 2014 Cycle

The adoption of the above amendments did not have any impact on the current financial year or any prior financial period.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2016. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- Amendments to IAS 7 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to IAS 12 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

- IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. IAS 21 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IFRIC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

2 BASIS OF PREPARATION (CONTINUED)

Changes in accounting policy and disclosures (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IFRIC Interpretation 22 retrospectively or prospectively.

- IFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations.

  The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- IFRS 9 'Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2018) replaces the parts of IAS 39 'Financial instruments: Recognition and Measurement' that relate to the classification and measurement of financial instruments.

  IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  IFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in IAS 39. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

2 BASIS OF PREPARATION (CONTINUED)

Changes in accounting policy and disclosures (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

- IFRS 16 'Leases' (effective from 1 January 2019) supersedes IAS 17 'Leases' and the related interpretations.

  Under IFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  IFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). IFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. All leases are on the balance sheet under IFRS 16.

  The right-of-use asset is depreciated in accordance with the principle in IFRS 16 and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, IFRS 16 retains most of the requirements in IAS 17. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IFRIC Interpretation 23 will be applied retrospectively.

The Company is currently assessing the impact of adopting the above standards and amendments to published standards on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

(a) Investment in a joint arrangement

The Company is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Company and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Company classifies its interests in joint arrangements as Joint operations: where the Company has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Company considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Company accounts for its in interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(b) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates, which is the functional currency.

The financial statements are presented in USD, which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the reporting date are recognised in profit or loss.

Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

Financial instruments are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as a liability or an asset are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial assets

The Company classifies its financial assets in the following categories: at FVTPL, held-to-maturity, loans and receivables, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. The Company determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date. The Company had only financial assets classified as loans and receivables at the reporting date. The Company's loans and receivables comprise of trade receivables, other receivables and deposits, amount owing by holding company and cash and bank balances in the statement of financial position.

Loans and receivables financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial liabilities

All financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. The Company had not entered into any hedging activities as at the reporting date. The Company's other financial liabilities comprise of trade payables, other payables and accruals, amount owing to ultimate holding company, amount owing to a related party, deferred consideration and contingent consideration.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

(iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets

(i) Other intangible assets

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is 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 profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Amortisation of producing oil and gas properties is computed based on the unit of production method using proven and probable reserves for capitalised acquisition costs.

Amortisation of other intangible assets are based on the cost of an asset less its residual value and is amortised from the date they are available for use. The intangible assets will be amortised using the unit of production method.

Changes in 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 treated as a change in the accounting estimate. Cost associated with production and general corporate activities are expensed in the period incurred. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The costs of an item of property, plant and equipment initially recognised include purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

FPSO	5%

The depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. The effects of any revision are recognised in profit or loss when the changes arise.

Expenditure on the construction, installation and completion of infrastructure facilities of oil and gas assets is capitalised within property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Expenses incurred for the construction of tangible assets attributable to ongoing projects incurred are capitalised as 'work in progress'. Capitalisation is made within tangible assets according to the nature of the expenditure. No depreciation is charged during this phase until the asset is ready for use. The depreciation rate would be calculated based on the useful life of the asset to be assessed once it is ready for use.

Depreciation of oil and gas assets comprising subsea facilities and equipment is computed based on the unit-of-production method using proven and probable developed reserves.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at FVTPL), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

(ii) Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when there is an indication that these assets may be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of an asset is the higher of the assets' fair value less costs of disposal and their value in use, which is measured by reference to discounted future cash flows. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

(g) Inventories

Inventories of diesel, chemical and spares are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of petroleum products includes direct costs and transportation charges incurred in bringing the inventories to their present condition and location, and is determined on a weighted average basis.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits with licensed banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and excludes restricted cash.

(i) Provisions

(i) Decommissioning costs

Provision for future decommissioning costs is made in full when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Periodic estimates are made for such future facility abandonment costs. The estimated cost of decommissioning and restoration is discounted to its net present value. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit-of-production basis over proven and probable developed reserves. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the oil and gas asset.

The unwinding of the discount applied to future decommissioning provisions is included under finance costs in profit or loss as hydrocarbons are produced. The estimated interest rate used in discounting the cash flow is reviewed at least annually.

Any change in the expected future cost, interest rate and inflation rate is reflected as an adjustment in the provision for decommissioning costs of the corresponding oil and gas asset.

(ii) Other

Provisions are recognised when the Company has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The increase in the provision due to passage of time is recognised as finance cost.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Current and deferred taxation

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred tax liability is recognised on temporary differences on investments in subsidiaries, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax is measured:

(i) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from business combination is adjusted against goodwill on acquisition, if any.

(k) Revenue

Sale of oil and gas products

Oil and gas revenues comprise the Company's share of sales of hydrocarbons when the significant risks and rewards of ownership have been passed to the buyer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Under/overlift

The initial measurement of the overlift liability and underlift asset is at market price of oil at the date of lifting. Subsequent measurement depends on the terms of agreement. If agreement allows the net settlement of overlift and underlift balances in cash, the balances will fall within the scope of IAS 39. Overlift and underlift balances that fall within the scope of IAS 39 are to be remeasured to the current market price of oil at the reporting date. Overlift and underlift balances that do not fall within the scope of IAS 39 are measured at the lower of carrying amount and current market value. The change arising from the re-measurement is included in other income or other expenses.

(m) Critical estimates and judgement

(i) Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Company's investment decision making process. They are also an important element in testing for impairment. Changes in proved and probable developed oil and gas will affect unit-of-production depreciation charges to profit or loss. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made.

Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flow, depreciation, depletion and amortisation charges, and decommissioning provisions) that are based on proved reserves are also subject to change.

Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty.

All proved reserves 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.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Critical estimates and judgement (continued)

(i) Estimation of oil and gas reserves (continued)

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. In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions.

Changes to the Company's estimates of proved and probable reserves, particularly proved and probable developed reserves, also affect the amount of depreciation and amortisation recorded for oil and gas assets and rights and concessions related to revisions. A reduction in proved and probable developed reserves will increase depreciation and amortisation charges (assuming constant production) and reduce income.

Although the possibility exists for changes in reserves to have a critical effect on depreciation and amortisation charges and, therefore, income, it is expected that in the normal course of business the Company will continue to prioritise exploration and timely project delivery which ultimately results in maximisation of reserve recovery and will thus constrain the likelihood for changes to occur.

(ii) Impairment review of intangible assets, oil and gas assets and FPSO

Carrying amounts of the Company's intangible assets, oil and gas assets and FPSO are reviewed for possible impairment annually. For the purpose of assessing impairment, assets are grouped at the lowest level cash generating units ("CGU") for which there is a separately identifiable cash flow available. The CGU of the Company is the Anasuria Cluster.

The recoverable amount of the intangible assets, oil and gas assets and FPSO relating to the Anasuria Cluster is determined by discounting post-tax cash flows expected to be generated by the assets over their lives taking into account those assumptions that market participants would take into account when assessing fair value.

Estimates of future cash flow are based on management estimates of future crude oil prices, market supply and demand, product margins and expected future production volumes. Other factors that can lead to changes in estimates include restructuring plans and variations in regulatory environments. Expected future production volumes, which include proved and probable reserves, are used for impairment testing because the Company believes this to be the most appropriate indicator of expected future cash flow.

A discount rate based on the Company's weighted average cost of capital is used in impairment testing. The discount rate applied is reviewed on an annual basis.

Details are set out in Note 13 to the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Critical estimates and judgement (continued)

(iii) Estimation of provision for decommissioning costs

Provisions are made for the future decommissioning and restoration of oil and gas assets at the end of their economic lives. Changes in the estimates of costs to be incurred, reserves or in the rate of production may impact income over the remaining economic life of the oil and gas assets.

Most of these decommissioning and restoration events are many years in the future and the precise requirements that will have to be met when such removal events occur are uncertain. Actual timing and net cash outflows can defer from estimates due to uncertainties concerning the timing of the decommissioning activity, legislative changes, technological advancement, regulatory, environmental and political changes, and the appropriate discount rate used in estimating the liability. The carrying amount of the provision, together with the discount rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to account for such changes. Additional information is disclosed in Note 24 to the financial statements.

4 REVENUE

	Financial year ended 30.06.2017 USD	21.07.2015 (date of incorporation) to 30.06.2016 USD
Crude oil sales	57,305,228	18,523,688
Gas sales	2,353,161	466,038
	59,658,389	18,989,726

5 COST OF SALES

	Financial year ended 30.06.2017 USD	21.07.2015 (date of incorporation) to 30.06.2016 USD
Cost of operations	2,083,062	176,463
Tariff and transportation expenses	1,675,712	310,986
Crude oil inventory movement	17,865,654	9,664,187
	21,624,428	10,151,636

6 OTHER INCOME

	Financial year ended 30.06.2017 USD	21.07.2015 (date of incorporation) to 30.06.2016 USD
Unrealised foreign exchange gain	7,579,058	-
Realised foreign exchange gain	265,060	-
Sundry income	415,066	2,542
	8,259,184	2,542

7 OTHER EXPENSES

	Financial year ended 30.06.2017 USD	21.07.2015 (date of incorporation) to 30.06.2016 USD
Depreciation and amortisation of property, plant and equipment and intangible assets	17,926,856	5,586,614
Unrealised foreign exchange loss	-	107,462
Realised foreign exchange loss	-	54,427
	17,926,856	5,748,503

8 FINANCE COSTS

	Financial year ended 30.06.2017 USD	21.07.2015 (date of incorporation) to 30.06.2016 USD
Unwinding of discount on deferred consideration (Note 21)	1,772,948	670,724
Unwinding of discount on contingent consideration (Note 22)	38,755	12,083
Unwinding of discount on provision for decommissioning costs (Note 24)	3,482,113	1,262,225
	5,293,816	1,945,032

9 PROFIT BEFORE TAXATION

	Financial year ended 30.06.2017 USD	21.07.2015 (date of incorporation) to 30.06.2016 USD
Profit before taxation is arrived after charging:		
Fee payable to Company's auditors and its associates for the audit of the Company's financial statements:		
- PricewaterhouseCoopers LLP, UK	29,905	19,309
- member firm of PricewaterhouseCoopers International Limited	20,949	8,730
Tax fee	10,804	11,382
Rental expenses	64,690	64,144
Impairment of receivables	1,008,568	-
Prospecting costs and consultancy fees	633,921	8,368,776

The remuneration of Dr Kenneth Gerard Pereira is paid by Hibiscus Petroleum which makes no recharge to the Company. Dr Kenneth Gerard Pereira is a director of Hibiscus Petroleum and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of his remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of Dr Kenneth Gerard Pereira. His total remuneration is included in the key management personnel compensation disclosed in the financial statements of Hibiscus Petroleum.

The remuneration of Lim Kock Hooi and Devarajan Indran are paid by a wholly-owned subsidiary of Hibiscus Petroleum which makes no recharge to the Company. Lim Kock Hooi and Devarajan Indran are directors of a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their respective remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of Lim Kock Hooi and Devarajan Indran. Their total remuneration is included in the key management personnel compensation disclosed in the financial statements of Hibiscus Petroleum.

The Company employs no staff and any technical and administrative expenses are provided by a wholly-owned subsidiary of Hibiscus Petroleum.

10 TAXATION

The tax assessed for the financial year/period is lower than the standard effective rate of corporation in the UK. The difference is explained below:

	Financial year ended 30.06.2017 USD	21.07.2015 (date of incorporation) to 30.06.2016 USD
Current tax:		
- Income tax	10,739,893	-
	10,739,893	-
Deferred tax (Note 23):		
- Reversal of temporary differences	(1,803,825)	(22,290)
- Reduction in income tax rate	(19,219,841)	-
- Over accrual in prior period	(502,513)	-
	(10,786,286)	(22,290)
Profit before taxation	19,205,325	80,794,242
Tax at the statutory tax rate at 40% (2016: 50%)	7,682,130	40,397,121
Expenses not deductible for tax purposes	1,253,938	3,786,441
Effect on reduction in income tax rate	(19,219,841)	-
Income not subject to tax	-	(44,205,852)
Over accrual in prior period	(502,513)	-
	(10,786,286)	(22,290)

Deferred tax liabilities recognised upon completion of a business combination are in relation to temporary differences in the tax base of intangible assets (i.e. rights and concession) acquired and their accounting base. This balance is non-cash and will reverse in line with the depletion of the said intangible assets. The reversal of the deferred tax liabilities will result in a tax credit being recorded in profit or loss. Deferred tax liabilities relating to fair value of the identifiable assets and liabilities of the Anasuria Cluster recognised as at 30 June 2017 are measured at the tax rate expected to apply to the period when such liabilities are settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The Company has duly adopted the applicable rate of the supplementary charge in the UK as at 30 June 2016 to compute deferred tax liabilities.

The UK's Finance Bill 2016 ("Finance Bill 2016") published on 24 March 2016 stated a downward revision of the rate of the supplementary charge, following agreement by both the UK's House of Commons and House of Lords on the text of Finance Bill 2016, it received Royal Assent on 15 September 2016. The Finance Bill 2016 is therefore now an Act of Parliament. The impact caused by the reduction in the rate of the supplementary charge on the deferred tax liabilities relating to fair value of the identifiable assets and liabilities of the Anasuria Cluster recognised as at 30 June 2016 amounting to USD19,219,841 has been recognised as a tax credit in the current financial year.

11 BUSINESS COMBINATION

In the previous financial period, the Company completed the acquisition of a 50% interest in the Anasuria Cluster on 10 March 2016. The Anasuria Cluster represents an attractive, geographically focused package of operated interests in producing fields and associated infrastructure. The assets have a proven and producing resource base which provides a platform for further development. A number of incremental development and exploration opportunities exist within the licence areas which are expected to generate significant incremental value in the medium term.

The base consideration for the acquisition of a 50% interest in the Anasuria Cluster comprises the following:

- Initial consideration of USD30.0 million; and
- Deferred consideration of USD22.5 million.

The initial consideration was paid upon completion of the acquisition.

The deferred consideration is payable as follows:

- USD15.0 million within 12 months from completion; and
- USD7.5 million within 18 months from completion.

As at 30 June 2017, USD15.0 million had been settled, per the agreed schedule.

11 BUSINESS COMBINATION (CONTINUED)

The fair value of the identifiable assets and liabilities of the Anasuria Cluster as at the date of acquisition was:

	Fair value recognised on acquisition USD
Assets:	
- Intangible assets	193,248,020
- Property, plant and equipment	102,600,287
- Inventories	5,411,523
	301,259,830
Liabilities:	
- Deferred tax liabilities	(96,624,010)
- Provision for decommissioning costs	(87,590,287)
- Other payables and accruals	(839,560)
	(185,053,857)
Total identifiable net assets at fair value:	116,205,973
Negative goodwill from business combination	(88,411,703)
	27,794,270
Purchase consideration:	
- Cash paid and payable	7,564,340
- Contingent consideration	358,020
- Deferred consideration	19,871,910
	27,794,270

The negative goodwill has been recognised in profit or loss in the financial period ended 30 June 2016. The transaction resulted in a gain as the Company has the skill sets and capabilities to enhance the value of the assets post acquisition. As a result, the fair value of the assets is greater than the purchase consideration.

12 JOINT OPERATION

In the previous financial period, the Company, together with Ping Petroleum UK Limited has established the joint operating company, AOCL. AOCL is an approved license operator for the Anasuria Cluster and has successfully assumed the role of operator for the assets from Shell UK on 10 March 2016.

The principal place of business of the joint operation is in Aberdeen.

Further information of the joint operation is disclosed in the Business Review of the Strategic Report.

13 INTANGIBLE ASSETS

	2017 USD	2016 USD
01.07.2016/At the date of incorporation	190,042,855	-
Acquisition through business combination (Note 11)	-	193,248,020
Amortisation	(10,808,680)	(3,205,165)
At 30.06.2017/30.06.2016	179,234,175	190,042,855

Capitalised expenditures are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Anasuria Cluster

The recoverable amount of the intangible assets, oil and gas assets and FPSO relating to the Anasuria Cluster is determined by discounting post-tax cash flows expected to be generated by the assets over their lives taking into account those assumptions that market participants would take into account when assessing fair value.

Key assumptions in the model relate to prices and costs that are based on long term assumptions. The calculation of the valuation requires the use of estimates of key assumptions. The Company uses the oil price forecast based on the oil price forward curve from independent parties initially, then management's views, future cost inflation factor of 2% (2016: 2%) per annum and discount rate of 10% (2016: 10%) to calculate the cash flows. These assumptions and judgements are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates and the discount rate applied is reviewed on an annual basis.

Based on the assessments performed, the Directors concluded that the recoverable amount calculated based on the valuation model is higher than the carrying amount. The valuation is sensitive to crude oil price, oil production level and costs.

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14 PROPERTY, PLANT AND EQUIPMENT

	Oil and gas assets USD	FPSO USD	Work in progress USD	Total USD
Cost				
At the date of incorporation	-	-	-	-
Acquisition through business combination (Note 11)	95,600,287	7,000,000	-	102,600,287
At 30.06.2016/01.07.2016	95,600,287	7,000,000	-	102,600,287
Additions	-	-	144,142	144,142
Changes in estimates	(4,069,513)	-	-	(4,069,513)
At 30.06.2017	91,530,774	7,000,000	144,142	98,674,916
Accumulated depreciation				
At the date of incorporation	-	-	-	-
Depreciation for the financial year	(2,312,300)	(69,149)	-	(2,381,449)
At 30.06.2016	(2,312,300)	(69,149)	-	(2,381,449)
Depreciation for the financial year	(6,910,727)	(207,449)	-	(7,118,176)
At 30.06.2017	(9,223,027)	(276,598)	-	(9,499,625)
Net book value				
At 30.06.2016	93,287,987	6,930,851	-	100,218,838
At 30.06.2017	82,307,747	6,723,402	144,142	89,175,291

15 TRADE RECEIVABLES

Trade receivables are in relation to the sales of gas. The amounts are unsecured and are to be settled in cash.

16 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 USD	2016 USD
Other receivables and deposits	121,211	1,773,577
Prepayments and deferred expenses	1,116,089	2,319,471
	1,237,300	4,093,048

17 AMOUNT OWING BY HOLDING COMPANY

The current non-trade balance represents unsecured, interest-free advances and payments made on behalf. The amount owing is receivable on demand and is to be settled in cash.

18 INVENTORIES

	2017 USD	2016 USD
Crude oil	865,383	1,059,705
Diesel	-	232,385
Chemical	-	23,269
Spares	65,010	67,177
	930,393	1,382,536

Inventories recognised as expense during the financial year amounted to USD17,865,654 (2016: USD9,664,187). These were included in cost of sales as disclosed in Note 5 to the financial statements.

19 CASH AND CASH EQUIVALENTS

	2017 USD	2016 USD
Cash at bank	11,869,331	1,954,295

20 SHARE CAPITAL

The authorised share capital of the Company are as follows:

	Par value GBP	Number of shares	Share capital USD
Ordinary shares			
30.06.2017/30.06.2016	1.00	1	2

The issued and paid-up share capital of the Company are as follows:

	Par value GBP	Number of shares	Share capital USD
Ordinary shares			
30.06.2017/30.06.2016	1.00	1	2

The Company was incorporated with 1 ordinary share of GBP1 that was subscribed for on the date of incorporation.

21 DEFERRED CONSIDERATION

	2017 USD	2016 USD
Current		
01.07.2016/ At the date of acquisition	13,920,478	-
Acquisition through business combination (Note 11)	-	13,465,970
Unwinding of discount (Note 8)	1,079,522	454,508
Payment made	(15,000,000)	-
Transfer from non-current liabilities	7,315,582	-
At 30.06.2017/30.06.2016	7,315,582	13,920,478
Non-current		
01.07.2016/At the date of acquisition	6,622,156	-
Acquisition through business combination (Note 11)	-	6,405,940
Unwinding of discount (Note 8)	693,426	216,216
Transfer to current liabilities	(7,315,582)	-
At 30.06.2017/30.06.2016	-	6,622,156

22 CONTINGENT CONSIDERATION

	2017 USD	2016 USD
Non-current		
01.07.2016/At the date of acquisition	370,103	-
Acquisition through business combination (Note 11)	-	358,020
Unwinding of discount (Note 8)	38,755	12,083
At 30.06.2017/30.06.2016	408,858	370,103

As part of the acquisition of a 50% interest in the Anasuria Cluster, contingent consideration is payable to Shell UK, Shell EP and Esso UK from 2018 to 2021 if and only when in a calendar year the annual average oil price (USD Y) exceeds USD75 per bbl, in which case Shell UK, Shell EP and Esso UK will be paid USD0.15 x (Y-USD75) per bbl of the production from the Anasuria Cluster. The contingent consideration is limited by the production volume and the average oil price for the relevant calendar year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

23 DEFERRED TAX LIABILITIES

	2017 USD	2016 USD
Deferred tax liabilities:		
- to be realised after more than 12 months	71,681,328	95,970,009
- to be realised within 12 months	5,665,422	6,436,504
	77,346,750	102,406,513
Deferred tax assets:		
- to be recovered after more than 12 months	(6,178,805)	(3,553,274)
- to be recovered within 12 months	3,907,596	(2,251,519)
	(2,271,209)	(5,804,793)
Deferred tax liabilities (net)	75,075,541	96,601,720
At 01.07/2017/At the date of incorporation	96,601,720	-
Acquisition through business combination (Note 11)	-	96,624,010
Recognised in profit or loss (Note 10)	(21,526,179)	(22,290)
At 30.06.2017/30.06.2016	75,075,541	96,601,720

The movements in deferred tax assets and liabilities from the date of incorporation to the end of the financial year are as follows:

Deferred tax liabilities	Property, plant and equipment USD	Intangible assets USD	Total USD
At the date of incorporation	-	-	-
Acquisition through business combination (Note 11)	-	96,624,010	96,624,010
Recognised in profit or loss (Note 10)	7,385,085	(1,602,582)	5,782,503
At 30.06.2016/01.07.2016	7,385,085	95,021,428	102,406,513
Recognised in profit and loss (Note 10)	(1,732,006)	(23,327,757)	(25,059,763)
At 30.06.2017	5,653,079	71,693,671	77,346,750

23. DEFERRED TAX LIABILITIES (CONTINUED)

	Unutilised losses USD	Decommissioning costs USD	Total USD
Deferred tax assets			
At the date of incorporation	-	-	-
Recognised in profit or loss (Note 10)	(4,102,870)	(1,701,923)	(5,804,793)
At 30.06.2016/01.07.2016	(4,102,870)	(1,701,923)	(5,804,793)
Recognised in profit or loss (Note 10)	4,102,870	(569,286)	3,533,584
At 30.06.2017	-	(2,271,209)	(2,271,209)

	2017 USD	2016 USD
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	5,653,079	7,385,085
- Intangible assets	71,693,671	95,021,428
	77,346,750	102,406,513
Offsetting	(2,271,209)	(5,804,793)
Deferred tax liabilities (after offsetting)	75,075,541	96,601,720
Deferred tax assets (before offsetting)		
- Unutilised losses	-	(4,102,870)
- Decommissioning costs	(2,271,209)	(1,701,923)
	(2,271,209)	(5,804,793)
Offsetting	2,271,209	5,804,793
Deferred tax assets (after offsetting)	-	-

24 PROVISION FOR DECOMMISSIONING COSTS

	2017 USD	2016 USD
Non-current		
01.07.2016/At the date of acquisition	88,852,512	-
Acquisition through business combination (Note 11)	-	87,590,287
Unwinding of discount (Note 8)	3,482,113	1,262,225
Exchange differences	(7,544,497)	-
Changes in estimates	(4,069,513)	-
At 30.06.2017/30.06.2016	80,720,615	88,852,512

The Company makes full provision for the future costs of decommissioning of its oil production facilities and pipelines on a discounted basis. With respect to the Anasuria Cluster, the decommissioning provision is based on the Company's share of the contractual obligation of 50%.

The provision represents the present value of decommissioning costs which are expected to be incurred up to 2036 assuming no further development of the cluster. The liability is discounted at a rate of 4.56% (2016: 4.30%) and includes an inflationary factor of 2.0% (2016: 2.0%).

25 TRADE PAYABLES

Trade payables are cost of operations in relation to crude oil and gas. The amounts are unsecured and are to be settled in cash.

26 OTHER PAYABLES AND ACCRUALS

	2017 USD	2016 USD
Other payables	3,604,870	1,348,755
Accruals	82,113	4,577,575
	3,686,983	5,926,330

Other payables include overlifting of crude oil amounting to USD915,000.

27 AMOUNT OWING BY/(TO) ULTIMATE HOLDING COMPANY

The amount owing by/(to) is non-trade in nature, unsecured, interest-free, receivable and repayable on demand. The amount is to be settled in cash.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

28 AMOUNT OWING TO A RELATED PARTY

The amount owing to a related party is in relation to the provision of project management, technical and other services relating to the oil and gas exploration and production. The amounts are unsecured, interest-free, and repayable on demand and are to be settled in cash.

The related party is Hibiscus Technical Services Sdn. Bhd. ("Hibiscus Technical"), a wholly-owned subsidiary of Hibiscus Petroleum.

29 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

The related parties of the Company are:

(i) its holding company, ultimate holding company and a related party; and

(ii) the Directors and senior management team are the key management personnel..

(b) In addition to the information detailed elsewhere in the financial statements, the Company carried out the following significant transactions and outstanding balances with the related parties during the financial year:

	Transaction value		Balances outstanding	
	Year ended 30.06.2017 USD	21.07.2015 (date of Incorporation) 30.06.2016 USD	2017 USD	2016 USD
Project management, technical and other services fees payable to:				
Hibiscus Technical	(1,517,447)	(404,165)	(2,010,535)	(506,886)
Ultimate holding company	(244,045)	(7,528,739)	-	-
Payment on behalf by ultimate holding company	(2,175,236)	(4,012,732)	-	(4,126,909)
Advances to ultimate holding company	5,482,904	-	5,482,904	-

30 FINANCIAL INSTRUMENTS

The Company's activities are exposed to a variety of market risks (including foreign currency risk and interest rate risk), credit risks and liquidity risks. The Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Financial risk management policies

The Company's policies in respect of the major areas of treasury activity are as follows:

(i) Market risk

Foreign currency risk

The Company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than USD. The currencies giving rise to this risk are primarily Great Britain Pound and Ringgit Malaysia. Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

The Company's exposure to foreign currency is as follows:

	United States Dollar USD	Ringgit Malaysia USD	Great Britain Pound USD	Total USD
2017				
Financial assets				
Trade receivables	-	-	259,872	259,872
Other receivables and deposits	-	-	27,654	27,654
Amount owing by holding company	-	-	1	1
Amount owing by ultimate company	5,482,904	-	-	5,482,904
Cash and bank balances	8,920,195	-	2,949,136	11,869,331
	14,403,099	-	3,236,663	17,639,762
Financial liabilities				
Trade payables	-	-	(56,254)	(56,254)
Other payables and accruals	(28,772)	(22,111)	(2,721,100)	(2,771,983)
Deferred consideration	(7,315,582)	-	-	(7,315,582)
Contingent consideration	(408,858)	-	-	(408,858)
Amount owing to a related party	(536,281)	(4,056)	(1,470,198)	(2,010,535)
	(8,289,493)	(26,167)	(4,247,552)	(12,563,212)

30 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Company's exposure to foreign currency is as follows: (continued)

	United States Dollar USD	Ringgit Malaysia USD	Great Britain Pound USD	Total USD
2017				
Net financial assets/ (liabilities)	6,113,606	(26,167)	(1,010,889)	5,076,550
Less: Net financial liabilities denominated in the entity's functional currency	(6,113,606)	-	-	(6,113,606)
At 30.06.2017	-	(26,167)	(1,010,889)	(1,037,056)
2016				
Financial assets				
Trade receivables	-	-	67,085	67,085
Other receivables and deposits	-	-	1,713,486	1,713,486
Amount owing by holding company	-	-	1	1
Cash and bank balances	139,331		1,814,964	1,954,295
	139,331	-	3,595,536	3,734,867
Financial liabilities				
Trade payables	-	-	(15,030)	(15,030)
Other payables and accruals	(449,775)	(5,766)	(5,470,789)	(5,926,330)
Deferred consideration	(20,542,634)	-	-	(20,542,634)
Contingent consideration	(370,103)	-	-	(370,103)
Amount owing to ultimate holding company	(3,669,971)	(862)	(456,076)	(4,126,909)
Amount owing to a related party	(77,336)	(204)	(429,346)	(506,886)
	(25,109,819)	(6,832)	(6,371,241)	(31,487,892)

30 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Company's exposure to foreign currency is as follows: (continued)

	United States Dollar USD	Ringgit Malaysia USD	Great Britain Pound USD	Total USD
2016				
Net financial liabilities	(24,970,488)	(6,832)	(2,775,705)	(27,753,025)
Less: Net financial liabilities denominated in the entity's functional currency	24,970,488	-	-	24,970,488
At 30.06.2016	-	(6,832)	(2,775,705)	(2,782,537)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the financial year, with all other variables held constant:

	2017 Increase/ (Decrease) USD	2016 Increase/ (Decrease) USD
Effects on profit after taxation/equity:		
Great Britain Pound		
- strengthened by 5%	(50,544)	(138,785)
- weakened by 5%	50,544	138,785
Ringgit Malaysia:		
- strengthened by 5%	(1,308)	(342)
- weakened by 5%	1,308	342

Interest rate risk

The Company has minimal exposure to interest rate risks.

30 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(ii) Credit risk

The Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Company manages its exposure to credit risk by monitoring the timely receipt of receivables on an on-going basis. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Company's major concentration of credit risk relates to the trade and other receivables due from 3 (2016: 3) debtors which constituted 96% (2016: 100%) of its total receivables as at the end of the financial year.

Exposure to credit risk

As the Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the financial year.

Ageing analysis

The ageing analysis of the Company's trade balances owing by third party at the end of the financial year is as follows:

	Gross amount USD	Carrying value USD
30.06.2017		
Neither past due nor impaired	259,872	259,872
30.06.2016		
Neither past due nor impaired	67,085	67,085

30 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(iii) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Company practises prudent risk management by maintaining sufficient cash balances.

The following table sets out the maturity profile of the financial liabilities as at the end of the financial year based on contractual undiscounted cash flows:

	Carrying amount USD	Contractual undiscounted USD	Within 1 year USD	More than 1 year USD
2017				
Trade payables	56,254	56,254	56,254	-
Other payables and accruals	2,771,983	2,771,983	2,771,983	-
Amount owing to ultimate holding company	-	-	-	-
Amount owing to a related party	2,010,535	2,010,535	2,010,535	-
Deferred consideration	7,315,582	7,500,000	7,500,000	-
Contingent consideration	408,858	640,023	-	640,023
	12,563,212	12,978,795	12,338,772	640,023
2016				
Trade payables	15,030	15,030	15,030	-
Other payables and accruals	5,926,330	5,926,330	5,926,330	-
Amount owing to ultimate holding company	4,126,909	4,126,909	4,126,909	-
Amount owing to a related party	506,886	506,886	506,886	-
Deferred consideration	20,542,634	22,500,000	15,000,000	7,500,000
Contingent consideration	370,103	640,023	-	640,023
	31,487,892	33,715,178	25,575,155	8,140,023

Payables and commitments as set out in Notes 21, 22 and 26 to the financial statements are intended to be funded via net cash inflow from the operations of the Anasuria Cluster.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Classification of financial instruments

	2017 USD	2016 USD
Financial assets		
Loans and receivables		
Trade receivables	259,872	67,085
Other receivables and deposits	27,654	1,713,486
Amount owing by holding company	1	1
Amount owing by ultimate holding company	5,482,904	-
Cash and bank balances	11,869,331	1,954,295
	17,639,762	3,734,867
Other financial liabilities		
Trade payables	56,254	15,030
Other payables and accruals	2,771,983	5,926,330
Amount owing to ultimate holding company	-	4,126,909
Amount owing to related parties	2,010,535	506,886
	4,838,772	10,575,155
Financial liability at fair value through profit or loss		
Deferred consideration	7,315,582	20,542,634
Contingent consideration	408,858	370,103
	7,724,440	20,912,737

(c) Fair values of financial instruments

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2017.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments other than those carried at fair value

The carrying amounts of the financial assets and liabilities of the Company at the reporting date approximate their fair values.

30 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy

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

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

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Liability				
Financial liability at fair value through profit or loss:				
Deferred consideration				
At 21.07.2015	-	-	-	-
Acquisition through business combination	-	-	19,871,910	19,871,910
Unwinding of discount	-	-	670,724	670,724
At 30.06.2016/01.07.2016	-	-	20,542,634	20,542,634
Unwinding of discount	-	-	1,772,948	1,772,948
Payment made	-	-	(15,000,000)	(15,000,000)
At 30.06.2017	-	-	7,315,582	7,315,582
Contingent consideration				
At 21.07.2015	-	-	-	-
Acquisition through business combination	-	-	358,020	358,020
Unwinding of discount	-	-	12,083	12,083
At 30.06.2016/01.07.2016	-	-	370,103	370,103
Unwinding of discount	-	-	38,755	38,755
At 30.06.2017	-	-	408,858	408,858

30 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Capital risk management

The Company manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

31 CAPITAL COMMITMENTS

	2017 USD	2016 USD
Approved and contracted for:		
Share of a joint operation's material commitments	13,216,330	10,787,594
Approved but not contracted for:		
Share of a joint operation's material commitments	2,484,997	-

32 CONTROLLING PARTIES

The immediate parent undertaking is Atlantic Hibiscus.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Hibiscus Petroleum. Copies of Hibiscus Petroleum's consolidated financial statements can be obtained from the Company Secretary at:

Lot 6.05, Level 6, KPMG Tower,
8 First Avenue,
Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan.

33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 6 December 2017.