Addax Petroleum UK Limited

Company No. 08135892

Financial Statements

For the year ended 31 December 2016

ADDAX PETROLEUM UK LIMITED

Contents

ADDAX PETROLEUM UK LIMITED

Company Information

Directors	R. Liu (appointed 3 January 2017) G. Chen (appointed 23 June 2017) D. Moore (appointed 18 July 2017) C. Xu (resigned 3 January 2017) Y. Zhang (resigned 23 June 2017) J. M. Warrender (resigned 18 July 2017)
Secretary	Jordan Company Secretaries Ltd
Company number	08135892
Registered office	Suite 1, 3rd floor 11-12 St James's square London SW1Y 4LB UK
Auditor	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW U.K.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report together with the audited financial statements of Addax Petroleum UK Limited ("the Company" or "APUK") for the year ended 31 December 2016.

Principal activities

APUK is an investment holding company. The Company was incorporated on 10 July 2012 for the purpose of holding and managing its 49% shareholding in Repsol Sinopec Resources UK Limited ("RSRUK"), formerly Talisman Sinopec Energy (UK) Limited (the name was changed on 4 July 2016), based in Aberdeen, United Kingdom. RSRUK's assets are located in the United Kingdom.

The investment is in the form of a joint arrangement, in particular a joint venture. RSRUK is governed by a Shareholders' Agreement, which requires that unanimous consent be obtained from the shareholders for significant operating and financing decisions.

Business review

Fluctuation in the prices of oil and gas and the impact on RSRUK's financial results have led to the directors and shareholders of RSRUK taking steps to improve its financial position. APUK, guaranteed by China Petrochemical Corporation, has committed to financially support RSRUK. Details are provided in the note 12 to the financial statements.

The Company incurred a consolidated loss of $770million (2015: $1,117million), after recording an impairment loss of $292million (2015: $733million) and a provision on future obligation of $477million (2015: $40million) to the joint venture. In 2015 the Company had also recorded a share of loss of $318million. Revenue for management services rendered amounts to $32million (2015: $24million). On 31 December 2015, the outstanding loan including principal and interests accrued to date, received to finance the 49% acquisition of RSRUK in 2012, was assigned to APUK's immediate parent Addax Petroleum Holdings Limited ("APHL"). This loan is no longer interest-bearing in 2016 (Finance costs of $26million were incurred in 2015). As at 31 December 2016, the Company had eight employees. The Company has no corporation tax liability in 2016 in the UK.

Considering the current low oil price environment, RSRUK has implemented a transformation programme focused on delivering improved performance over the next five years. The directors continue to closely monitor the development and management of APUK's investment in the joint venture.

Risk assessment

The Company has one principal investment, its shareholding in RSRUK. RSRSUK's principal activity is the exploration, development and production of oil and gas. RSRUK is subject to a number of risks inherent to the nature of its business. These risks individually, or in the aggregate, can impact the net asset value of RSRUK and its subsidiaries, and therefore the assessment of the Company's investment values. These risks include, but are not limited to:

- Changes in Government and HSSE regulations applicable to RSRUK's assets;
- Ability of RSRUK to find, develop and acquire additional oil and gas reserves; and
- Volatility of commodity prices, costs of materials and services and demand for drilling and related equipment.

The Company is subject to certain capital management and financial risk management risks. These are discussed in more detail in note 23 to the financial statements.

Results and dividends

The results for the year and the Company's financial position at the end of the year are shown on page 10 and 11.

The Directors do not recommend any distribution by way of a dividend for the year ended 31 December 2016.

Directors

The directors who held office during the year and up to the date of signing of the balance sheet were as follows:
R. Liu (appointed 3 January 2017)
G. Chen (appointed 23 June 2017)
D. Moore (appointed 18 July 2017)
C. Xu (resigned 3 January 2017)
Y. Zhang (resigned 23 June 2017)
J. M. Warrender (resigned 18 July 2017)

The directors had no interests in the shares of the Company at any time during the year.

Events after the reporting period

Extension of the share subscription agreement

In July 2017 the shareholders agreed in principle to extend the share subscription agreement to 31 December 2018 and to adjust the capacity of the share subscription agreement to fully fund RSRUK's operations up to 31 December 2018. It is expected that the amendment will be approved by both shareholders and RSRUK and in place no later than 30 September 2017. As at 30 June 2017 the remaining capacity was $665million (Addax share: $326million) however the capacity is expected to be reduced to $120million (Addax share: $58.8million) to reflect overall cashflow improvement in RSRUK.

The original agreement, signed in June 2015, was to provide equity funding totalling $1.7billion (Addax share: $833million) to RSRUK for the purpose of funding capital, abandonment and operating expenditure.

Closure of the Company's Aberdeen office

The closure of the Company's Aberdeen office was announced on 10 July 2017 as part of the ongoing transformation process that Addax Petroleum is implementing.

At the time of the issue of the financial statements, the effective date of closure is expected to be 21 December 2017.

Going Concern

The financial position of the Company and its business activities are described in the financial statements and notes of this report. In 2017 and 2018, RSRUK will continue to undertake a significant programme of investment in capital projects and upgrades to existing assets in order to maximise future returns and cash flows of the business, subject to shareholders' unanimous consent.

Under the Shareholders' Agreement, among other things, China Petrochemical Corporation unconditionally and irrevocably guarantees the full, due and punctual performance and observation by APUK of all the obligations of APUK to Talisman Colombia Holdco Limited and RSRUK.

The Company has received a confirmation from its parent, APHL, that APHL will assist the Company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. APHL itself has received a written confirmation on 10 August 2017, which provides that its indirect parent, Sinopec International Petroleum Exploration and Production Corporation ("SIPC") will continue to provide financial support and assist APHL in meeting its liabilities as and when they fall due. The funds injected into RSRUK by APUK during the year were provided by APHL which in turn are received from an affiliate of SIPC.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

Auditor

Deloitte LLP resigned as auditor of the Company on 14 December 2016 and UHY Hacker Young LLP was subsequently appointed as auditor. UHY has expressed their willingness to continue in office as auditor. No notice in accordance with section 488 of the Companies Act 2006 (which would prevent the deemed reappointment of auditors under section 487(2) of the Act) has been and none is expected to be received and accordingly the necessary conditions are in place for the deemed reappointment of the auditors to take place in absence of an Annual General Meeting.

Disclosure of information provided to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditors are unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the Board

Guangjun Chen
Director
21 September 2017

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors are responsible for preparing the 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. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (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 group and of the profit or loss of the group for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and consistently apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

ADDAX PETROLEUM UK LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ADDAX PETROLEUM UK LIMITED

We have audited the consolidated financial statements of Addax Petroleum UK Limited for the year ended 31 December 2016 which comprise the Company's consolidated statements of comprehensive income, the consolidated statements of financial position, the consolidated statements of changes in equity, the consolidated statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of responsibilities of those charged with governance, set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate

Opinion on consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the Company's losses for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - *Going concern*

In forming our opinion on the consolidated financial statements, which is unqualified as described above, we have considered the adequacy of the disclosure made in directors' report page 6 and note 1(d) to the financial statements concerning the Company's ability to continue as a going concern. At year end, the Company's current liabilities exceeded its current assets and total assets by $58.7million and $58.5million, respectively. The Company's operation is currently relying on continuing financial support from its parent company and ultimate Stated-owned Corporation, indicating the existence of an uncertainty which may cast doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would result if the parent company was unable to continue in operation.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received any information or explanation that was necessary for our audit.

Julie Wilson (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor
Quadrant House
4 Thomas More Square
London
E1W 1YW

22 September 2017

ADDAX PETROLEUM UK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	***2016*** ***$'000***	*2015* *$'000*
Other income	3	**32,405**	23,532
General and administrative expenses	4	**(33,372)**	(22,546)
Operating (loss) / profit		**(967)**	986
Finance costs	19	**(87)**	(25,960)
Investment losses in Joint venture	9	**(768,928)**	(1,092,377)
Loss before income tax		**(769,982)**	(1,117,351)
Income tax expense	10	**-**	-
Loss for the year		**(769,982)**	(1,117,351)
Other comprehensive income			
Share of gain/(loss) on re-measurement of defined benefit pension scheme in joint venture	12	**-**	204
Total comprehensive loss for the year		**(769,982)**	(1,117,147)
Loss attributable to			
Equity holders of the Company		**(769,982)**	(1,117,351)
Total comprehensive loss attributable to			
Equity holders of the Company		**(769,982)**	(1,117,147)

ADDAX PETROLEUM UK LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016	2015
ASSETS		**$'000**	$'000
Non-current assets			
Property, plant and equipment	11	**195**	375
Investment in a joint venture	12	**-**	-
		195	375
Current assets			
Trade receivables	13	**493**	147
Other receivables	14	**314**	48
Cash and cash equivalents	15	**327**	113
		1,134	308
TOTAL ASSETS		**1,329**	683
LIABILITIES			
Current liabilities			
Trade and other payables	16	**59,819**	36,504
Income tax payable	10	**-**	-
		59,819	36,504
Non-current liabilities			
Long term borrowings	17	**3,362,741**	3,092,806
Provisions	12	**738,367**	260,989
		4,101,108	3,353,795
TOTAL LIABILITIES		**4,160,927**	3,390,299
EQUITY			
Capital and reserves attributable to Equity holders of the Company			
Share capital	18	**1**	1
Other reserves	18	**(13,443)**	(13,443)
Accumulated deficit		**(4,146,156)**	(3,376,174)
		(4,159,598)	(3,389,616)
TOTAL LIABILITIES AND EQUITY		**1,329**	683

The financial statements of Addax Petroleum UK Limited, registered number 08135892 were approved and authorised for issue by the Board of Directors on 21 September 2017.

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Guangjun Chen
Director

ADDAX PETROLEUM UK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital *$'000*	*Retained Deficit* *$'000*	*Revaluation reserve* *$'000*	*Total deficit* *$'000*
At 1 January 2015	1	(2,258,823)	(13,647)	(2,272,469)
Loss for the year	-	(1,117,351)	-	(1,117,351)
Other comprehensive losses	-	-	204	204
Total comprehensive losses for the year	-	(1,117,351)	204	(1,117,147)
At 31 December 2015	**1**	**(3,376,174)**	**(13,443)**	**(3,389,616)**
At 1 January 2016	1	(3,376,174)	(13,443)	(3,389,616)
Loss for the year	-	(769,982)	-	(769,982)
Other comprehensive income	-	-	-	
Total comprehensive loss for the year	-	(769,982)	-	(769,982)
At 31 December 2016	**1**	**(4,146,156)**	**(13,443)**	**(4,159,598)**

ADDAX PETROLEUM UK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from related party for service rendered		880	1,035
VAT refund		688	250
Cash paid to suppliers and employees		(10,970)	(7,292)
Net cash used in operating activities		(9,402)	(6,007)
Cash flows from investing activities			
Investment in Joint Venture	12	(291,550)	(531,650)
Payments for property, plant and equipment	11	(29)	(29)
Net cash used in investing activities		(291,579)	(531,679)
Cash flows from financing activities			
Cash advances from parent company		9,729	5,987
Proceeds from long-term borrowings		291,550	531,650
Net cash from financing activities		301,279	537,637
Net increase in cash and cash equivalents		298	(49)
Cash and cash equivalents as at 1 January	15	113	178
Effect of foreign exchange change on the balance of cash held in foreign currencies		(84)	(16)
Cash and cash equivalents as at 31 December	15	327	113

1. Principal Activities, Organisation and Basis of Preparation

a) Organisation

The Company is incorporated in England & Wales under the Companies Act 2006 as a private company. Its registered office address is Suite 1, 3rd floor, 11-12 St James's square, London SW1Y 4LB, U.K. Until 11 June 2017 it was 20-22 Bedford Row, London WC1R 4JS, U.K.

The Company's direct parent and the lowest level at which a consolidation is prepared is Addax Petroleum Holdings Limited ("APHL"), a company incorporated in the British Virgin Islands under the BVI Business Companies Act 2004 (as amended).

Addax Petroleum UK Limited is an indirect wholly-owned subsidiary of Sinopec International Petroleum Exploration and Production Corporation ("SIPC").

Since 9 February 2016, the ultimate beneficial owners are changed to China Petrochemical Corporation ("CPC" or "Sinopec group"), China Chengtong Holdings Group Ltd and China Reform Holdings Corporation Ltd, which are all State owned entities of the People's Republic of China, incorporated in the People's Republic of China, and the ultimate parents of APUK.

b) Principal activities

The Company's principal activity is management of its 49% shareholding in Repsol Sinopec Resources (UK) Ltd ("RSRUK") based in Aberdeen, United Kingdom. The assets of RSRUK are in the United Kingdom. The Company has contractually agreed to share control over RSRUK with another party from the acquisition date (17 December 2012), making RSRUK a joint venture.

c) Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the full IFRS that comprise standards issued by the International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

d) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate financial resources to continue its operations for the foreseeable future. Therefore, they continue to adopt the going concern basis for the preparation of the financial statements. Refer to the Directors' report on page 6.

e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities it controls (together, the "Group"). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

f) Standards and interpretations in issue but not yet effective

The Group has adopted the relevant standards effective for accounting periods beginning on or after 1 January 2016. As at end of the reporting year, the Group has not adopted the following standards as they are either not effective or not applicable to the Group's business.

Standards, amendments and interpretations

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) - The EC has decided not to launch the endorsement process of this interim standard and to wait for the final standard
- IFRS 16 *Leases* (issued on 13 January 2016) – EU effective in Q4 2017
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – No EU effective date yet
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – EU effective in Q4 2017
- Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016) – EU effective in Q4 2017
- Amendments to IAS 7: *Disclosure Initiative* (issued on 29 January 2016) – EU effective in Q4 2017
- *Clarifications to IFRS 15 Revenue from Contracts with Customers* (issued on 12 April 2016) – EU effective in Q4 2017
- Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 2016) – EU effective in Q4 2017
- Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (issued on 12 September 2016) – EU effective in Q4 2017
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) – EU effective in Q4 2017
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016) – EU effective in Q4 2017
- Amendments to IAS 40: *Transfers of Investment Property* (issued on 8 December 2016) – EU effective in Q4 2017
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) – EU effective in 2018

The directors do not expect that the adoption of the standards and amendments listed above will have a material impact on the financial statements in the future periods.

2 Significant accounting policies

a) Basis of preparation

The historical cost basis has been used in the preparation of the financial statements, and explained in the accounting policies below. The historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in United States ("US") dollars.

b) Estimation uncertainty

In application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. The estimates and associated assumptions are based upon historical experience and other factors that are not readily apparent from other sources but management considered to be relevant. Actual results may differ from these estimates and the differences could be significant.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

c) Foreign currencies

The US dollar is the presentation and functional currency as it best reflects the underlying transactions, events and conditions for the Company.

For the purposes of presenting financial statements, the assets and liabilities are translated into US dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at exchange rates prevailing on the last day of the month prior to the date of the transaction unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the statement of income.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated to US dollars at the rates prevailing at the end of each reporting period. Non-monetary items in a foreign currency that are measured in terms of historical cost are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash equivalents are stated at cost, which approximates fair value.

e) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortized cost less accumulated impairment losses for bad and doubtful debts. Trade and other receivables are derecognised if APUK's contractual rights to the cash flows from these financial assets expire or if APUK transfers these assets to another party without retaining control of substantially all risks and rewards of the assets.

f) Investment in a joint venture

RSRUK qualifies as a joint venture as the Company has contractually agreed to share control with another party.

APUK accounts for its interest in RSRUK using the equity method. When the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

g) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

h) Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation.

i) Depreciation method

Depreciation is provided on a straight line method to write off the cost or valuation, less any residual value, of each asset evenly over its anticipated useful life as follows:

Asset	**Useful life in years**
Furniture and office equipment	3-5

Residual value, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

j) Financial instruments

Financial assets and financial liabilities are recognised when APUK becomes a party to the contractual provisions of the instrument. APUK classifies its financial instruments into one of the following categories: held-for-trading (financial assets and financial liabilities), available-for-sale financial assets, loans and receivables, and other financial liabilities. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments (other than financial assets or financial liabilities held-for-trading) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments held-for-trading are recognised immediately in the profit or loss. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets and liabilities held-for-trading are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'finance income/costs' lines in the statement of income.

Financial assets available-for-sale is subsequently re-measured to their fair value with changes in fair value recognised directly in equity, net of tax. All other categories of financial instruments are subsequently measured at their amortised cost using the effective interest rate method.

Cash and cash equivalents and derivative instruments are classified as held-for-trading and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable and certain other assets that are financial instruments are classified as loans and receivables. Accounts payable and accrued liabilities, long-term debt and convertible bonds are classified as other financial liabilities.

k) Impairment of financial assets

Trade accounts receivable, other receivables and investments in equity securities that do not have a quoted market price in an active market, other than investments in associates and jointly controlled entities, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset and is recognised as an expense in the income statement. Impairment losses for trade and other receivables are reversed through the income statement if in a subsequent period the amount of the impairment losses decreases. Impairment loss for equity securities is not reversed.

l) Provisions and long term liabilities

Provisions are recognised when APUK has a present obligation (legal or constructive) as a result of a past event, it is probable that APUK will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for future decommissioning costs are initially recognised based on the present value of the future costs expected to be incurred in respect of dismantlement and abandonment costs at the end of oil and gas exploration and development activities.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist if APUK has a contract under which the unavoidable costs of meeting its obligations under the contract exceed the economic benefits expected to be received from the contract.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote. The evaluation of the likelihood of the contingent events requires management judgment as to the probability of exposure to potential loss.

m) Employee benefits

Wages, salaries, bonuses, cash based long term incentive programs and social security contributions are accrued in the period in which the associated services are rendered by employees. Payments to defined contribution retirement benefit plans are recognized as an expense when the employees have rendered service entitling them to the contributions.

n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. APUK's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

o) Other income

Revenue from management services rendered is recognized when the service has been performed, the amount of income can be measured reliably and it is probable that the economic benefits will flow to the Company.

3 Other income

	2016	2015
	$'000	$'000
Management services rendered	**32,405**	23,532

4 General and administrative expenses

The following amounts were expensed during the year:

	Note	**2016**	2015
		$'000	$'000
Professional fees	5	**(27,305)**	(14,199)
Employment costs	6	**(5,385)**	(7,485)
Communication and information		**(26)**	(37)
Office expenses		**(403)**	(530)
Information systems & technology		**(71)**	(103)
Depreciation	11	**(182)**	(192)
		(33,372)	(22,546)

5 Professional fees

	2016	2015
	$'000	$'000
Fees for the audit of the financial statements	**(101)**	(36)
Other assurance services	**(10)**	(39)
Auditor's remuneration	**(111)**	(75)
Consultants	**(25,148)**	(9,722)
Management and technical support	**(2,046)**	(4,402)
	(27,305)	(14,199)

6 Employment costs

	2016	2015
	$'000	$'000
Wages and salaries	**(3,837)**	(5,484)
Social security costs	**(932)**	(949)
Other employment costs	**(432)**	(775)
Other pension costs	**(184)**	(277)
	(5,385)	(7,485)

The average number of persons employed by the Company during the year was 8 (2015: 8).

7 Compensation of key management

The remuneration of directors and other key members of management during the period were as follows:

	2016 $'000	2015 $'000
Short term employee benefits	**(550)**	(707)
Post employee benefits	**(45)**	(55)
	(595)	(762)

There is no compensation to directors in respect of loss of office.

8 Employee benefits

A pension contribution of $13,000 (2015: $99,000) has been provided for pension fund obligations and has been included in the general and administrative costs.

9 Investment losses in joint venture

	2016 $'000	2015 $'000
Share of loss of joint venture	-	(318,422)
Impairment loss on joint venture	**(291,550)**	(733,251)
Obligation to fund equity investment	**(477,378)**	(40,704)
	(768,928)	(1,092,377)

10 Taxation

	2016 $'000	2015 $'000
Current income tax expense	-	-
Loss before tax from continuing operations	**(769,982)**	(1,117,351)
Income tax expense calculated @ 20% (2015: 20.25%)	**(153,996)**	(226,264)
Effects of:		
Expenses not deductible for tax purposes	**2**	45
Share of losses in joint venture that are not deductible	**95,476**	74,110
Impairment losses on investment that are not deductible	**58,310**	148,483
Movement in deferred tax asset not recognised	**(55)**	3,118
Tax rate differences	**263**	508
Income tax expense	-	-

No deferred tax asset (2016: $4.12million, 2015: $4.17million) is recognised with respect to the tax losses and timing differences due to the uncertainty that these can be utilised in the future. There is no expiry date on timing differences and unused tax losses.

Certain reclassifications have been made to the prior year's note to enhance comparability with the current year's reconciliation of tax charge.

11 Property, plant and equipment

	Furniture and fittings $'000	*Total $'000*
Cost:		
At 1 January 2015	694	694
Additions	29	29
At 31 December 2015	723	723
Additions	2	2
At 31 December 2016	**725**	**725**
Accumulated Depreciation:		
At 1 January 2015	(156)	(156)
Depreciation	(192)	(192)
At 31 December 2015	(348)	(348)
Depreciation	(182)	(182)
At 31 December 2016	**(530)**	**(530)**
Carrying value:		
At 1 January 2015	538	538
At 31 December 2015	375	375
At 31 December 2016	**195**	**195**

12 Investment

On 23 July 2012, APUK along with SIPC entered into an agreement (the "Share Purchase Agreement") with Talisman Energy Inc., and Talisman Colombia Holdco Limited (collectively "Talisman") to purchase a 49% non-operated equity interest in Talisman Energy UK Limited. The transaction was completed on 17 December 2012 and Talisman Energy UK Limited subsequently changed its name to Talisman Sinopec Energy UK Limited. In July 2016 the name was changed to Repsol Sinopec Resources UK Limited following the acquisition of Talisman by Repsol SA in May 2015.

The transaction is in the form of a joint arrangement, in particular a joint venture. RSRUK is governed by a Shareholders' Agreement dated 17 December 2012, which requires unanimous consent to be obtained from the shareholders for all significant operating and financing decisions. Under the Shareholders' Agreement, among other things, China Petrochemical Corporation unconditionally and irrevocably guarantees the full, due and punctual performance and observation by APUK of all the obligations of APUK to Talisman Colombia Holdco Limited and RSRUK.

RSRUK, incorporated in England and Wales, is engaged in the exploration for, and development and production of crude oil and natural gas in the UK North Sea.

The movement in the investment in this joint venture is as follows:

	2016 $'000	2015 $'000
At 1 January	-	-
Capital restructuring	-	519,819
Cash injection	**291,550**	531,650
Share of net loss	-	(318,422)
Share of other comprehensive income/(loss)	-	204
Impairment loss	**(291,550)**	(733,251)
At 31 December	-	-

Under the Subscription Agreement, during the year, the Company has increased its investment of $292million in RSRUK via cash funding of $292million, to increase RSRUK's share capital in order to fund its operating and capital expenditures. This agreement has subsequently extended to cover the period until 31 December 2018.

The following table summarises the financial position of the joint venture. Based on Shareholders Agreement, the Company has calculated and provided its obligation to the joint venture at year end.

	2016 $'000	2015 $'000
Total non-current assets	**3,571,452**	4,847,668
Total current assets	**418,372**	389,934
Total current liabilities	**(620,537)**	(617,320)
Total non-current liabilities	**(4,876,158)**	(5,152,912)
Net assets/(liabilities)	**(1,506,871)**	(532,630)
Obligation to fund joint venture (49%)	**(738,367)**	(260,989)
Movement of the obligation in the year	**(477,378)**	(40,704)

The following information presented are the amounts included in the financial statements of the joint venture adjusted for fair value adjustments made at the time of acquisition, as appropriate. The fair value adjustments relate to property, plant and equipment, provisions, assets impairments and goodwill.

	2016 $'000	2015 $'000
Cash and cash equivalent	**5,438**	20,319
Revenue	**758,091**	818,765
Depreciation	**1,225,525**	448,050
Finance income	**9,175**	2,825
Interest expense	**583**	17,114
Tax expense/(credit) for the year	**70,491**	(176,381)
Other comprehensive loss/(gain)	**45,758**	(417)
Loss after tax credit	**(1,523,417)**	(649,840)

13 Trade receivables

	2016	2015
	$'000	$'000
Prepayments	**157**	147
Unbilled management services (Note 22)	**336**	-
	493	147

Trade receivables are non-interest bearing and are generally on 30-90 days terms. The carrying values of the trade receivables are equal to their fair value at the end of the reporting period.

Unbilled management services represent the amount to be recharged to RSRUK.

14 Other receivables

	2016	2015
	$'000	$'000
Amount due from group undertakings	**177**	48
Recoverable VAT	**137**	-
	314	48

15 Cash and cash equivalents

The Company's cash and cash equivalents of $327,000 (2015: $113,000) consist of a non-restricted cash balance held in US dollars and Sterling accounts.

16 Trade and other payables

	2016	2015
	$'000	$'000
Accrued expenses	**1,852**	1,317
Amount due to group undertakings	**57,708**	34,470
Trade payables	**146**	30
Other payables	**113**	637
Recoverable VAT	**-**	50
	59,819	36,504

Trade and other payables are non-interest bearing and are normally settled within 30-60 days terms. Amounts due to group undertakings are non-interest bearing and have an average term of 30-180 days. The carrying values of the trade and other payables are equal to their fair value at the end of the reporting period.

17 Long term borrowings

	2016	2015
	$'000	*$'000*
APHL (Note 22)	**3,362,741**	3,092,086
	3,362,741	3,092,806

The Company has received a confirmation from its parent, APHL, that APHL will assist the Company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities.

The amount owing to APHL is non-interest bearing with no set repayment date.

18 Share capital and reserves

Share capital	**2016**	2015
	$'000	*$'000*
Allotted, called up and fully paid	**1**	1

The total number of ordinary shares at 31 December 2016 is 1,000 (2015: 1,000) shares at $1 each at nominal value.

Reserves

The other reserves are recorded the Company's share of the actuarial gains and losses incurred in the joint venture in relation to the defined benefit pension fund.

Those actuarial gains and losses are items that will not be subsequently reclassified to profit and loss.

19 Finance costs

	2016	2015
	$'000	*$'000*
Interest expense	-	(25,940)
Exchange loss	**(82)**	(15)
Bank charges	**(5)**	(5)
	(87)	(25,960)

20 Commitments

49% commitment in RSRUK

The following is a summary of APUK's commitments related to RSRUK as at 31December 2016.

	Land & buildings	*Other*	*Total*
	$'000	*$'000*	*$'000*
Within 1 year	1,659	34,559	36,218
In 1 to 5 years	5,838	32,635	38,473
After 5 years	4,416	-	4,416
	11,913	**67,194**	**79,107**

The following is a summary of APUK commitments related to RSRUK as at 31 December 2015.

	Land & buildings	*Other*	*Total*
	$'000	*$'000*	*$'000*
Within 1 year	2,891	131,630	134,521
In 1 to 5 years	7,087	30,522	37,609
After 5 years	8,859	-	8,859
	18,837	**162,152**	**180,989**

These commitments are included in Shareholders' Agreement (Note 12), guaranteed by China Petrochemical Corporation.

Long term retention plans

APUK rewards its permanent employees as part of their variable compensation, with a discretionary cash based long term incentive plan ("LTIP" or "Award"). Each year's program allocates an Award which equally vests over a three-year period beginning on grant date. The grant date is 1st August following the year for which the Award is approved. The Award is amortised to general and administrative costs.

In 2016, this LTIP was replaced with a discretionary cash based Deferred Compensation plan ("DCP"). Each program allocates an Award which vests two years after the Award is made. The grant date is 1st August. The remaining unvested LTIP Awards will be paid in 2017 and 2018. A transition payment ("Transition plan") was paid in August 2017 to bridge the gap between the LTIP and DCP plans.

Long term retention plans (continued)

As at 31 December 2016, the estimated accrued award is as follows:

	Vesting date	***Estimated award to vest***	***Estimated non-vested award***
		$'000	***$'000***
LTIP	August 2017	387	109
Transition plan	August 2017	218	-
DCP	August 2017	-	268
		605	**377**

As at December 31, 2015, the estimated accrued award is as follows:

	Vesting date	***Estimated award to vest August 2016***	***Estimated non-vested award***
		$'000	***$'000***
LTIP	August 2016	695	768
		695	**768**

21 Contingencies

RSRUK is required to provide letters of credit as security in relation to certain decommissioning obligations in the United Kingdom pursuant to contractual arrangements under Decommissioning Security Agreements (DSAs). At 31 December 2016 RSRUK has provided letters of credit in the amount of $1.21billion (2015: $1.78billion) as security for the costs of future dismantlement, site restoration and abandonment costs for certain North Sea fields.

In 2016 49% of the letters of credit issued on behalf of RSRUK were secured by back to back letters of credit from facilities entered into either by APHL or SIPC. This arrangement allows APUK to meet its obligations under the Shareholders Agreement.

22 Related party transactions

The following transactions took place in between APUK and its related parties:

	2016 **$'000**	2015 $'000
Management service fees:		
Addax Petroleum Holdings Ltd	**31,344**	22,761
Repsol Sinopec Resources (UK) Limited	**1,061**	861
Charges:		
Addax Petroleum Ltd	**(23,242)**	(14,524)
Tiptop Energy Ltd	-	(25,675)

All transactions with these related parties are recorded at amounts agreed to by parties.

Amounts due from/(to) related parties are included in accounts receivable and accounts payable in the statement of financial positions are as follows:

	2016 **$'000**	2015 $'000
Addax Petroleum Holdings Ltd (Note 17)	**(3,362,741)**	(3,092,806)
Addax Petroleum Ltd, IOM and Geneva branch	**(57,708)**	(34,467)
Repsol Sinopec Resources (UK) Limited (Note 13)	**336**	-
Repsol Sinopec Resources (UK) Limited – Other receivable	**38**	46

The amount due to Addax Petroleum Holdings Limited includes the following items:

	2016 **$'000**	2015 $'000
Loan to acquire shares in RSRUK in December 2012	**(1,075,464)**	(1,075,464)
Interest on loan to acquire above shares in RSRUK	**(79,148)**	(79,148)
Additional issued shares in RSRUK	**(1,138,383)**	(1,138,383)
Cash injection through issue of shares	**(1,129,450)**	(837,900)
Transfer pricing from APUK to APHL	**82,827**	51,481
Funding of APUK running costs	**(23,123)**	(13,393)
	(3,362,741)	(3,092,806)

23 Financial Instruments

Capital Management

APUK manages its capital to ensure it will be able to continue as a going concern.

The capital structure of APUK consists of net debt (shareholder advance offset by cash and cash equivalents) and equity. APUK is not subject to externally imposed capital requirements.

APUK may issue new debt or equity or similar instruments, reduce debt levels, or make adjustments to its capital expenditure program.

Categories of financial instruments

	2016	*2015*
	$'000	*$'000*
Financial Assets		
Held for trading		
Cash and cash equivalent	**327**	113
Loans and receivables		
Trade and receivables and other current assets	**807**	195
	1,134	308
Financial Liabilities		
Other liabilities		
Trade and other payables	**59,819**	36,504
Long term borrowings	**3,362,741**	3,092,806
	3,422,560	3,129,310

The carrying value of the financial assets and liabilities approximates their fair value.

Financial risk management objectives

The directors manage the financial risks relating to the Company in conjunction with those of the Group of which it is part of and steps are taken where necessary to ensure these risks are appropriately managed. The Company does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company is primarily exposed to financial risk of change in foreign currency exchange rates and in the interest rates.

Foreign exchange risk

APUK is exposed to foreign exchange risk because its joint venture undertakes transactions in foreign currencies, primarily with respect to the British pound ("GBP") and Swiss franc ("CHF"). There are no hedging policies in place or hedged transactions, as the majority of financial flows are denominated in USD.

Financial Instruments (continued)

Interest rate risk

APUK is no longer exposed to interest rate risk on its outstanding borrowings as the amounts due to group undertaking is non-interest bearing.

APUK manages this risk through regular review of market conditions and interest rates, for which, if considered necessary, recommendations for changes to existing financing or new arrangements are presented to the board of directors or management committee for approval.

Credit risk

Credit risk is the risk of economic loss arising when counterparty fails to meet its obligations as they become due. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness and the respective concentration risk.

The credit risk on receivables is limited because the counterparties are related parties which are closely monitored by the management.

Liquidity risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full.

The Company is able to obtain financing from APHL and Tip Top as required. These funds are primarily used to finance working capital and administrative expenses. APUK manages its liquidity risk by regularly monitoring its cash flows, holding adequate amounts of cash.

Liquidity and interest risk tables ($000)

At 31 December 2016	**Interest rate %**	**Less than 1 year**	**Year 1 -5**	**Over 5 Years**	**Total**
Financial Assets					
Cash and cash equivalents	-	327	-	-	327
Loan and receivables	-	808	-	-	808
Financial Liabilities					
Trade and other payables	-	59,819	-	-	59,819
Long term borrowings	-	-	3,362,741	-	3,362,741

At 31 December 2015	**Interest rate %**	**Less than 1 year**	**Year 1 -5**	**Over 5 Years**	**Total**
Financial Assets					
Cash and cash equivalents	-	113	-	-	113
Loan and receivables	-	195	-	-	195
Financial Liabilities					
Trade and other payables	-	36,504	-	-	36,504
Long term borrowings	-	-	3,092,806	-	3,092,806

24 Events after the reporting period

Extension of the share subscription agreement

In July 2017 the shareholders agreed in principle to extend the share subscription agreement to 31 December 2018 and to adjust the capacity of the share subscription agreement to fully fund RSRUK's operations up to 31 December 2018. It is expected that the amendment will be approved by both shareholders and RSRUK and in place no later than 30 September 2017. As at 30 June 2017 the remaining capacity was $665 million (Addax share: $326 million) however the capacity is expected to be reduced to $120 million (Addax share: $58.8 million) to reflect overall cashflow improvement in RSRUK.

The original agreement, signed in June 2015, was to provide equity funding totalling $1.7billion (Addax share: $833million) to RSRUK for the purpose of funding capital, abandonment and operating expenditure.

Closure of the Company's Aberdeen office

The closure of the Company's Aberdeen office was announced on 10 July 2017 as part of the ongoing transformation process that Addax Petroleum is implementing.

At the time of the issue of the financial statements, the effective date of closure is expected to be 21 December 2017.

There were no other subsequent events after the reporting period.