



ADDAX PETROLEUM UK LIMITED

Addax Petroleum UK Limited
Company No. 08135892

Addax Petroleum UK Limited

Financial Statements

For the year ended December 31, 2014





ADDAX PETROLEUM UK LIMITED

Company Information

Directors	Y. Zhang – appointed July 10, 2012 C. Xu – appointed July 10, 2012 J. M. Warrender – appointed August 15, 2013
Secretary	Jordan Company Secretaries Ltd
Company number	08135892
Registered office	20-22 Bedford Row London United Kingdom WC1R 4JS



ADDAX PETROLEUM UK LIMITED

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ADDAX PETROLEUM UK LIMITED

Directors' report

For the year ended December 31, 2014

(In thousands of US dollars)

The directors present their report and financial statements for the year ended December 31, 2014. The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Principal activities

Addax Petroleum UK Limited ("the Company" or "APUK") is an investment holding company and finance vehicle. The Company was created on July 10, 2012 for the purpose of holding and managing its 49% shareholding in a joint venture, Talisman Sinopec Energy (UK) Ltd ("TSEUK") based in Aberdeen, the United Kingdom. The assets of TSEUK are located in the North Sea, United Kingdom.

Business review

The fluctuation in the prices of oil and gas and the impact on TSEUK's financial results has led to the directors and shareholders of TSEUK to take steps to improve the financial position of TSEUK. APUK, guaranteed by its ultimate parent, China Petrochemical Corporation, has committed to support TSEUK financially. Details are provided in the note 13 of the financial statements.

The Company incurred a consolidated loss of \$2,143,935 after recording a \$777,434 impairment loss on the joint venture. Revenue for management services rendered amounts to \$16,647. Finance costs of \$29,099 were incurred relating to the shareholder advance received to finance the 49% acquisition of TSEUK in 2012. As at December 31, 2014, the Company has ten employees. The Company is not liable for UK corporation tax in 2014.

Considering the current low oil price environment, TSEUK 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 the investment in the joint venture.

Risk assessment

The directors are monitoring the implications of Government and HSSE regulations on the North Sea assets. As the regulatory environment in the United Kingdom is stable, it is not envisaged that there are significant risks pertinent to its business however, the directors regularly receive information from external and internal sources and will take actions as appropriate to mitigate these. For further description of capital management and financial risk management, refer to note 24 of 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 in the attached financial statements. No dividend is payable.

Directors

The directors who served the Company during the year were as follows:

Y. Zhang

C. Xu

J. M. Warrender

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



ADDAX PETROLEUM UK LIMITED

Directors' report

For the year ended December 31, 2014

(In thousands of US dollars)

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the directors, to the extent permitted by the Companies Act 2006.

Post balance sheet events

In June 2015 the shareholders of TSEUK entered a subscription agreement to provide equity funding totalling \$1.7 million to TSEUK, of which APUK is committed to \$833,000 for the purpose of funding capital, abandonment and operating expenditures of TSEUK, from July 1st, 2015 to December 31, 2016. In July 2015 the shareholders of TSEUK agreed to subscribe for common shares of TSEUK in the amount of \$1.06 million, of which APUK's share was \$520,000.

Going Concern

The financial position of the Company and its business activities are described in the financial statements and notes on the pages included after this report. In the period 2015 and 2016, TSEUK 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. Throughout this period, APUK is committed to provide agreed funding to TSEUK.

APUK is part of a Shareholder Agreement signed on December 17, 2012 relating to TSEUK. This agreement states that China Petrochemical Corporation provides an unconditional and irrevocable guarantee over the performance of APUK for all of its obligations, including a capital funding commitment and a decommissioning commitment. China Petrochemical Corporation, a company incorporated in the People's Republic of China is the ultimate parent of APUK.

The Company's direct parent Addax Petroleum Holdings Limited ("APHL") has confirmed that it will not require repayment of the payable due amounting to \$923,141 as at December 31, 2014 until such time as APUK is in a solvent financial position.

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 annual financial statements have been prepared on a going concern basis.

Auditor

Deloitte LLP 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 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.



ADDAX PETROLEUM UK LIMITED

Directors' report

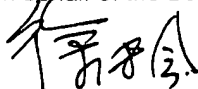
For the year ended December 31, 2014

(In thousands of US dollars)

Disclosure of information provided 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



C. Xu

Director

September 30, 2015



ADDAX PETROLEUM UK LIMITED

Directors' responsibilities statement For the year ended December 31, 2014 (In thousands of US dollars)

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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

Independent Auditor's Report to the Members of Addax Petroleum UK Limited

We have audited the financial statements of Addax Petroleum UK Limited for the year ended 31 December 2014, which comprise the Statement of income, the Statement of comprehensive loss, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes 1 to 25. 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.

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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).


Opinion on other matter prescribed by the Companies Act 2006

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

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:

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



Will Eversden, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
30 September 2015

ADDAX PETROLEUM UK LIMITED

STATEMENT OF INCOME

For the year ended December 31, 2014

(In thousands of US dollars)

	Note	2014	From July 10, 2012 to December 31, 2013
Other income	3	16,647	13,408
Administrative expenses	4	(11,664)	(12,919)
Operating profit / (loss)		4,983	489
Finance costs	19	(29,099)	(24,118)
Impairment loss on joint venture	13	(777,434)	-
Share of loss of joint venture	10	(1,342,385)	(91,259)
Loss before tax		(2,143,935)	(114,888)
Income tax expense	11	-	-
Loss for the period		(2,143,935)	(114,888)

STATEMENT OF COMPREHENSIVE LOSS

For the year ended December 31, 2014

(In thousands of US dollars)

	2014	From July 10, 2012 to December 31, 2013
Loss for the year / period	(2,143,935)	(114,888)
Other comprehensive loss	(9,775)	(3,872)
Total comprehensive loss for the year / period	(2,153,710)	(118,760)

ADDAX PETROLEUM UK LIMITED

STATEMENT OF FINANCIAL POSITION At December 31, 2014 (In thousands of US dollars)

Assets	Note	At December 31, 2014	At December 31, 2013
Non-Current Assets			
Property plant and equipment	12	538	612
Investments in joint ventures	13	-	979,961
Total non-current assets		538	980,573
Current Assets			
Trade receivables	15	158	97
Other current assets	16	1,138	11,680
Cash and cash equivalents	14	178	543
Total current assets		1,474	12,320
Total assets		2,012	992,893
Liabilities			
Current liabilities			
Trade and other payables	17	925,259	11,834
Total current liabilities		925,259	11,834
Non-current liabilities			
Long term borrowings	20	1,128,937	1,099,818
Obligation to fund equity investee	13	220,285	-
Total Non-Current Liabilities		1,349,222	1,099,818
Total liabilities		2,274,481	1,111,652
Equity			
Ordinary shares	18	1	1
Retained deficit		(2,258,823)	(114,888)
		(2,258,822)	(114,887)
Revaluation reserves		(13,647)	(3,872)
Deficit attributable to the equity holders of the company		(2,272,469)	(118,759)
Total liabilities and equity		2,012	992,893

The financial statements of Addax Petroleum UK Limited, registered number 08135892 were approved and authorised for issue by the Board. Signed on its behalf on September 30, 2015.

C. Xu

ADDAX PETROLEUM UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

(In thousands of US dollars)

	Note	Ordinary shares	Retained deficit	Revaluation reserve	Total deficit
Balance at July 10, 2012		-	-	-	-
Loss		-	(114,888)	-	(114,888)
Comprehensive loss		-	-	(3,872)	(3,872)
Issue of share capital	18	1	-	-	1
Balance at December 31, 2013		1	(114,888)	(3,872)	(118,759)

	Note	Ordinary shares	Retained deficit	Revaluation reserve	Total deficit
Balance at December 31, 2013		1	(114,888)	(3,872)	(118,759)
Loss		-	(2,143,935)	-	(2,143,935)
Comprehensive loss		-	-	(9,775)	(9,775)
Issue of share capital	18	-	-	-	-
Balance at December 31, 2014		1	(2,258,823)	(13,647)	(2,272,469)

ADDAX PETROLEUM UK LIMITED

STATEMENT OF CASH FLOWS (In thousands of US dollars)

	Note	2014	From July 10, 2012 to December 31, 2013
Cash flows from operating activities			
Receipt from related party for service rendered		958	496
Cash advances from Addax Group		4,841	2,341
VAT refund		286	1,002
Cash paid to suppliers and employees		(6,374)	(3,602)
<i>Net cash (used in) / from operating activities</i>		<u>(290)</u>	<u>237</u>
Cash flows from investing activities			
Investment in TSEUK	13	(306,250)	(1,069,358)
Payment of stamp duties	6	-	(5,393)
Purchase of property, plant and equipment	12	(54)	(640)
<i>Net cash (used in) / from investing activities</i>		<u>(306,304)</u>	<u>(1,075,391)</u>
Cash flows from financing activities			
Proceeds from the issue of share capital	18	-	1
Proceeds from long-term borrowings	13	306,250	1,075,730
Proceeds from Tiptop Energy Ltd		-	397,270
Payment of proceeds from Tiptop Energy Ltd to Talisman Finance (UK) Limited		-	(397,270)
<i>Net cash from/(used in) financing activities</i>		<u>306,250</u>	<u>1,075,731</u>
Net (decrease) / increase in cash and cash equivalents		(344)	577
Cash and cash equivalents at beginning of year / period			
	14	543	-
Effects of exchange rate changes on the balance of cash held in foreign currencies		(21)	(34)
Cash and cash equivalents at end of year / period	14	178	543

ADDAX PETROLEUM UK LIMITED

Notes to the Financial Statements

For the year ended December 31, 2014

(Amounts in thousands of US dollars)

1 Principal Activities, Organisation and Basis of Preparation

a) Organisation

Addax Petroleum UK Limited "the Company" or "APUK" is incorporated under the Companies Act 2006 as a private company. Its registered office address is 20-22 Bedford Row London WC1R 4JS United Kingdom.

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).

b) Principal activities

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

China Petrochemical Corporation ("CPC"), a company incorporated in the People's Republic of China is the ultimate parent of APUK.

The Company's principal activity is management of its 49% shareholding in a joint venture, Talisman Sinopec Energy (UK) Ltd ("TSEUK") based in Aberdeen, United Kingdom. The assets of TSEUK are in the North Sea, the United Kingdom.

c) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with 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 5.

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.

ADDAX PETROLEUM UK LIMITED**Notes to the Financial Statements****For the year ended December 31, 2014****(Amounts in thousands of US dollars)****f) Standards and interpretations in issue but not yet effective**

At the date of authorization of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet applicable:

		Effective for annual periods beginning on or after
New and Amended Standards		
IFRS 9, IFRS 7 and IAS 39	Financial instruments	January 1, 2018
IFRS 14	Regulatory deferral accounts	January 1, 2016
IFRS 15	Revenue from contracts with customers	January 1, 2017
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to IAS 27	Equity method in separate financial statements	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception	January 1, 2016
Amendments to IAS 1	Disclosure initiative	January 1, 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	January 1, 2016
	Annual improvement 2012-2014	July 1, 2016

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

The company has adopted the following standards which became effective during the year.

		Effective for annual periods beginning on or after
Amendments to Standards		
IFRIC 21	Levies	January 1, 2014
IFRS 10, IFRS 12 and IAS 27	Investment Entities	January 1, 2014
IAS 19	Defined benefit plans: employee contributions	July 1, 2014
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IAS 36	Impairment of Assets: Recoverable amount disclosures for non-financial assets	January 1, 2014
IAS 39	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRSs 2010-2012 and 2011-2013	Annual improvement cycles	July 1, 2014

There has not been a material impact on the financial statements of APUK as a result of the adoption of the standards.

ADDAX PETROLEUM UK LIMITED
Notes to the Financial Statements
For the year ended December 31, 2014
(Amounts in thousands of US dollars)

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. 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. All tabular values are rounded to the nearest thousand dollars (US\$ thousand) except where otherwise indicated.

The principal accounting policies adopted by Addax Petroleum UK Limited are set out below.

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 other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

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.

ADDAX PETROLEUM UK LIMITED
Notes to the Financial Statements
For the year ended December 31, 2014
(Amounts in thousands of US dollars)

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) Interests in subsidiaries, joint ventures and associates

APUK accounts for its interest in TSEUK using the equity method.

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	Life in years
Furniture and office equipment	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.

ADDAX PETROLEUM UK LIMITED
Notes to the Financial Statements
For the year ended December 31, 2014
(Amounts in thousands of US dollars)

Financial instruments (continued)

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 income statement.

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.

ADDAX PETROLEUM UK LIMITED
Notes to the Financial Statements
For the year ended December 31, 2014
(Amounts in thousands of US dollars)

Provisions and long term liabilities (continued)

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

	2014	From July 10, 2012 to December 31, 2013
Management services rendered	16,647	13,408
	<u>16,647</u>	<u>13,408</u>

ADDAX PETROLEUM UK LIMITED
Notes to the Financial Statements
For the year ended December 31, 2014
(Amounts in thousands of US dollars)

4 Administrative expenses

The following amounts were expensed during the year / period:

	Note	2014	From July 10, 2012 to December 31, 2013
Professional fees	5	(4,551)	(4,352)
Stamp duties	6	-	(5,393)
Employment costs	7	(5,904)	(2,216)
Communication and information		(39)	(21)
Office expenses		(901)	(698)
Information systems & technology		(141)	(211)
Depreciation	12	(128)	(28)
		<u>(11,664)</u>	<u>(12,919)</u>

5 Professional fees

	2014	From July 10, 2012 to December 31, 2013
Audit work	34	44
Non audit work	77	53
Consultants	598	2,978
Management and technical support	3,842	1,277
	<u>4,551</u>	<u>4,352</u>

6 Stamp duties

Due to the acquisition of TSEUK, a stamp duty amounting to US\$5,393 has been paid to the UK Tax Authority in 2013. The tax is calculated as 0.5% of the consideration paid for the shares.

7 Employment costs

	2014	From July 10, 2012 to December 31, 2013
Wages and salaries	4,036	1,288
Social security costs	384	134
Other employment costs	1,289	720
Other pension costs	195	74
	<u>5,904</u>	<u>2,216</u>

The average number of persons employed by the Company during the year was 6 (From July 10, 2012 to December 31, 2013: 2).

ADDAX PETROLEUM UK LIMITED
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8 Compensation of key management

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

	2014	From July 10, 2012 to December 31, 2013
Short term employee benefits	561	394
Post employee benefits	56	21
Other long term benefits	-	42
	<u>617</u>	<u>457</u>

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

9 Employee future benefits

APUK has non-contributory defined benefit and defined contribution pension plans providing pension and post-employment benefits to substantially all employees.

Defined benefit plans

APUK operates a funded defined benefits plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits of a retirement age of 65 for men and 64 for women. No other post-retirement benefits are provided to these employees.

A pension fund cost of \$105 (December 31, 2013: \$54) has been accrued for future pension fund obligations and has been included in the general and administrative costs in the statement of income.

10 Share of loss of joint venture

	Note	2014	From July 10, 2012 to December 31, 2013
Share of loss of joint venture	13	(1,117,567)	(85,525)
Joint venture management costs		(4,533)	(5,734)
Obligation to fund equity investment	13	(220,285)	-
		<u>(1,342,385)</u>	<u>(91,259)</u>

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11 Income taxes

The Company was incorporated on July, 10 2012 when the effective UK income tax on profits was 24%. The Company is subject to income tax on profits at a rate of 23% from January 2014 to March 2014 and 21% from April 2014 to December 2014 (from April 2013 to December 2013: 23%). Due to more than one tax year in the period, a hybrid rate of 21.49% is applied.

The charge for the year can be reconciled to the loss per the income statement as follows. The loss for the year below is calculated as the operating loss less the finance costs.

	2014	From July 10, 2012 to December 31, 2013
Loss for the year / period - continuing operations	(24,116)	(29,363)
Tax on loss at standard UK rate of 21.49% (2013: 23%)	(5,183)	(6,833)
Effects of:		
Expenses not deductible	4,230	1,430
Amounts not recognised	953	-
Fixed asset timing differences	-	6
Losses	-	5,397
Tax charge for the year / period	-	-

No deferred tax asset is recognised with respect to the tax losses due to the uncertainty that these can be utilised in a future period.

12 Property, plant and equipment

	Furniture and fittings	Total
Cost		
Opening balance at July 10, 2012	-	-
Additions	640	640
Closing balance at December 31, 2013	640	640
Additions	54	54
Closing balance at December 31, 2014	694	694
Accumulated depreciation		
Opening balance at July 10, 2012	-	-
Depreciation	(28)	(28)
Closing balance at December 31, 2013	(28)	(28)
Depreciation	(128)	(128)
Closing balance at December 31, 2014	(156)	(156)
Carrying value		
Opening balance at July 10, 2012	-	-
Closing balance at December 31, 2013	612	612
Closing balance at December 31, 2014	538	538

ADDAX PETROLEUM UK LIMITED

Notes to the Financial Statements

For the year ended December 31, 2014

(Amounts in thousands of US dollars)

13 Investments

Name	Country of incorporation	Equity interest 2014	Equity interest 2013	Principal activities
Talisman Sinopec Energy UK Ltd	UK	49%	49%	Oil & Gas - North Sea

On December 17, 2012 APUK, along with its ultimate parent China Petrochemical Corporation entered into an agreement (the "Shareholders' Agreement") with Talisman Energy Inc., Talisman Columbia Holdco Limited and Talisman Energy UK Ltd to purchase a 49% non-operated equity interest in Talisman Energy UK Ltd. Talisman Energy UK Ltd subsequently changed its name to Talisman Sinopec Energy UK Ltd.

The transaction is in the form of a joint arrangement, in particular a joint venture. TSEUK is governed by the Shareholders' Agreement, which requires that unanimous consent 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 guaranteed the full, due and punctual performance and observation by APUK of all the obligations of APUK to Talisman Columbia Holdco Limited and TSEUK.

TSEUK, incorporated in England and Wales, is engaging in the exploration for, and development and production of crude oil and natural gas.

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

	Year / period ended December 31	
	2014	2013
Balance, beginning of the year / period	979,961	0
Acquisition	-	1,069,358
Capital restructuring	618,565	-
Cash injection	306,250	-
Share of net loss	(1,117,567)	(85,525)
Share of comprehensive loss	(9,775)	(3,872)
Impairment loss	(777,434)	-
Balance, end of the year / period	-	979,961

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Notes to the Financial Statements

For the year ended December 31, 2014

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Investments (continued)

The following table summarizes the financial information of the joint venture. This table also reconciles financial information to the carrying amount of the Company's investment in the joint venture.

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The following table presents selected financial information of the joint venture.

	Year / period ended December 31	
	2014	2013
Cash and cash equivalent	36,930	41,626
Current financial liabilities	31,000	232,000
Non-current financial liabilities	1,009,000	1,398,000
Depletion, depreciation and amortization	3,975,000	2,308,000
Interest income	2,000	1,000
Interest expense	49,000	91,000
Income tax expense	2,659,000	1,082,000
Other comprehensive loss	19,000	-

Addax Petroleum's 49% share of TSEUK's net assets acquired (\$142 million) were recognized as part of the investment in 2013 and accounted for using equity method.

	Year / period ended December 31	
	2014	2013
Revenue	1,184,529	1,411,000
Loss after tax	(2,201,145)	(171,000)

The summarized financial 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.

During 2014, through a shareholders' debt to equity conversion, APUK increased its investment in TSEUK by \$619,000 and agreed to provide equity funding of up to \$588,000 for the purpose of funding TSEUK's capital, decommissioning and operating expenditures. This agreement expired in June 2015.

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Investments (continued)

In 2015, through a shareholders' debt to equity conversion, APUK increased its investment in TSEUK by \$520,000 and agreed to provide equity funding of up to \$833,000 for the purpose of funding TSEUK's capital, abandonment and operating expenditures from July 1, 2015 to December 31, 2016.

14 Cash and cash equivalents

The Company's \$178 (December 31, 2013: \$543) cash and cash equivalents consist of a non-restricted cash balance held in US dollars and GBP.

15 Trade receivables

	At December 31, 2014	At December 31, 2013
Trade receivables	158	97
	158	97
Analysed as follows:		
Prepayments	107	46
Related party receivables	51	51
	158	97

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.

16 Other current assets

	At December 31, 2014	At December 31, 2013
Amounts due from group undertakings	50	10,671
Recoverable VAT	1,088	1,009
	1,138	11,680

ADDAX PETROLEUM UK LIMITED
Notes to the Financial Statements
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17 Trade and other payables

	At December 31, 2014	At December 31, 2013
Accrued expenses	1,365	1,302
Amounts due to group undertakings	923,141	10,384
Trade creditors	30	58
Other payables	723	90
	925,259	11,834

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

The Company's direct parent Addax Petroleum Holdings Limited has confirmed that it will not require repayment of the payable due amounting to \$923,141 as at December 31, 2014 until such time as APUK is in a solvent financial position. Refer to the Going concern section of the Directors' report on page 5.

18 Share capital

The total number of ordinary shares at December 31, 2014 is 1,000 shares at one US dollar each at nominal value. All issued shares are fully paid.

	At December 31, 2014	At December 31, 2013
Authorised	1	1
1000 ordinary shares of \$1 each	1	1
Issued and fully paid for	1	1
1000 ordinary shares of \$1 each	1	1
Reconciliation of the number of shares outstanding:		
Opening balance	1	-
Shares issued	-	1
Shares repurchased	-	-
Closing balance	1	1

All fully paid up shares have a par value of \$1 and entitles the holder to one vote and equal rights to dividends declared.

ADDAX PETROLEUM UK LIMITED**Notes to the Financial Statements****For the year ended December 31, 2014****(Amounts in thousands of US dollars)****19 Finance costs**

	2014	From July 10, 2012 to December 31, 2013
Interest	29,068	24,088
Exchange loss	25	29
Bank charges	6	1
	29,099	24,118

The shareholder advance bears interest at Libor 12 month USD + 1.65% margin.

20 Long term borrowings

In December 2012, Tip Top Energy Limited advanced US\$1,075,730 to Addax Petroleum UK Limited; it is an unsecured advance repayable by December 20, 2017.

As at December 31, 2014 the total amount due to be repaid is US\$1,128,937 including interest of US\$53,207 (December 31, 2013: \$1,099,818 including interest of \$24,088).

The shareholder advance bears interest at Libor 12 month USD + 1.65% margin.

21 Commitments**49% commitment in TSEUK**

The following is a summary of APUK's 49% commitments related to TSEUK as at December 31, 2014.

Commitment Type	Due within 1 year	Due from 1 to 5 years	Due after 5 years	Total
Ocean-going vessel leases	266,544	81,267	-	347,810
Office leases	2,874	7,053	10,990	20,917
Other service contracts	49,998	-	-	49,998
Transportation and processing commitments	27,399	39,412	9,129	75,940
	346,815	127,732	20,119	494,665

ADDAX PETROLEUM UK LIMITED
Notes to the Financial Statements
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Commitments (continued)

The following is a summary of APUK 49% commitments related to TSEUK as at December 31, 2013.

Commitment Type	Due within 1 year	Due from 1 to 5 years	Due after 5 years	Total
Ocean-going vessel leases	107,246	135,243	-	242,489
Office leases	1,104	3,508	6,602	11,214
Other service contracts	33,451	9,085	-	42,536
Transportation and processing commitments	16,288	29,253	6,923	52,464
	158,089	177,089	13,525	348,703

These commitments are guaranteed by China Petrochemical Corporation under the Shareholders' Agreement. See Note 13.

Long term incentive plan

APHL through APUK rewards its permanent employees, as part of their variable compensation, a 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.

As at December 31, 2014, the estimated accrued award is as follows:

	Vesting date	Estimated award to vest August 2015	Estimated non-vested award
LTIP	August 2015	567	735
		567	735

As at December 31, 2013, the estimated accrued award is as follows:

	Vesting date	Estimated award to vest August 2014	Estimated non-vested award
LTIP 2013	August 2014	71	143
		71	143

22 Contingencies

Talisman Sinopec Energy (UK) Limited 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 the commencement of the joint venture, APHL assumed 49% of the decommissioning obligations of TSEUK supported by an unconditional and irrevocable guarantee from SIPC to TEI.

ADDAX PETROLEUM UK LIMITED
Notes to the Financial Statements
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Contingencies (continued)

Following the acquisition of a 49% non-operated equity interest in TSEUK in 2012, it was agreed between both TEI and APHL that bank facilities previously held by TEI would be progressively transformed into shared facilities. The bank facilities were therefore renegotiated for TSEUK through a first demand guarantee from both shareholders up to their respective equity interest in TSEUK. The transfer of bank facilities from TEI to TSEUK was fully achieved by the end of January 2014.

December 31, 2014, TSEUK has \$2.6 million of demand shared facilities in place under which letters of credit of \$1.6 million have been issued. At January 1, 2015, total letters of credit issued under these shared facilities increased to \$2.1 million. Of this \$2.1 million, approximately 60% were posted on an after-tax basis subsequent to successful negotiations to recognize the UK government's tax relief on decommissioning costs of 50%; however, rising cost estimates as well as new letters of credit requirements being triggered on assets where future cash flow is inadequate to cover the abandonment obligation resulted in a net increase in letters of credit requirements of \$0.5 million when compared to December 31, 2014.

APHL guarantees 49% of all letters of credit issued under these shared facilities.

Any changes to decommissioning estimates influence the value of letters of credit required to be provided pursuant to DSAs. In addition, the extent to which shared facility capacity is available, and the cost of that capacity, is influenced by APHL's investment grade credit rating.

23 Related party transactions

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

	2014	From July 10, 2012 to December 31, 2013
Management service fees:		
Addax Petroleum Holdings Ltd	15,905	12,905
TSEUK	742	503
Charges:		
Addax Petroleum Ltd, IOM	(9,559)	(10,384)
Tiptop Energy Ltd	(29,068)	(24,088)

All transactions with these related parties are recorded at amounts agreed to by parties and are made on the same terms and conditions as with non-related customers.

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

	At December 31, 2014	At December 31, 2013
Tiptop Energy Ltd	(1,128,937)	(1,099,818)
Addax Petroleum Holdings Ltd	(903,199)	10,562
Addax Petroleum Ltd, IOM	(19,943)	(10,384)
TSEUK	51	109

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Related party transactions (continued)

In December 2012, Tip Top Energy Limited advanced \$1,075,730 to APUK; it is an unsecured advance repayable by December 20, 2017.

As at December 31, 2014 the total amount due to be repaid is \$1,128,937 including interest of \$53,207 (December 31, 2013: \$1,099,818 including interest of \$24,088).

24 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

Financial instruments	At December 31, 2014	At December 31, 2013
Financial Assets		
<i>Held for trading</i>		
Cash and cash equivalents	178	543
<i>Loans and receivables</i>		
Trade receivables and other current assets	1,296	11,777
	<u>1,474</u>	<u>12,320</u>
Financial Liabilities		
<i>Other Liabilities</i>		
Trade and other payables	925,259	11,834
Long term borrowings	1,128,937	1,099,818
	<u>2,054,196</u>	<u>1,111,652</u>

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.

ADDAX PETROLEUM UK LIMITED

Notes to the Financial Statements

For the year ended December 31, 2014

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Financial Instruments (continued)

a) 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.

b) Interest rate risk

APUK is exposed to interest rate risk on its outstanding borrowings, specifically, on its' shareholder advance.

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.

A 1% change in the interest rate on the shareholder advance would affect net income for the year ended December 31, 2014 by \$11,200 (December 31, 2013 by \$11,000).

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 at group level.

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.

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Financial Instruments (continued)

Liquidity and interest risk tables

At December 31, 2014	Interest rate %	Less than 1 Year	Years 1 - 5	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	-	178	-	-	178
Loans and receivables	-	1,296	-	-	1,296
Financial Liabilities					
Trade and other payables	-	925,259	-	-	925,259
Long term borrowings	2.231%	-	1,128,937	-	1,128,937
At December 31, 2013	Interest rate %	Less than 1	Years 1 - 5	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	-	543	-	-	543
Loans and receivables	-	11,777	-	-	11,777
Financial Liabilities					
Trade and other payables	-	11,834	-	-	11,834
Long term borrowings	2.496%	-	1,099,818	-	1,099,818

25 Events after the reporting period

In 2015, through shareholders' debt to equity conversion, APUK increased its investment in TSEUK for \$520,000 and agreed to provide equity funding up to \$833,000 for the purpose of funding capital, abandonment and operating expenditures of TSEUK, from July 1st, 2015 to December 31, 2016. Refer to note 13.

There were no other subsequent events after the reporting period.