Company Registration No. 04458621

EOG Resources United Kingdom Limited

Annual Report and Financial Statements

Year ended 31 December 2017

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EOG RESOURCES UNITED KINGDOM LIMITED

Annual Report and Financial Statements 2017

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Strategic report for the year ended 31 December 2017 (continued)

The directors present their strategic report and the audited financial statements on the affairs of EOG Resources United Kingdom Limited (the Company), for the year ended 31 December 2017.

Review of the business

The principal activity of the Company is the exploration, development, production and marketing of crude oil and natural gas reserves in the United Kingdom.

The Company is engaged in the exploration and production of crude oil and natural gas from the United Kingdom Continental Shelf, in particular in the Southern Gas Basin of the North Sea, the Central North Sea and the East Irish Sea. The Company's interests in the Southern Gas Basin consist of the Valkyrie Field 25%, Arthur Field 30% and Viper Exploration Area 50%. The Company's interest in the Central North Sea consists of a 25% interest in the Columbus discovery in Block 23/16f. The Company's interest in the East Irish Sea, which is its only active area, consists of a 100% interest in Block 110/12a containing the Conwy Field.

In 2007, a successful appraisal well was drilled on the Columbus natural gas discovery in the Central North Sea. After several proposals, there was no commercially viable export route and the Company took the decision to write off the Columbus assets in 2013. The Company continues to work with its partners with an aim to finding a viable export route and submitting a revised field development plan to United Kingdom Department of Energy and Climate Change (DECC).

In 2009, the Company drilled the Block 110/12-6 discovery well in the Conwy Field, in which the Company has a 100% working interest. Following the installation of the Conwy platform and pipelines in 2012, the Company has now completed the drilling of three production wells, a water injection well and a condensate reinjection well. The Conwy pipelines were tied into the nearby, third party owned, Douglas platform where the Conwy fluids will be processed. The design and fabrication of modifications to the Douglas platform continued throughout 2014 and 2015, with offshore construction work continuing during 2016. First production was achieved in March 2016. Starting in the second quarter of 2017, the Conwy production was off-line due to operational issues. The production remained off-line until production resumed in February 2018.

Turnover decreased from £34.7 million in 2016 to £ nil in 2017 due to operational issues with the pipeline connecting the Conwy wells to the Douglas platform and consequently that the Company had no liftings in 2017. An operating loss of £1.9 million was realised in 2017 due to the shut-in period; the operating loss was partially offset by an impairment recovery on the Conwy asset of £22.3 million primarily due to stronger oil pricing. The Company generated a loss after taxes of £10.1 million, as compared to income of £69.8 million in 2016.

In 2017, £125,000,000 of the loan between EOGI International Company (the Company's immediate parent) and the Company was converted from debt to equity. This resulted in shareholder's equity changing from a deficit to a surplus.

Results and dividends

The Company generated a loss after tax for the year ended 31 December 2017 of £10.1 million (2016 – gain of £69.8 million).

Key Performance Indicators

	Units	2017	2016	Change
		£'000	£'000	%
Turnover		nil	34,678	(100) %
Operating (loss)/gain		(1,944)	69,820	(103) %
(Loss)/gain after tax		(10,136)	69,834	(115) %
Equity shareholder's surplus / (deficit)		92,406	(22,398)	513 %
Sales volumes- Crude Oil	Mbbl	nil	1,216	(100) %
Average crude oil price	£/bbl	nil	28.55	(100) %

Strategic report for the year ended 31 December 2017 (continued)

Principal risks and uncertainties

Risks and uncertainties such as exploration success, production performance and crude oil and natural gas prices are typical to an oil and gas company. The first two risks are partially mitigated through the application of state-of-the art exploration technology and the management of major properties by first class operators. The crude oil and natural gas prices risk is discussed below under "financial risk management".

Financial risk management

The company applies the policies of its ultimate parent, EOG Resources, Inc. (the Parent) in respect of financial risk management. The following is a summary of the principle financial risks and their management:

Commodity price risk: The Company's revenues and profitability depend substantially upon the market price of crude oil. Crude oil price declines and volatility could adversely affect the Company's turnover and profitability. During 2017, there were no natural gas sales and no physical natural gas forward contracts were employed. The Company does not have a history of employing commodity hedges and does not anticipate to enter into any hedging activity.

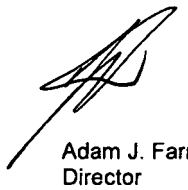
Foreign currency exchange rate risk: The Company has transactions in United States Dollars and Euros and as such is exposed to movements in exchange rates. These transactions include intercompany balances with its Parent in the normal course of business, crude oil sales to a third party and European purchases as part of the Conwy development. To help mitigate the exchange rate risk, the Company's treasury policy is to monitor closely the movements in the exchange rates and keep the outstanding balances as a result of these transactions to a minimum. The Company considers the exposure associated with these transactions in the current year to be immaterial.

Credit risk: The Parent evaluates its exposure to significant counterparties on an ongoing basis. In some instances, the Parent renegotiates payment terms and / or requires collateral, parent guarantees or letters of credit to minimise credit risk. During 2017, the Company had a high concentration of credit risk as a result of selling all of its oil production to one purchaser. However, it is the Parent's view that the concentration of credit risk in this case is acceptable based on the current amount of exposure and the current financial position of the purchaser's parent company.

Liquidity risk: In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company has access to a parent company loan facility. The company intends to use cash flows from operations to manage the business in the next year, and does not intend to use the loan facility

Andrews House
College Road, Guildford
Surrey GU1 4QB

By order of the Board,



27 July 2018

Adam J. Farrow
Director

Directors' report for the year ended 31 December 2017

The directors present their report on the affairs of the Company for the year ended 31 December 2017.

Directors

Directors serving throughout the year and up to the date of signing the financial statements, except as noted, were as follows:

Adam J. Farrow
William R. Thomas
Gary L. Thomas
David W. Trice
Robert L. West
James P. Woods

Dividends: In 2017 there were no common dividends paid or declared (2016 – £ nil).

Risk Management: The Company has outlined various risk areas and how it plans to manage those risks within the strategic report.

Going Concern: The Company's business, together with factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 to 3. The Strategic report also outlines the Company's financial risk management policies. As detailed in the balance sheet, the Company has net current liabilities of £28.4m. The Company has no borrowings other than the £62.2m loan, payable on demand, from its immediate parent. The Parent has pledged continued financial support to the Company for a period of not less than 12 months from the date of approval of the financial statements; provided that the parent controls, directly or indirectly, 100% of the outstanding shares of the Company. These factors, combined with the anticipated cash flows from current projects, lead the directors to believe that the Company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to use the going concern basis in preparing the annual report and financial statements.

Post Balance Sheet events: In the second quarter of 2018 the Company has been offered for sale by the Parent. The Parent will evaluate offers received before determining a path forward.

Future Developments: The Company's Conwy asset returned to production in February 2018; the company expects the asset to remain producing.

Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

1) So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2) The director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of Companies Act 2006.

Andrews House
College Road, Guildford
Surrey GU1 4QB

By order of the Board,



27 July 2018

Adam J. Farrow, Director

Directors' responsibilities statement

For the year ended 31 December 2017

The Directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

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

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

Independent auditor's report to the members of EOG Resources United Kingdom Limited

For the year ended 31 December 2017

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EOG Resources United Kingdom Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the

Independent auditor's report to the members of EOG Resources United Kingdom Limited (continued)

For the year ended 31 December 2017

directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

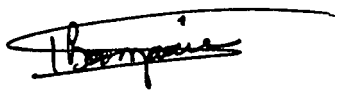
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

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



Ivan Boonzaaier (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
27 July 2018

Profit and Loss Account

For the year ended 31 December 2017

	Notes	2017	2016
		£	£
TURNOVER	2	-	34,678,291
Cost of sales		(20,856,461)	(22,141,486)
GROSS (LOSS) INCOME		(20,856,461)	12,536,805
Exploration expenditures written off	3	(406,472)	(521,738)
Reversal of impairment of tangible fixed assets	9	22,658,908	60,287,502
Administrative expenses		(3,340,179)	(2,482,177)
OPERATING (LOSS)/INCOME		(1,944,204)	69,820,392
Finance costs, net	6	(1,913,474)	(975,624)
(LOSS)/INCOME BEFORE TAXATION	7	(3,857,678)	68,844,768
Taxation on (loss)/income on ordinary activities	8	(6,278,739)	988,873
(LOSS)/INCOME AFTER TAXATION		(10,136,417)	69,833,641

There are no other items of comprehensive income or expense during the current and prior financial year. Consequently, no statement of comprehensive (loss)/income is presented.

The above results were generated from continuing operations.

Balance Sheet

At 31 December 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	9	148,884,977	134,560,524
		148,884,977	134,560,524
CURRENT ASSETS			
Debtors due within one year	10	18,894,341	2,099,403
Deferred tax asset – due after more than one year	11	18,152,118	24,430,857
Stock	12	707,886	4,212,445
Cash at bank		4,284,871	23,299,798
		42,039,216	54,042,503
CREDITORS: amounts falling due within one year	13	(69,842,977)	(184,550,804)
NET CURRENT LIABILITIES		(27,803,761)	(130,508,301)
TOTAL ASSETS LESS CURRENT LIABILITIES		121,081,216	4,052,223
PROVISIONS FOR LIABILITIES	14	(28,675,428)	(26,449,909)
NET ASSETS / (LIABILITIES)		92,405,788	(22,397,686)
CAPITAL AND RESERVES	16		
Called up share capital		452,488,001	327,488,001
Capital contribution		15,209,502	15,269,611
Share premium account		321,184	321,184
Profit and loss account		(375,612,899)	(365,476,482)
SHAREHOLDER'S FUNDS/(DEFICIT)		92,405,788	(22,397,686)

The financial statements of EOG Resources United Kingdom Limited (registered number 04458621) were approved by the board and authorised for issue on 27 July 2018. They were signed on its behalf by:



Adam J. Farrow Director

AJO

Statement of Changes in Equity

For the year ended 31 December 2017

	Called up share capital £	Capital contribution £	Profit and loss account £	Share premium account £	Total share-holder's funds (deficits) £
1 January 2016	327,488,001	15,398,723	(435,310,123)	321,184	(92,102,215)
Total comprehensive income	-	-	69,833,641	-	69,833,641
Tax benefit to Parent for stock options exercised	-	(129,112)	-	-	(129,112)
31 December 2016	327,488,001	15,269,611	(365,476,482)	321,184	(22,397,686)
Total comprehensive loss	-	-	(10,136,417)	-	(10,136,417)
Conversion of Debt held by Parent to Equity (Note 16)	125,000,000	-	-	-	125,000,000
Tax benefit to Parent for stock options exercised	-	(60,109)	-	-	(60,109)
31 December 2017	452,488,001	15,209,502	(375,612,899)	321,184	92,405,788

Tax benefit to Parent for permanent stock option tax deductions in excess of related book expenses represents the amount of corporation tax benefit recognised by the Parent and has been recognised as a charge to Capital contribution in both the current and prior years.

Notes to the Financial Statements

For the year ended 31 December 2017

1 Significant accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

a) General information and basis of accounting

The Company is incorporated in the United Kingdom under the Companies Act. The address of the registered office is Andrews House, College Road, Guildford Surrey GU1 4QB. The Company is a private company which is limited by shares. The nature of the Company's operations and its principle activities are set out in the Strategic report on pages 2 to 3.

The financial statements are prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. They are also prepared in accordance with the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" issued by the UK Oil Industry Accounting Committee on 7 June 2001 (the SORP), with the following exception: licence costs and exploratory geological and geophysical costs are expensed, where the SORP recommends the initial capitalisation of these costs. The Company believes this is the appropriate method and conforms to our Parent's policy of following the Successful Efforts method of accounting.

The functional currency of the Company is considered to be pound sterling because that is the currency of the primary economic environment in which the Company operates.

In accordance with FRS 102, exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash-flow statement and remuneration of key management personnel.

The financial statements are prepared under the going concern assumption as laid out in the directors' report.

b) Oil and gas assets and exploration costs

The Company adopts the successful efforts method of accounting for exploration costs.

Intangible Oil and Gas Assets

Under the successful efforts method, exploratory drilling costs are capitalised as intangible oil and gas assets pending determination of proved commercial reserves. If proved commercial reserves are not discovered the exploratory drilling costs are expensed. If proved reserves are determined then the associated costs are transferred to tangible assets. Non-producing leasehold costs are also classified as intangible oil and gas assets and amortised over the life of the lease.

Expenditure incurred prior to the acquisition of a licence and the costs of other exploration activities which are not specifically directed to an identified structure are expensed as incurred whilst all development costs, together with related exploration costs, are capitalised within tangible fixed assets.

Depreciation, Depletion and Amortisation

Provision for depreciation, depletion and amortisation is determined on a field-by-field basis using the unit-of-production method based on proved developed reserves.

Joint Ventures

The Company's oil and gas activities that are conducted in joint ventures with other companies fall within the FRS 102 Section 15 "Investments in Joint Ventures" definition of jointly controlled assets. Accordingly, in respect of its interest in the jointly controlled asset, the Company recognises its share of production turnover, capital and cost of sales, assets and liabilities and cash flows.

Provision for Decommissioning

Provisions for decommissioning costs are recorded at the present value of the expenditures expected to be required to settle the Company's future obligation, to the extent any damage has been caused to date and taking risks and uncertainties into account in reaching the best estimate of the provision. Provisions are reviewed at each balance sheet date to reflect the current best estimate of the cost at present value. A decommissioning asset is also established, since the future cost of decommissioning is regarded as part of the total investment to gain access to future economic benefit. The decommissioning asset is then depleted by field on a unit-of-production basis, using proved developed reserves. The unwinding of the discount relating to the decommissioning provision is included within finance costs.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

1 Significant accounting policies (continued)

c) Tangible fixed assets (other than oil and gas assets)

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	Term of lease
Software	3 years
Furniture, fixtures and other equipment	5 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

d) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced to below its carrying value. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. For oil and gas assets the recoverable amount is considered to be the discounted pre-tax future cash flows relating to the reserves associated with that asset, being its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine whether there is evidence of an impairment reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

e) Turnover and cost of sales

Represents the value of sales, net of related sales taxes, arising from the sale of oil and gas, and is recognised when title to the hydrocarbon product passes to the customer.

Cost of sales are the operating costs to produce crude.

f) Interest receivable

Interest is earned on the automatic investments made for the cash in the bank accounts at Barclays PLC. The interest is based on an agreed-upon bank rate less fees for making the investments on behalf of the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

1 Significant accounting policies (continued)

g) Foreign currency translation

Transactions arising in foreign currencies have been translated to pounds sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated to pounds sterling at the year-end exchange rate. Exchange gains and losses arising on translation are charged or credited to the profit and loss account.

h) Cash flow statement

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, EOG Resources, Inc., includes the company's cash flows in its own consolidated financial statements.

i) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Non-current debt instruments which meet the following conditions, are subsequently measured at amortised cost using the effective interest method:

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

1 Significant accounting policies (continued)

i) Financial instruments (continued)

(ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

j) Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

k) Stock-based compensation

During 2017, the Parent maintained various stock-based compensation plans as discussed below. The Company recognises compensation expense on grants of stock options, restricted stock units, and grants made under the EOG Resources, Inc. Employee Stock Purchase Plan (ESPP). Stock-based compensation expense is calculated based upon the grant date estimated fair value of the awards, net of forfeitures, based upon the Parent's historical employee turnover rate. Compensation expense is amortized over the shorter of the vesting period or the period from date of grant until the date the employee becomes eligible to retire without company approval.

Stock Options and Employee Stock Purchase Plan

Participants in the Parent's stock-based compensation plans have been or may be granted options to purchase shares of common stock of the Parent (Common Stock). Stock options are granted at a price not less than the market price of the Common Stock on the date of grant. Stock options granted vest on a graded vesting schedule up to four years from the date of grant based on the nature of the grants and as defined in individual grant agreements. Terms for stock options granted have generally not exceeded a maximum of term of seven years. EOG Resources, Inc.'s ESPP allows eligible employees to semi-annually purchase, through payroll deductions, shares of Common Stock at 85% of the fair market value at specified dates. Contributions to the ESPP are limited to 10% of the employee's pay (subject to certain ESPP limits) during each of the two six-month offering periods each year. The fair value of stock option grants is estimated using the Hull-White II binomial option pricing model. The fair value of ESPP grants is estimated using the Black-Scholes-Merton model.

Restricted stock units

Employees may be granted restricted stock units without cost to them. The restricted stock units generally vest up to five years after the date of grant as defined in individual grant agreements, or upon employee retirement without company approval. Upon vesting, restricted stock units are converted into shares of Common Stock and released to the employee.

l) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events which result in an obligation to pay more tax, or a right to pay less tax, at a future date, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

1 Significant accounting policies (continued)

l) Taxation (continued)

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

m) Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

n) Stock

Stock includes both crude oil inventory and equipment. The crude oil inventory is valued at lower of the cost, utilizing the average cost method, or net realisable value at 31 December 2017. Production costs include £3,607,201 (2016 - £3,247,437) of costs related to the revaluation of inventory. The equipment (spare parts and consumables) is stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Provision is made for obsolete, slow-moving or defective items as appropriate.

o) Borrowing costs

Borrowing costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of these assets. This policy is applied when the construction period of the tangible fixed assets is expected to exceed one year. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Borrowing costs, including premiums payable on settlement or redemption, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

p) Over/Under Crude Imbalance

Conwy crude oil production flows to ENI's Douglas Platform where the crude oil is processed. It is then stored along with ENI's crude in the Off Shore Installation to await a lifting. Each lifting is taken 100%, either by EOG or ENI, which creates an over/under imbalance between the producers. When EOG is in an underlift position, an asset is recorded to receivables at estimated market price (an adjusted Brent price), with a corresponding adjustment to cost of sales. When EOG is in an overlift position, a liability is recorded at the EOG sales price, and the offset is recorded to cost of sales. At 31 December 2017, EOG was in an underlift position of 166,262 barrels, valued at £7,653,324 (2016 - £3,706,379 / 90,080 BBLs Overlift position).

q) Use of Judgement and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are based on management's experience and other factors. Actual outcomes could differ from these estimates.

The Company does not believe we employed any accounting judgements in the 2017 that would qualify for disclosure under FRS 102.8.7.

The Company has outlined key areas of estimation uncertainty below; however, we believe this estimation uncertainty is long term in nature and unlikely to have any significant impact to the financials within the next 12 months.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

1 Significant accounting policies (continued)

q) Use of Judgment and Key Sources of Estimation Uncertainty (continued)

Assessment of commercial reserves

Management is required to assess the level of the Company's commercial reserves. These are utilised in determining the amortisation and depletion charge for the period and assessing whether any impairment adjustment is required. In addition to its own assessments, from time to time the wider EOG Group employs independent reserves specialists who periodically assess the commercial reserves by reference to geological, geophysical and financial information in respect of the EOG Group's assets.

Assessment of asset impairment

At an individual asset level, management monitors internal and external indicators of impairment which may indicate that the carrying value of the Company's tangible assets may not be recoverable. The calculation of the recoverable amount of a producing oil or gas asset involves estimating the net present value of the cash flows expected to be generated. Future cash flows are based on assumptions such as estimated commercial reserves and oil and gas sales prices. The discount rate applied is a pre-tax rate which reflects the risks of offshore oil and gas production in the UK. During the year a significant impairment reversal was recorded, further details of which are provided in note 9.

Assessment of deferred tax asset recoverability

Management is required to assess whether the Company will generate sufficient future taxable profits in order to utilise the recognised deferred tax asset, including that portion arising from past unutilised tax losses. This assessment is based on forecast estimated cash flows from operations (which are impacted by many of the same variables as outlined above in respect of asset impairment) and judgement about the application of current tax regulations. Further details are disclosed in note 11.

Assessment of decommissioning liabilities

Management is required to assess the amount of the Company's decommissioning liabilities at the balance sheet date. For non-operated assets, this assessment is based on the independent decommissioning cost estimates prepared on a periodic basis by the operator of each producing asset. For operated assets, including Conwy, this assessment is based on estimates by the Company's internal engineers. To calculate the liability at the balance sheet date, management applies inflation and discount rates as considered appropriate to the UK offshore sector. The company used an expected inflation rate based on the 5 year rolling average of UK CPI which for 2017 was 1.5% (2016 – 1.4%). The discount rate used depends on when decommissioning is expected and ranges from 1.0% to 2.5% (2016 – 0.8% to 2.9%). Further details are disclosed in note 14.

2 Turnover

Turnover for 2016 represents crude oil sales and relates to one geographical segment, the United Kingdom.

No sales were realized in 2017 due to operational issues (see Strategic Report).

3 Exploration expenditures written off

Exploration expenditures written off in 2017 included annual licence fees of £136,101, with the additional £270,371 being other geological and geophysical expenses. Exploration expenditures written off in 2016 included annual licence fees of £125,481, with the remainder of £396,257, being other geological and geophysical expenses.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

4 Staff Costs

	2017 No.	2016 No.
Average monthly number of persons employed (including one UK director)		
Administration	4	5
Sales and operations	1	1
	5	6

	2017 £	2016 £
Staff costs during the year (including one UK director)		
Wages and salaries	672,492	697,195
Social security costs	124,152	99,992
Pension costs	81,089	92,085
Other costs	1,982	-
	879,715	889,272

5 Directors' remuneration and transactions

	2017 £	2016 £
Directors' remuneration		
Emoluments	219,285	981,806
Contributions to defined contribution pension schemes	33,069	77,924
	252,354	1,059,730
Remuneration of the highest paid director		
Emoluments	219,285	344,514
Contributions to defined contribution pension schemes	33,069	9,855
	252,354	354,369

In prior years the Company presented an estimated amount associated with directors of the Company that were paid by the ultimate parent company. It was determined that the more appropriate presentation is to only present the costs borne by the Company.

6 Finance costs, net

Finance expense / (income) for the year comprises the following:

	2017 £	2016 £
Interest payable and similar charges		
Foreign exchange loss/(gain)	1,061,413	(59,248)
Unwinding of discount on bonds	-	312,066
Unwinding of discount on provisions (see note 14)	852,348	851,360
Other	49,289	5,614
	1,963,050	1,109,792
Interest income and similar income		
Bank interest	(49,575)	(47,578)
Other	(1)	(5)
	(49,576)	(47,583)
Borrowing costs capitalised	-	(86,585)
	1,913,474	975,624

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

6 Finance costs, net (continued)

Borrowing costs in 2016 were capitalised based on a capitalisation rate of 1.0% which is the weighted average of rates applicable to the Company's general borrowings outstanding during the year. There was no capitalisation in 2017.

7 Loss on ordinary activities before taxation

Loss / (Income) on ordinary activities before taxation is stated after charging / (crediting):

	2017 £	2016 £
Oil & gas and decomissioning asset depreciation expense	2,904,089	8,566,113
Depreciation of non oil and gas properties	10,414	31,025
Stock recognised as expense	3,504,559	-
Movement in (underlift) / overlift	(11,359,704)	3,706,379
Impairment of tangible fixed assets	-	347,470
Reversal of past impairment of tangible fixed assets	(22,658,908)	(60,287,502)
Operating lease rentals	132,722	127,835
Foreign exchange loss / (gain)	1,061,413	(59,248)

Impairments and reversal of impairments of tangible fixed assets are included within Operating (loss) / income in the Profit and Loss Account.

The analysis of the auditor's remuneration is as follows:

	2017 £	2016 £
Auditor's remuneration – audit of financial statements	55,200	53,800

8 Taxation on loss on ordinary activities

The tax charge comprises:

	2017 £	2016 £
Current corporation tax charge/(credit)	-	-
Deferred tax		
Origination and reversal of timing differences	7,811,250	28,346,814
Tax losses arising in the year	(9,516,523)	(896,867)
Deferred tax on losses, not recognized (Valuation Allowance released)	20,790,757	(17,834,597)
Ring Fence Expenditure Supplement	(12,806,746)	(10,604,223)
Deferred tax charge/(credit) recognised in the period	6,278,738	(988,873)
Due to tax losses	6,278,738	(5,677,269)
Due to tax rate changes	-	4,688,396
Total deferred tax charge/(credit) (see note 11)	6,278,738	(988,873)
Total tax charge/(credit)	6,278,738	(988,873)

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

8 Taxation on loss on ordinary activities (continued)

Factors affecting corporation tax charge for the year:

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the result before tax is as follows:

	2017 £	2016 £
(Loss) / income before tax	(3,857,677)	68,844,768
Income on ordinary activities multiplied by average UK Corporation tax rate of 40%	(1,543,071)	27,537,907
Effects of:		
Losses recognised/(not recognised) for deferred tax purposes	7,539,449	(33,215,176)
Other timing differences	268,679	-
Non-deductible expenses	13,681	-
Deferred tax due to tax rate changes	-	4,688,396
Total tax charge/(credit) for period	6,278,738	(988,873)

The average tax rate shown above incorporates the 10% supplementary tax on UK North Sea profits and the standard UK corporation tax rate for such ring fenced income of 30%.

The Ring Fence Expenditure Supplement (RFES) assists companies that do not have sufficient taxable income for ring fence corporation tax purposes against which to fully offset their exploration, appraisal and development costs. The RFES originally allowed companies to elect to increase the value of losses carried forward from one period to the next by 6% for a maximum of 6 years, not necessarily consecutive years. The annual rate of the RFES was increased to 10% by Order effective 1 January 2012.

9 Tangible assets

	Oil and gas properties	Decommis-sioning asset	Non O&G properties	Total
Cost	£	£	£	£
At 1 January 2017	511,983,520	32,122,835	1,155,670	545,262,025
Net Additions / change in estimate	446,000	(6,019,867)	(46,684)	(5,620,551)
At 31 December 2017	512,429,520	26,102,968	1,108,986	539,641,474
Depreciation				
At 1 January 2017	(397,750,271)	(11,868,800)	(1,082,430)	(410,701,501)
Charge for the year	(2,296,339)	(407,151)	(10,414)	(2,713,904)
Impairment reversal	18,967,183	3,691,725	-	22,658,908
At 31 December 2017	(381,079,427)	(8,584,226)	(1,092,844)	(390,756,497)
Net book value				
At 31 December 2016	114,233,249	20,254,035	73,240	134,560,524
At 31 December 2017	131,350,093	17,518,742	16,142	148,884,977

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

9 Tangible assets (continued)

At 31 December 2017 the above represents the Company's 100% interests in the Conwy Field in the United Kingdom sector of the East Irish Sea. It also represents the Company's interest in the Valkyrie Field (25%) and the Arthur Field (30%) in the United Kingdom sector of the North Sea, although these assets are fully depreciated.

The 2017 impairment reversal in respect of the Conwy development of £22.3 million was primarily triggered by the increase in oil prices during 2017. The impairment review has been based on the value in use of the assets using a pre-tax discount rate of 12%. The cash flow estimates have been calculated for a 5 year period, through to the end of the development's estimated commercial field life in 2021, using the Dated Brent forward prices as of 31 December 2017 for the next 5 years.

Cumulative borrowing costs capitalised included in the cost of tangible fixed assets amount to £10,454,562 (2016 – £10,454,562).

10 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
VAT debtors	2,598,284	1,829,944
Other debtors	34,463	3,461
Amount due from Ultimate Parent	-	8,312
Prepayments	8,608,270	225,717
Crude Under Lift	7,653,324	-
Corporation Tax	-	31,969
	18,894,341	**2,099,403**

The prepayment account primarily relates to amounts paid by the Company to the operator of the Douglas platform. These amounts were reimbursed in quarter one of 2018.

11 Deferred tax asset – due after more than one year

	2017 £	2016 £
Deferred tax asset	**18,152,118**	**24,430,857**

Analysis of deferred tax	2017 £	2016 £
Deferred tax asset at 1 January	24,430,857	23,441,984
Credited/(charged) to profit and loss account	(6,278,739)	988,873
Deferred tax asset at 31 December	18,152,118	24,430,857

	2017 £	2016 £
Accelerated capital allowances	(47,212,181)	(38,748,808)
Share based payment	(42,967)	33,664
Bond amortisation	-	93,620
Tax losses carried forward	65,407,266	63,052,381
Deferred tax asset	18,152,118	24,430,857

During 2017, the Company incurred a tax loss of approximately £56 million (£24 million net operating loss and £32 million uplift) which, along with prior years' tax losses of £634 million (£486 million net operating loss and £148 million uplift), will be carried forward indefinitely. The tax effect of these tax losses represent a future tax benefit (deferred tax asset) and must be evaluated for the likelihood of future utilisation. Evaluations in 2017 indicate that not all of these tax losses may be utilised and therefore £211 million (representing tax losses of approximately £528 million) of the deferred tax assets are not recognised.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

11 Deferred tax asset – due after more than one year (continued)

Deferred tax as at 31 December 2017 has been recognised at the rate of 40% (2016 – 40%) on UK assets and liabilities, which includes the Supplementary Charge to Corporation Tax which applies to oil and gas companies producing in the UK and UK Continental Shelf (see note 8).

12 Stock

	2017 £	2016 £
Crude oil in offshore Installation	698,291	4,202,850
Raw materials and consumables	9,595	9,595
	707,886	4,212,445

13 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	2,373,827	392,830
Amount due to Parent	207,291	259,382
Amount due to fellow subsidiary	62,220,000	164,720,000
Accruals and deferred income	3,069,130	5,199,151
Other creditors	7	3,706,473
Decommissioning provision (falling due within one year) (see note 14)	1,972,721	10,272,968
	69,842,976	184,550,804

Loan from immediate parent company

Amount due to fellow subsidiary companies an unsecured, interest free loan of £62.2 million (2016 - £164.7 million) from EOGI International Company (the Company's immediate parent) which is payable on demand. The loan has decreased during the year as a result of a conversion of debt to equity in the amount of £125,000,000.

14 Provisions for liabilities

	2017 £	2016 £
Decommissioning provision (falling due after more than one year)	28,634,658	26,423,558
Other	40,770	26,351
	28,675,428	26,449,909

Analysis of decommissioning provision

	2017 £	2016 £
At 1 January	36,696,526	43,622,755
Unwinding of discount	852,348	851,360
Utilisation	(921,628)	(166)
Change in estimate	(6,019,867)	(7,777,423)
At 31 December	30,607,379	36,696,526
Decommissioning provision (falling due within one year) (see note 13)	1,972,721	10,272,968
Decommissioning provision (falling due after more than one year)	28,634,658	26,423,558
At 31 December	30,607,379	36,696,526

The provision is in respect of the decommissioning of oil and gas facilities currently in place.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

14 Provisions for liabilities (continued)

The utilisation in the year relates to initial decommissioning works that have been carried out on the Arthur Field.

Decommissioning of existing fields is currently expected to be within 5 years on the Conwy Field and within 3 years on all other fields.

The decommissioning provision is dependent upon the accounting estimates discussed in note 1. These estimates represent the Company's best estimate but uncertainty does exist with regard to the timing of decommissioning and the cost of the decommissioning in a date far out in the future.

Other provisions represent accrued rent.

15 Financial Assets and Liabilities

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2017 £	2016 £
Financial assets		
Cash	4,284,871	23,299,798
Measured at amortised cost		
- Trade and other receivables (see note 10)	2,632,747	1,833,405
- Amounts due from related undertakings (see note 10)	-	8,312
- EOG underlift position with ENI	7,653,324	-
	14,570,942	25,141,515

	2017 £	2016 £
Financial liabilities		
Measured at amortised cost		
- Trade and other creditors (see note 13)	2,373,834	392,830
- Amounts owed to related undertakings (see note 13)	62,427,291	164,979,382
- EOG overlift position with ENI	-	3,706,379
	64,801,125	169,078,591

The Company's income, expense, gains and losses in respect of financial assets and liabilities are summarised below:

	2017 £	2016 £
Interest income and expense		
Total interest income for financial assets at amortised cost (Note 6)	49,576	47,578
Total interest expense for financial liabilities at amortised cost	-	(312,066)
	49,576	(264,488)

16 Share capital and reserves

	2017 £	2016 £
Allotted, called-up and fully paid:		
452,488,001 ordinary shares (2016 – 327,488,001 ordinary shares) of £1 each	452,488,001	327,488,001

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

16 Share capital and reserves (continued)

No dividends were paid on ordinary shares in 2017 or 2016.

During 2017 the immediate parent of the Company converted £125,000,000 of the unsecured loan between the two entities into equity.

The Company's other reserves are as follows:

Capital contribution - The capital contribution reserve contains capital contributions that have been made to the Company by the ultimate parent company including the tax benefit retained by the ultimate parent related to stock options exercised.

Share premium account - The share premium account contains the premium arising on issue of equity shares.
Profit and loss account - The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Related party transactions

The following table provides the total amounts of transactions that have been entered into with related parties for the relevant financial year:

	Charge for 2017 £	Charge for 2016 £	Debtor / (Creditor) 2017 £	Debtor / (Creditor) 2016 £
Charged by affiliated companies:				
EOG Resources, Inc.	1,720,855	2,099,119	(207,292)	(259,382)
EOG Expat Services, Inc.	-	21,206	-	-
	1,720,855	2,120,325	(207,292)	(259,382)

	Charge for 2017 £	Charge for 2016 £	Debtor / (Creditor) 2017 £	Debtor / (Creditor) 2016 £
Charged to affiliated companies:				
EOG Resources, Inc.	34,896	140,374	-	8,312
	34,896	140,374	-	8,312

Sales and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any of the related party receivables. For the year end the Company has not raised any provision for doubtful debts relating to amounts owed by related parties.

Details of transactions with directors are disclosed in Note 5.

Loans from related parties are detailed in Notes 13.

17 Ultimate parent company

The Company's ultimate parent company is EOG Resources, Inc., which is incorporated in the State of Delaware, USA.

The consolidated financial statements of the Parent are available to the public at 1111 Bagby Sky Lobby 2, Houston, Texas, 77002, USA or via the internet at www.eogresources.com. The consolidated financial statements of EOGI International Company, EOGI International, Inc. and EOG Resources International, Inc. are not available to the public.

The only company into which the results of EOG Resources United Kingdom Limited are consolidated is that headed by the Parent, ultimate holding company and controlling party.

Notes to the Financial Statements (continued)
For the year ended 31 December 2017

18 Capital and other commitments

The Company is committed to funding the Conwy producing operations under the terms of its pending contractual agreements at 31 December 2017.

The Company is also committed to funding future expenditures under our partnership related to the Columbus assets. The Company expects minimal funding requirements and believes these will be expensed in nature until when or if an economical way to move the product to market is determined.

Based on current expectations the Company is not aware of any commitments that are capital in nature.

There are no material financial commitments, guarantees or contingencies which have not been disclosed.

19 Capital and other commitments

	2017 Land and buildings £	2016 Land and buildings £
Due within one year	175,694	130,271
Between one and five years	193,820	273,309
	369,514	403,580

20 Subsequent Events

In the second quarter of 2018 the Parent of the Company made it publically known that they wish to sell their interest in the Company. A path forward will be dependent upon the offers received for the Parent's equity interest.

NET COMMERCIAL OIL AND GAS RESERVE QUANTITIES (UNAUDITED)
Year ended 31 December 2017

	Proved Developed Reserves		Proved Undeveloped Reserves		Total	
	Oil (MBbl)	Gas (BSCF)	Oil (MBbl)	Gas (BSCF)	Oil (MBbl)	Gas (BSCF)
Net commercial reserves, beginning of year:	8,211	-	-	-	8,211	-
Changes during the year:						
- revisions of previous estimates	(223)	-	-	-	(223)	-
- extensions, discoveries or other additions	-	-	-	-	-	-
- production	(165)	-	-	-	(165)	-
	7,823	-	-	-	7,823	-
Net commercial reserves, end of year:	7,823	-	-	-	7,823	-

*All the above reserves relate to the United Kingdom on the Continental Shelf in the East Irish Sea. The data shown above was derived from internally generated estimates by the Company's staff engineers.