

Registered No. 09759321

DECOM ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD
2 SEPTEMBER 2015 TO 30 JUNE 2016



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Strategic Report

Decom Energy Limited (formerly SNRDCO 3207 Limited) was incorporated on 2 September 2015 and acquired the share capital of Fairfield Energy Limited (FEL) on 3 May 2016. During the period under review (2 September 2015 to 30 June 2016) the principal activity of the new Group was the decommissioning of the Greater Dunlin Area oil & gas fields.

The results reported in these consolidated financial statements include those of the subsidiaries from 3 May 2016 (date of acquisition) to 30 June 2016.

Following the decision to cease production from the Dunlin Cluster on 15 June 2015, the Fairfield Group concluded a long term transaction with its Joint Venture Partner, MCX, which underpins the long term financial stability of the Group.

Management's clear priority in the short to medium term is to ensure the safe, efficient and compliant decommissioning of the Dunlin fields, working closely with a variety of stakeholders, including the Oil & Gas Authority.

Beyond this, Management views that the UK continental shelf, is a highly mature oil and gas province, which when coupled with the current low oil price environment, provides a unique opportunity for the Group to use the decommissioning knowledge and capability that the Group is developing.

It is therefore the intention, that the Group will aim to attract further opportunities, at the appropriate point, to capitalise on the late life asset Operator and decommissioning skillsets that clearly now exist, with the clear aim of becoming a major player in the next phase of the UKCS, as a Decommissioning Operator.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Group remains wholly committed to conducting its business in a manner that protects people from harm and preserves the environment. The Group has designed policies and procedures to honour this commitment. These include, inter alia:

- Prescribing annual HSE performance targets and reporting regularly on those targets to the Board HSE subcommittee.
- Ensuring the availability of specialist support and providing advice to the Executive and the Board.
- Assigning specific responsibilities for HSE performance within the organization.

Decommissioning Preparations

Following the announcement to terminate production and commence decommissioning of the Dunlin Area facilities, a transition plan was developed and implemented. This included a Management of Change (MOC) process that followed regulators' guidelines, and which addressed the design and implementation of a new operating organisation onshore and offshore.

As in previous years, an annual HSE improvement plan was developed, taking cognisance of the changing risk profile on the installation. This plan addresses improvement opportunities in areas such as risk management, third party management, and competence assurance and has proceeded on schedule through the course of the year.

With regard to the 2015 Safety Case regulations, a revised submission date has been agreed with the regulators. A wholly revised case will be submitted in 4Q'17 with planned acceptance in 2Q'18. It is anticipated that this submission will coincide with moving from an 'Operations' case to a 'Dismantling' case. In the interim, the Operations Safety Case continues to be kept current, as per regulatory requirements.

REVIEW OF ASSETS

As a consequence of the long term financial restructuring, Fairfield Betula Limited and Fairfield Fagus Limited's 70% licence equity was forfeited to its joint venture partners, MCXD and MCXO on 6

April 2016. MCX now have 100% licence ownership but the Fairfield Companies remain the licence Operators.

During 2H 2015 the Fairfield Group undertook a significant internal re-organisation to position itself to commence the detailed planning to focus the operations and support activities on decommissioning activities.

A strategic roadmap was developed and agreed, in conjunction with the regulators and the newly formed Oil & Gas Authority, laying out the steps and timeline to get the decommissioning plans approved in an efficient and effective manner.

Although the Dunlin fields have ceased production, the Dunlin Alpha continues to provide an "up-and-over" service for neighbouring fields group's access to the Brent System. Work was undertaken to isolate the Dunlin topside process facilities whilst allowing those fields to continue to produce.

The first phase of operations to plug & abandon (P&A) the Dunlin platform wells commenced in January 2016, moving to the second main phase in May 2016 when the platform drill rig was fully remobilised with a full rig crew. This activity is expected to continue for the next 2-3 years. Planning for operations to plug & abandon (P&A) the Merlin & Osprey subsea wells was also undertaken. This included tendering a contract for a Mobile Offshore Drilling Unit (MODU), which was awarded on 1 August 2016. In parallel, further detailed work has commenced on all other areas of the Project, which is anticipated will take multiple years to complete. These activities include detailed engineering on the Make Safe and Handover workstream, as well as preparatory work for the Topsides Removal, detailed planning on removal of the Subsea Infrastructure and Onshore Disposal phases.

Financial review

Funding

The Fairfield Group entered into a long term funding agreement with MCX Dunlin (UK) Limited on 13 January 2016 that ensures the Group is funded through to the conclusion of the decommissioning of Dunlin. The FEL Group also had in place a Bridging Loan Facility Agreement with MCX Dunlin (UK) Limited to cover the running costs of the Group for up to \$100m which will be repaid in full in early November 2016.

Further to this, the Group has material funds available to it to further develop its commercial offering and to secure further business.

Financial performance

Profit for the period was £0.3m, which represents the net movement since the FEL Group was acquired. The Group recovers all of the costs it incurs from its Joint Venture Partner, MCX Dunlin (UK) Limited.

The Group is in a net asset position of £2.9m. Under the long term financial agreement signed 13 January 2016, the Group entered in to a security assignment deed with MCX Dunlin (UK) Limited securing rights to the net assets of the Fairfield Group in return for assuring the financial viability of the Group.

The results of the Group and the Group's statement of financial position are shown in the attached financial statements.

Events subsequent to the period end

Further events subsequent to period end are discussed in note 23.

Financial risk management

Following cessation of production, the Group's foreign exchange exposure is significantly reduced as it is mostly funded by the Joint Venture in the same currency as expenditure is incurred.

The Group continues to put significant focus on risk management initiatives through tight controls over cash forecasting and budgetary constraints to ensure future expenditure is planned and projected appropriately.

Strategic Report (continued)

Risk management and internal control

The Board regards the identification and assessment of risks, together with the mitigating internal controls, to be fundamental to achieving the Group's strategic objectives. The Board has overall responsibility for the Group's system of internal control and risk management which is designed to manage rather than eliminate the risk of failure to achieve its objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. As part of the management process the Group has identified the key risks facing the Group and those risks with a high level of potential impact and occurrence are summarised in the Risk Register which is reviewed by the Board.

The Group subsidiaries, as an operator in the North Sea oil and gas industry faces a variety of risks. The nature of these risks may be specific to the oil and gas industry, the Group and/or regulatory risks associated with the markets the Group operates within. Many of these risks are outside the Group's control.

Key risks the Group faces include, but are not limited to:

Risk

Health, Safety & Environment (H,S&E)

Oil and gas decommissioning activities are highly complex and H,S&E is inherent in all areas of our operations. Risks cover many areas including operational safety, personal health and safety, compliance with regulatory requirements and potential environmental harm.

Mitigation

The Group is committed to conducting its business in a manner that protects people from harm and preserves the environment. The Group has designed policies and procedures to meet this commitment and aligns these with its suppliers, through the implementation of the 5 year strategic plan for H,S&E.

Asset Performance

The Group is now primarily focused on the safe, timely and cost effective decommissioning of the Dunlin Cluster. The ability to deliver this is dependent upon the ability to effectively move from an operations, production delivery focus to a decommissioning project organization.

The Fairfield Group underwent an internal re-organisation (onshore & offshore) in 3Q 2015 to support a Project Delivery culture. Decommissioning and Project competence has been brought in to supplement and coach the existing teams as required.

Well Plugging and Abandonment delays extends the anticipated decommissioning timeline with associated cost and schedule impacts.

Realistic well Plugging and Abandonment durations have been established with effective fall back plans developed when well problems are encountered. 3-4 well programmes are always available to ensure the rig always has alternative productive programme work to undertake on the occurrence of well issues.

Asset Integrity

Ageing infrastructure in the Northern North Sea means there is potential for major platform and subsea integrity issues, resulting in significant mechanical failures due to assets operating beyond design life. This may result in significant impact on operating efficiency, due to downtime of critical equipment, which in turn would extend the decommissioning timeline.

The Group has a thorough process in place around identifying and tracking potential integrity related issues, which it employs on a daily basis. Inspections are planned routinely well within specific guideline timings and work carried out rigorously as part of normal operations.

Funding

The Group is required to be well funded, in order to meet the operating and capital spending programmes and the decommissioning costs going forward as well as meeting the obligations within debt agreements.

The Group has secured a long term funding agreement with MCX (Dunlin) UK Limited to cover the decommissioning project.

Strategic Report (continued)

Risk (Continued)

External environment

Changes in the regulatory or fiscal environment may affect the Group's ability to execute its strategy.

Mitigation (Continued)

It is difficult for the Group to predict changes in this area. However, the Group does engage with government and other appropriate organisations both directly and through industry associations. This ensures the Group is aware of potential changes, so it can assess the potential impact and take an active role in making appropriate representations.

People

The Group's success is dependent upon its ability to attract and retain key personnel in a highly competitive market.

The Group places significant importance on its offer to the current and potential employees and to the recruitment and retention of technically qualified individuals.

The Group maintains an attractive employment offer through the use of strong remuneration terms as well as long term incentives for management. The Group also places strong emphasis on the ability to develop individuals personally and as such focuses regularly on creating opportunities to do this.

Delivery of this plan is executed by an experienced HR department who monitor the market very closely for developments.

Supply Chain

The Group's ability to execute its plans relies on its ability to access key equipment with long lead times in a highly competitive market.

The Group has a strong brand within the market after delivering some sizeable Projects; as such relationships with key suppliers are strong.

Market Supply & Demand means that Suitable Vessel(s) are not available to remove Dunlin Platform Topsides in the desired year.

Controls are in place to ensure project managers monitor market conditions and have regular dialogue with vendors to identify well in advance if any such issues may arise and also to be in the position to award a contract if the risk materialises.

Directors' Report

The directors present their report and financial statements for the period from 2 September 2015 (date of incorporation) to 30 June 2016.

Change in company name

With effect from 2 October 2015, the name of the company was changed from SNRDCO 3207 Limited to Decom Energy Limited.

Registered Number

09759321

Directors of the Group

The directors who served on the Board during the period are shown on page 31.

Dividends

The directors do not recommend the payment of a dividend.

Future developments

Please refer to the review of assets section of the Strategic report for discussion of future developments.

Financial Instruments

Refer to the financial risk management section of the Strategic report for discussion of financial instruments.

Events since the balance sheet date are disclosed in note 23 of these financial statements.

Going concern

The directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future. The Group's forecasts and projections show that the Group has access to sufficient financial resources. As a consequence, the directors have a reasonable expectation that the Group is well placed to manage its business risks and to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be approved at the next Board meeting.

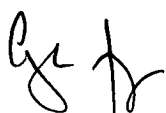
Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' report are listed on page 31. Having made enquiries of fellow directors and of the Group's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the group's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

The Strategic report and the Directors' report were approved by the Board on 28 October 2016.

For and on behalf of the Board



Graeme Fergusson
Director
31 October 2016

Statement of directors' responsibilities for the consolidated financial statements

The directors are responsible for preparing the Strategic Report, Directors Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company Law the directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- 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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- State that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and estimates that are reasonable; and
- Prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, will continue to adopt the going concern basis in preparing the accounts.

Directors' statement as to disclosure of information to auditors

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Group's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.



Graeme Fergusson
Director
31 October 2016

Independent auditor's report

TO THE MEMBERS OF DECOM ENERGY LIMITED

We have audited the consolidated financial statements of Decom Energy Limited Group for the period 2 September 2015 to 30 June 2016 which comprise of the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows and the related notes 1 to 23. 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, set out on page 7, the directors are responsible for the preparation of the Group 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 Group 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'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 and Accounts 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 Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matter

We have reported separately on the parent company financial statements of Decom Energy Limited for the period 2 September 2015 to 30 June 2016.

Ernst & Young LLP

Ernst & Young LLP
Jamie Dixon (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
31 October 2016

Consolidated income statement

for the period 2 September 2015 to 30 June 2016

	Notes	2016 £000
Revenue	4i	12,936
Cost of sales	4ii	(11,440)
Gross profit		1,496
Administration expenses		(2,112)
Other operating income	5i	2,173
Exceptional items	5iii	(950)
Operating profit		607
Finance income	5iv	4
Finance costs	5v	(285)
Profit before tax		326
Tax	6	-
Profit after tax		326

Consolidated statement of comprehensive income

for the period 2 September 2015 to 30 June 2016

	Notes	2016 £000
Profit for the financial period		326
Total comprehensive profit		326

Consolidated statement of financial position

as at 30 June 2016

	Notes	2016 £000
Non-current assets		
Property, plant and equipment		326
Other financial assets	8	19,722
		20,048
Current assets		
Trade and other debtors	11	14,501
Prepayments and accrued income	12	1,006
Cash and cash equivalents	13	2,757
		18,264
Total assets		38,312
Current liabilities		
Trade and other creditors	14	8,559
Accruals	15	12,346
Loans and borrowings	16	14,262
Provisions	17	213
		35,380
Non-current liabilities		
Deferred tax liabilities	6iv	-
		-
Total liabilities		35,380
NET ASSETS		2,932
Equity		
Share capital		2,606
Retained Profits		326
TOTAL EQUITY		2,932



Graeme Fergusson
Director
31 October 2016

Consolidated statement of changes in equity

for the period 2 September 2015 to 30 June 2016

	Capital Contribution	Reserves Retained (deficit)/profit	Total equity
	£000	£000	£000
At 2 September 2015	-	-	-
Contributions from Shareholders	2,606	-	2,606
Total result for the Period	-	326	326
At 30 June 2016	2,606	326	2,932

Consolidated statement of cash flows

for the period 2 September 2015 to 30 June 2016

	Notes	2016 £000
Operating activities		
Profit before tax		326
Adjustments for:		
Depreciation, depletion, amortisation	5ii	55
Net finance costs		281
Working capital adjustments:		
Increase in trade and other receivables		(14,503)
Increase in prepayments and accrued income		(1,006)
Increase in trade and other payables		8,559
Increase in deferred income and accruals		12,346
Decrease in provisions		(46)
Net cash inflow from operating activities		6,012
Investing activities		
Purchase of subsidiaries		5,129
Net cash outflow from investing activities		5,129
Financing activities		
Contribution from shareholders		2,606
Proceeds of borrowings		316
Repayments of borrowings		(5,209)
Movement in partner contributions		(6,002)
Interest paid		(4)
Net cash inflow from financing activities		(8,293)
Increase in cash and cash equivalents		2,848
Net foreign exchange difference		(91)
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at the end of the period	13	2,757

Notes to the consolidated financial statements

1. Corporate Information

Decom Energy Limited (the 'Company') is principally a holding and service company for the Decom Energy Group, which comprises the Company and all of its subsidiaries (the 'Group'). The consolidated financial statements for the period 2 September 2015 to 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 28 October 2016. The Group comprises of limited companies, incorporated and domiciled in England and Wales. The registered office is located at Cannon Place, 78 Cannon Street, London, United Kingdom.

The principal activity of the Group is decommissioning.

2. Basis of preparation

The consolidated financial statements of the Group for the period 2 September 2015 to 30 June 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and as applied in accordance with the provisions of the Companies Act 2006.

a) Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities that have been measured at fair value.

b) Presentation and functional currencies

The consolidated financial statements are presented in Pounds Sterling, which is also the parent company's functional currency. All values are rounded to the nearest thousand (£000), except where otherwise stated.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2016. Subsidiaries listed in note 21 are fully consolidated from the date on which control is transferred to the Group, until the date such control ceases. Control exists when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, and therefore the amounts presented are entirely comparable using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions have been eliminated in full.

3. Summary of significant accounting policies

a) Interests in joint ventures

The Group's interests in jointly controlled assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures, except where as operator Decom Energy takes on the role as independent contractor. In these instances, receivables and payables relating to jointly controlled operations are brought to account on a gross basis. Joint venture expenses and the Group's entitlement to production are recognised on a pro rata basis according to the Group's joint venture interest.

b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method, per IFRS 3(R). The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value, and the amount of any minority interest in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition costs incurred

are expensed and included in administration expenses. Negative goodwill is realised immediately to the income statement.

Contingent consideration is measured at fair value at the date of acquisition and subsequently re-measured to fair value with changes recognised in the income statement.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

After the initial recognition, goodwill is assumed to have an indefinite life and is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

c) Revenue recognition

Rendering of services

Income received as operator from joint ventures is recognised on an accruals basis in accordance with joint venture agreements and is included within 'other operating income' in the consolidated income statement.

d) Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction for each entity. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Group companies

The repayment of intercompany loans is neither planned nor considered likely in the foreseeable future. Foreign exchange differences arising on the translation of parent company monetary assets or liabilities where repayment is considered neither planned nor likely are recognised in the statement of comprehensive income, as part of the Company's net investment in the relevant operation in accordance with IAS 21.

e) Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and any provisions for impairment, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

IT equipment	3 years
Furniture and fittings	5 years

f) Other financial assets

Other financial assets includes restricted cash balances. The Group determines the classification of its financial assets at initial recognition within the scope of IAS 39. Financial assets are recognised at fair value plus directly attributable transactions costs and subsequently measured at amortised cost.

g) Impairment of assets

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, that can be reliably measured.

Impairment reversals

Impairments recognised to assets other than goodwill may be reversed if the circumstances leading to the impairment no longer exist or have decreased, by increasing the carrying value of the asset to its recoverable amount. This may not exceed the carrying value that would have been determined, net of depreciation, had no impairment loss previously been recognised. Impairments to goodwill cannot be reversed in accordance with IAS 36.

h) Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at bank and on hand, and restricted cash holdings.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above.

i) Trade and other receivables

Trade and other receivables, including receivables from related parties, are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectable amounts. Collectability and impairment are assessed on a regular basis. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

j) Loans and borrowings

Loans are initially measured at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate method.

Intercompany loans payable and receivable are carried at the value of the transaction and are non-interest bearing.

k) Provisions and contingencies

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed (and is virtually certain), the reimbursement is recognised as a separate asset. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably except where the contingent liability results as part of a business combination. Contingent liabilities identified as part of a business combination are recorded in the consolidated financial statements at its fair value. Contingent assets are not recognised but disclosed where an inflow of economic benefits is probable.

l) Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. Depending on the nature of the agreement, the lease will be treated as either a financing or operating lease.

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

n) Pension and other post-employment benefits

The Group contracts out to recognised personal pension schemes which are defined contribution pension schemes. Amounts payable to the pension plan are charged to the income statement in the same period in which the services have been rendered by the employees.

o) Taxation

The tax expense represents the sum of current and deferred income tax.

Current income tax

Current tax is provided at amounts expected to be paid (or recovered) using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date, in the country in which the Group operates.

Deferred income tax

Deferred tax is recognised using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction (other than a business combination), that at the time of the transaction, affects neither, accounting nor taxable profit or loss.

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

Deferred tax is provided on temporary differences arising from investments in subsidiaries, jointly controlled entities and associates, except where the timing of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured based on tax rates (and tax laws) enacted or substantively enacted at the statement of financial position date. Deferred tax relating to items recognised directly in equity is recognised in equity and not the income statement. Deferred tax liabilities may be offset against deferred tax assets within the same tax entity and tax jurisdiction. Measurement of deferred tax liabilities and assets reflect the tax consequences expected to arise from the manner in which the asset or liability is recovered or settled.

Petroleum Revenue Tax

UK Petroleum Revenue Tax (PRT) is charged as a tax expense on chargeable field profits included in the income statement and is deductible for UK corporation tax. Deferred PRT is calculated and provided for on temporary differences included in the financial position of the Group.

p) Exceptional items

Items which are significant by virtue of their size or nature and which are considered non-recurring are classified as exceptional items. Such items, which include for instance the indemnity charge are included within the appropriate consolidated income statement category, albeit analysed as a separate line within that category, and are highlighted separately in the notes to the financial statements.

q) New standards and interpretations not yet adopted

Standards issued but not yet effective up to the date of issue of the Group's financial statements have been considered. While the Group intends to adopt these standards (where applicable) when they become effective they are not expected to have a significant impact on the Group.

4. Revenue and cost of sales**i. Revenue**

	2016 £000
Decommissioning Licence Operator Services	12,936
Total revenue	12,936

ii. Cost of sales

	2016 £000
Operational costs including depreciation	11,440
Total cost of sales	11,440

5. Other income / expenses**i. Other operating income**

	2016 £000
Manpower overhead recoveries	2,173
Total other operating income	2,173

ii. Depreciation, depletion and amortisation

	2016 £000
Depreciation of property, plant and equipment	55
Total depreciation, depletion and amortisation	55

iii. Exceptional items

	2016 £000
Indemnity Charge	1,331
Negative goodwill	(381)
Total exceptional items	950

Under the long term financial agreement signed 13 January 2016, the Company entered in to a security assignment deed with MCX Dunlin (UK) Limited securing rights to the net assets of the Group in return for securing the financial viability of the Company. This has resulted in an indemnity charge to the Company.

iv. Finance income

	2016 £000
Interest income	4
Total finance income	4

v. Finance costs

	2016 £000
Interest on loans and other finance costs	175
Foreign exchange losses	110
Total finance costs	285

vi. Operating and finance leases

	2016 £000
Minimum lease payments recognised as an expense	63
The future minimum lease payments at the end of the period are shown in the table below:	
Payable within:	
One year	379
One to five years	1,515
More than five years	221
Total operating and finance leases	2,115

The operating leases relate to rental office accommodation. There were no contingent rentals or sub-lease payments relating to the operating leases.

vii. Auditors' remuneration

	2016 £000
Fees payable to auditors Ernst & Young	
Fees payable for the audit of the Company's statutory accounts*	30
Fees payable for the audit of the Company's subsidiaries pursuant to legislation	120
Fees payable for tax services	52
Total fees payable to auditor	202

*Fees in respect of the audit of the accounts of Decom Energy Limited including the Group's consolidated financial statements.

viii. Employee benefits expense

	2016 £000
Wages and salaries - directors	40
Wages and salaries - staff	711
Bonuses	124
Social security costs	168
Pension costs	79
Insurance (medical and life)	23
Total employee benefits expense	1,145
Average number of employees:	
Directors	1
Finance and administration	16
Technical and operational	20
Offshore	9
	46

Additional information regarding the remuneration of key management is set out in note 21(c).

6. Income tax**i. Consolidated income statement**

	2016 £000
Current income tax:	
Current income tax expense	-
Deferred tax:	
Relating to the origination and reversal of temporary differences	-
Prior year adjustments	-
Income tax benefit reported in the income statement	-

ii. Consolidated statement of comprehensive income

	2016 £000
Deferred tax related to items directly charged or credited within equity:	
Gain/loss on cash flow hedges	-
Income tax benefit charged directly to equity	-

iii. Reconciliation of accounting loss before tax to tax benefit / expense recorded in the consolidated income statement

A reconciliation between tax expense and the product of accounting profit multiplied by the UK standard income tax rate for the period ended 30 June 2016 is as follows:

	2016 £000
Accounting profit before income tax	326
Accounting profit multiplied by the UK standard rate of corporation tax of 45%	147
Income not deductible for tax purposes	453
Tax profits offset by brought forward losses	(600)
Income tax (expense) / benefit charged to the consolidated income statement	-

The standard tax rate used above of 45% is the rate that applied in 2016 to the Group's business of exploring for and exploiting hydrocarbons within the UK and its designated areas.

The Group has not recognised a deferred tax asset in respect of UK non-ring fence tax losses of £47.8m, and in respect of ring-fence tax losses and other temporary differences of £435.7m. The ring-fence tax losses are available indefinitely for offset against future profits of the companies in which the losses arose.

The Finance Act 2016 reduced the rate of supplementary charge from 20% to 10% with effect from 1 January 2016. As this change had not been substantively enacted at the Balance Sheet date, the impact of the rate change has not been included in the deferred tax provision. The restatement of the Group's deferred tax asset as at 30 June 2016 as a result of the change in rate of supplementary charge will result in a reduction in the deferred tax asset not being recognised of approximately £37.7m.

The non-ring-fence rate of corporation tax will reduce to 19% from 1 April 2017 and Finance Act 2016 has introduced a further reduction to 17% from 1 April 2020.

iv. Deferred income tax liabilities

A summary of the movement in deferred tax liabilities is as follows:

	2016					
	£000					
At 2 September 2015	-	-	-	-	-	-
Expense / (benefit) to the consolidated income statement	-	-	-	-	-	-
At 30 June 2016	-	-	-	-	-	-
The Dunlin Field is subject to Petroleum Revenue Tax ("PRT"). Deferred PRT liabilities are provided where appropriate on temporary differences of the field as at the balance sheet date. The Company had PRT losses of approximately £345.2m as at 30 June 2016 available to offset any other temporary differences.						
The movement in the deferred tax balances is set out below.						
	Accelerated capital allowances	Provisions	Tax losses	Fair value movement on hedge	Other temporary difference	Total
	£000	£000	£000	£000	£000	£000
At 2 September 2015	-	-	-	-	-	-
Credit for the period	(1,178)	-	(215,938)	-	-	(217,117)
Not recognised	1,178	-	215,938	-	-	217,117
At 30 June 2016	-	-	-	-	-	-

7. Business Combination

On 3 May 2016, Decom Energy Limited acquired the entire issued share capital of Fairfield Energy Limited for £10 in cash. The purchase was entered into as part of a restructuring of the Fairfield Energy Limited group, from being an exploration and production company into a late life asset management and decommissioning entity. It was also undertaken to ensure the ownership of the group was in the hands of an entity whose interests were wholly aligned to the key stakeholders. Decom Energy Limited intends to use the knowledge and experience gained through its interests in the Fairfield Energy Limited group to become a material late life operator and decommissioner in the UKCS. Assets acquired and liabilities recognised at the date of acquisition:

	Fair value
	2016
	£000
Trade and other receivables	13,374
PPE	381
Other financial assets	19,727
Loans and borrowings	(18,969)
Deferred income and accruals	(14,232)
Prepayments	4,410
Trade and other payables	(9,157)
Bank accounts	2,277
JV cash	2,852
Provisions	(282)
Net assets	381
Goodwill arising on acquisition	(381)

Discharged by:**Cash**

Negative goodwill arose on the acquisition of Fairfield Energy Limited because the fair value of the combination included property, plant & equipment. A nominal purchase price of £10 was agreed, as such negative goodwill has arisen.

The purchase has resulted in a gain of £0.4m which is included in exceptional items in the statement of comprehensive income.

None of the goodwill arising on acquisition is expected to be deductible for tax purposes.

From the date of acquisition to 30 June 2016, Decom Energy Limited has not contributed to the result after tax of the Group.

8. Other financial assets

	2016 £000
Restricted cash	19,660
Other financial assets	62
Total other financial assets	19,722

Restricted cash comprises £19.6m (\$26.4m) held back on certain of proceeds of from the sale of Fairfield Acer Limited and Fairfield Cedrus Limited. Fairfield Energy Limited is liable in respect of any warranty claims up to a maximum amount of £19.6 (\$26.4m) until 27 October 2016. Thereafter any residual amounts in the restricted accounts will be paid to MCX Dunlin (UK) Limited after any other residual contractual arrangements have been settled.

9. Joint ventures

The Group has joint venture interests set out in the table below:

Area	Holding interest	As at June 2016 Equity interest
Dunlin Area	Fairfield Betula Limited and Fairfield Fagus Limited	0.0%

On 6 April 2016, Fairfield Betula Limited and Fairfield Fagus Limited forfeited their interests in the Greater Dunlin Area, however both Fairfield Betula Limited and Fairfield Fagus Limited remain the Licence Operator.

10. Financial instruments**a) Financial management**

The Group's principal financial liabilities, comprise trade payables and loans and borrowings. The main purpose of these financial instruments is to manage short-term cash flow. The Group has various financial assets such as trade receivables, cash and other financial assets, which arise directly from its operations.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are credit risk, foreign currency risk, commodity price risk, interest rate risk, and liquidity risk. Management policies for managing each of these risks are described in notes 10(b) to 10(e).

b) Credit risk

Credit risk represents the loss that would be recognised if the counterparties to financial instruments fail to perform as contracted. The Group's maximum exposure to credit risk is limited to the carrying value of financial assets as disclosed in note 10(b).

The Group trades only with recognised, creditworthy third parties. The Group obtains sufficient collateral (where appropriate) from customers as a means of mitigating the risk of financial loss from defaults. In addition, receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

The Group's income comes in the form of recharges to joint venture partners. Credit risk associated with this relationship is managed within the framework of the Joint Operating Agreements by generally spending on projects when the funds are already in place.

The Group may have significant cash balances arising from capital calls and its operating activities at any particular time. Cash is maintained on deposit with the Royal Bank of Scotland.

c) Currency exposure

Foreign currency risk includes cash and cash equivalents, trade receivables, trade payables and accruals other financial instruments. The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

(i) Exposure to currency risk

The Group has transactional currency exposure. Exposure arises with sales or purchases in currencies other than the functional currency (mainly USD). The Group manages this risk by matching receipts and payments in the same currency (where possible) and monitoring the movements in exchange rates. The Company's exposure to foreign currency is presented in the table below.

	2016 £000
Cash and cash equivalents	239
Trade receivables	-
Other financial assets	19,660
Trade payables	2
Accruals	(292)
Loans and borrowings	(14,262)
Net exposure	5,347

The Group's major exchange rate exposure is to the US Dollar and Sterling rate. The following rates were applied during the period:

	Average rate 2016	Reporting date spot rate 2016
GBP:USD	0.6744	0.7447

(ii) Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling exchange rate, with all other variables held constant, on the Group's profit before tax (due to the movement in the foreign exchange component of costs):

	Increase/ (decrease) in GBP £:US\$ rate %	Increase/ (decrease) on loss before tax £000
2016	+10%	(535)
	-10%	535

Sensitivity analysis was performed by applying a percentage increase/decrease to items listed above in note 10d (i) that were denominated in currencies other than functional currency. The 10% level of change was considered to be a reasonably possible change based upon the rates of exchange exhibited over the year.

d) Interest rate risk management

Financial instruments exposed to interest rate risk include cash and cash equivalents, other financial assets and loan facilities. Interest on outstanding loan balances interest has a fixed annual rate of interest of 7%, compounded annually, and is therefore not affected by external changes in interest rates.

The following table demonstrates the Group's exposure to interest rate risk and sensitivity analysis to a reasonably possible change of 100 basis points in interest rates, (with all other variables held constant) on balances of which interest is charged.

	Floating interest rate £000	Total	Sensitivity Analysis			
			Profit and Loss 100 Bp* increase £000	100 Bp* decrease £000	Equity 100 Bp* increase £000	100 Bp* decrease £000
30 June 2016						
Financial assets						
Cash and cash equivalents	2,757	2,757	27	(27)	-	-
Other financial assets	19,722	19,722	197	(197)	-	-
Financial liabilities						
Loan facilities	(14,262)	(14,262)	(142)	142	-	-
Net financial assets	8,217	8,217				

* Basis points

e) Liquidity risk management

The Group relies on funding from its joint venture partner to manage its funding requirements. The annual budget is the basis for forecasting capital requirements and capital is called based on actual changes in cash flow and quarterly forecasts. Liquidity risk is managed by ensuring capital calls are issued well in advance to meet payment of expenses as they arise.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2016	Carrying Amount £000	Estimate of contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Non-derivative financial liabilities							
Loans and borrowings ¹	14,262	(14,262)	(14,262)	-	-	-	-
Trade and other payables	8,559	(8,559)	(8,559)	-	-	-	-
Provisions	213	(213)	(213)	-	-	-	-
	23,034	(23,034)	(23,034)	-	-	-	-

¹This is the payments for the Mitsubishi facility due to be repaid in November 2016.

The carrying amounts above represent a fair value of the financial liabilities within these financial statements which may contain discounting factors in order to arrive at the value as at 30 June 2016. The estimated contractual cashflows represent all expected future outflows irrespective of the timing.

11. Trade and other debtors

	2016 £000
Trade and other debtors	3,809
Partner receivables	10,547
VAT receivable	145
Total trade and other debtors	14,501

Trade and other debtors disclosed above include £0.4m that is greater than 365 days past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because this one invoice is considered recoverable (2015: £nil).

12. Prepayments and accrued income

	2016 £000
Prepayments	1,006
Total prepayments	1,006

13. Cash and cash equivalents

	2016 £000
Cash at bank and in hand	1,568
Cash held in joint venture accounts	1,189
Total cash and cash equivalents	2,757

Cash held in joint venture accounts represents the Group's share of joint venture cash balances. Cash balances held in joint venture accounts may only be used in relation to joint venture activities and are subject to the terms set out in the relevant joint operating agreements.

14. Trade and other creditors

	2016 £000
Trade creditors	2,250
Other creditors	6,309
Total trade and other creditors	8,559

Trade payables are non-interest bearing and normally settled on less than 30 day terms. For terms and conditions relating to related parties, refer to note 21. For the Group's credit risk management process, refer to note 10(b). Included in other creditors is an amount of (£1.3m) which relates to the indemnity charge for the year. Under the long term financial agreement signed 13 January 2016, the Group entered in to a security assignment deed with MCX Dunlin (UK) Limited securing rights to the net assets of the Group in return for assuring the financial viability of the Company.

15. Accruals

	2016 £000
Accruals	12,346
Total accruals	12,346

Accruals predominately relates to amounts held payable in joint venture entities of £11.2m.

16. Loans and borrowings

	2016 £000
	Term Interest rate
MCX bridge facility	2016 7% 14,262
Total loans and borrowings	14,262

In an agreement made on 22 May 2015, Fairfield Energy Limited entered in to a loan facility agreement up to \$100m with MCX Dunlin (UK) Limited. Interest accrues daily on the loan balance and all outstanding interest and arrangement fees will be paid on the repayment date. The loan is expected to be repaid in November 2016 and bears interest at 7 percent per annum.

17. Provisions

	Other provisions £000	Total £000
For the period ended 2016		
At 2 September 2015	-	-
New provisions	282	282
Utilisations	(69)	(69)
At 30 June 2016	213	213

All provisions are current.

Deferred payments

Other provisions relates to the costs still to be incurred from the closure of the Staines office.

18. Issued capital and reserves

Fully paid issued capital is as follows:

	2016 Number of shares	£000
A Ordinary shares (£0.10 each)		
Allotted, called-up and fully paid	1,000	-
X Shares (£0.10 each)		
Allotted, called-up and fully paid	1	-

On 2 September 2015, 1 Ordinary share with an aggregate nominal value of £1 was issued. On 2 October 2015, 3 Ordinary shares were issued for a nominal value of £1.

On 25 November 2015 the 4 issued Ordinary shares with a nominal value of £1 each were sub-divided into 40 shares with a nominal value of £0.10. 961 shares were issued for a nominal value £0.10.

On 26 January 2016 a resolution was passed for the re-designation of the share capital from 1001 ordinary shares to 1 X share and 1,000 A Ordinary shares these were fully paid.

(i) The following rights and restrictions apply to the share capital and investor debt in the Group:**Voting right & right to dividends**

Each A Ordinary share carries the right to one vote and also has the right to receive the equivalent share of any dividend paid by the Company. The X Share hold no rights to vote or receive any dividend. It does however, hold the right to observe all Board meetings, and certain other rights with respect to the approval of any matters where the Company seeks to make any material changes to the current business. As an example, this could include such matters, as the granting of major new commitments or entering into new debt arrangements by the Company.

Share capital

Share capital includes the net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, which includes A Ordinary shares, and X Shares.

19. Capital management

The primary objective of the Group's capital management is to ensure financial stability, manage financial risks and secure the Group's short-term and long-term need of capital. The Group defines its capital as equity, comprising investment strips, loan notes, share capital and reserves.

20. Pensions and other post-retirement benefits

The Group contracts out to recognised personal pension schemes which are defined contribution schemes.

The expense charged to the income statement for the period amounted to:

	2016 £000
Pension costs expensed to the income statement – directors	4
Pension costs expensed to the income statement – staff	75
Pension costs expensed to the income statement	79

21. Related party disclosures**a) Equity interests**

The financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

	Country of Incorporation	Group structure	Equity Interest 2016
Decom Energy Limited (DEL)	England	Ultimate parent	100%
Fairfield Energy Limited (FEL)	England	Subsidiary of DEL	100%
Fairfield Energy No.1 Limited (FE1)	England	Subsidiary of FEL	100%
Fairfield Energy Holdings Limited (FEH)	England	Subsidiary of FE1	100%
Fairfield Betula Limited (FBL)	England	Subsidiary of FEH	100%
Fairfield Fagus Limited (FFL)	England	Subsidiary of FEH	100%

b) Transactions with related parties

Apart from transactions relating to share capital and debt, and key management personnel compensation, there were no other transactions with related parties during the period 2 September 2015 to 30 June 2016.

c) Compensation of key management personnel

IAS 24 defines key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The key management personnel of the Group are considered to be the directors. Key management compensation is listed in the following table:

	2016 £000
Short-term employee benefits	87
Social security costs	10
Value of employer contributions to pension schemes	4
Total	101

There was only one director accruing pension benefits under the defined contribution plan. Other directors' pension allowances were taken as a salary supplement. As at 30 June 2016 the amount of accrued pension was nil.

The highest paid director received emoluments of £0.054m for the 2 month period to 30 June 2016.

No directors exercised share options during the year.

d) The ultimate parent

Decom Energy Limited is the ultimate parent entity within the Group. Company financial statements follow the consolidated financial statements on pages 25 to 30.

e) Entity with significant influence over the Group

Under the suite of commercial agreements now in place in order to decommission the asset, MCX UK Ltd has significant influence over the Group.

f) Joint ventures in which the Group is a venturer

Joint venture relationships are disclosed in note 9.

22. Commitments**Capital and other commitments**

At 30 June 2016, the Group was party to gross capital and other commitments of £25.3m. These commitments include both capital and operating contractual obligations.

23. Events after the reporting period

There are no significant or disclosable post balance sheet events.

Statement of directors' responsibilities for the company financial statements

The directors are responsible for preparing the Strategic Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law the directors must not approve the Company financial statements unless they are satisfied that they give a true and fair view of the state of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement as to disclosure of information to auditors

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



Graeme Fergusson
Director
31 October 2016

Independent auditor's report

TO THE MEMBERS OF DECOM ENERGY LIMITED

We have audited the parent company financial statements of Decom Energy Limited for the period 2 September 2015 to 30 June 2016 which comprise of the Company income statement, Company statement of comprehensive income, Company balance sheet, Company statement of changes in equity and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 set out on page 23, the directors are responsible for the preparation of the parent company 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 parent company 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 parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements 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 30 June 2016 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Ernst & Young LLP

Ernst & Young LLP

Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
31 October 2016

Company income statement

for the period 2 September 2015 to 30 June 2016

	Notes	2016 £000
Turnover		-
Administration expenses		(39)
Other non-operating income	3i	39
Operating result		-
Interest receivable and similar income		-
Interest payable and similar cost		-
Result before tax		-
Tax expense	4	-
Result after tax		-

Company statement of comprehensive income

for the period 2 September 2015 to 30 June 2016

	2016 £000
Result for the period	-
Total comprehensive result	-

Company balance sheet

as at 30 June 2016

	Notes	2016 £000
Current assets		
Other debtors	6	2,289
Cash at bank and in hand	7	317
Total current assets		2,606
Creditors: amounts falling due within one year		
Amounts due to group undertakings		-
Total current liabilities		-
Net current liabilities		-
Total assets less current liabilities		2,606
Total liabilities		-
NET ASSETS		2,606
Capital and reserves		
Share capital		-
Capital contribution reserve		2,606
Retained earnings		-
TOTAL EQUITY		2,606



Graeme Fergusson
Director
31 October 2016

Company statement of changes in equity

for the period 2 September 2015 to 30 June 2016

	Capital Contribution	Reserves Retained (deficit)/profit	Total equity
	£000	£000	£000
At 2 September 2015	-	-	-
Contributions from Shareholders	2,606	-	2,606
Total result for the Period	-	-	-
At 30 June 2016	2,606	-	2,606

Notes to the company financial statements

1. Authorisation of financial statements and statement of compliance with FRS 101

Reporting entity

The financial statements of Decom Energy Limited (the "Company") for the period 2 September 2015 to 30 June 2016 were authorised for issue by the board of directors on 28 October 2016 and the balance sheet was signed on the board's behalf by Graeme Fergusson. Decom Energy Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The results of Decom Energy Limited are included in the consolidated financial statements of Decom Energy Limited which are attached above.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting Policies

a) Basis of preparation

The Company has adopted FRS 101 for the period presented.

The accounting policies which follow set out those policies which apply in preparing financial statements for the period ended 30 June 2016.

The Company applies FRS 101 – *Reduced Disclosure Framework* and has as a result taken the following disclosure exemptions:

- (a) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (b) the requirements of IAS 7 *Statement of Cash Flows*;
- (c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- (d) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*;
- (e) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and
- (f) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities that have been measured at fair value.

c) Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's functional currency spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement.

d) Investments

Investments are initially measured at cost and carried net of any provisions for impairment

e) Cash and cash equivalents

Cash in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

f) Financial instruments

Trade and other receivables are recognised when invoiced.

Cash and cash equivalents

Cash in the statement of financial position comprise cash at bank and on hand.

Trade payables and other non-derivative financial liabilities

Trade payables and other creditors are non-interest bearing and are measured at cost.

g) Deferred Income tax

Deferred income tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction (other than a business combination), that at the time of the transaction, affects neither, accounting nor taxable profit or loss.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured based on tax rates (and tax laws) enacted or substantively enacted at the statement of financial position date. Deferred tax relating to items recognised directly in equity is recognised in equity and not the income statement. Deferred tax liabilities may be offset against deferred tax assets within the same tax entity and tax jurisdiction. Measurement of deferred tax liabilities and assets reflect the tax consequences expected to arise from the manner in which the asset or liability is recovered or settled.

3. Other non-operating income

i.

	2016 £000
Recharges – Fairfield manpower	39
Total non-operating income	39

ii. **Auditors' remuneration**

	2016 £000
Audit of the financial statements	8
Total fees payable to auditor	8

Total remuneration paid or payable to the Company's auditors for the supply of other services is set out in note 5(vii) of the consolidated financial statements. The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the Group financial statements.

iii. **Employee benefits expense**

Decom Energy Limited had no employees during the period. Labour required to operate the assets is provided by a group subsidiary, Fairfield Energy Limited (charged by service charges). The Directors received a total remuneration during the period ended 30 June 2016 of £3.1m from the group subsidiary, Fairfield Energy Limited. The directors of the Company are also directors/senior employees of the subsidiary and its fellow subsidiaries. The Directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their service as directors of the parent and subsidiary companies.

4. Income taxi. **Company income statement**

There was no income tax charge for the period ended 30 June 2016.

ii. **Company statement of comprehensive income**

There were no deferred tax items charged directly or credited within equity for the period ended 30 June 2016.

A reconciliation between tax expense and the product of accounting profit multiplied by the UK standard income tax rate for the period ended 30 June 2016 is as follows:

	2016 £000
Accounting result before income tax	-
Accounting result multiplied by the UK standard rate of corporation tax of 20%	-
Expenditure not deductible for tax purposes	-
Temporary differences not recognised	-
	-

5. Investments

Investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Nature of business	Proportion of voting rights and shareholding
Fairfield Energy Limited	Ordinary shares	Decommissioning	100%
Fairfield Energy No.1 Limited	Ordinary shares	Holding company	100%
Fairfield Energy Holdings Limited	Ordinary shares	Holding company	100%
Fairfield Betula Limited	Ordinary shares	Decommissioning	100%
Fairfield Fagus Limited	Ordinary shares	Decommissioning	100%

Fairfield Energy Limited is the only subsidiary held directly by the Company, the other subsidiaries are held indirectly. All subsidiaries are incorporated and operated in the United Kingdom, valued at cost.

6. Other debtors

	2016 £000
Other debtors	2,289
Total other debtors	2,289

Other debtors is a related party balance with MCX Dunlin (UK) Limited which is expected to be paid in November 2016.

7. Cash at bank and in hand

	2016 £000
Cash at bank and in hand	317
Total cash at bank and in hand	317

8. Issued capital and reserves

Authorised and fully paid issued capital is as follows:

	2016 Number of shares	Nominal value £000
A Ordinary Shares (£0.10 each)		
Allotted, called-up and fully paid	1,000	-
X Shares (£0.10 each)		
Allotted, called-up and fully paid	1	-

On 2 September 2015, 1 Ordinary share with an aggregate nominal value of £1 was issued. On 2 October 2015, 3 Ordinary shares were issued for a nominal value of £1.

On 25 November 2015 the 4 issued Ordinary shares with a nominal value of £1 each were sub-divided into 40 shares with a nominal value of £0.10. 961 shares were issued for a nominal value £0.10.

On 26 January 2016 a resolution was passed for the re-designation of the share capital from 1001 ordinary shares to 1 X share and 1,000 A Ordinary shares these were fully paid.

9. Commitments**Capital and other commitments**

There was no capital or other commitments as at 30 June 2016.

10. Events after the reporting date

There are no significant or disclosable post balance sheet events.

Glossary of terms

\$	United States Dollar	Group	The Company and its subsidiaries
Board	The Board of Directors of Decom Energy Limited	IAS	International Accounting Standard
Companies Act	The Companies Act 2006 (as amended) and/or the Companies Act 2006 (as amended), as appropriate	IFRS	International Financial Reporting Standard(s)
DCPD	Decommissioning Cost Provision Deed		
BEIS	Department for Business, Energy and Industrial Strategy	LIBOR	London Inter-Bank Offered Rate
Dunlin Area	Dunlin area assets include references to the Dunlin, Dunlin South West, Skye/Block 6, Osprey and Merlin fields. The first three fields are held in the subsidiary Fairfield Betula Limited. The remainder are held in Fairfield Fagus Limited.	M or m	Million
FBL	Fairfield Betula Limited	MCXD	MCX Dunlin (UK) Limited
FEL	Fairfield Energy Limited	MCXO	MCX Osprey (UK) Limited
FRS	Financial Reporting Standard(s)	The HSE	The Health and Safety Executive

Company information

Registered No. 09759321

Directors

Graeme Fergusson (appointed 02 October 2015)
 Andrew Hockey (appointed 02 October 2015)
 Ian Sharp (appointed 02 October 2015)
 John Wiseman (appointed 02 October 2015)
 Peter Charles Cox (appointed 02 September 2015, resigned 02 October 2015)

Secretary

Calum Crighton (appointed 8 March 2016)
 Dentons Secretaries Limited (appointed 02 September 2015, Resigned 02 October 2015)

Registered Office

Cannon Place
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Auditors

Ernst & Young LLP
 Blenheim House
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 Aberdeen
 AB15 4DT

Bankers

The Royal Bank of Scotland
 Aberdeen Queen's Cross Branch
 40 Albyn Place
 Aberdeen
 AB10 1YN

Solicitors

CMS Cameron McKenna
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 London
 EC4N 6AF