

Registered No. 09759321

DECOM ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2017

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Strategic Report

During the 12 month period under review the principal activity of the Group was primarily focused on the safe, efficient and expedient decommissioning of the Dunlin fields in the Northern North Sea.

The results reported in these consolidated financial statements include those of the subsidiaries from 1 July 2016 to 30 June 2017.

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 organisation.

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. In the interim, the Operations Safety Case continues to be kept current, as per regulatory requirements, with a Material Change submission accepted by the Executive in June 2017 under the 2005 regulations.

REVIEW OF ASSETS

Dunlin Area

Production ceased from the Dunlin Field on 15 June 2015, however the platform has continued to provide an "up and over" service to the neighbouring Thistle Field Group for access to the Brent Pipeline system.

MCX have 100% licence ownership in the Dunlin Fields but the Fairfield Companies remain the licence Operators.

The decommissioning of Dunlin is a multi-year, highly complex project which is a substantial undertaking for the Group, but the Directors are pleased to report excellent progress in the period.

The Group has focussed heavily on its relationships with its key stakeholders, and its enhanced working relationship with Mitsubishi is evidence of the success in this area. We also believe that our proactive approach to the collaboration with the Regulators serves as a benchmark for others. These efforts, can only stand the Group in good stead as key decisions continue to be made.

Well Plugging & Abandonment (P&A)

With 45 platform wells on Dunlin Alpha, some of which had not been entered since the late 1970's, this area provides one of the most challenging work-streams on the Project.

Progress has been made on the platform wells, with 10 wells now being phase 2 abandoned. Significant learnings are being made on a daily basis, which are continuously being applied. Improved technology has been applied where possible and will continue to be a key contributor to ensuring that the wells are efficiently and responsibly abandoned.

The subsea well P&A campaign commenced in April 2017, with the use of the Transocean 712. The 16 subsea wells will be abandoned in 2 stages over a single mobilisation. This area provides one of the most challenging work-streams on the Project.

Progress has been made on the Osprey production wells, with stage 1 completed for 8 wells.

The learnings from the Dunlin Alpha platform wells are being applied to the subsea wells. Improved technology has been applied where possible and will continue to be a key contributor to ensuring that the wells are efficiently and responsibly abandoned.

Dunlin Alpha Decommissioning

The Group has also made significant strides with respect to progressing the topsides to hydrocarbon free status, with numerous workflows ongoing.

In parallel, many studies are being undertaken and assessments being made which will inform the submission of the final Decommissioning Programme to the Regulator. This involves assessing what the most appropriate topsides removal technique will be and will also inform what, if any, of the sub-structure the Group proposes to leave in situ.

Subsea Infrastructure Decommissioning

Following the formal comparative assessment process with external stakeholders, the Consultation Draft of the Decommissioning Programme for the related Subsea infrastructure was submitted to BEIS on 30 March 2017. The Public Consultation commenced on 23 June 2017 and it is anticipated that the Decommissioning Programme will be approved in 4Q 2017.

A tender was issued for the Subsea Infrastructure decommissioning scope in April 2017. The contract is likely to be awarded in December 2017 with execution commencing in the 2018 season.

Strategic Report (continued)

Financial review

Funding

The 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 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 was repaid in full in October 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

Loss for the year was £0.5m (2016: profit £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 £2.4m (2016: £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 20.

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

Mitigation

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.

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.

External environment

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

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.

Strategic Report (continued)

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 year ended 30 June 2017 (2016: period 2 September 2015 to 30 June 2016).

Registered Number

09759321

Directors of the Group

The directors who served on the Board during the period are shown on page 34.

Dividends

The directors do not recommend the payment of a dividend (2016: £nil).

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 20 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.

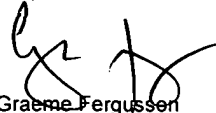
Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' report are listed on page 34. 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 29 September 2017.

For and on behalf of the Board



Graeme Fergusson
Director
29 September 2017

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
29 September 2017

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 year ended 30 June 2017 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 20. 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 8, 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 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 Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 year 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 year ended 30 June 2017.

Ernst & Young LLP

Ernst & Young LLP
Jamie Dixon (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
29 September 2017

Consolidated income statement

for the year ended 30 June 2017

	Notes	2017 £000	2016 £000
Revenue	4	91,784	12,936
Cost of sales		(91,549)	(11,440)
Gross profit		235	1,496
Administration expenses		(15,826)	(2,112)
Other operating income	5i	16,044	2,173
Exceptional items	5iii	(4,532)	(950)
Operating (loss)/profit		(4,079)	607
Finance income	5iv	878	4
Finance costs	5v	(286)	(285)
(Loss)/profit before tax		(3,487)	326
Tax	6	2,959	-
(Loss)/profit after tax		(528)	326

Consolidated statement of comprehensive income

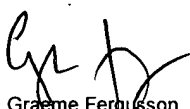
for the year ended 30 June 2017

	Notes	2017 £000	2016 £000
(Loss)/profit for the financial year		(528)	326
Total comprehensive (loss)/profit		(528)	326

Consolidated statement of financial position

as at 30 June 2017

	Notes	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment		133	326
Other financial assets	7	64	19,722
		197	20,048
Current assets			
Trade and other debtors	9	15,736	14,501
Prepayments		1,135	1,006
Cash and cash equivalents	10	5,553	2,757
		22,424	18,264
Total assets		22,621	38,312
Current liabilities			
Trade and other creditors	11	4,559	8,559
Accruals	12	15,658	12,346
Loans and borrowings	13	-	14,262
Provisions	14	-	213
		20,217	35,380
Non-current liabilities			
Deferred tax liabilities	6iii	-	-
		-	-
Total liabilities		20,217	35,380
NET ASSETS		2,404	2,932
Equity			
Share capital		2,606	2,606
Retained deficit/profit		(202)	326
TOTAL EQUITY		2,404	2,932


 Graeme Fergusson
 Director
 29 September 2017

Consolidated statement of changes in equity

for the year ended 30 June 2017

	Capital Contribution	Reserves Retained (deficit)/profit	Total equity
	£000	£000	£000
At 1 July 2016	2,606	326	2,932
Total loss for the year	-	(528)	(528)
At 30 June 2017	2,606	(202)	2,404

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

Consolidated statement of cash flows

for the year ended 30 June 2017

	Notes	2017 £000	2016 £000
Operating activities			
(Loss)/profit before tax		(3,487)	326
Adjustments for:			
Depreciation	5ii	255	55
Net finance costs		(588)	281
Working capital adjustments:			
Increase in trade and other debtors		(1,235)	(14,503)
Increase in prepayments and accrued income		(129)	(1,006)
(Decrease)/increase in trade and other payables		(4,000)	8,559
Increase in accruals		3,312	12,346
Decrease in provisions		(213)	(46)
PRT receipts		2,959	-
Net cash (outflow)/inflow from operating activities		(3,126)	6,012
Investing activities			
Finance income		78	-
Expenditure on PPE		(62)	-
Other financial assets		21,717	-
Purchase of subsidiaries		-	5,129
Net cash inflow from investing activities		21,733	5,129
Financing activities			
Contribution from shareholders		-	2,606
Proceeds of borrowings		238	316
Repayments of borrowings		(16,009)	(5,209)
Movement in partner contributions		-	(6,002)
Interest paid		(286)	(4)
Net cash outflow from financing activities		(16,057)	(8,293)
Increase in cash and cash equivalents		2,550	2,848
Net foreign exchange difference		246	(91)
Cash and cash equivalents at beginning of the period		2,757	-
Cash and cash equivalents at the end of the year	10	5,553	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 year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 29 September 2017. 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 year ended 30 June 2017 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 2017. Subsidiaries listed in note 18 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 and unrealised gains and losses 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 Limited takes on the role as decommissioning operator. 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.

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 banks and on hand, and short term deposits with an original maturity of six months.

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 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

	2017 £000	2016 £000
Partner contribution	863	-
Decommissioning Licence Operator Services	90,807	12,936
Oil sales	114	-
Total revenue	91,784	12,936

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

	2017 £000	2016 £000
Manpower overhead recoveries	16,044	2,173
Total other operating income	16,044	2,173

ii. Depreciation

	2017 £000	2016 £000
Depreciation of plant and equipment	255	55
Total depreciation	255	55

iii. Exceptional items

	2017 £000	2016 £000
Indemnity Charge	4,532	1,331
Negative goodwill	-	(381)
Total exceptional items	4,532	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 Group.

iv. Finance income

	2017 £000	2016 £000
Interest income	78	4
Foreign exchange gains	800	-
Total finance income	878	4

v. Finance costs

	2017 £000	2016 £000
Interest on loans and other finance costs	286	175
Foreign exchange losses	-	110
Total finance costs	286	285

vi. Operating and finance leases

	2017 £000	2016 £000
Minimum lease payments recognised as an expense	379	63
The future minimum lease payments at the end of the period are shown in the table below:		
Payable within:		
One year	379	379
One to five years	1,357	1,515
More than five years	-	221
Total operating and finance leases	1,736	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

	2017 £000	2016 £000
Fees payable to auditors Ernst & Young		
Fees payable for the audit of the Company's statutory accounts*	14	30
Fees payable for the audit of the Company's subsidiaries pursuant to legislation	56	120
Fees payable for other services	80	-
Fees payable for tax services	54	52
Total fees payable to auditor	204	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

	2017 £000	2016 £000
Wages and salaries - directors	857	40
Wages and salaries - staff	4,250	711
Bonuses	1,203	124
Social security costs	898	168
Pension costs	592	79
Insurance (medical and life)	103	23
Total employee benefits expense	7,903	1,145

Average number of employees:

Directors	2	1
Finance and administration	16	16
Technical and operational	22	20
Offshore	10	9
	50	46

Additional information regarding the remuneration of key management is set out in note 18(c).

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

	2017 £000	2016 £000
Current income tax:		
Petroleum Revenue Tax	(2,959)	-
Income tax benefit reported in the income statement	(2,959)	-

ii. 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 2017 is as follows:

	2017 £000	2016 £000
Accounting (loss)/profit before income tax	(3,487)	326
Accounting (loss)/profit multiplied by the UK standard rate of corporation tax of 37% (2016: 45%)	(1,288)	147
Expenses not deductible for tax purposes	1,494	453
Movement in unrecognised deferred tax	(206)	(600)
PRT receipts	(2,959)	-
Income tax (benefit)/expense charged to the consolidated income statement	(2,959)	-

The standard tax rate used above of 37% is the rate that applied in 2017 (2016: 45%) 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 £41.9m (2016: £47.8m), and in respect of ring-fence tax losses and other temporary differences of £3.5m (2016: £435.7m). The ring-fence tax losses are available indefinitely for offset against future profits of the companies in which the losses arose.

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

iii. Deferred income tax liabilities

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

	2017 £000	2016 £000
At 1 July 2016	-	-
Expense / (benefit) to the consolidated income statement	-	-
At 30 June 2017	-	-

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 £348m as at 30 June 2017 (2016: £345.2m) available to offset any other temporary differences.

The movement in the deferred tax balances is set out below:

	Accelerated capital allowances £000	Provisions £000	Tax losses £000	Fair value movement on hedge £000	Other temporary difference £000	Total £000
30 June 2017						
At 1 July 2016	-	-	-	-	-	-
Credit for the period	(641)	-	(8,331)	-	-	(8,972)
Not recognised	641	-	8,331	-	-	8,972
At 30 June 2017	-	-	-	-	-	-

	Accelerated capital allowances £000	Provisions £000	Tax losses £000	Fair value movement on hedge £000	Other temporary difference £000	Total £000
30 June 2016						
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. Other financial assets

	2017 £000	2016 £000
Restricted cash	55	19,660
Other financial assets	9	62
Total other financial assets	64	19,722

In 2017 restricted cash relates to a HMRC bank guarantee. In 2016 restricted cash comprised £19.6m (\$26.4m) held back on certain of the proceeds from the sale of Fairfield Acer Limited and Fairfield Cedrus Limited. Fairfield Energy Limited was liable in respect of any warranty claims up to a maximum amount of £19.6m (\$26.4m) until 27 October 2016. On 27 October 2016 residual amounts in the restricted accounts were paid to MCX Dunlin (UK) Limited after any other residual contractual arrangements had been settled.

8. 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, interest rate risk, and liquidity risk. Management policies for managing each of these risks are described in notes 8(b) to 8(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 7.

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 and Santander.

c) Currency exposure

Foreign currency risk includes cash and cash equivalents, trade receivables, trade payables and accruals and 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.

	2017 £000	2016 £000
Cash and cash equivalents	94	239
Other financial assets	-	19,660
Trade payables	(1,218)	2
Accruals	(1,483)	(292)
Loans and borrowings	-	(14,262)
Net exposure	(2,607)	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 2017	2016	Reporting date spot rate 2017	2016
GBP:USD	0.7861	0.6744	0.7698	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
2017	+10%	261
	-10%	(261)
2016	+10%	(535)
	-10%	535

Sensitivity analysis was performed by applying a percentage increase/decrease to items listed above in note 8c (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, and other financial assets.

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		Equity	
			100 Bp* increase £000	100 Bp* decrease £000	100 Bp* increase £000	100 Bp* decrease £000
30 June 2017						
Financial assets						
Cash and cash equivalents	5,553	5,553	55	55	-	-
Other financial assets	64	64	-	-	-	-
Net financial assets	5,617	5,617				

	Floating interest rate £000	Total	Sensitivity Analysis			
			Profit and Loss		Equity	
			100 Bp* increase £000	100 Bp* decrease £000	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:

	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
30 June 2017							
Non-derivative financial liabilities							
Trade and other payables	4,559	4,559	4,559	-	-	-	-
	4,559	4,559	4,559	-	-	-	-

	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
30 June 2016							
Non-derivative financial liabilities							
Loans and borrowings	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)	-	-	-	-

The carrying amounts above represent a fair value of the financial liabilities within these financial statements. The estimated contractual cashflows represent all expected future outflows irrespective of the timing.

9. Trade and other debtors

	2017 £000	2016 £000
Trade and other debtors	45	3,809
Partner receivables	15,468	10,547
VAT receivable	223	145
Total trade and other debtors	15,736	14,501

Trade and other debtors disclosed above include £nil (2016: £0.4m) that is greater than 365 days past due at the end of the reporting period.

10. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	4,028	1,568
Cash held in joint venture accounts	1,525	1,189
Total cash and cash equivalents	5,553	2,757

Cash held in joint venture accounts represents the 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.

11. Trade and other creditors

	2017 £000	2016 £000
Trade creditors	1,511	2,250
Other creditors	3,048	6,309
Total trade and other creditors	4,559	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 18. For the Group's credit risk management process, refer to note 8(b). Included in other creditors is an amount of £2.1m (2016: £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 securing the financial security of the Group.

12. Accruals

	2017 £000	2016 £000
Accruals	15,658	12,346
Total accruals	15,658	12,346

Accruals predominately relates to amounts held payable in joint venture entities of £13.8m (2016: £11.2m).

13. Loans and borrowings

	Term	Interest rate	2017 £000	2016 £000
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 accrued daily on the loan balance and all outstanding interest and arrangement fees were to be paid on the repayment date. The loan was repaid on 27 October 2016.

14. Provisions

	Other provisions £000
For the period ended 2017	
At 1 July 2016	213
Reversal of unused amounts	(118)
Utilisations	(95)
At 30 June 2017	-
	Other provisions £000
For the period ended 2016	
At 2 September 2015	-
New provisions	282
Utilisations	(69)
At 30 June 2016	213

All provisions are current.

Other provisions

A provision was recognised for the expected costs relating to the closure of the Staines office. Outstanding amounts for rent, settlement of furniture upgrades, lease settlements and dilapidation costs were finalised during the year to 30 June 2017 and any unused provisions were released.

15. Issued capital and reserves

Fully paid issued capital is as follows:

	2017		2016	
	Number of shares	£000	Number of shares	£000
A Ordinary shares (£0.10 each)				
Allotted, called-up and fully paid	1,000	-	1,000	-
X Shares (£0.10 each)				
Allotted, called-up and fully paid	1	-	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.

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.

16. 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, share capital and reserves.

17. 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:

	2017 £000	2016 £000
Pension costs expensed to the income statement – directors	12	4
Pension costs expensed to the income statement – staff	580	75
Pension costs expensed to the income statement	592	79

18. 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 2017	Equity Interest 2016
Decom Energy Limited (DEL)	England	Ultimate parent	100%	100%
Fairfield Energy Limited (FEL)	England	Subsidiary of DEL	100%	100%
Fairfield Energy No.1 Limited (FE1)	England	Subsidiary of FEL	100%	100%
Fairfield Energy Holdings Limited (FEH)	England	Subsidiary of FE1	100%	100%
Fairfield Betula Limited (FBL)	England	Subsidiary of FEH	100%	100%
Fairfield Fagus Limited (FFL)	England	Subsidiary of FEH	100%	100%

The registered address of all the above companies is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

b) Transactions with related parties

Apart from transactions relating to share capital and debt, and key management personnel compensation, transactions entered in to, and trading balances outstanding at 30 June 2017 with other related parties are as follows:

Related Party	Transaction	Director	Purchases from related party £000	Amounts owed to related party £000
SHIAKA Limited	Advisory services	Ian Sharp	30	7
Andrew Hockey Advisory Limited	Advisory services	Andrew Hockey	30	1
Farah CFO Limited	Advisory services	Graeme Ferguson	29	-

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:

	2017 £000	2016 £000
Short-term employee benefits	632	87
Social security costs	84	10
Value of employer contributions to pension schemes	12	4
Total	728	101

There were two directors accruing pension benefits under the defined contribution plan (2016: one). As at 30 June 2017 the amount of accrued pension was £nil (2016: £nil).

The highest paid director received emoluments of £0.509m for the year ended 30 June 2017 (2016: £0.054m).

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 26 to 33.

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.

19. Commitments

Capital and other commitments

At 30 June 2017, the Group was party to gross capital and other commitments of £24.2m (2016: £25.3m). These commitments include both capital and operating contractual obligations.

20. 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.

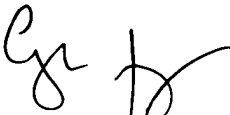
In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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
29 September 2017

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 year ended 30 June 2017 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 14. 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 25, 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 2017 and of its loss for the year 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
29 September 2017

Company income statement

for the year ended 30 June 2017

	Notes	2017 £000	2016 £000
Turnover		-	-
Administration expenses		(593)	(39)
Other non-operating income	3i	22	39
Operating loss/result		(571)	-
Interest receivable and similar income	3iii	236	-
Loss/result before tax		(335)	-
Tax expense	7	-	-
Loss/result after tax		(335)	-

Company statement of comprehensive income

for the year ended 30 June 2017

	2017 £000	2016 £000
Loss/result for the year	(335)	-
Total comprehensive loss/result	(335)	-

Company balance sheet

as at 30 June 2017

	Notes	2017 £000	2016 £000
Current assets			
Other debtors		-	2,289
Prepayments		24	-
Cash at bank and in hand	9	2,345	317
Amounts due from group undertakings		3	-
Total current assets		2,372	2,606
Creditors: amounts falling due within one year			
Trade and other creditors		6	-
Accruals		84	-
Other creditors including tax and social security	10	11	-
Total current liabilities		101	-
Net current assets		2,271	2,606
Total assets less current liabilities		2,271	2,606
NET ASSETS		2,271	2,606
Capital and reserves			
Share capital	11	-	-
Capital contribution reserve		2,606	2,606
Retained deficit		(335)	-
TOTAL EQUITY		2,271	2,606


 Graeme Fergusson
 Director
 29 September 2017

Company statement of changes in equity

for the year ended 30 June 2017

	Capital Contribution	Reserves Retained (deficit)/profit	Total equity
	£000	£000	£000
At 1 July 2016	2,606	-	2,606
Total comprehensive loss	-	(335)	(335)
At 30 June 2017	2,606	(335)	2,271

	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 year ended 30 June 2017 were authorised for issue by the board of directors on 29 September 2017 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 year ended 30 June 2017.

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 requirement in paragraph 38 of IAS 1: *Presentation of Financial Statements* to present comparative information in respect of:
 - (i) Paragraph 79(a)(iv) of IAS 1;
- (c) the requirements of IAS 7: *Statement of Cash Flows*;
- (d) the requirements of paragraphs 30 and 31 of IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*;
- (e) the requirements of paragraphs 10(d), 10(f), 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1: *Presentation of Financial Statements*;
- (f) the requirements of paragraph 17 of IAS 24: *Related Party Disclosures*; and
- (g) 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 banks and on hand and short-term deposits with an original maturity of six months.

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 banks and on hand and short term deposits with an original maturity of six months.

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

	2017 £000	2016 £000
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Recharges – Fairfield manpower	22	39
Total non-operating income	22	39

ii. Auditors' remuneration

	2017 £000	2016 £000
Audit of the financial statements	4	8
Total fees payable to auditor	4	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. Interest receivable and similar income

	2017 £000	2016 £000
Bank interest	1	-
Foreign exchange gains	235	-
Total interest receivable and similar income	236	-

4. Employee benefits expense

	2017 £000	2016 £000
Wages and salaries - directors	187	-
Social security costs	24	-
Pension costs	8	-
Insurance (medical and life)	2	-
Total employee benefits expense	221	-
Average number of employees:		
Directors	1	-
	1	-

Additional information regarding the remuneration of key management is set out in note 6.

5. Pensions and other post-retirement benefits

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

	2017 £000	2016 £000
Pension costs expensed to the income statement – directors	8	-
Pension costs expensed to the income statement	8	-

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

6. 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:

	2017 £000	2016 £000
Short-term employee benefits	187	-
Social security costs	24	-
Value of employer contributions to pension schemes	8	-
Total	219	-

There was one director accruing pension benefits under the defined contribution plan (2016: nil). As at 30 June 2017 the amount of accrued pension was nil (2016: nil).

The highest paid director received emoluments of £0.219m for the year ended 30 June 2017 (2016: £nil).

7. Income tax

i. Company income statement

There was no income tax charge for the period ended 30 June 2017.

ii. Reconciliation of accounting loss before tax to tax benefit/expense recorded in the 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 2017 is as follows:

	2017 £000	2016 £000
Accounting loss before income tax	(335)	-
Accounting loss multiplied by the UK standard rate of corporation tax of 19.75% (2016: 20%)	(66)	-
Expenditure not deductible for tax purposes	1	-
Movement in unrecognised deferred tax	65	-
	-	-

The Company has tax losses of £0.3m (2016: £nil) which arose in the UK. The Company has not recognised a deferred tax asset in respect of tax losses of £0.3m. The tax losses are available indefinitely for offset against future profits of the Company in which losses arose. In the Finance Act 2016, the government reduced the main rate of corporation tax from 2020 onwards by 1% to 17%.

8. 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. The registered address of all the above companies is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

9. Cash at bank and in hand

	2017 £000	2016 £000
Cash at bank and in hand	2,345	317
Total cash at bank and in hand	2,345	317

10. Other creditors including tax and social security

	2017 £000	2016 £000
Payroll liabilities	11	-
Total other creditors including tax and social security	11	-

11. Issued capital and reserves

Authorised and fully paid issued capital is as follows:

	2017		2016	
	Number of shares	Nominal value £000	Number of shares	Nominal value £000
A Ordinary Shares (£0.10 each)				
Allotted, called-up and fully paid	1,000	-	1,000	-
X Shares (£0.10 each)				
Allotted, called-up and fully paid	1	-	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.

12. Commitments**Capital and other commitments**

There were no capital or other commitments as at 30 June 2017 (2016: nil)

13. Other related party transactions

During the year the Company entered into transactions, in the ordinary course of business with the directors of the Company. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered in to, and trading balances outstanding at 30 June 2017 with other related parties, are as follows:

Related Party	Transaction	Director	Purchases from related party £000	Amounts owed to related party £000
SHIACA Limited	Advisory services	Ian Sharp	30	7
Andrew Hockey Advisory Limited	Advisory services	Andrew Hockey	30	1
Farah CFO Limited	Advisory services	Graeme Ferguson	29	-

14. 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)
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	LIBOR	London Inter-Bank Offered Rate
FBL	Fairfield Betula Limited	M or m	Million
FEL	Fairfield Energy Limited	MCXD	MCX Dunlin (UK) Limited
FRS	Financial Reporting Standard(s)	MCXO	MCX Osprey (UK) Limited
		The HSE	The Health and Safety Executive

Company information

Registered No. 09759321

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Graeme Fergusson
Andrew Hockey
Ian Sharp
John Wiseman

Secretary

Calum Crighton

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