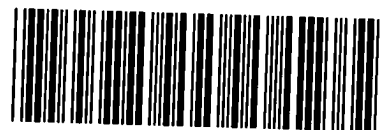


Registered No. 09759321

DECOM ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2018

WEDNESDAY



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Contents

Strategic report	3
Directors' report	7
Statement of directors' responsibilities for the consolidated financial statements	8
Independent auditor's report	9
Consolidated income statement	11
Consolidated statement of comprehensive income	11
Consolidated statement of financial position	12
Consolidated statement of changes in equity	13
Consolidated statement of cash flows	14
Notes to the consolidated financial statements	15
Statement of directors' responsibilities for the company financial statements	25
Independent auditor's report	26
Company income statement	28
Company statement of comprehensive income	28
Company balance sheet	29
Company statement of changes in equity	30
Notes to the company financial statements	31
Glossary of terms	35
Company information	35

Strategic Report

During the 12 month period under review the principal activity of the Group was decommissioning.

The results reported in these consolidated financial statements include those of the subsidiaries from 1 July 2017 to 30 June 2018.

Management's clear priority in the short to medium term is to ensure the safe, efficient and compliant decommissioning of the Greater Dunlin Area, 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 stable oil price environment, provides a unique opportunity for the Group to use the decommissioning knowledge and capability that the Group is developing.

The Group have been actively promoting its capabilities in the market place, participating and presenting at Offshore Europe, providing evidence to parliamentary sub-committees with regular media interviews and articles being published. The Group has seen a positive response to these activities and is now working closely with potential clients to develop specific proposals. These will capitalise on the late life asset Operator and decommissioning skillsets that clearly now exist within the Group. The Group aims to become 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, environmental management and assurance arrangements and has proceeded on schedule through the course of the year.

With regard to the 2015 Safety Case regulations, a revised submission was approved by the Health and Safety Executive in May 2018.

REVIEW OF ASSETS

Greater 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 continues to focus heavily on its relationships with its key stakeholders, and its enhanced working relationship with

Mitsubishi is evidence of the success in this area. The Group also held two events at the Aberdeen Exhibition & Conference Centre to engage stakeholders in the key issues related to Dunlin Decommissioning. These events had over 150 attendees and confirm our belief that our proactive approach to the collaboration with the Regulators & Stakeholders 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 25 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. Performance has improved as the lessons learned are implemented and it is expected that the scope of work will be delivered ahead of the project schedule. Work on phase 3 (conductor removal) also commenced using a rig-less intervention system and 5 conductors & 1 caisson from 48 have now also been removed.

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

Progress has been made on the Osprey wells, with all 12 wells phase 3 abandonment completed. The rig skidded to Merlin to commence abandonment of 4 wells after the phase 3 scopes on Osprey completed in 3Q 2018.

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. Again, performance has improved as the scope progresses and similar to platform wells, it is expected to be completed ahead of schedule.

Dunlin Alpha Decommissioning

During the year, significant progress was made in collating the numerous studies and assessments to inform the formal comparative assessment process with external stakeholders. The recommendation from the comparative assessment workshop, held on 9th March 2018, has allowed the Consultation Draft of the Decommissioning Programme to undergo Public Consultation in 3Q 2018.

In parallel, the Engineer, Prepare, Remove and Dispose (EPRD) tender responses for the Dunlin Alpha Topsides Removal was received and is currently being evaluated. Contract award is anticipated in 4Q 2018 and will mark a significant milestone for defining the project scope and schedule. Work also commenced inside the legs executing the preparatory works for the topside removal and the final end status of the legs.

Subsea Infrastructure Decommissioning

Following completion of the Public Consultation process, the Decommissioning Programmes were submitted and subsequently approved by Department for Business, Energy & Industrial Strategy (BEIS) on 14th December 2017.

This allowed the contract award for EPRD Subsea Infrastructure Decommissioning scopes to Bibby Offshore Limited on 22nd February 2018. The initial planning & preparatory work commenced immediately and offshore work commenced in 3Q 2018. The scopes will be executed over the 2018 & 2019 seasons. All material contracts are now in place to execute the Subsea Decommissioning scopes as approved in the Decommissioning Programmes.

Strategic Report (continued)

Financial review

Funding

The Group's costs are funded via the Joint Operating Agreement for the Greater Dunlin Area. The Group has a pro-active cash management process that ensures sufficient funding is in place to allow the Group to meet its obligations as they arise.

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 £0.7m (2017: loss £0.5m). The Group recovers all of the costs it incurs for providing Decommissioning Licence Operator Services from its Joint Venture Partner, MCX Dunlin (UK) Limited.

The Group is in a net asset position of £1.7m (2017: £2.4m). 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 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

There were no reportable events subsequent to the year end to disclose for Decom Energy limited.

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 HS&E is inherent in all areas of our operations. Risks cover many areas including management of Major Accident Hazards (MAHs), 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 appropriate interface arrangements.

Asset Performance

The Group is 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 manage and integrate the individual workstreams and maintain focused on Project Delivery and Assurance, whilst maintaining a decommissioning mindset.

The Group underwent a minor internal onshore re-organisation in 2Q 2018 to further enhance a Project Delivery and assurance culture. The Project has a robust Delivery Assurance process to ensure alignment and communication across the workstreams. Key monthly activities are identified for monitoring progress towards project milestones and specific workstreams or activities are identified for more regular internal Assurance reviews. External peer reviews are used where appropriate and Decommissioning and Project competence continues to be 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 its obligations.

The majority of the Group's costs are funded via the Joint Operating Agreement for the Greater Dunlin Area. The Group has a pro-active cash management process that ensures sufficient funding is in place to allow the Group to meet its obligations as they arise. The Group has a strong cost forecasting process in place to ensure it understands the upcoming requirements.

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 retention arrangements 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. The Company is currently evaluating Topside Removal tenders and expects to award a contract in 4Q 2018 to secure vessels.

Directors' Report

The directors present their report and financial statements for the year ended 30 June 2018.

Registered Number

09759321

Directors of the Group

The directors who served on the Board during the period are shown on page 35.

Dividends

The directors do not recommend the payment of a dividend (2017: £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.

Subsequent events

There were no reportable events subsequent to the year end to disclose for Decom Energy limited.

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 35. 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 26 September 2018.

For and on behalf of the Board



Graeme Fergusson
Director
26 September 2018

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:

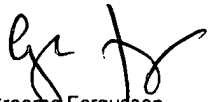
- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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
26 September 2018

Independent auditor's report to the members of Decom Energy Limited

Opinion

We have audited the financial statements of Decom Energy Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 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 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's affairs as at 30 June 2018 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the members of Decom Energy Limited (continued)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
26 September 2018

Consolidated income statement

for the year ended 30 June 2018

	Notes	2018 £000	2017 £000
Revenue	4	157,106	107,828
Cost of sales		(157,015)	(106,804)
Gross profit		91	1,024
Administration expenses		(844)	(571)
Operating (loss)/profit		(753)	453
Other non-operating income/(expense)	5ii	21	(4,532)
Finance income	5iii	12	878
Finance costs	5iv	(9)	(286)
Loss before tax		(729)	(3,487)
Tax	6	-	2,959
Loss after tax		(729)	(528)

Consolidated statement of comprehensive income

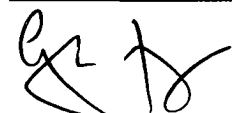
for the year ended 30 June 2018

	Notes	2018 £000	2017 £000
Loss for the financial year		(729)	(528)
Total comprehensive loss		(729)	(528)

Consolidated statement of financial position

as at 30 June 2018

	Notes	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	7	238	133
Other financial assets	8	-	64
		238	197
Current assets			
Trade and other debtors	10	21,521	15,736
Prepayments		1,196	1,135
Cash and cash equivalents	11	5,091	5,553
		27,808	22,424
Total assets		28,046	22,621
Current liabilities			
Trade and other creditors	12	5,309	4,559
Accruals	13	21,062	15,658
		26,371	20,217
Non-current liabilities			
Deferred tax liabilities	6iii	-	-
		-	-
Total liabilities		26,371	20,217
NET ASSETS		1,675	2,404
Equity			
Share capital		2,606	2,606
Retained deficit		(931)	(202)
TOTAL EQUITY		1,675	2,404



Graeme Fergusson
Director
26 September 2018

Consolidated statement of changes in equity

for the year ended 30 June 2018

	Capital Contribution	Reserves Retained deficit	Total equity
	£000	£000	£000
At 1 July 2017	2,606	(202)	2,404
Total loss for the year	-	(729)	(729)
At 30 June 2018	2,606	(931)	1,675

	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

Consolidated statement of cash flows

for the year ended 30 June 2018

	Notes	2018 £000	2017 £000
Operating activities			
Loss before tax		(729)	(3,487)
Adjustments for:			
Depreciation	5i	122	255
Gain on disposal of PPE	5i	(20)	-
Net finance costs		(3)	(588)
Working capital adjustments:			
Increase in trade and other debtors		(5,785)	(1,235)
Increase in prepayments and accrued income		(61)	(129)
Increase/(Decrease) in trade and other payables		750	(4,000)
Increase in accruals		5,404	3,312
Decrease in provisions		-	(213)
PRT receipts		-	2,959
Net cash (outflow)/inflow from operating activities		(322)	(3,126)
Investing activities			
Finance income		12	78
Expenditure on PPE		(230)	(62)
Other financial assets		64	21,717
Proceeds on disposal of equipment assets		23	-
Net cash inflow from investing activities		(131)	21,733
Financing activities			
Proceeds of borrowings		-	238
Repayments of borrowings		-	(16,009)
Interest paid		(4)	(286)
Net cash outflow from financing activities		(4)	(16,057)
(Decrease)/increase in cash and cash equivalents		(457)	2,550
Net foreign exchange difference		(5)	246
Cash and cash equivalents at beginning of the year		5,553	2,757
Cash and cash equivalents at the end of the year	11	5,091	5,553

Notes to the consolidated financial statements

1. Corporate Information

Decom Energy Limited (the 'Company') is principally a holding and business development 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 2018 were authorised for issue in accordance with a resolution of the directors on 26 September 2018. 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 2018 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 2018. Subsidiaries listed in note 17 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.

g) Impairment of assets (continued)

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) Changes in accounting policy and disclosures

All accounting policies adopted are consistent with those of the previous financial year other than those disclosed in note 19.

q) New standards, amendments and interpretations issued and effective during the financial year beginning 1 July 2017

The Group, has considered all new and amended IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the year ending 30 June 2018. Where the changes affect the Group, the relevant application and disclosure has been made during the year to 30 June 2018. The new and amended IFRSs during the year are as detailed below;

q) New standards, amendments and interpretations issued and effective during the financial year beginning 1 July 2017 (continued)

- IFRS 15 Revenue from Contracts with Customers including amendments (1 January 2018)

The impact of the application of IFRS 15 has been considered by the Group and the exercise concluded that it is not anticipated that the application of the above standard will have any material impact on the Group's financial statements.

Standards issued but not yet effective

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting period beginning on or after 1 July 2018 or later periods, but the Group had not early adopted them:

- IFRS 16 Leases (1 January 2019)

The Group will assess the impact of IFRS16 and plans to adopt the new standard on the required effective date.

4. Revenue

	2018 £000	2017 £000
Decommissioning Licence Operator Services	157,262	106,851
Partner contribution	(156)	863
Oil sales	-	114
Total revenue	157,106	107,828

5. Other income and expenses**i. Depreciation and gain on disposal of fixed assets**

	2018 £000	2017 £000
Depreciation of plant and equipment	122	255
Gain on disposal of fixed assets	(20)	-
Total depreciation and gain on disposal of fixed assets	102	255

ii. Other non-operating income/(expense)

	2018 £000	2017 £000
Indemnity credit/(charge)	44	(4,532)
Proceeds from disposal of fixed assets transferred to MCX	(23)	-
Total other non-operating income/(expense)	21	(4,532)

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 credit to the Group (2017: charge).

iii. Finance income

	2018 £000	2017 £000
Interest income	12	78
Foreign exchange gains	-	800
Total finance income	12	878

iv. Finance costs

	2018 £000	2017 £000
Interest on loans and other finance costs	4	286
Foreign exchange losses	5	-
Total finance costs	9	286

v. Operating and finance leases

	2018 £000	2017 £000
Minimum lease payments recognised as an expense	385	379
The future minimum lease payments at the end of the period are shown in the table below:		
Payable within:		
One year	385	379
One to five years	980	1,357
More than five years	-	-
Total operating and finance leases	1,365	1,736

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

vi. Auditors' remuneration

	2018 £000	2017 £000
Fees payable to auditors Ernst & Young		
Fees payable for the audit of the Company's statutory accounts*	14	14
Fees payable for the audit of the Company's subsidiaries pursuant to legislation	56	56
Fees payable for other services	14	80
Fees payable for tax services	50	54
Total fees payable to auditor	134	204

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

vii. Employee benefits expense

	2018 £000	2017 £000
Wages and salaries - directors	903	857
Wages and salaries - staff	4,280	4,250
Bonuses	2,276	1,203
Social security costs	937	898
Pension costs	465	592
Insurance (medical and life)	113	103
Total employee benefits expense	8,974	7,903
Average number of employees:		
Directors	2	2
Finance and administration	17	16
Technical and operational	22	22
Offshore	9	10
	50	50

Additional information regarding the remuneration of key management is set out in note 17(c).

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

	2018 £000	2017 £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 2018 is as follows:

	2018 £000	2017 £000
Accounting loss before income tax	(729)	(3,487)
Accounting loss multiplied by the UK standard rate of corporation tax of 19% (2017: 37%)	(139)	(1,288)
Expenses not deductible for tax purposes	16	1,494
Movement in unrecognised deferred tax	123	(206)
PRT receipts	-	(2,959)
Income tax (benefit)/expense charged to the consolidated income statement	-	(2,959)

The standard tax rate used above of 19% is the rate that applied in 2018 (2017: 37%) to the Group's business of decommissioning 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 £43.5m (2017: £41.9m), and in respect of ring-fence tax losses and other temporary differences of £2.8m (2017: £3.5m). 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:

	2018 £000	2017 £000
At 1 July 2017	-	-
Expense / (benefit) to the consolidated income statement	-	-
At 30 June 2018	-	-

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

	Accelerated capital allowances £000	Provisions £000	Tax losses £000	Total £000
30 June 2018				
At 1 July 2017	-	-	-	-
Credit for the period	(503)	-	(8,354)	(8,857)
Not recognised	503	-	8,354	8,857
At 30 June 2018	-	-	-	-

	Accelerated capital allowances £000	Provisions £000	Tax losses £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	-	-	-	-

7. Tangible fixed assets

	IT Equipment £000	Furniture & Fittings £000	Total £000
<i>Cost:</i>			
At 1 July 2017	429	862	1,291
Additions	230	-	230
Disposals	(120)	-	(120)
At 30 June 2018	539	862	1,401
<i>Depreciation:</i>			
At 1 July 2017	(348)	(810)	(1,158)
Charge for the year	(73)	(49)	(122)
Eliminated on disposal	117	-	117
At 30 June 2018	(304)	(859)	(1,163)
<i>Carrying amount:</i>			
At 30 June 2018	235	3	238
At 30 June 2017	81	52	133

8. Other financial assets

	2018 £000	2017 £000
Restricted cash	-	55
Other financial assets	-	9
Total other financial assets	-	64

In 2017, restricted cash related to a HMRC bank guarantee.

9. 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 9(b) to 9(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 8.

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 statements. The Group has minimal 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.

d) Interest rate risk management

Financial instruments exposed to interest rate risk include cash and cash equivalents, and other financial assets. There is not a significant interest rate exposure risk as the Group only has cash and cash equivalents.

e) Liquidity risk management

The majority of the Group's costs are funded via the Joint Operating Agreement for the Greater Dunlin Area. 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 2018							
Non-derivative financial liabilities							
Trade and other payables	5,309	5,309	5,309	-	-	-	-
	5,309	5,309	5,309	-	-	-	-
	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	-	-	-	-

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.

10. Trade and other debtors

	2018 £000	2017 £000
Trade and other debtors	53	45
Partner receivables	20,957	15,468
VAT receivable	511	223
Total trade and other debtors	21,521	15,736

Trade and other debtors disclosed above include £nil (2017: £nil).

11. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	3,362	4,028
Cash held in joint venture accounts	1,729	1,525
Total cash and cash equivalents	5,091	5,553

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.

12. Trade and other creditors

	2018 £000	2017 £000
Trade creditors	2,431	1,511
Other creditors	2,878	3,048
Total trade and other creditors	5,309	4,559

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 17. For the Group's credit risk management process, refer to note 9(b). Included in other creditors is an amount of £2.1m (2017: £2.1m) 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.

13. Accruals

	2018 £000	2017 £000
Accruals	21,062	15,658
Total accruals	21,062	15,658

Accruals predominately relates to amounts held payable in joint venture entities of £18.4m (2017: £13.8m).

14. Issued capital and reserves

Fully paid issued capital is as follows:

	2018		2017	
	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	-

(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.

15. 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.

16. 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:

	2018 £000	2017 £000
Pension costs expensed to the income statement – directors	14	12
Pension costs expensed to the income statement – staff	451	580
Pension costs expensed to the income statement	465	592

17. 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 2018	Equity Interest 2017
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 2018 with other related parties are as follows:

Related Party	Transaction	Director	Purchases from related party £000		Amounts owed to related party £000	
			2018	2017	2018	2017
SHIAKA Limited	Advisory services	Ian Sharp	30	30	-	7
Andrew Hockey Advisory Limited	Advisory services	Andrew Hockey	9	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:

	2018 £000	2017 £000
Short-term employee benefits	677	632
Social security costs	91	84
Value of employer contributions to pension schemes	14	12
Total	782	728

There were two directors accruing pension benefits under the defined contribution plan (2017: Two). As at 30 June 2018 the amount of accrued pension was £nil (2017: £nil).

The highest paid director received emoluments of £0.518m for the year ended 30 June 2018 (2017: £0.509m).

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 28 to 34.

e) Entity with significant influence over the Group

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

18. Commitments**Capital and other commitments**

At 30 June 2018, the Group was party to gross capital and other commitments of £21.3m (2017: £24.2m). These commitments include both capital and operating contractual obligations.

19. Change in accounting policy

During the year, the Group changed its accounting policy with respect to the costs incurred and income received in the subsidiaries in relation to providing manpower services. Prior to the change in accounting policy, these costs were disclosed as administration costs. The Group considers these costs relate to the cost of providing services and have been reallocated as such. The associated manpower overhead recoveries were previously disclosed as other operating income. This is revenue generated from providing services and has been reallocated to revenue in accordance with the matching principles.

The Group believes the new policy is preferable as it more closely aligns the accounting of these transactions to the principal activities.

The impact of the voluntary change in accounting policy on the consolidated statements is a reclassification between categories. The change did not result in an impact on the current year or any years included within the financial statements.

The impact on each line item of the primary financial statements for the periods reported is shown below:

	Previous policy		Adjustments		New policy	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Turnover	140,061	91,784	17,045	16,044	157,106	107,828
Cost of services	(140,102)	(91,549)	(16,913)	(15,255)	(157,015)	(106,804)
Gross (loss)/profit	(41)	235	132	789	91	1,024
Administration expenses	(17,757)	(15,826)	16,913	15,255	(844)	(571)
Other operating income	17,045	16,044	(17,045)	(16,044)	-	-

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.

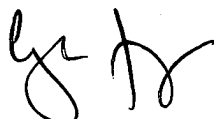
In preparing those financial statements, the directors are required to:

- 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
26 September 2018

Independent auditor's report to the members of Decom Energy Limited

Opinion

We have audited the financial statements of Decom Energy Limited for the year ended 30 June 2018, which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the members of Decom Energy Limited (continued)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
26 September 2018

Company income statement

for the year ended 30 June 2018

	Notes	2018 £000	2017 £000
Turnover		-	-
Administration expenses		(867)	(593)
Operating loss		(867)	(593)
Other non-operating income	3i	22	22
Interest receivable and similar income	3iii	10	236
Loss before tax		(835)	(335)
Tax expense	7	-	-
Loss after tax		(835)	(335)

Company statement of comprehensive income

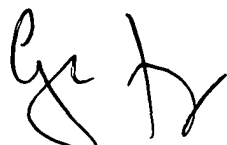
for the year ended 30 June 2018

	2018 £000	2017 £000
Loss for the year	(835)	(335)
Total comprehensive loss	(835)	(335)

Company balance sheet

as at 30 June 2018

	Notes	2018 £000	2017 £000
Current assets			
Prepayments		11	24
Cash at bank and in hand	9	1,518	2,345
Amounts due from group undertakings		11	3
Total current assets		1,540	2,372
Creditors: amounts falling due within one year			
Trade and other creditors		38	6
Accruals		54	84
Other creditors including tax and social security	10	12	11
Total current liabilities		104	101
Net current assets		1,436	2,271
Total assets less current liabilities		1,436	2,271
NET ASSETS		1,436	2,271
Capital and reserves			
Share capital	11	-	-
Capital contribution reserve		2,606	2,606
Retained deficit		(1,170)	(335)
TOTAL EQUITY		1,436	2,271



Graeme Fergusson
Director
26 September 2018

Company statement of changes in equity

for the year ended 30 June 2018

	Capital Contribution	Reserves Retained deficit	Total equity
	£000	£000	£000
At 1 July 2017	2,606	(335)	2,271
Total comprehensive loss	-	(835)	(835)
At 30 June 2018	2,606	(1,170)	1,436

	Capital Contribution	Reserves Retained deficit	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

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 2018 were authorised for issue by the board of directors on 26 September 2018 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 all periods presented.

The accounting policies, which follow, set out those policies, which apply in preparing financial statements for the year, ended 30 June 2018.

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.

h) Changes in accounting policy and disclosures

All accounting policies adopted are consistent with those of the previous financial year.

i) New standards and interpretations not yet adopted

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

3. Other non-operating income

i.

	2018 £000	2017 £000
Recharges – Fairfield manpower	22	22
Total non-operating income	22	22

ii. **Auditors' remuneration**

	2018 £000	2017 £000
Audit of the financial statements	4	4
Total fees payable to auditor	4	4

Total remuneration paid or payable to the Company's auditors for the supply of other services is set out in note 5(vi) 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**

	2018 £000	2017 £000
Bank interest	10	1
Foreign exchange gains	-	235
Total interest receivable and similar income	10	236

4. Employee benefits expense

	2018 £000	2017 £000
Wages and salaries - directors	225	187
Social security costs	30	24
Pension costs	10	8
Insurance (medical and life)	2	2
Total employee benefits expense	267	221

Average number of employees:

Directors	1	1
	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:

	2018 £000	2017 £000
Pension costs expensed to the income statement – directors	10	8
Pension costs expensed to the income statement	10	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:

	2018 £000	2017 £000
Short-term employee benefits	224	187
Social security costs	30	24
Value of employer contributions to pension schemes	10	8
Total	264	219

There was one director accruing pension benefits under the defined contribution plan (2017: one). As at 30 June 2018 the amount of accrued pension was nil (2017: nil).

The highest paid director received emoluments of £0.264m for the year ended 30 June 2018 (2017: £0.219m). No directors exercised share options during the year.

7. Income tax

i. Company income statement

There was no income tax charge for the year ended 30 June 2018 and the year 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 2018 is as follows:

	2018 £000	2017 £000
Accounting loss before income tax	(835)	(335)
Accounting loss multiplied by the UK standard rate of corporation tax of 19% (2017: 19.75%)	(159)	(66)
Expenditure not deductible for tax purposes	9	1
Movement in unrecognised deferred tax	150	65

The Company has tax losses of £1.1m (2017: £0.3m) which arose in the UK. The Company has not recognised a deferred tax asset in respect of tax losses of £1.1m. 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 Manpower Services	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

	2018 £000	2017 £000
Cash at bank and in hand	1,518	2,345
Total cash at bank and in hand	1,518	2,345

10. Other creditors including tax and social security

	2018 £000	2017 £000
Payroll liabilities	12	11
Total other creditors including tax and social security	12	11

11. Issued capital and reserves

Authorised and fully paid issued capital is as follows:

	2018		2017	
	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	-

12. Commitments**Capital and other commitments**

There were no capital or other commitments as at 30 June 2018 (2017: 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 2018 with other related parties, are as follows:

Related Party	Transaction	Director	Purchases from related party £000		Amounts owed to related party £000	
			2018	2017	2018	2017
SHIAKA Limited	Advisory services	Ian Sharp	30	30	-	7
Andrew Hockey Advisory Limited	Advisory services	Andrew Hockey	9	30	-	1
Farah CFO Limited	Advisory services	Graeme Ferguson	-	29	-	-

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

Directors

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Andrew Hockey
Ian Sharp
John Wiseman

Secretary

Calum Crighton

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