

**Report of the Directors and
Unaudited Financial Statements for the period ended 31 December 2016
for
Nobel Oil E&P North Sea Limited**



E5X3G7QJ

EDX 419/14 #150

COMPANIES HOUSE

R6FXXZP4

RM 28/09/2017 #296

COMPANIES HOUSE

THURSDAY

Nobel Oil E&P North Sea Limited

Contents of the Financial Statements for the period ended 31 December 2016

	Page
Company information	1
Report of the directors	2
Statement of profit or loss and other comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7

Nobel Oil E&P North Sea Limited

Company Information for the period ended 31 December 2016

Directors: Lawrence Bates (appointed 13 December 2016)
Jeremy Huck (appointed 10 November 2015, resigned 15 November 2016)
Roger Hart (appointed 4 November 2015, resigned 10 November 2015)
Inhoco Formations Ltd (appointed 4 November 2015, resigned 10 November 2015)
A G Secretarial Limited (appointed 4 November 2015, resigned 10 November 2015)

Non-Executive Directors Neil Gaskell (appointed 10 November 2016, resigned 15 March 2017)
Yusif Jabbarov (appointed 10 November 2016)

Registered office: HAYS GALLERIA
1 HAYS LANE
LONDON
UNITED KINGDOM
SE1 2RD

Registered number: 09856429 (England and Wales)

Nobel Oil E&P North Sea Limited

Report of the Directors for the period ended 31 December 2016

The directors present their first report and financial statements of Nobel Oil E&P North Sea Limited ("the Company") for the period from 4 November 2015 to 31 December 2016.

General information

The Company was incorporated on 4 November 2015. On 10 November 2015, the Company changed its name from AGHOCO 1352 Limited to Nobel Oil E&P North Sea Limited.

The principal activities of the Company during the period were to invest in and manage investments in oil and gas operations.

The Company is a limited company, which is incorporated and domiciled in the United Kingdom. The address of its registered office is Hays Galleria, 1 Hays Lane, London SE1 2RD, United Kingdom.

The Company was incorporated with 1 ordinary share of \$1 with the shareholder being Inhoco Formations Limited. On 17 November 2015, the shares were transferred to Nobel Oil E&P (UK) Limited (the "Parent") with a further 99 ordinary shares of \$1 each issued to the Parent. During the period, paid-up share capital of the Company was increased by a further \$10,000,000 to \$10,000,100 in exchange for 10,000,000 issued shares at \$1 each.

Directors

Jeremy Huck held office for the period from 1 January 2016 to 15 November 2016, Larry Bates was appointed as Company Director on 13 December 2016 and held office to the date of this report. Neil Gaskell was appointed as non-executive director on 10 November 2016 and resigned 15 March 2017. Yusif Jabbarov was appointed as non-executive director on 10 November 2016.

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

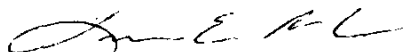
Company law requires directors to prepare financial statements for each financial year. Under that law directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

This report was approved by the Board on 26 September 2017 and signed on its behalf by:



Larry Bates - Director

Nobel Oil E&P North Sea Limited

**Statement of profit or loss and other comprehensive income
for the period ended 31 December 2016**

	Notes	Period from 4 November 2015 to 31 December 2016 \$'000
Continuing operations		
Revenue		2,194
Cost of goods sold	3	(1,694)
Gross Profit		500
Administrative expenses	3	(8,422)
Operating (loss)		(7,922)
(Loss) before income tax		(7,922)
Deferred tax	4	2,951
(Loss) for the financial period		(4,971)
Total comprehensive (loss) for the financial period		(4,971)

Nobel Oil E&P North Sea Limited (Registered number: 09856429)

Statement of financial position as at 31 December 2016

	Note	2016 \$'000
Assets		
Non-current assets		
Intangible assets	5	6,234
Property, plant and equipment	6	17,915
Goodwill	4	5,146
		29,295
Current assets		
Inventories		261
Trade and other receivables	7	5,978
Cash and cash equivalents	8	1,730
		7,969
Total assets		37,264
Equity		
Shareholders' equity		
Share capital	9	10,000
Retained earnings / (deficit)	10	(4,971)
Total equity		5,029
Liabilities		
Non-current liabilities		
Long-term loans	11	15,000
Provisions for other liabilities and charges	12	4,602
Deferred tax liabilities	4	2,195
		21,797
Current liabilities		
Trade and other payables	13	10,438
Total liabilities		32,235
Total equity and liabilities		37,264

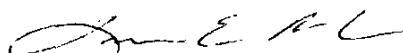
The Company is entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies for the period ended 31 December 2016.

The members have not required the Company to obtain an audit of its financial statements for the period ended 31 December 2016 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- ensuring that the Company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the Company.

The financial statements were authorised for issue by the Board of directors on 26 September 2017 and were signed on its behalf by:



Larry Bates - Director

Nobel Oil E&P North Sea Limited

Statement of changes in equity for the period ended 31 December 2016

	Called up share capital \$'000	Retained earnings \$'000	Total equity \$'000
On incorporation	-	-	-
Total comprehensive (loss)	-	(4,971)	(4,971)
Shares to be issued	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Balance at 31 December 2016	<u>10,000</u>	<u>(4,971)</u>	<u>5,029</u>

Nobel Oil E&P North Sea Limited

Statement of Cash Flows for the period ended 31 December 2016

	Note	Period from 4 November 2015 to 31 December 2016 \$'000
Cash flows from operating activities		
Cash generated from operations	14	1,357
Net cash generated from operating activities		<u>1,357</u>
Cash flows from investing activities		
Purchase of intangible fixed assets		(58)
Purchase of tangible fixed assets		<u>(19,421)</u>
Net cash used in investing activities		<u>(19,479)</u>
Cash flows from financing activities		
Share issue		4,852
Proceeds from borrowings		<u>15,000</u>
Net cash from financing activities		<u>19,852</u>
Increase in cash and cash equivalents		<u>1,730</u>
Cash and cash equivalents on incorporation		-
Cash and cash equivalents at end of period		<u><u>1,730</u></u>

Nobel Oil E&P North Sea Limited

Notes to the Financial Statements for the period ended 31 December 2016

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied during the period presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006. The consolidated financial statements are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The financial statements are prepared in US dollars, and all values are rounded to the nearest thousand (\$'000), except where otherwise indicated.

Going concern

The financial statements have been prepared on the going concern basis. The Company will meet its ongoing obligations at least over the next 12 months from its available cash balance and cash flows generated from operations. Any additional investments (as approved by the Board and the shareholder), Company's related party obligations and potential cash flow shortfall will be supported by the shareholder. As such, the Directors have a reasonable expectation that the Company has adequate resources to continue existence for the foreseeable future.

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Any negative goodwill (bargain purchase) is recognised immediately in the statement of profit or loss and other comprehensive income as an excess of fair value over cost. Deferred tax is recognised in a business combination but in an asset acquisition no deferred tax will arise in relation to acquired assets and assumed liabilities as the initial recognition exception for deferred tax under IAS12 applies.

Foreign currency translation

Functional and presentational currency

The financial statements are presented in US dollars (\$) which is the currency of the primary economic environment in which the Company operates (the "functional currency"),

Nobel Oil E&P North Sea Limited

Notes to the Financial Statements for the period ended 31 December 2016 – continued

Transactions and balances

Transactions in foreign currencies are initially converted to US dollars at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at rates of exchange prevailing at the reporting date. All differences on exchange are taken to the consolidated statement of profit or loss and other comprehensive income.

The assets and liabilities of foreign operations are translated to US dollars at foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into US dollars at rates approximating the foreign exchange rates ruling at the date of transactions.

Revenue recognition

Crude oil, natural gas and natural gas liquids

Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer, which is typically at the point that title passes, and the revenue can be reliably measured.

Cost of sales

Cost of sales comprises of royalties, direct production taxes and operating expenses.

Inventories

Inventories, except for petroleum products, are valued at the lower of cost and net realisable value. Petroleum products and under lifts and over lifts of crude oil are measured at net realisable value, and included in inventories and other debtors or creditors respectively.

Oil and gas exploration assets

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting.

Licence and property acquisition costs

Costs of acquiring unproved and proved oil and gas leasehold acreage, including lease bonuses, brokers' fees and other related costs, are capitalised. These costs are amortised using the unit of production method.

Exploration and evaluation costs

Annual lease rentals and exploration expenses, including geological and geophysical expenses and exploratory dry hole costs, are charged against income as incurred.

The costs of exploratory wells that find oil and gas reserves are capitalised pending determination of whether proved reserves have been found. In an area requiring a major capital expenditure before production can begin, an exploration well is carried as an asset if sufficient reserves are discovered to justify its completion as a production well, and sufficient progress is being made in assessing the reserves and the economic and operating viability of the project. If either of those criteria are not met, or there is substantial doubt about the economic or operational viability of the project, the capitalised well costs are impaired. When proved, reserves of oil and natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment.

Nobel Oil E&P North Sea Limited

Notes to the Financial Statements for the period ended 31 December 2016 – continued

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within property plant and equipment.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation for oil and gas production equipment, properties and wells is calculated on the unit of production method over proved developed oil and gas reserves.

Impairment - exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Impairment - proved oil and gas production properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from cash generating units.

At each reporting date the Company assesses whether there is any indication that a previously recognised impairment loss no longer exists or has decreased. If there is any such indication, the Company estimates the recoverable amount. This applies both to individual assets other than goodwill and to cash-generating units.

Decommissioning

The Company recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of inventory are expensed when the inventory item is recognised as cost of goods sold.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

Taxation

The tax charge for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognised, using the liability method, on temporary differences arising between

the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Nobel Oil E&P North Sea Limited

Notes to the Financial Statements for the period ended 31 December 2016 – continued

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

2. Employees and directors

There were no staff costs or Directors' remuneration for the period ended 31 December 2016.

3. Expenses by nature

	Period from 4 November 2015 to 31 December 2016 \$'000
Depreciation charge (note 6)	1,506
Amortisation charge (note 5)	355
Accretion charges	20
Operating costs	188
Management charges	7,624
Intercompany interest payable	346
Foreign exchange differences	77
Total cost of sales and administrative expenses	10,116

Nobel Oil E&P North Sea Limited

Notes to the Financial Statements for the period ended 31 December 2016 – continued

4. Taxation

North Sea	Period from 4 November 2015 to 31 December 2016 \$'000
Current tax:	
Current tax on profits for the year	-
Total current tax	-
Deferred tax:	
Current year	(2,951)
Total deferred tax	(2,951)
Tax per income statement	(2,951)

Tax on the loss before tax differs from the theoretical amount that would arise using the standard tax rate applicable in the UK to profits of the consolidated entities as follows:

Factors affecting current and future tax charges

The main UK corporation tax rate was reduced from 21% to 20% from 1 April 2015. It has since been reduced to 19% from 1 April 2017, and will reduce to 17% from 1 April 2020. The UK Ring Fence corporation tax rate is 30% and the supplementary charge rate is 10%. UK deferred tax has been calculated at a rate of 40% since it has only been recognised in respect of activities within the oil and gas ring fence.

Deferred tax liability of \$5,146,000 is recognised in a business combination. It arises due to the differences between tax base and accounting base of the assets at the time of the Maclure transaction (acquisition of North Sea asset). The goodwill of \$5,146,000 was recognised in Nobel Oil E&P North Sea Limited books as a result of this DTL recognition.

	Period from 4 November 2015 to 31 December 2016 \$'000
(Loss) for the period - continuing activities	(7,922)
Expected tax credit on loss at standard UK rate of 40.00%	3,169
Effects of:	
Expenses not deductible	(398)
Ring Fence Expenditure Supplement	180
Tax credit for the period	2,951
Income tax credit reported in the income statement	2,951
Deferred tax assets / (liabilities):	
Movement arising from transfer of trade	(5,146)
Deferred tax credit to Income Statement for the period	2,951
Net deferred tax (liability)	(2,195)

Nobel Oil E&P North Sea Limited

Notes to the Financial Statements for the period ended 31 December 2016 – continued

5. Intangible assets

	Exploration & evaluation assets \$'000	Decommissioning asset \$'000	Total \$'000
Cost			
On incorporation	-	-	-
Additions	2,007	4,582	6,589
At 31 December 2016	2,007	4,582	6,589
Accumulated amortisation			
On incorporation	-	-	-
Additions	-	(355)	(355)
At 31 December 2016	-	(355)	(355)
Net book value			
Cost	2,007	4,582	6,589
Accumulated amortisation	-	(355)	(355)
At 31 December 2016	2,007	4,227	6,234

6. Property, plant and equipment

	Plant & machinery \$'000
Cost	
On incorporation	-
Additions	19,421
At 31 December 2016	19,421
Accumulated amortisation	
On incorporation	-
Additions	(1,506)
At 31 December 2016	(1,506)
Net book value	
Cost	19,421
Accumulated amortisation	(1,506)
At 31 December 2016	17,915

Nobel Oil E&P North Sea Limited

Notes to the Financial Statements for the period ended 31 December 2016 – continued

7. Trade and other receivables	2016
	\$'000
Current:	
Trade receivables	830
Amounts owed from group undertakings	<u>5,148</u>
	<u>5,978</u>

8. Cash and cash equivalents	2016
	\$'000
Bank accounts	<u>1,730</u>

9. Called up share capital

	Number of shares (thousands)	Share Capital \$'000	Total equity \$'000
On incorporation	-	-	-
Share proceeds - shares to be issued	10,000	10,000	10,000
Balance at 31 December 2016	10,000	10,000	10,000

All the shares to be issued were subsequently issued post period end. 6,200,000 shares were issued on 13 March 2017 and 3,800,000 shares were issued on 8 August 2017.

10. Retained deficit	2016
	\$'000
On incorporation	-
Total comprehensive loss for the financial period	<u>(4,971)</u>
At 31 December 2016	<u>(4,971)</u>

11. Loans and other financial liabilities

	2016
	\$'000
On incorporation	-
Loans from group undertakings	<u>15,000</u>
At 31 December 2016	<u>15,000</u>

Nobel Oil E&P North Sea Limited

Notes to the Financial Statements for the period ended 31 December 2016 – continued

12. Provisions for other liabilities and charges

	Decommissioning provision 2016 \$'000
On incorporation	-
Provision during the period	4,582
Accretion charge	20
	4,602

13. Trade and other payables

	2016 \$'000
Current:	
Accounts payable	1,950
Amounts owed to group undertakings	8,345
Accrued expenses	143
	10,438

14. Reconciliation of loss before income tax to cash generated from operations

	Period from 4 November 2015 to 31 December 2016 \$'000
(Loss) before income tax	(7,922)
Depreciation charges	1,506
Amortisation charges	355
Accretion charges	20
(increase) in trade and other receivables	(830)
(increase) in inventories	(261)
increase in trade and other payables	8,412
Exchange losses in operating activities	77
Net cash used in operating activities	1,357

15. Parent and ultimate controlling party

The Company's parent company is Nobel Oil E&P (UK) Limited, a company registered in England under company number 08838907 and whose consolidated financial statements which include the results of the Company, are maintained at the registered address Hays Galleria, 1 Hays Lane, London, United Kingdom, SE1 2RD and are filed with Companies House, the registrar of companies in England and Wales.

The Company's ultimate controlling party is Nasib Hasanov by virtue of his 100% ownership of the share capital of Nobel Oil E&P (UK) Limited.