

Company Registration No. 09856429 (England and Wales)

NOBEL OIL E&P NORTH SEA LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
PAGES FOR FILING WITH REGISTRAR



NOBEL OIL E&P NORTH SEA LIMITED

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NOBEL OIL E&P NORTH SEA LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 \$'000	2017 \$'000
Fixed assets			
Intangible assets	2	5,146	11,158
Tangible assets	3	18,416	13,607
		<u>23,562</u>	<u>24,765</u>
Current assets			
Stocks		1,259	116
Debtors - deferred tax		505	-
Debtors - other		13,530	927
Cash at bank and in hand		776	375
		<u>16,070</u>	<u>1,418</u>
Creditors: amounts falling due within one year		<u>(1,505)</u>	<u>(2,318)</u>
Net current assets/(liabilities)		14,565	(900)
Total assets less current liabilities		<u>38,127</u>	<u>23,865</u>
Creditors: amounts falling due after more than one year		(23,918)	(15,000)
Provisions for liabilities			
Provisions	5	4,723	4,663
Deferred tax liability		-	518
		<u>(4,723)</u>	<u>(5,181)</u>
Net assets		<u>9,486</u>	<u>3,684</u>
Capital and reserves			
Called up share capital	6	16,000	10,000
Hedging reserve		-	(266)
Profit and loss reserves		(6,514)	(6,050)
Total equity		<u>9,486</u>	<u>3,684</u>

NOBEL OIL E&P NORTH SEA LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2018

In accordance with section 444 of the Companies Act 2006 all of the members of the company have consented to the preparation of abridged financial statements pursuant to paragraph 1A of Schedule 1 to the Small Companies and Groups (Accounts and Directors' Report) Regulations (S.I. 2008/409)(b).

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 December 2018 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The member has not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 26 September 2019 and are signed on its behalf by:



Mr Lawrence Bates
Director

Company Registration No. 09856429

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Nobel Oil E&P North Sea Limited is a private company limited by shares incorporated in England and Wales. The registered office is 48 Dover Street, London, United Kingdom, W1S 4FF.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in US dollars, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest \$'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Nobel Oil E&P (UK) Limited. These consolidated financial statements are available from its registered office, 48 Dover Street, London W1S 4FF, United Kingdom.

1.2 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Crude oil, natural gas and natural gas liquids

Revenue from contracts with customers is recognised when or as the Company satisfies a performance obligation by transferring a promised good to a customer. A good is transferred when the customer obtains control of that good. The transfer of control of oil, natural gas and natural gas liquids by the Company usually coincides with title passing to the customer and the customer taking physical possession. The Company satisfies its performance obligations at a point in time and has no performance obligations that are satisfied over time. Under the Company's joint operation arrangements, revenue is recognised according to the actual liftings. However, where liftings do not match working interest or entitlement interest, an adjustment is made to cost of sales representing the amount due to/from joint venture partners representing over / underlift movements.

1.3 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks, except for petroleum products, are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

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.

1.8 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Hedge accounting

The Company uses derivative financial instruments (derivatives) to manage its exposure to changes in oil price fluctuations. In the year ended 31 December 2017, the Company entered into a zero-cost collar to hedge against the movements in the price of oil in the North Sea. This zero-cost collar expired as at 31 December 2018.

Derivatives are carried at fair value. Apart from those derivatives designated as qualifying cash flow hedging instruments, all changes in fair value are recorded as financial income or expense in the year in which they arise.

For the purposes of hedge accounting, hedging relationships may be of three types: fair value hedges are hedges of particular risks that may change the fair value of a recognised asset or liability; cash flow hedges are hedges of particular risks that may change the amount or timing of future cash flows; and hedges of net investment in a foreign entity are hedges of particular risks that may change the carrying value of the net assets of a foreign entity. Currently the Company only has cash flow hedge relationships.

To qualify for hedge accounting the hedging relationship must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting. In this case the hedging instrument and the hedged item are reported independently as if there were no hedging relationship. In particular, any derivatives are reported at fair value, with changes in fair value included in financial income or expense.

For qualifying cash flow hedges, the hedging instrument is recorded at fair value. The portion of any change in fair value that is an effective hedge is included in equity, and any remaining ineffective portion is reported in financial income. If the hedging relationship is the hedge of a firm commitment or highly probable forecasted transaction, the cumulative changes of fair value of the hedging instrument that have been recorded in equity are included in the initial carrying value of the asset or liability at the time it is recognised. For all other qualifying cash flow hedges, the cumulative changes of fair value of the hedging instrument that have been recorded in equity are included in financial income as and when the forecasted transaction affects net income.

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with unrealised gains or losses reported in the income statement. Embedded derivatives which are closely related to host contracts, including in particular any price caps and floors within the Company's oil sales contracts, are not separated and are not carried at fair value.

1.10 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the United Kingdom. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

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.

1.12 Foreign exchange

Transactions in currencies other than US dollars are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.13 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.

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.

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

2 Intangible fixed assets

	Goodwill	Decommissioning assets	Exploration & evaluation assets	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 January 2018	5,146	4,582	2,804	12,532
Transfers	-	(4,582)	(2,804)	(7,386)
At 31 December 2018	5,146	-	-	5,146
Amortisation and impairment				
At 1 January 2018	-	1,374	-	1,374
Transfers	-	(1,374)	-	(1,374)
At 31 December 2018	-	-	-	-
Carrying amount				
At 31 December 2018	5,146	-	-	5,146
At 31 December 2017	5,146	3,208	2,804	11,158

3 Tangible fixed assets

	Plant and equipment
	\$'000
Cost	
At 1 January 2018	19,436
Additions	2,174
Transfers	7,386
At 31 December 2018	28,996
Depreciation and impairment	
At 1 January 2018	5,829
Depreciation charged in the year	3,377
Transfers	1,374
At 31 December 2018	10,580
Carrying amount	
At 31 December 2018	18,416
At 31 December 2017	13,607

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4 Financial instruments

	2018 \$'000	2017 \$'000
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	-	444

Hedging arrangements

During 2017, the Company entered into a zero-cost collar arrangement with an effective date of 1 January 2018 with Brent blend crude oil being the commodity traded. The purpose of the derivative hedging instrument is to manage commodity price risk and income statement volatility.

At 31 December 2017, the Company had 67,740 bbls of open oil swaps. The fair value of these oil swaps at 31 December 2017 was a liability of \$444,000. These were fully released to the income statement during 2018 as the related barrels were lifted. The final hedging cost amounted to \$699,000 (2017: \$nil) as Brent crude oil prices performed better than anticipated.

This arrangement was a combination of a purchased option and a written option and gave the Company the option to sell 67,740 bbls at \$50/ bbl whilst giving the counterparty the option to buy the same volume at \$60/bbl. The premium that would be paid for the purchased option was offset by the premium that would be received under the written option resulting in the net collar agreement having a nil premium.

The agreement fixed the price of the oil within a range or the "collar". This allowed the Company to benefit from the possible decreases in the price of oil per below \$50/ bbl but also exposed it to possible increases in prices above \$60/ bbl. As this was an effective cash flow hedge, the resulting loss was included in Other Comprehensive Income.

5 Provisions for liabilities

2018 \$'000	2017 \$'000
4,723	4,663

At 31 December 2018, the provision for the costs of decommissioning the Company's oil and natural gas production facilities and pipelines at the end of their economic lives was \$4,793,000 (2017: \$4,732,000). These costs are expected to be incurred over the next 14 years. The provision has been estimated using existing technology, at current prices and discounted using a risk free rate of 1.32% for North Sea costs. An inflation rate of 2.0% has been used in the calculation of the decommissioning provision. The movement in the provision represents the accretion cost.

Movements on provisions:

	\$'000
At 1 January 2018	4,662
Additional provisions in the year	61
At 31 December 2018	4,723

NOBEL OIL E&P NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Called up share capital

	2018 \$'000	2017 \$'000
Ordinary share capital		
Issued and fully paid		
16,000,100 Ordinary of \$1 each	16,000	10,000
	<u>16,000</u>	<u>10,000</u>

Reconciliation of movements during the year:

	Ordinary Number
At 1 January 2018	10,000,100
Issue of fully paid shares	6,000,000
At 31 December 2018	<u>16,000,100</u>