

Siccar Point Energy Finance Limited

Registered No: 9102885

Annual Report and Financial Statements

31 December 2017

Contents

	<i>Page</i>
Company information	2
Strategic report	3
Directors' report	5
Directors' responsibilities	7
Independent auditor's report	8
Statement of comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Cash flow statement	16
Notes to the financial statements	17

Company information

Directors of the company

Jonathan Leslie Roger

Douglas Weir Fleming

Dr Iain Bartholomew

Christopher Geoffrey Finlayson

Dr Nicholas John Cooper

David Ignatius Foley

Khashayarsha Ali Mohajerani

Mustafa Mohsin Siddiqui

Graeme David Sword

Registered Number

9102885

Secretary

David Alexander Sheach

Registered Office

1 Park Row

Leeds

LS1 5AB

Bankers

DNB

70 Queens Road

Aberdeen

AB15 4YE

Solicitors

Pinsent Masons

13 Queens Road

Aberdeen

AB15 4YD

Auditors

Ernst & Young LLP

Blenheim House

Fountainhall Road

Aberdeen

AB15 4DT

Strategic report

The directors present their strategic report of Siccar Point Energy Finance Limited (the “company”) for the year ended 31 December 2017.

The registered office address of the company is 1 Park Row, Leeds, LS1 5AB.

Principal activities

The company is part of the Siccar Point Energy Group (the “group”) that was established on 25 June 2014, to build a full cycle, operated North Sea exploration, development and production business. Following the successful completion of two material acquisitions the group has now established a high-quality portfolio of long life, low unit cost, production, development and exploration assets in the UK Continental Shelf.

The principal activity of the company is financing the group. The company holds an investment in Siccar Point Energy Limited. The company has received a loan from Siccar Point Energy Luxemburg S.C.A, the loan notes are listed on The International Stock Exchange. The company has also issued shares to Siccar Point Energy (Holdings) Limited, which has funded the investment.

Review of the business

On 9 November 2016, Siccar Point Energy Limited, a wholly owned subsidiary of the company signed a Sale and Purchase Agreement with OMV Exploration & Production GmbH, a subsidiary of OMV AG to acquire its entire 100% interest in its UK subsidiary OMV (U.K.) Limited. This transaction subsequently completed on 13 January 2017.

At 31 December 2017, the group now has reserves and discovered resources of c370 million barrels of oil equivalent with substantial appraisal and exploration upside to this figure.

Financial and operational review

2017 was a transformational year for the group:

- Successful closing of the acquisition of OMV (U.K.) Limited in January and subsequent integration. The business is now based at a single office in Aberdeen.
- First production from the BP operated Schiehallion redevelopment in May.
- Sale of the group’s entire 26% non-operated working interest in the Jackdaw discovery to Dyas UK Limited. Transaction signed in September and closed in December 2017.
- Farming out of a 66.67% non-operated working interest in the Lyon prospect (P1854) to Ineos. This was followed by announcement of a planned exploration well on Lyon in 2018. Transaction signed in November and closed in December 2017.
- Signing of a contract in June with North Atlantic Drilling for a drilling programme West of Shetland in 2018 with the West Hercules semi-submersible drilling rig.
- Ongoing progress with the Statoil operated Mariner development with a major milestone achieved in August with the incident free installation of the Mariner A topsides modules.

Production in 2017 came from the group’s interests in the Jade and Schiehallion fields. Production for 2017 was 3,844 boepd (2016: nil).

Strategic report (continued)

Future developments

Work on the Mariner development is ongoing and the field remains on track to commence production at the end of 2018.

A final appraisal well is planned to be drilled and tested on the group's operated Cambo discovery in 2018. It is anticipated that this will be followed by a Final Investment Decision being taken with respect to an initial phase of development on the field in early 2019.

An exploration well is planned to be drilled on the group's large Lyon prospect in 2018.

Work continues towards Final Investment Decision on the Chevron operated Rosebank development (group's interest 20%).

Principal risks, uncertainties and mitigation strategies

The key risks facing the group are:

Hydrocarbon Prices: the group's portfolio is exposed to oil and gas prices. Following the acquisition of OMV (U.K.) Limited, the group engaged in a programme of hedging its exposure to Brent oil and UK NBP gas prices. The group also engaged in hedging its US LIBOR and US Dollar/ Sterling exposures at this time. Several further tranches of oil hedging were placed over the course of 2017.

Project Schedule and Cost: the group is exposed to risks associated with the project schedules and costs of its major developments.

With material undrawn headroom in its Reserve Base Bank Loan facility (RBL), a US\$100 million bond issue (post balance sheet date, 31 January 2018) and a group cash balance at 31 December 2017 of US\$69 million, the group is well capitalised.

Key performance indicators

During 2017, the group's current KPIs focus was on production and cash.

Production: 3,844 boepd (2016: nil)

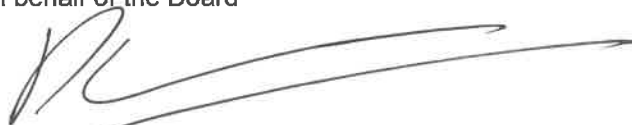
Cash at 31 December 2017: US\$69 million (2016: US\$133 million)

There are no company specific KPI's.

Health, Safety and Environment

The group continues to recognise and act on its responsibilities towards Health, Safety and the Environment (HSE) with a key focus on ensuring that joint venture activities are undertaken in a safe and environmentally responsible manner. This is carried out by actively engaging with joint venture partners and carrying out appropriate due diligence activities. In addition, HSE is embedded in all operational readiness assurance planning activities and the group works in conjunction with its contractors to ensure that all HSE risks are identified and managed appropriately. HSE performance of both contractors and joint venture partners is continuously monitored to assure the group that acceptable standards with respect to HSE are maintained at all times.

On behalf of the Board



Douglas Fleming
Director
27 April 2018

Directors' report

The directors present their report and the audited financial statements of Siccar Point Energy Finance Limited (the "company") for the year ended 31 December 2017.

Results and dividends

The company loss for the period amounts to US\$55 million (2016: loss of US\$12 million). No dividends have been paid or declared in the period.

Going concern

The group's business activities, together with the factors likely to affect its future development and position are set out above.

The company participates in a centralised treasury arrangement and so shares banking arrangements with fellow group companies.

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the group to continue as a going concern or its ability to continue with the current banking arrangements.

Based on their assessment of the group's financial position, the company's directors believe that the group will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements of the company are prepared on a going concern basis which the directors believe to be appropriate as the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future, taking into consideration the continuing support from the ultimate parent undertaking.

Post balance sheet events

On 31 January 2018, the group completed its first bond issue with the closing of a US\$100 million, 5 year, (9.0% p.a.) senior unsecured bond. The bond was listed on Nordic ABM, a marketplace regulated by Oslo Børs, on 5 April 2018.

The bond adds substantial near-term liquidity and also diversifies and expands the pool of debt capital that the group can access as it works to execute its programme of exploration, appraisal and development activity.

The bond was issued by a newly incorporated indirect subsidiary of the company, Siccar Point Energy Bonds PLC.

Disclosure information to auditor

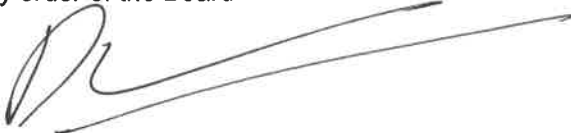
The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report (continued)

Auditors

Pursuant to Section 489 of the Companies Act 2006, Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'D. Fleming', written over a horizontal line that extends to the right.

Douglas Fleming
Director

27 April 2018

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare the company financial statements for each financial year. Under that law, they have elected to prepare the company's financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

Under Company Law the 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 the company 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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SICCAR POINT ENERGY FINANCE LIMITED

Opinion

We have audited the financial statements of Siccar Point Energy Finance Limited (the 'company') for the year ended 31 December 2017 which comprise statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and the related notes 1 to 11, 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 as applied to listed entities, 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.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SICCAR POINT ENERGY FINANCE LIMITED (CONTINUED)

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> Carrying value of investments
Materiality	<ul style="list-style-type: none"> Overall materiality of US\$6.7m which represents 1% of total assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>Carrying value of investments</p> <p><i>Refer to Accounting policies (page 18); and Note 5 of the Financial Statements (page 23)</i></p> <p>The carrying value of investments in subsidiaries are held at historic cost and are subject to impairment assessments under IAS 36. Annually management are required to assess for impairment indicators to determine whether a full impairment test is required to be performed.</p> <p>There is a risk that management fail to identify a relevant indicator and therefore do not perform an impairment test. There is also a risk that management use inappropriate assumptions in the full impairment test resulting in an overstatement of investments.</p>	<p>We have obtained an understanding of the process and confirmed the key controls in place to identify impairment triggers and assumptions used if an impairment calculation is required</p> <p>We have reviewed management's assessment and determined whether they have sufficiently evaluated criteria for indicators of impairment.</p> <p>We have assessed the methodology used by management to estimate the recoverable value to ensure that this is consistent with accounting standards.</p> <p>Where indicators were identified we have audited management's assessment of the carrying value of subsidiaries.</p>	<p>We have concluded that the carrying value of investments is materially correct and that management's assumptions in calculating this were appropriate.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SICCAR POINT ENERGY FINANCE LIMITED (CONTINUED)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be US\$6.7 million (2016: US\$4 million), which is 1% (2016: 2%) of total assets. We believe that total assets provides us with a base for materiality which relates to the balances which the stakeholders are most concerned with for Siccar Point Energy Finance Limited. The increase in group assets reflects the additional investment in a subsidiary.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely US\$5m (2016: \$3m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of US\$335k (2016: US\$200k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SICCAR POINT ENERGY FINANCE LIMITED (CONTINUED)

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;

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, 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.

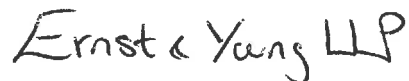
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SICCAR POINT ENERGY
FINANCE LIMITED (CONTINUED)**

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.

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, slightly slanted style.

Kevin Weston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
27 APRIL 2018

Statement of comprehensive income

for the year ended 31 December 2017

	Note	2017 US \$'000	2016 US \$'000
Administrative expenses		(2)	(5)
Impairment of investment	5	-	(4,228)
Operating loss		(2)	(4,233)
Finance expense	2	(55,015)	(7,836)
Loss before tax		(55,017)	(12,069)
Taxation	4	-	-
Loss for the year		(55,017)	(12,069)

All the above results are derived from continuing operations.

There is no comprehensive income other than the loss for the year.

Total comprehensive income for the year is attributable to the owners of the company, as there is no non-controlling interest.

Statement of financial position

as at 31 December 2017

Registered No: 9102885

	<i>Note</i>	<i>2017</i> <i>US \$'000</i>	<i>2016</i> <i>US \$'000</i>
<i>Non-current assets</i>			
Investment	5	677,850	202,050
<i>Current assets</i>			
Cash and cash equivalents	6	6	2
<i>Total assets</i>		677,856	202,052
<i>Current liabilities</i>			
Trade and other payables		(25)	(12)
<i>Net current liabilities</i>		(19)	(10)
<i>Non-current liabilities</i>			
Interest bearing loan and borrowings	7	(743,099)	(225,542)
<i>Total liabilities</i>		(743,124)	(225,554)
<i>Net liabilities</i>		(65,268)	(23,502)
<i>Equity</i>			
Share capital	8	13,385	134
Retained deficit		(78,653)	(23,636)
<i>Total deficit</i>		(65,268)	(23,502)

The financial statements were approved by the Board of Directors on 27th April 2018 and were signed on its behalf by



Douglas Fleming
Director

Statement of changes in equity

for the year ended 31 December 2017

	Share capital <i>US \$'000</i>	Retained deficit <i>US \$'000</i>	Total deficit <i>US \$'000</i>
At 1 January 2016	134	(11,567)	(11,433)
Total comprehensive loss for the year	-	(12,069)	(12,069)
At 31 December 2016	134	(23,636)	(23,502)
At 1 January 2017	134	(23,636)	(23,502)
Total comprehensive loss for the year	-	(55,017)	(55,017)
Share capital issued (note 8)	13,251	-	13,251
At 31 December 2017	13,385	(78,653)	(65,268)

Cash flow statement

at 31 December 2017

	2017 US \$'000	2016 US \$'000
<i>Net cash generated from operating activities</i>		
Loss before tax from continuing operations	(55,017)	(12,069)
Adjustments to reconcile loss before tax to net cash flows:		
Finance costs – parent loan interest	55,009	7,838
Unrealised FX gain/loss	1	-
Impairment on investments	-	4,228
Working capital adjustments:		
Increase in trade creditors	10	5
<i>Net cash flows from operating activities</i>	3	2
Investing activities:		
Additional investment to subsidiary company (note 5)	(475,800)	(202,463)
<i>Net cash flows used in investing activities</i>	(475,800)	(202,463)
Financing activities:		
Proceeds from issue of share capital – parent (note 8)	13,251	-
Proceeds from borrowing – parent (note 7)	462,549	202,463
<i>Net cash flows from financing activities</i>	475,800	202,463
Cash and cash equivalents at 1 January 2017	2	-
Unrealised FX	1	-
Net increase in cash and cash equivalents	3	2
<i>Cash and cash equivalents at 31 December 2017</i>	6	2

Notes to the financial statements

at 31 December 2017

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the group and the company for the year ended 31 December 2017 and applied in accordance with the practices of the Companies Act 2006. The financial statements have been prepared on a historical cost basis, except for the fair value remeasurement of certain financial instruments as set out in the accounting policies below. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Consolidation

The company's financial statements are individual entity financial statements. The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Siccar Point Energy (Holdings) Limited. The results of the company and associated undertakings are included in the consolidated financial statements Siccar Point Energy (Holdings) Limited which are available from Siccar Point Energy (Holdings) Limited, 1 Park Row, Leeds, LS1 5AB

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate as the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future, taking into consideration the continuing support from the ultimate parent undertaking.

(a) New standards, amendments and interpretations issued and effective during the financial year beginning 1 January 2017

The company, has considered all new and amended IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the year ending 31 December 2017. Where the changes affect the company, the relevant application and disclosure has been made during the year to 31 December 2017. The new and amended IFRSs during the year are as detailed below:

- Amendments to IAS 7: Disclosure Initiative had no effect with the exception of increased disclosure in relation to liabilities in the financing activities section of the Cashflow statement.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses had no effect on the company for the year ended 31 December 2017.

Notes to the financial statements (continued)

at 31 December 2017

1. Accounting policies (continued)

(b) Standards issued but not yet effective

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

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - amendments to IFRS 4 (1 January 2018)
- IFRS 16 Leases (1 January 2019)
- IFRS 9 Financial Instruments (1 January 2018)
- 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 company. No revenue has been recorded to date in the company therefore the exercise concluded that there will be no or very limited impact.

It is not anticipated that the application of the above standards and amendments will have any material impact on the company's financial statements.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Investments in subsidiaries

The carrying values of investments in subsidiaries are reviewed for impairment in accordance with IAS 36 Impairment of Assets. If events or changes in circumstances indicate a carrying value may not be recoverable, an investment carrying value is written down immediately to its recoverable amount. A previously recognised impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount. If this is the case, the carrying amount of the investment is increased to its recoverable amount, except insofar as the reversal of an impairment loss shall not exceed the original cost of the investment.

Judgements are made when assessing whether there have been any indicators of impairment during the period. Management considered macro-economic changes, the anticipated economic performance of the investments and long-term commodity price curves as potential triggers for impairment. Management concluded that there had not been any triggers and therefore were not required to perform a full impairment test.

(d) Summary of significant accounting policies

Functional currency

The company's investment and a significant proportion of its expenses are denominated in US Dollars, which is the company's functional currency. The company's financial statements are prepared and presented in US Dollars.

Foreign currencies

Transactions in other currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Notes to the financial statements (continued)

at 31 December 2017

1. Accounting policies (continued)

(d) Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time the assets are substantially ready for their intended use.

Borrowings are classified between current liabilities and non-current liabilities.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

Current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Notes to the financial statements (continued)

at 31 December 2017

1. Accounting policies (continued)

(d) Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Financial risk management

Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and other financial institutions.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the company's liquidity and cash and cash equivalents on the basis of expected cash flow.

Interest rate risk

The company is exposed to interest rate risk through borrowings however this is reduced due to funds borrowed at fixed interest rates.

Financial risk factors

The company's activities expose it to a variety of financial risks: credit and liquidity risk, commodity price risk and interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, non-derivative financial instruments and investment of excess liquidity.

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and GBP. Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities.

The majority of the transactions are conducted in GBP and USD. As a result, there is foreign exchange risk, however, the company does review its exposure to transactions denominated in other currencies and takes necessary action to minimise this exposure.

Currency risk is managed by matching costs with income as far as possible.

Notes to the financial statements (continued)

at 31 December 2017

1. Accounting policies (continued)

(d) Summary of significant accounting policies (continued)

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company maintains capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratio at 31 December for the company was as follows:

	2017	2016
	<i>US \$'000</i>	<i>US \$'000</i>
Total borrowings (note 7)	743,099	225,542
Less: cash and cash equivalents (note 6)	(6)	(2)
Net debt	743,093	225,540
Total equity plus net debt	677,825	202,038
Gearing ratio %	110%	112%

Fair value estimation

The carrying value less impairment provision of payables are assumed to approximate their fair values because the effect of discounting liabilities is negligible. For the assets carrying amount is a reasonable approximation of the fair value.

2. Finance expense

	2017	2016
	<i>US \$'000</i>	<i>US \$'000</i>
Interest on listed debt (note 9)	55,009	7,838
Bank interest received	-	(1)
Other	5	-
Loss/(Gain) on foreign exchange	1	(1)
	<hr/>	<hr/>
	55,015	7,836
	<hr/>	<hr/>

Notes to the financial statements (continued)

at 31 December 2017

3. Directors' remuneration

All executive directors were employed and remunerated by Siccar Point Energy (Holdings) Limited until March 31, 2017 and by Siccar Point Energy Limited from April 01, 2017 and not recharged to the company. The directors are also directors of other subsidiary undertakings and do not believe it is practicable to apportion their remuneration between services as directors of the company and their services as directors of fellow subsidiaries.

4. Tax

The charge for the year can be reconciled to the loss per the income statement as follows:

	<i>2017</i> <i>US \$'000</i>	<i>2016</i> <i>US \$'000</i>
Loss for the year – continuing operations	(55,017)	(12,069)
Tax at UK standard rate of tax (2017: 19.25% / 2016: 20.00%)	(10,591)	(2,414)
Effects of:		
Expenses not deductible	10,589	2,414
Amounts not recognised	2	-
Income tax charge for the year	-	-

A deferred tax asset amounting to US\$1,336 thousand (2016: US\$1,891 thousand) has not been recognised in respect of temporary differences relating to tax losses carried forward as there is insufficient evidence that the asset will be recovered.

Notes to the financial statements (continued)

at 31 December 2017

5. Investment in subsidiaries

	<i>US \$'000</i>
Cost	
At 1 January 2016	14,344
Additions	202,463
At 31 December 2016	<u>216,807</u>
At 1 January 2017	216,807
Additions	475,800
At 31 December 2017	<u>692,607</u>
Impairment	
At 1 January 2016	(10,528)
Charge for the year	(4,228)
At 31 December 2016	<u>(14,756)</u>
At 1 January 2017	(14,756)
Charge for the year	-
At 31 December 2017	<u>(14,756)</u>
Net investment	
At 31 December 2016	<u>202,050</u>
At 31 December 2017	<u>677,850</u>

The company acquired 475,799,966 additional shares of \$1.00 in Siccar Point Energy Limited (2016: 202,463,278 ordinary shares of \$1.00).

The company's direct & indirect subsidiary undertakings at 31 December 2017 are as follows:

<i>Name of undertaking</i>	<i>Country of registration</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Siccar Point Energy Limited-direct subsidiary	England	100%	Oil & Gas Exploration, Development & Production
Siccar Point Energy U.K. Limited	England	100%	Oil & Gas Exploration, Development & Production
Siccar Point Energy E&P Limited	England	100%	Oil & Gas Exploration, Development & Production
Siccar Point Energy Bonds PLC	England	100%	Financing vehicle

Notes to the financial statements (continued)

at 31 December 2017

The subsidiaries listed above are registered to 1 Park Row, Leeds, LS1 5AB.

6. Cash and cash equivalent

	2017 US \$'000	2016 US \$'000
Cash at bank	6	2

The Directors consider that the carrying amount of cash and cash equivalents approximate their fair value.

7. Borrowings:

	2017 US \$'000	2016 US \$'000
Non-current borrowings (note 9):		
Listed loan notes	679,222	216,673
Accrued loan interest	63,877	8,869
	<u>743,099</u>	<u>225,542</u>

The listed loan notes are held by Siccar Point Energy Luxembourg S.C.A and have a fixed 8.2% interest rate, the following amounts are issued and listed on The International Stock Exchange:

Face Value (USD \$'000)	Issue and Listed	Maturity date	Carrying value 31 December 2017 (USD \$'000)
4,915	July 2014	July 2044	6,377
5,040	January 2015	January 2045	6,320
4,254	November 2015	November 2045	5,041
4,164	January 2016	January 2046	4,848
198,300	August 2016	August 2046	221,387
301,700	January 2017	August 2046	325,558
160,849	January 2017	January 2047	173,568
679,222			743,099

Notes to the financial statements (continued)

at 31 December 2017

8. Issued share capital

The company has two classes of ordinary shares with a par value of:

	2017 US \$000	2016 US \$000
<i>Authorised</i>		
13,385,051 ordinary shares of \$1 each (note 9)	13,385	134
1 ordinary share of £1 each	-	-
<i>Allotted, called up and fully paid</i>		
13,385,051 ordinary shares of \$1 each	13,385	134
1 ordinary share of £1 each	-	-
	<u>13,385</u>	<u>134</u>

On 13 January 2017, 13,251,405 ordinary shares of US\$1.00 each were issued at par. As ordinary shares, the shares carry no preferred rights and rank equally with all other issued shares in the share capital of the company.

9. Related party transactions

Loans from Siccar Point Energy Luxembourg S.C.A to Siccar Point Energy Finance Limited as at 31 December 2017 is US\$743.1 million (2016: US\$225.5 million) including accumulated interest of US\$63.9 million (2016: US\$8.9 million) – see note 7.

The shareholder loans and accrued interest are due for repayment either 30 years after the date of the initial loan or at the option of the borrower any time after an initial 3 year period has lapsed from the initial date of the loan. Interest is calculated at 8.20% per annum and is accrued on a twelve month period in arrears. Interest is accrued on the loans for each Accrual Period (being the period from the date of the loan until the next 31 December and thereafter each calendar year) and may be paid by the borrower on the last day of each Accrual Period, or at its option, accrued and compounded until the principal is repaid.

Interest expense on the above loan recognised in the statement of comprehensive income is US\$55.0 million (2016: US\$7.8 million) – see note 2.

Siccar Point Energy Limited issued 475,799,966 ordinary shares of US\$1.00 each to the company.

Siccar Point Energy (Holdings) Limited invested in 13,251,405 ordinary shares of US\$1.00 each in the company.

There have been no other transactions with the Board of Directors, Executive Board, Executive Officers, significant shareholders or other related parties during the period.

Key management personnel are directors of the company and their remuneration was borne by Siccar Point Energy (Holdings) Limited until March 31, 2017 and by Siccar Point Energy Limited from April 01, 2017 and has not been recharged to the company.

Notes to the financial statements (continued)

at 31 December 2017

10. Post Balance Sheet events

On 31 January 2018, the group completed its first bond issue with the closing of a US\$100 million, 5 year, (9.0% p.a.) senior unsecured bond. The bond was listed on Nordic ABM, a marketplace regulated by Oslo Børs, on 5 April 2018.

The bond adds substantial near-term liquidity and also diversifies and expands the pool of debt capital that the group can access as it works to execute its programme of exploration, appraisal and development activity.

The bond was issued by a newly incorporated indirect subsidiary of the company, Siccar Point Energy Bonds PLC.

11. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Siccar Point Energy (Holdings) Limited, a company incorporated in the United Kingdom.

The company's ultimate parent undertaking is Siccar Point Energy Luxembourg S.C.A. a company registered in Luxembourg.

The consolidated accounts of Siccar Point Energy (Holdings) Limited are those of the smallest and largest group of which the company is a member and for which group accounts are prepared.

Copies of these accounts can be obtained from Siccar Point Energy (Holdings) Limited, 1 Park Row, Leeds, LS1 5AB.

