Company Registration No. 50459732
Netherlands

Tullow Kenya B.V.

Report and Audited Financial Statements

For the year ended 31 December 2014

Tullow Kenya B.V.

Report and financial statements 2014

Contents

Page

Tullow Kenya B.V.

Officers and professional advisers

Directors

A Martin
P McDade
K Massie
R Miller

Registered office

Scheveningseweg 58
2517 KW The Hague
The Netherlands

9 Chiswick Park
566 Chiswick High Road
London W4 5XT

Statutory seat

The Hague
The Netherlands

Solicitors

Dickson Minto W.S.
Broadgate Tower
20 Primrose Street
London EC2A 2EW

Bankers

Royal Bank of Scotland Group
250 Bishopsgate
London EC2M 4AA

Auditor

Deloitte Accountants B.V.
Rotterdam

Tullow Kenya B.V.

Directors' report

The directors of Tullow Kenya B.V. (the "company") present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 31 December 2014.

Principal activity and review of business

The principal activity of the company is to acquire and hold interests in exploration licences in Kenya. The principal activity of the company is not expected to change for the 2015 financial year.

Activities during the year under review consisted of oil exploration. No significant change in the nature of activities or state of affairs has occurred during the year.

Results and dividends

The company made a loss of US$8,743,508 (2013: loss of US$89,680,965) for the year.

No dividends have been paid during the year (2013: US$nil).

Directors and their interests

The directors, who held office at the date of this report, are listed on page 2. The changes to the company's directors during the year was as follows:

- Appointment of P Sloan on 1 January 2014
- Appointment of P McDade on 1 January 2014
- Appointment of J Tedder on 1 January 2014
- Appointment of K Massie on 1 January 2014
- Appointment of R Miller on 1 January 2014
- Resignation of P Sloan on 30 April 2015
- Resignation of J Tedder on 29 May 2015

The directors did not have any interest in the shares of the company at any time during the year. In accordance with the Articles of Association, none of the directors retire by rotation.

The new appointments as of 1 January 2014 have been made in connection with the move of fiscal residence from The Netherlands to the United Kingdom.

Going concern

The principal activity of the company is to acquire and hold interests in exploration licences in Kenya. The company does not expect to change its principal activity in the 2015 financial year.

The company recorded a loss of US$8,743,508 (2013: loss of US$89,680,965) for the year to 31 December 2014. As at 31 December 2014 the company had a net asset position of US$677,784,871 (2013: US$142,328,402).

The ability to meet its obligations as they fall due is dependent on the ultimate parent company providing support to fund the amounts owed during the period of assessment. A letter of support has therefore been provided by Tullow Oil plc, which states it will provide the necessary financial support to ensure that this company is a going concern for at least twelve months from the date of signing of these financial statements.

In making their assessment of going concern the directors have considered the letter of support from Tullow Oil plc. The directors, having assessed the responses of the directors of Tullow Oil plc to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Tullow Oil plc to continue as a going concern or its ability to honour its commitments in accordance with the letter of support.

Tullow Kenya B.V.

Directors' report (continued)

Going concern (continued)

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Tullow Oil plc, the directors have a reasonable expectation that the company has adequate resources to continue as a going concern for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements.

Migration of Central Management and Control

The fiscal residence, central management and control of the company and its affairs has been migrated to the United Kingdom, from the Netherlands, effective 1 January 2014. This is in line with Tullow Oil group's harmonisation process.

Principal risks and uncertainties

Financial risk management objectives and policies

The company seeks to minimise the effects of fair value interest rate risk and price risk through active management processes. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Credit risk

The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Liquidity and interest risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company is able to actively source financing from its shareholder.

Board of directors' composition

Pursuant to the Act on Management and Supervision, the Board shall pursue that on the Board of Directors at least 30 percent of the seats shall be held by men and at least 30 percent by women.

The company is part of the Tullow Oil plc group ('Tullow'). Tullow aims to create a working environment in which all individuals are treated fairly and respectfully and have equal access to opportunities.

We are proud to employ 62 nationalities across 20 countries. Women continued to make up 29% (583/2,042) of our total workforce in 2014. In addition, 8% (4/53) of our Senior Management and 17% (2/12) of our Board of Directors are female.

While each of our key African Business Units is headed by African nationals, only 19% (10/53) of our Senior Management is represented by African nationals, something we are working to improve through our long-term development assignments.

Tullow Kenya B.V.

Directors' report (continued)

Board of directors' composition (continued)

During December 2014, the Board reviewed progress on achieving our diversity targets and agreed that a new action plan should be developed in early 2015 to accelerate progress in developing a more diverse pipeline of Senior Managers to fill the most senior positions in the Company.

The directors are of the view that the board consists of directors with an appropriate balance of skills, experience, independence and diversity of background to enable them to discharge their duties and responsibilities effectively.

Events subsequent to the financial year end

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Auditor

Deloitte Accountants B.V. has expressed a willingness to continue in office.

Signed by the board on 25 June 2015.

Director, P. McDade

Director, A. Martin

Director, K. Massie

Director, R Miller

Tullow Kenya B.V.

Statement of directors' responsibilities

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

Company law in the Netherlands requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU"). 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 year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and which enable them to comply with the Dutch Civil Code. 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.

Tullow Kenya B.V.

Statement of comprehensive income
For the year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
Administrative costs	5	(8,013)	(4,855)
Exploration costs written off	7	(730)	(84,826)
Loss for the year before foreign exchange losses		(8,743)	(89,681)
Foreign exchange losses		-	-
Loss for the year before taxation		(8,743)	(89,681)
Taxation	6	-	-
Loss for the year after taxation		(8,743)	(89,681)
Other comprehensive income		-	-
Total comprehensive loss for the year		(8,743)	(89,681)

Tullow Kenya B.V.

Statement of financial position (after appropriation of result)
At 31 December 2014

	Notes	2014 US$'000	2013 US$'000
Assets			
Non-current assets			
Intangible exploration and evaluation assets	7	648,974	295,840
Property, plant and equipment	8	1,610	726
		650,584	296,566
Current assets			
Trade and other receivables	9	138,758	49,171
Related party loan receivables	10	-	17,734
Inventory	11	16,798	19,194
Cash and cash equivalents	12	20,575	12,063
		176,131	98,162
Total assets		826,715	394,728
Liabilities			
Current liabilities			
Trade and other payables	13	57,107	81,864
Related party loan payables	14	89,903	170,536
Provision	15	1,920	-
		148,930	252,400
Total liabilities		148,930	252,400
Net assets		677,785	142,328
Equity			
Share capital	16	750,130	250,853
Other reserves - revaluation reserve / (deficit)	16	27,732	(14,606)
Other reserves - share-based payments reserve	17	4,620	2,035
Other reserves - accumulated loss		(104,697)	(95,954)
Total equity		677,785	142,328

Signed by the board on 25 June 2015.

Director, P. McDade

Director, A. Martin

Director, K. Massie

Director, R Miller

Tullow Kenya B.V.

Statement of changes in equity
For the year ended 31 December 2014

	Share capital US$'000	Other reserves - revalution reserve / (deficit) US$'000	Other reserves - accumulated loss US$'000	Other reserves - share - based payment reserve US$'000	Total US$'000
Balance at 1 January 2013	240,825	(4,578)	(6,273)	294	230,268
Restatement of share capital	10,028	(10,028)	-	-	-
Total comprehensive loss for the year	-	-	(89,681)	-	(89,681)
Recognition of share based payment	-	-	-	1,741	1,741
Balance at 31 December 2013	250,853	(14,606)	(95,954)	2,035	142,328
Share issue	541,615	-	-	-	541,615
Restatement of share capital	(42,338)	42,338	-	-	-
Total comprehensive loss for the year	-	-	(8,743)	-	(8,743)
Recognition of share based payment	-	-	-	2,585	2,585
Balance at 31 December 2014	750,130	27,732	(104,697)	4,620	677,785

Tullow Kenya B.V.

Statement of cash flows
For the year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
Cash flows from operating activities			
Cash (utilised in) / generated from operations	18	(42,733)	47,698
Net cash (outflow) / inflow from operating activities		(42,733)	47,698
Cash flows from investing activities			
Acquisition of intangible exploration and evaluation assets		(426,009)	(218,001)
Acquisition of property, plant and equipment		(1,462)	(540)
Net cash outflow from investing activities		(427,471)	(218,541)
Cash flows from financing activities			
Issue of share capital		541,615	-
Change in related party loans receivable		17,734	12,801
Change in related party loans payable		(80,633)	166,789
Net cash inflow from financing activities		478,716	179,590
Net increase in cash and cash equivalents		8,512	8,747
Cash and cash equivalents at beginning of the year		12,063	3,316
Cash and cash equivalents at end of the year	12	20,575	12,063

1. General information

Tullow Kenya B.V. is a company incorporated and domiciled in the Netherlands under the Dutch Civil Code. The address of the registered office is given on page 2.

2. Adoption of new and revised standards

Standards not affecting the reported results or the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these Financial Statements but may impact the accounting for future transactions and arrangements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (Revised)

IFRS 10 has revised the definition of control. Control exists when an investor has: power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use power over the investee to affect the amount of returns. IFRS 10 also provides a number of clarifications on applying this new definition of control. These include: an investor may have control when it has less than a majority of voting rights; exposure to risk and reward is an indicator of control but does not constitute control itself; and consolidation is required until control ceases even if control is temporary. The revised IAS 27 is limited to the accounting of investments in subsidiaries, joint ventures and associates in separate financial statements.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (Revised)

IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when the relevant activities require the unanimous consent of the parties sharing control. IFRS 11 also amends the accounting for joint arrangements by moving from 3 (under IAS 31) to 2 categories. The categories are a joint operation which is an arrangement whereby the parties have rights to the assets and obligations to the liabilities relating to that arrangement; and a joint venture which is an arrangement whereby the parties have rights to the net assets of the arrangement. For a joint operation the relative share of jointly controlled assets, liabilities, revenues and expenses are recognised whereas a joint venture is equity accounted. IAS 28 has been amended to include application of the equity method for investments in joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosure relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The quantitative and qualitative disclosure requirements of IFRS 12 include: summarised financial information for each subsidiary that has non-controlling interests that are material to the reporting entity, significant judgements used by management in determining control, joint control and significant influence; summarised financial information for each individually material joint venture and associate; and the nature of the risks associated with an entity's interests in unconsolidated structured entities and changes to those risks.

IFRS 13 Fair Value Measurement (Amendment)

The amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment to IAS 32 clarifies that rights of set-off must be legally enforceable in the normal course of business but also enforceable in the event of default and bankruptcy or insolvency of all of the counter parties to the contract.

2. Adoption of new and revised standards (continued)

Standards not affecting the reported results or the financial position (continued)

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

The amendment clarifies the disclosure requirements in respect of the fair value less costs of disposal.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

The amendment provides an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 16 & IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 19	Defined Benefit Plans: Employee Contributions (Amendment)
IAS 27	Equity Method in Separate Financial Statements (Amendment)

The adoption of IFRS 9 Financial Instruments which the company plans to adopt for the year commencing 1 January 2018 will impact both the measurement and disclosures of financial instruments.

The directors do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the company in future periods.

3. Accounting policies

Changes in accounting policy

Other than the changes to the standards noted above, the company's accounting policies are consistent with the prior year.

Basis of accounting

The report and financial statements have been prepared in accordance with the provisions of Title 9 of Book 2 of the Dutch Civil Code. The company uses the option of Section 362, subsection 8 of Book 2 of the Dutch Civil Code to prepare its report and the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and therefore the company financial statements comply with Article 4 of the EU IAS Regulation.

3. Accounting policies (continued)

Basis of accounting (continued)

The financial statements have been prepared on the historical cost basis. The financial statements are presented in US dollars and all values are rounded to the nearest US dollar thousand, except where otherwise stated. The financial statements have been prepared on a going concern basis (see note 4 for further details).

The principal accounting policies adopted by the company are set out below.

Foreign currencies

The US dollar is the presentation currency of the company. Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into US dollars at the exchange rate ruling at the statement of financial position date, with a corresponding charge or credit to the statement of comprehensive income.

Exploration, evaluation and production assets

The company adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the statement of comprehensive income unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are amortised in accordance with the company's depletion and amortisation accounting policy.

Joint arrangements

The company is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The company accounts for its share of the results and net assets of these joint operations. In addition, where Tullow acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the company's statement of financial position.

Share-based payments

The company has applied the requirements of IFRS 2 Share-based payments. The company has share-based awards that are equity-settled and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the company's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model was supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

3. Accounting policies (continued)

Share-based payments (continued)

For cash settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and five years.

Inventory

Inventories, other than oil product, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the statement of financial position date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the statement of comprehensive income.

Finance costs and debt

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

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the statement of comprehensive income as finance costs over the term of the debt.

Taxation

The company is subject to taxation in the United Kingdom from 1st January 2014, formerly it was subject to taxation in The Netherlands. Income tax is provided on an accruals basis by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the period. Current and deferred tax are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where an obligation to pay more, or right to pay less, tax in the future has occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted in the future.

3. Accounting policies (continued)

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, 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.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The company chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

4. Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with below) that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4. Critical accounting judgements (continued)

- Carrying value of intangible exploration and evaluation assets (note 7);

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the statement of comprehensive income as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the company's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement.

The key areas in which management have applied judgement are as follows: the company's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; and the success of a well result or geological or geophysical survey.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Carrying value of property, plant and equipment (note 8);

Management performs impairment tests on the company's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets and performs valuations of acquired property, plant and equipment in conjunction with IFRS 3 Business Combinations. The calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Key assumptions and estimates in the impairment models relate to commodity prices that are based on forward curves for two years and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.

- Presumption of going concern (Directors' Report);

The principal activity of the company is to acquire and hold interests in exploration licences in Kenya. The company does not expect to change its principal activity in the 2015 financial year.

The company recorded a loss of US$8,743,508 (2013: loss of US$89,680,965) for the period to 31 December 2014. As at 31 December 2014 the company had a net asset position of US$677,784,871 (2013: US$142,328,402).

The ability to meet its obligations as they fall due is dependent on the ultimate parent company providing support to fund the amounts owed during the period of assessment. A letter of support has therefore been provided by Tullow Oil plc, which states it will provide the necessary financial support to ensure that this company is a going concern for at least twelve months from the date of signing of these financial statements.

In making their assessment of going concern the directors have considered the letter of support from Tullow Oil plc. The directors, having assessed the responses of the directors of Tullow Oil plc to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Tullow Oil plc to continue as a going concern or its ability to honour its commitments in accordance with the letter of support.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Tullow Oil plc, the directors have reasonable expectation that the company has adequate resources to continue as a going concern for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements.

5. Administrative costs

Administrative costs include bank fees, registration fees and other similar administrative costs. The company makes use of article 2:382a3 of the Netherlands Civil Code and therefore reference is made to the audit costs included in the Tullow Oil plc financial statements.

6. Taxation

	2014 US$'000	2013 US$'000
(a) Analysis of charge in the year		
Current tax		
Current year corporation tax	-	-
Total tax on ordinary activities	-	-

(b) Factors affecting tax charge for the year

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before taxation is as follows:

	2014 US$'000	2013 US$'000
Loss for the year before taxation	(8,743)	(89,681)
Tax credit on loss on ordinary activities at standard UK corporate income tax rate of 21% (2013: Dutch corporate income tax rate of 25%)	(1,836)	(22 420)
Effects of:		
Expenses not deductible for tax purposes	153	21 206
Loss not recognised	1,683	1 214
Company's total income tax expense for the year	-	-

Effective 1 January 2014, the company became tax resident in the United Kingdom. The company thus no longer belongs to the Dutch fiscal unity headed by Tullow Overseas Holdings B.V. The company remains jointly and severally liable for the fiscal liabilities of the Dutch fiscal unity until 31 December 2013.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted in the future. The company does not have any deferred income tax assets that which can be carried forward against future taxable income.

7. Intangible exploration and evaluation assets

	2014 US$'000	2013 US$'000
Cost		
At 1 January	295,840	207,449
Additions	353,864	173,217
Exploration costs written off	(730)	(84,826)
Transfer to property, plant and equipment	-	-
	648,974	295,840
Net book value		
At 31 December	648,974	295,840

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the statement of comprehensive income as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

8. Property, plant and equipment

2014	Opening balance US$'000	Additions US$'000	Closing balance US$'000
Cost			
Equipment	946	286	1,232
Fixtures and fittings	530	336	866
Vehicles	77	840	917
	1,553	1,462	3,015

	Opening balance US$'000	Depreciation US$'000	Closing balance US$'000
Accumulated depreciation			
Equipment	(593)	(217)	(810)
Fixtures and fittings	(195)	(175)	(370)
Vehicles	(39)	(186)	(225)
	(827)	(578)	(1,405)
Net book value	726		1,610

8. Property, plant and equipment (continued)

2013	Opening balance US$'000	Additions US$'000	Closing balance US$'000
Cost			
Equipment	651	295	946
Fixtures and fittings	285	245	530
Vehicles	77	-	77
	1,013	540	1,553

	Opening balance US$'000	Depreciation US$'000	Closing balance US$'000
Accumulated depreciation			
Equipment	(416)	(177)	(593)
Fixtures and fittings	(120)	(75)	(195)
Vehicles	(39)	-	(39)
	(575)	(252)	(827)
Net book value	438		726

9. Trade and other receivables

	2014 US$'000	2013 US$'000
Trade receivables	1,899	11,216
Sundry receivables	-	74
VAT receivable	-	3
Deposits	-	868
Prepayments	1,240	4,053
Joint venture receivables	133,456	32,957
Payroll tax receivable	2,163	-
	138,758	49,171

Notes to the financial statements (continued)
For the year ended 31 December 2014

10. Related party loan receivables

	2014 US$'000	2013 US$'000
Tullow Oil International Limited	-	3,430
Tullow Uganda Operations Limited	-	2
Tullow (EA) Holdings Limited	-	5,335
Tullow Oil 100 Limited	-	8,967
	-	17,734

The above loans were unsecured, had no fixed repayment terms and no interest was applicable.

11. Inventory

	2014 US$'000	2013 US$'000
Operated inventory	16,798	19,194

12. Cash and cash equivalents

	2014 US$'000	2013 US$'000
Petty cash	35	9
Royal Bank of Scotland - EURO bank account	-	25
Royal Bank of Scotland - USD bank account	3,266	114
Standard Chartered Bank - KES bank account	16,556	8,588
Standard Chartered Bank - USD bank account	718	3,327
	20,575	12,063

Cash and cash equivalents includes an amount of US$10,155,055 which the company holds as operator in joint venture bank accounts.

13. Trade and other payables

	2014 US$'000	2013 US$'000
Trade payables	5	1,188
Expense accruals	53,980	78,263
Withholding tax	3,120	717
Payroll tax	2	1,696
	57,107	81,864

14. Related party loan payables

	2014 US$'000	2013 US$'000
Tullow Global Compliance B.V.	7,642	1,390
Tullow Oil Finance Limited	28,296	169,146
Tullow Oil International Limited	4,239	-
Tullow (EA) Holdings Limited	1,993	-
Tullow Uganda Operations Limited	260	-
Tullow Oil 100 Limited	47,473	-
	89,903	170,536

The above loans are unsecured, have no fixed repayment terms and no interest is applicable. The loans will be settled via a transfer of funds.

15. Provision

	2014 US$'000	2013 US$'000
At 1 January 2014	-	-
Additions	1,920	
	1,920	-

The provision relates to the contractors' payroll tax for the years 2012 and 2013.

16. Share capital

	2014 US$'000	2013 US$'000
Issued		
617,056,635 ordinary shares of €1 each		
(2013: 182,194,211 ordinary shares of €1 each)	750,130	250,853

The €/US$ exchange rate at 16 July 2010 (incorporation date) was US$0.779. A further 434,862,424 shares were issued on the 11 December 2014, at a €/US$ exchange rate of 0.8029. The €/US$ exchange rate at 31 December 2014 was US$0.8226 (2013: US$0.7263).

The foreign currency translation reserve of US$27,732,480 (2013: deficit of US$14,606,121) has been included in the balance of share capital. The share capital at the exchange rate at incorporation amounted to US$23,095.

17. Other reserves - share-based payment reserve

	2014 US$'000	2013 US$'000
Reconciliation of share-based payment charge		
Tullow Incentive Plan	190	-
2005 Performance Share Plan	548	362
Employee Share Award Plan	743	-
2010 Share Option Plan and 2000 Executive Share Option Scheme	1,104	1,379
Total share-based payment charge	2,585	1,741
Capitalised to intangible and tangible assets	2,585	1,741
Total share-based payment charge	2,585	1,741

Tullow Incentive Plan (TIP)
Under the TIP, senior executives can be granted nil exercise price options, normally exercisable from three (five years in the case of the Company's Directors) to ten years following grant provided an individual remains in employment. The size of awards depends on both annual performance measures and Total Shareholder Return (TSR) over a period of up to three years. There are no post-grant performance conditions. No dividends are paid over the vesting period, however an amount equivalent to the dividends that would have been paid on the TIP shares during the vesting period if they were 'real' shares, will also be payable on exercise of the award. No dividends are paid over the vesting period.

The weighted average remaining contractual life for TIP awards outstanding at 31 December 2014 was 8.9 years.

2005 Performance Share Plan (PSP)
Under the PSP, senior executives could be granted nil exercise price options, normally exercisable between three and ten years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards were converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition, 50% (70% for awards granted to Directors in 2013, 2012 and 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2013, 2012 and 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts). Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. From 2014 senior executives participate in the TIP instead of the PSP.

The weighted average remaining contractual life for PSP awards outstanding at 31 December 2014 was 6.6 years.

Employee Share Award Plan (ESAP)
Most employees are eligible to be granted nil exercise price options under the ESAP. These are normally exercisable from three to ten years following grant. An individual must normally remain in employment for three years from grant for the share to vest. Awards are not subject to post-grant performance conditions.

Phantom options that provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares) have also been granted under the ESAP in situations where the grant of share options was not practicable.

Tullow Kenya B.V.

Notes to the financial statements (continued)
For the year ended 31 December 2014

17. Other reserves - share-based payment reserve (continued)

Employee Share Award Plan (ESAP) (continued)
The weighted average remaining contractual life for ESAP awards outstanding at 31 December 2014 was 8.9 years.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)
Participation in the 2010 SOP and 2000 ESOS was available to most of the Company's employees. Options have an exercise price equal to market value shortly before grant and are normally exercisable between three and ten years from the date of the grant subject to continuing employment.

Options granted prior to 2011 were granted under the 2000 ESOS where exercise was subject to a performance condition. Performance was measured against constituents of the FTSE 100 index (excluding investment trusts). 100% of awards vested if the Company's TSR was above the median of the index companies over three years from grant. The 2010 SOP was replaced by the ESAP for grants from 2014. During 2013 phantom options were granted under the 2010 SOP to replace certain options granted under the 2000 ESOS that lapsed as a result of performance conditions not being satisfied. These replacement phantom options provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares with a notional exercise price). Phantom options have also been granted under the 2010 SOP and the 2000 ESOS in situations where the grant of share options was not practicable.

Options outstanding at 31 December 2014 had exercise prices of 646p to 1518p (2013: 103p to 1530p) and remaining contractual lives between 5 months and 9 years. The weighted average remaining contractual life is 5.9 years.

The following table illustrates the number and average weighted share price ("WAEP") at grant or WAEP of, and movements in, share options under the PSP, DSBP and 2010 SOP / 2000 ESOS.

	Outstanding as at 1 January	Transferred from / (to) another company	Granted during the year	Exercised during the year	Forfeited/ expired during the year	Outstanding at 31 December	Exercisable at 31 December
2014 TIP- number of shares	-	-	57,436	-	-	57,436	-
2014 TIP - average weighted share price at grant	-	-	782.0	-	-	782.0	-
2014 PSP - number of shares	144,045	86,195	-	(30,709)	(40,983)	158,548	3,783
2014 PSP - average weighted share price at grant	1,193.1	-	-	850.5	1,306.8	1,325.5	1,281.0
2013 PSP - number of shares	22,243	60,454	69,022	-	(7,674)	144,045	165,165
2013 PSP - average weighted share price at grant	1,434	1,106	1,202	-	1,281	1,193	8,816
2014 ESAP - number of shares	-	-	237,812	-	-	237,812	-
2014 ESAP - average weighted share price at grant	-	-	779.9	-	-	779.7	-
2014 SOP/ESOS - number of shares	695,875	23,376	-	(1,458)	-	717,793	223,909
2014 SOP/ESOS - WAEP	1,103.1	-	-	754.0	-	1,199.3	1,052.0
2013 SOP/ESOS - number of shares	203,913	280,955	292,401	-	(81,394)	695,875	196,015
2013 SOP/ESOS - WAEP	1,098	1,054	1,201	-	1,271	1,103	608
2014 Phantoms - number of phantom shares	82,168	(10,263)	-	-	-	71,905	71,905
2014 Phantoms - WAEP	1,274.5	-	-	-	-	1,274.5	1,274.5
2013 Phantoms - number of phantom shares	-	-	14,921	-	-	14,921	14,921
2013 Phantoms - WAEP	-	-	1,277	-	-	1,277	1,277

17. Other reserves - share-based payment reserve (continued)

The options granted during the year were valued using a Monte Carlo simulation model for the PSP awards and a proprietary binomial valuation model for awards under the 2010 SOP.

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

	2014 TIP	2014 ESAP	2013 PSP	2013 SOP/ESOS[1]
Weighted average fair value of awards granted	782.0p	744.7p	438.9p	319.5p
Weighted average share price at exercise for awards exercised	–	–	1079.7p	1037.7p
Principal inputs to options valuations model:				
Weighted average share price at grant	782.0p	779.9p	1227.8p	1120.3p
Weighted average exercise price	0.0p	0.0p	0.0p	1223.7p
Risk-free interest rate per annum	1.1 - 1.5%	1.1 - 1.4%	0.4%	1.0 - 1.7%
Expected volatility per annum[2]	33 - 34%	32 -34%	35%	33 - 34%
Expected award life (years)[3]	3.1	3.0	3.0	4.4
Dividend yield per annum	–1.5%	– 1.7%	1.0%	1.0 - 1.4%
Employee turnover before vesting per annum[4]	5% / 0%	5%	5% / 0%	5%

1. Includes the replacement phantom awards made during 2013, which, as cash-settled awards, have been measured as at the accounting date.
2. Expected volatility was determined by calculating the historical volatility of the company's share price over a period commensurate with the expected life of the awards.
3. The expected life is the average expected period from date of grant to exercise allowing for the company's best estimate of participants' expected exercise behaviour.
4. Zero turnover is assumed for PSP & TIP awards made to executives and Directors, 5% for TIP and PSP awards to senior employees.

	2014 PSP	2013 PSP	2014 SOP/ESOS	2013 SOP/ESOS
Weighted Average Exercise Price at exercise for awards exercised	728.7p	1079.7p	752.8p	1037.7p

18. Cash (utilised in) / generated from operations

	2014 US$'000	2013 US$'000
Loss for the year before taxation	(8,743)	(89,681)
Exploration costs written off	730	84,826
Depreciation	578	252
Share based payment expense	-	1,741
Operating loss before working capital changes	(7,435)	(2,862)
Working capital changes:		
Decrease / (increase) in trade and other receivables	10,912	(10,597)
Decrease / (increase) in inventory	2,396	(19,194)
(Decrease) / increase in trade and other payables	(50,526)	80,351
Increase in provision	1,920	-
Cash (utilised in) / generated from operations	(42,733)	47,698

Notes to the financial statements (continued)
For the year ended 31 December 2014

19. Directors' emoluments and employees

None of the directors received any remuneration for their services to the company during the year (2013: US$nil).

The average number of employees during the year was nil (2013: nil).

20. Capital commitments

	2014 US$'000	2013 US$'000
Contracted for	150,476	58,093

The capital commitments relate to the following financial year and are financed by holding company loans.

21. Ultimate holding company

Tullow Overseas Holdings B.V., a company incorporated in the Netherlands, is the immediate holding company of Tullow Kenya B.V.

Tullow Oil plc, a company incorporated in the United Kingdom, is the ultimate holding company of Tullow Kenya B.V.

22. Related parties

The company, in the ordinary course of business, entered into transactions with certain related parties.

The following balances were outstanding at the end of the year and transactions were entered into during the year:

	2014 US$'000	2013 US$'000
Tullow Oil International Limited		
Related party loan (payable) / receivable	(4,239)	3,430
Service charges	(689)	(471)
Tullow (EA) Holdings Limited		
Related party loan (payable) / receivable	(1,993)	5,335
Service charges	(802)	(1,022)
Tullow Global Compliance B.V.		
Related party loan payable	(7,642)	(1,390)
Service charges	(47)	(34)

22. Related parties (continued)

	2014 US$'000	2013 US$'000
Tullow Oil Finance Limited		
Related party loan payable	(28,296)	(169,146)
Tullow Uganda Operations Limited		
Related party loan (payable) / receivable	(260)	2
Service charges	(11)	(4)
Tullow Oil 100 Limited		
Related party loan (payable) / receivable	(47,473)	8,967
Service charges	(4,015)	(1,249)

The related party loans are unsecured, have no fixed repayment terms and are not subject to interest, and as such are not held at arm's length.

23. Guarantees

The company is a party to the group financing facilities of Tullow Oil plc, the ultimate parent undertaking. The Group's Corporate Facility is secured by way of a first-ranking Dutch law share charge over the shares in the company.

24. Financial instruments

Capital risk management

The capital structure of the company consists of debt, which includes the related party loans disclosed in note 14 and equity attributable to equity holders of the parent, comprising issued capital, foreign currency translation deficit, share-based payment reserve and accumulated loss as disclosed in the statement of changes in equity.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

	2014 US$'000	2013 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	155,930	74,044
Financial liabilities		
Loans and payables	143,888	249,987

24. Financial instruments (continued)

Financial risk management objectives

The company seeks to minimise the effects of fair value interest rate risk and price risk through active management processes. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Credit risk

The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Liquidity and interest risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company is able to actively source financing from its shareholder.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial assets and liabilities at the end of the reporting year. The analysis is prepared assuming the amount of the asset at the end of the reporting year was held for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the company's loss for the year ended 31 December 2014 would decrease/increase by US$205,754 (2013: US$120,541). This is attributable to the company's exposure to interest rates on its variable rate deposits.

Liquidity and interest risk tables

The following tables detail the company's remaining contractual maturity for its non-derivative financial assets and liabilities.

2014	Interest rate %	Year 1 US$'000	Years 1 - 5 US$'000	Over 5 years US$'000	Total US$'000
Assets					
Cash and cash equivalents	Daily bank rate	20,575	-	-	20,575
Trade and other receivables	Interest free	135,355	-	-	135,355
		155,930	-	-	155,930

24. Financial instruments (continued)

Liquidity and interest risk tables (continued)

2014	Interest rate %	Year 1 US$'000	Years 1 - 5 US$'000	Over 5 years US$'000	Total US$'000
Liabilities					
Trade and other payables	Interest free	53,985	-	-	53,985
Related party loan payables	Interest free	89,903	-	-	89,903
		143,888	-	-	143,888

2013	Interest rate %	Year 1 US$'000	Years 1 - 5 US$'000	Over 5 years US$'000	Total US$'000
Assets					
Cash and cash equivalents	Daily bank rate	12,063	-	-	12,063
Trade and other receivables	Interest free	44,247	-	-	44,247
Related party loan receivables	Interest free	17,734	-	-	17,734
		74,044	-	-	74,044

2013	Interest rate %	Year 1 US$'000	Years 1 - 5 US$'000	Over 5 years US$'000	Total US$'000
Liabilities					
Trade and other payables	Interest free	79,451	-	-	79,451
Related party loan payables	Interest free	170,536	-	-	170,536
		249,987	-	-	249,987

Signed by the board on 25 June 2015.

Director, P. McDade

Director, A. Martin

Director, K. Massie

Director, R Miller

Tullow Kenya B.V.

Other information

Independent auditor's report

Reference is made to the independent auditor's report as included hereafter.

Statutory rules concerning appropriation of results

In Article 24 of the company statutory regulations the appropriation of result is included.

Appropriation of result for the financial year 2013

The annual report 2013 was approved at the General Meeting held on 26 June 2014. The General Meeting has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year 2014

The board of directors proposes to include the net result amounting to a loss of US$8,743,508 (2013: US$89,680,965) in the accumulated loss of the company. This proposal has been reflected in the accompanying financial statements.

Events subsequent to the financial year end

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Deloitte.

Deloitte Accountants B.V.
Wilhelminakade 1
3072 AP Rotterdam
P.O.Box 2031
3000 CA Rotterdam
Netherlands

Tel: +31 (0)88 288 2888
Fax: +31 (0)88 288 9830
www.deloitte.nl

Independent auditor's report

To: the shareholder of Tullow Kenya B.V.

Report on the financial statements

We have audited the accompanying financial statements 2014 of Tullow Kenya B.V., The Hague, which comprise the statement of financial position as per 31 December 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Deloitte.

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Tullow Kenya B.V. as per 31 December 2014 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, 25 June 2015

Deloitte Accountants B.V.

J. Penon