**Company Registration No. 50459732**
**Netherlands**

# Tullow Kenya B.V.

**Report and Audited Financial Statements**

**For the year ended 31 December 2015**

# Tullow Kenya B.V.

## Report and financial statements 2015

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# Tullow Kenya B.V.

## Officers and professional advisers

**Directors**

P McDade
K Massie
R Miller
R Rowland-Clark

**Registered office**

9 Chiswick Park
566 Chiswick High Road
London W4 5XT
United Kingdom

**Statutory seat**

The Hague
The Netherlands

**Solicitors**

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

**Bankers**

Royal Bank of Scotland Group
250 Bishopsgate
London EC2M 4AA
United Kingdom

**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 2015.

**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 2016 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$53,897,000 (2014: loss of US$8,743,000) for the year.

No dividends have been paid during the year (2014: US$nil).

On 24 November 2015, the company issued 174,972,871 new shares for €174,972,871 (USD$ 197,332,654) to its parent company, Tullow Overseas Holdings BV for a cash consideration of US$197,332,654.

**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 were as follows:

- Resignation of P Sloan on 30 April 2015.
- Resignation of J Tedder on 29 May 2015.
- Resignation of A Martin on 11 January 2016.
- Appointment of R Rowland-Clark on 27 October 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.

**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 2016 financial year.

The company recorded a loss of US$53,897,000 (2014: loss of US$8,743,000) for the year to 31 December 2015. As at 31 December 2015 the company had a net asset position of US$824,513,000 (2014: US$677,785,000).

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.

**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.

**Risk appetite, related controls and changes thereof**

The company is ultimately held by Tullow Oil plc, and as such the company goals are aligned to address the Strategic, Financial, Operations and Compliance risks facing the Tullow Oil plc group to the extent applicable for the company. The directors have identified the following principle risks:

- Strategy not fully achievable in sustained low oil prices
- Failure to adequately manage stakeholder relationships
- Major operational incidents (companies with active operations)
- Major cyber or information security incidents
- Major breach of business and ethical conduct standards

With respect to these risk categories the company's approach towards risk is conservative. The company always carefully weighs risks against potential rewards. Tullow Oil plc has provided a letter of support, 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. Furthermore, mitigating actions and controls to prevent and mitigate risks and uncertainties are in place and the Board of directors have a reasonable expectation that the company will be able to continue in operation and meet its goals.

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.

# Tullow Kenya B.V.

## Directors' report (continued)

**Board of directors' composition**

We have 57 nationalities working within Tullow across 26 locations. Women made up 28% (396/1,403) of our total workforce in 2015, 22% (76/338) of our managers, and 17% (2/12) of our Board of Directors.

Each of our key African Business Units is headed by African nationals, and 83% of our Ghanaian Leadership Team is now represented by African nationals. Kenyan and Ugandan nationals make up 67% of those respective Business Unit's leadership teams.

In 2014, we reported on our plans to develop and meet clear diversity targets, but in the light of the focus on the reorganisation and the reduction in headcount during the year, we deferred this work. Our 2016 Diversity Plan, which is on the Board's agenda, will focus on setting nationality and gender targets with proactive monitoring and reporting against these goals.

The plan is aimed at being proportionate and with a nationality mix representative of our asset geographies, as well as seeking gender diversity particularly in senior leadership teams. Our local offices will primarily employ local nationals, and expatriate employees will have personal objectives committing them to training and development of local staff to support the Group's localisation strategies, succession targets and our commitment to shared prosperity.

Our recruitment practices will change and broaden to proactively seek out, attract and encourage stronger nationality and gender diversity in our workforce to deliver our Diversity Plan.
The company's 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.

**Simplification Project**

The Tullow Group initiated a Major Simplification Project (MSP) at the end of 2014. The objective of the Major Simplification Project, which was completed in 2015, was to streamline our business and processes, cut costs and re-focus the group on key priorities and activities.

**Events subsequent to the financial year end**

In January 2016, the company completed the farm-down of its 25% interest in block 12A to Delonex.

Other than the above, 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 11 May 2016.

Director, P McDade

Director, R Rowland-Clark

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 2015

| | Notes | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|---|
| Administrative costs | 5 | (10,713) | (8,013) |
| Exploration costs written off | 7 | (28,269) | (730) |
| **Operating loss for the year** | | (38,982) | (8,743) |
| Interest income | | 55 | - |
| Foreign exchange losses | | (4,368) | - |
| Restructuring costs | | (8,497) | - |
| Intercompany provision | | (2,105) | - |
| **Loss for the year before taxation** | | (53,897) | (8,743) |
| Taxation | 6 | - | - |
| **Loss for the year after taxation** | | (53,897) | (8,743) |
| Other comprehensive income | | - | - |
| **Total comprehensive loss for the year** | | (53,897) | (8,743) |

# Tullow Kenya B.V.

## Statement of financial position (after appropriation of result)
## At 31 December 2015

| | Notes | 2015 US$'000 | 2014 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible exploration and evaluation assets | 7 | 868,031 | 648,974 |
| Property, plant and equipment | 8 | 1,341 | 1,610 |
| | | 869,372 | 650,584 |
| **Current assets** | | | |
| Trade and other receivables | 9 | 49,077 | 138,758 |
| Related party loan receivable | 10 | 6,402 | - |
| Inventory | 11 | 8,577 | 16,798 |
| Cash and cash equivalents | 12 | 39,926 | 20,575 |
| | | 103,982 | 176,131 |
| **Total assets** | | 973,354 | 826,715 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 91,474 | 57,107 |
| Related party loans payable | 14 | 57,367 | 89,903 |
| Provision | 15 | - | 1,920 |
| | | 148,841 | 148,930 |
| **Total liabilities** | | 148,841 | 148,930 |
| **Net assets** | | 824,513 | 677,785 |
| **Equity** | | | |
| Share capital | 16 | 865,417 | 750,130 |
| Other reserves - revaluation reserve | 16 | 109,778 | 27,732 |
| Other reserves - share-based payment reserve | 17 | 7,912 | 4,620 |
| Other reserves - accumulated loss | | (158,594) | (104,697) |
| **Total equity** | | 824,513 | 677,785 |

Signed by the board on 31 May 2016.

P McDade

Director, P McDade

R Rowland-Clark

Director, R Rowland-Clark

K Massie

Director, K Massie

Director, R Miller

## Tullow Kenya B.V.

## Statement of changes in equity
## For the year ended 31 December 2015

| | 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 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 |
| Share issue | 197,333 | - | - | - | 197,333 |
| Restatement of share capital | (82,046) | 82,046 | - | - | - |
| Total comprehensive loss for the year | - | - | (53,897) | - | (53,897) |
| Recognition of share based payment | - | - | - | 3,292 | 3,292 |
| **Balance at 31 December 2015** | 865,417 | 109,778 | (158,594) | 7,912 | 824,513 |

# Tullow Kenya B.V.

## Statement of cash flows
## For the year ended 31 December 2015

| | Notes | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from / (utilised in) operations | 18 | 94,511 | (42,733) |
| *Net cash inflow / (outflow) from operating activities* | | 94,511 | (42,733) |
| **Cash flows from investing activities** | | | |
| Acquisition of intangible exploration and evaluation assets | | (230,669) | (426,009) |
| Acquisition of property, plant and equipment | | (469) | (1,462) |
| Interest income | | 55 | - |
| *Net cash outflow from investing activities* | | (231,083) | (427,471) |
| **Cash flows from financing activities** | | | |
| Issue of share capital | | - | 541,615 |
| Change in related party loans receivable | | (8,507) | 17,734 |
| Change in related party loans payable | | 164,797 | (80,633) |
| *Net cash inflow from financing activities* | | 156,290 | 478,716 |
| **Net increase in cash and cash equivalents** | | 19,718 | 8,512 |
| Cash and cash equivalents at beginning of the year | | 20,575 | 12,063 |
| Effects of exchange rate changes on cash and cash equivalents | | (367) | - |
| **Cash and cash equivalents at end of the year** | 12 | 39,926 | 20,575 |

### 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**

New and revised Standards and Interpretations adopted in the current year did not have any significant impact on the amounts reported in these financial statements.

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 5 | Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal |
| IFRS 9 | Financial Instruments |
| IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| IFRS 14 | Regulatory Deferral Accounts |
| IFRS 15 | Revenue from Contracts with Customers |
| IFRS 16 | Leases |
| IAS 1 | Disclosure Initiative |
| IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| IAS 19 | Employee Benefits - Discount rate: regional market issue |
| IAS 27 | Equity Method in Separate Financial Statements |
| IAS 34 | Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report' |

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 in note 2, 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 and functional 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 functional currency at the exchange rate ruling at the statement of financial position date, with a corresponding charge or credit to the statement of comprehensive income. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the revaluation reserve and recognised in profit or loss on disposal of the net investment. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**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 is amortised in accordance with the company's depletion and amortisation accounting policy.

Cash consideration received on farm-down of exploration and evaluation assets is credited against the carrying value of the asset.

**Depletion and amortisation – discovery fields**

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

# Notes to the financial statements (continued)
**For the year ended 31 December 2015**

## 3. Accounting policies (continued)

### Depletion and amortisation – discovery fields (continued)

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash-generating unit for impairment purposes.

Any impairment identified is charged to the statement of comprehensive income as additional depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the statement of comprehensive income, net of any amortisation that would have been charged since the impairment.

### 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 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 is 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.

### 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.

**3. Accounting policies (continued)**

**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**

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the statement of financial position 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. Deferred tax is measured on a non-discounted basis.

Petroleum Revenue Tax (PRT) is treated as an income tax and deferred PRT is accounted for under the temporary difference method. Current UK PRT is charged as a tax expense on chargeable field profits included in the statement of comprehensive income and is deductible for UK corporation tax.

In order to account for uncertain tax positions management has formed an accounting policy, in accordance with IAS 8, whereby the ultimate outcome of legal proceedings is viewed as a single unit of account. The results of separate hearings in relation to the same matter, such as local tribunals and international arbitration, are not viewed separately and only the final outcome is assessed by management to determine the best estimate of any potential outcome. If management viewed the results of individual hearings separately an statement of comprehensive income charge could arise due to the differing recognition criteria of assets and liabilities.

**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.

## 3. Accounting policies (continued)

### 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 company assesses critical accounting judgements annually. 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.

- 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.

**4. Critical accounting judgements (continued)**

**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 2016 financial year.

The company recorded a loss of US$53,897,000 (2014: loss of US$8,743,000) for the period to 31 December 2015. As at 31 December 2015 the company had a net asset position of US$824,513,000 (2014: US$677,785,000).

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.

A dividend amount to US$nil was paid during the current year (2014: $USnil).

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 includes an intercompany service charge of $5,354,961 (2014: $5,564,384) which is borne by the company. The remaining balance represents the portion of payroll, contractor and other general and administration costs that are not re-charged to the assets. 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

(a) Analysis of charge in the year

No current taxation is payable in the current year (2014: US$nil).

(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:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Loss for the year before taxation | (53,897) | (8,743) |
| Tax credit on loss on ordinary activities at standard UK corporate income tax rate of 20,25% (2014: 21,5%) | (10,779) | (1,836) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 5,654 | 153 |
| Loss not recognised | 5,125 | 1,683 |
| Company's total income tax expense for the year | - | - |

The company is subject to UK corporation tax. The Finance Act 2013 provided a reduction in the main rate of UK corporation tax from 23% to 21%, effective from 1 April 2014. The Finance Act 2014 provided a reduction in the main rate of UK corporation tax from 21% to 20%, effective from 1 April 2015. The Finance (No.2) Act 2015 announced further reductions in the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020.

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 which can be carried forward against future taxable income.

### 7. Intangible exploration and evaluation assets

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | 648,974 | 295,840 |
| Additions | 247,326 | 353,864 |
| Exploration costs written off | (28,269) | (730) |
| | 868,031 | 648,974 |
| **Net book value** | | |
| At 31 December | 868,031 | 648,974 |

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.

Exploration costs were written off during the year due to current year unsuccessful drilling results.

### 8. Property, plant and equipment

| 2015 | Opening balance US$'000 | Additions US$'000 | Closing balance US$'000 |
|---|---|---|---|
| **Cost** | | | |
| Equipment | 1,232 | 421 | 1,653 |
| Fixtures and fittings | 866 | 48 | 914 |
| Vehicles | 917 | - | 917 |
| | 3,015 | 469 | 3,484 |

| | Opening balance US$'000 | Depreciation US$'000 | Closing balance US$'000 |
|---|---|---|---|
| **Accumulated depreciation** | | | |
| Equipment | (810) | (275) | (1,085) |
| Fixtures and fittings | (370) | (190) | (560) |
| Vehicles | (225) | (273) | (498) |
| | (1,405) | (738) | (2,143) |
| **Net book value** | 1,610 | | 1,341 |

## 8. Property, plant and equipment (continued)

| 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 |

## 9. Trade and other receivables

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Trade receivables | - | 1,899 |
| Prepayments | 1,193 | 1,240 |
| Joint venture receivables | 45,898 | 133,456 |
| Payroll tax receivable | 1,986 | 2,163 |
| | 49,077 | 138,758 |

As at 31 December 2015, US$10,708,524 of the balance was held in non-US dollar denominated currencies.

### 10. Related party loans receivable

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Tullow Uganda Operations Limited | 485 | - |
| Tullow (EA) Holdings Limited | 9 | - |
| Tullow Oil 100 Limited | 8,013 | - |
| Provision for related party loans receivable | (2,105) | - |
| | 6,402 | - |

The above loans are unsecured, have no fixed repayment terms and no interest is applicable. All intercompany balances are deemed recoverable except for a portion of the intercompany loan receivable from Tullow Oil 100 Limited, which has been deemed irrecoverable based on a review of the net assets of the company. As at 31 December 2015, US$(9,433,707) of the balance was held in non-US dollar denominated currencies. The amount of non-US dollar denominated currencies in USD equivalent exceed the total receivable balance as some of these non-US dollar denominated currencies receivables are netted with USD payables balances in which the related party entity and the expected settlement date is the same.

### 11. Inventory

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Operated inventory | 8,577 | 16,798 |

### 12. Cash and cash equivalents

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Petty cash | 97 | 35 |
| Royal Bank of Scotland - EUR bank account | 3 | - |
| Royal Bank of Scotland - USD bank account | 35,721 | 3,266 |
| Royal Bank of Scotland - GBP bank account | 194 | - |
| Standard Chartered Bank - KES bank account | 3,869 | 16,556 |
| Standard Chartered Bank - USD bank account | 42 | 718 |
| | 39,926 | 20,575 |

As at 31 December 2015, US$4,136,452 of the balance was held in non-US dollar denominated currencies.

### 13. Trade and other payables

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Trade payables | 7,345 | 5 |
| Expense accruals | 82,324 | 53,980 |
| Withholding tax | 305 | 3,120 |
| Payroll tax | 1,500 | 2 |
| | 91,474 | 57,107 |

### 13. Trade and other payables (continued)

As at 31 December 2015, US$4,471,613 of the balance was held in non-US dollar denominated currencies.

### 14. Related party loans payable

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Tullow Global Compliance B.V. | 4,435 | 7,642 |
| Tullow Oil Finance Limited | 34,590 | 28,296 |
| Tullow Oil International Limited | 418 | 4,239 |
| Tullow (EA) Holdings Limited | - | 1,993 |
| Tullow Uganda Operations Limited | - | 260 |
| Tullow Oil 100 Limited | - | 47,473 |
| Tullow Ghana Limited | 55 | - |
| Tullow Group Services Limited | 17,869 | - |
| | 57,367 | 89,903 |

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. As at 31 December 2015, US$34,960,981 of the balance was held in non-US dollar denominated currencies.

### 15. Provision

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| At 1 January | 1,920 | - |
| Additions | - | 1,920 |
| Payments | (1,920) | - |
| | - | 1,920 |

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

### 16. Share capital

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| **Issued** | | |
| 792,029,506 ordinary shares of €1 each<br>(2014: 617,056,635 ordinary shares of €1 each) | 865,417 | 750,130 |

The €/US$ exchange rate at 16 July 2010 (incorporation date) was US$0.779. On 24 November 2015 a further 174,972,871 shares were issued at a €/US$ exchange rate of 0.8867 for US$197,332,654. The €/US$ exchange rate at 31 December 2015 was US$0.9152 (2014: US$0.8226).

The revaluation reserve of US$109,778,112 (2014: US$27,732,480) has been included in the balance of share capital.

## 17. Other reserves - share-based payment reserve

| Reconciliation of share-based payment charge | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Tullow Incentive Plan | 299 | 190 |
| 2005 Performance Share Plan | 81 | 548 |
| Employee Share Award Plan | 2,246 | 743 |
| 2010 Share Option Plan and 2000 Executive Share Option Scheme | 666 | 1,104 |
| Total share-based payment charge | 3,292 | 2,585 |
| Capitalised to intangible and tangible assets | 3,292 | 2,585 |
| Total share-based payment charge | 3,292 | 2,585 |

**Tullow Incentive Plan (TIP)**

Under the TIP, senior management 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.

The weighted average remaining contractual life for TIP awards outstanding at 31 December 2015 was 6.9 years.

**2005 Performance Share Plan (PSP)**

Under the PSP, senior management 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.

The weighted average remaining contractual life for PSP awards outstanding at 31 December 2015 was 4.8 years.

**Employee Share Award Plan (ESAP)**

Most Group 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.

The weighted average remaining contractual life for ESAP awards outstanding at 31 December 2015 was 8.8 years.

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

**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 Group'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 2015 had exercise prices of 646p to 1518p (2014: 646p to 1518p) and remaining contractual lives between 9 days and 8 years. The weighted average remaining contractual life is 4.3 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 TIP, PSP, ESAP and 2010 SOP / 2000 ESOS.

| | Outstand-ing as at 1 January | Transferred from/(to) another company | Granted during the year | Exercised during the year | Forfeited/ expired during the year | Outstand-ing at 31 December | Exercisable at 31 December |
|---|---|---|---|---|---|---|---|
| 2015 TIP– number of shares | 57,436 | (27,457) | 54,887 | - | - | 84,866 | - |
| 2015 TIP – average weighted share price at grant | 782.0 | - | 409.0 | - | - | 540.76 | |
| 2014 TIP– number of shares | - | - | 57,436 | - | - | 57,436 | - |
| 2014 TIP – average weighted share price at grant | - | - | 782.0 | - | - | 782.0 | |
| 2015 PSP – number of shares | 158,548 | (85,128) | - | - | (26,474) | 46,946 | 3,783 |
| 2015 PSP – average weighted share price at grant | 1,325.5 | - | - | - | 1,480.0 | 1,246.0 | 1,281.0 |
| 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 |
| 2015 ESAP– number of shares | 237,812 | (51,580) | 1,143,727 | - | (1,605) | 1,328,354 | - |
| 2015 ESAP – average weighted share price at grant | 779.7 | - | 298.1 | - | 285.1 | 365.5 | - |
| 2014 ESAP– number of shares | - | - | 237,812 | - | - | 237,812 | - |
| 2014 ESAP – average weighted share price at grant | - | - | 779.9 | - | - | 779.9 | - |
| 2015 SOP/ESOS – number of shares | 717,793 | (275,375) | - | - | - | 442,418 | 145,223 |
| 2015 SOP/ESOS – WAEP | 1,199.3 | - | - | - | - | 1,268.1 | 1,424.5 |
| 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 |

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2015 Phantoms – number of phantom shares | 71,905 | (30,479) | - | - | - | 41,426 | 41,426 |
| 2015 Phantoms – WAEP | 1,274.5 | - | - | - | - | 1,267.1 | 1,267.1 |
| 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 |

The options granted during the year were valued using a proprietary binomial valuation.

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

| | 2015 TIP | 2015 ESAP | 2014 TIP | 2014 ESAP |
|---|---|---|---|---|
| Weighted average fair value of awards granted | 406.1p | 304.2p | 782.0p | 744.7p |
| Weighted average share price at exercise for awards exercised | - | 319.0 | - | - |
| Principal inputs to options valuations model: | | | | |
| Weighted average share price at grant | 406.1p | 304.2p | 782.0p | 779.9p |
| Weighted average exercise price | 0.0p | 0.0p | 0.0p | 0.0p |
| Risk-free interest rate per annum | 0.9 - 1.3% | 0.5 - 1.0% | 1.1 - 1.5% | 1.1 - 1.4% |
| Expected volatility per annum[1] | 32 - 36% | 32 - 41% | 33 - 34% | 32 - 34% |
| Expected award life (years)[2] | 3.3 | 2.2 | 3.1 | 3.0 |
| Dividend yield per annum | n/a | 0.0% | n/a | 1.5 - 1.7% |
| Employee turnover before vesting per annum[3] | 5% / 0% | 5% | 5% / 0% | 5% |

1. 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.
2. 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.
3. Zero turnover is assumed for TIP awards made to executives and Directors, 5% per annum for TIP awards to senior management.

| | 2015 PSP | 2014 PSP | 2015 DSBP | 2014 DSBP | 2015 SOP/ESOS[1] | 2014 SOP/ESOS[1] |
|---|---|---|---|---|---|---|
| Weighted average share price at exercise for awards exercised | 294.5p | 728.7p | 384.6p | 792.5p | 409.0p | 752.8p |

1. Includes the replacement phantom awards made during 2013.

## 18. Cash generated from / (utilised in) operations

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Loss for the year before taxation | (53,897) | (8,743) |
| Exploration costs written off | 28,269 | 730 |
| Depreciation | 738 | 578 |
| Interest income | (55) | - |
| Foreign exchange losses | 4,368 | - |
| Provision for related party loans receivable | 2,105 | - |
| Operating loss before working capital changes | (18,472) | (7,435) |
| Working capital changes: | | |
| Decrease in trade and other receivables | 89,681 | 10,912 |
| Decrease in inventory | 8,221 | 2,396 |
| Increase / (decrease) in trade and other payables | 15,081 | (50,526) |
| Increase in provision | - | 1,920 |
| Cash generated from / (utilised in) operations | 94,511 | (42,733) |

## 19. Directors' emoluments and employees

None of the directors received any remuneration for their services to the company during the year (2014: US$nil).

The average number of employees during the year was 243 (2014: 313).

## 20. Contingent liabilities and commitments

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Contracted for | 14,278 | 150,476 |

The capital commitments relate to the following financial year and will be financed by holding company loans. Apart from commitments relating to completing the company's exploration activities, there were no contingent liabilities or commitments at the end of the year (2014: US$nil).

## 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:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| **Tullow Oil International Limited** | | |
| Related party loan payable | (418) | (4,239) |
| Service charges | (463) | (689) |
| **Tullow (EA) Holdings Limited** | | |
| Related party loan receivable / (payable) | 9 | (1,993) |
| Provision for related party loan receivable | (5) | - |
| Service charges | (330) | (802) |
| **Tullow Global Compliance B.V.** | | |
| Related party loan payable | (4,435) | (7,642) |
| Service charges | - | (47) |
| **Tullow Oil Finance Limited** | | |
| Related party loan payable | (34,590) | (28,296) |
| **Tullow Uganda Operations Limited** | | |
| Related party loan receivable / (payable) | 485 | (260) |
| Service charges | 38 | (11) |
| **Tullow Oil 100 Limited** | | |
| Related party loan receivable / (payable) | 8,013 | (47,473) |
| Provision for related party loan receivable | (2,100) | - |
| Service charges | (1,913) | (4,015) |
| **Tullow Group Services** | | |
| Related party loan payable | (17,869) | - |
| Service charges | (2,687) | - |
| **Tullow Ghana Limited** | | |
| Related party loan payable | (55) | - |

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**

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| *Financial assets* | | |
| Loans and receivables (including cash and cash equivalents) | 94,212 | 158,093 |
| *Financial liabilities* | | |
| Loans and payables | 148,841 | 147,010 |

**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.

**Foreign currency risk**

Wherever possible, the company conducts and manages its business in US dollars, the operating currency of the industry in which it operates. The company has foreign currency exposure to the Sterling. The company's sensitivity to a 10 percent increase / decrease in the US dollar against the relevant foreign currency is US$3,402,133.

### 24. Financial instruments (continued)

**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 2015 would decrease / increase by US$399,255 (2014: US$205,754). 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.

| 2015 | 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 | 39,926 | - | - | 39,926 |
| Trade and other receivables | Interest free | 47,884 | - | - | 47,884 |
| Related party receivable | Interest free | 6,402 | - | - | 6,402 |
| | | 94,212 | - | - | 94,212 |

| 2015 | 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 | 91,474 | - | - | 91,474 |
| Related party loan payables | Interest free | 57,367 | - | - | 57,367 |
| | | 148,841 | - | - | 148,841 |

**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 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | Daily bank rate | 20,575 | - | - | 20,575 |
| Trade and other receivables | Interest free | 137,518 | - | - | 137,518 |
| | | 158,093 | - | - | 158,093 |

| 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 | 57,107 | - | - | 57,107 |
| Related party loan payables | Interest free | 89,903 | - | - | 89,903 |
| | | 147,010 | - | - | 147,010 |

Signed by the board on 11 May 2016.

Director, P McDade

Director, R Rowland-Clark

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 2014

The annual report 2014 was approved at the General Meeting held on 25 June 2015. 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 2015

The board of directors proposes to include the net result amounting to a loss of US$53,897,000 (2014: US$8,743,000) in the accumulated loss of the company. This proposal has been reflected in the accompanying financial statements.

### Events subsequent to the financial year end

In January 2016, the company completed the farm-down of its 25% interest in block 12A to Delonex.

Other than the above, 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.