Company Registration No. 3084447

PETRO-CANADA ENERGY NORTH SEA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

PETRO-CANADA ENERGY NORTH SEA LIMITED

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PETRO-CANADA ENERGY NORTH SEA LIMITED

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and the audited financial statements for the year ended 31 December 2016. The directors' report has been prepared in accordance with the special provisions relating to small companies under section 415 (A) of the Companies Act 2006.

Principal activities

The Company has no trading activities and only generates income from a loan to fellow group undertakings, Suncor Energy UK Limited and Petro-Canada International GmbH.

General Information

Petro-Canada Energy North Sea Limited (the company) is a limited liability company, incorporated and domiciled in England.

The company's registered office is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

The immediate parent company is Suncor Energy UK Limited. The ultimate parent company is Suncor Energy Inc., which is incorporated in Canada.

Suncor Energy Inc. is the parent undertaking of the largest company of undertakings to consolidate these financial statements as at 31 December 2016. The consolidated financial statements of Suncor Energy Inc. are available from:-

Suncor Energy Inc. 150 – 6th Avenue SW, Calgary, Alberta, Canada, T2P 3E3

Business review and future developments

Transactions in the year relate to inter-company loan interest and the related tax thereon. At the balance sheet date, the amount of £95 million plus accrued interest remains outstanding on such loans. Petro-Canada International GmbH intends to pay the remaining £95 million loan by December 2017. The directors have assessed and concluded that all the existing balances will be recovered at book value.

Results and dividends

The Company's profit for the financial year amounted to £722,000 (2015: £829,000). The Company has not paid dividends in 2016 (2015: nil).

Financial risk management objectives and policies

The Company's main activities expose it to the financial risks of foreign exchange. The Board will, however, continue to closely monitor the risks associated with the currency fluctuations and manage these with regard to the Company's commitments.

Foreign Exchange risk

The company's activities expose it primarily to the financial risks in changes of foreign currency exchange rates. Any foreign currency exposure is managed at corporate level in compliance with Suncor group policies.

Directors and their interests

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

R. A. Davie	(British)	
S. Trueman	(British)	
M. Thalgott	(Canadian)	Resigned 1st February 2016
D. Zeller	(Canadian)	Appointed 1st February 2016

The directors who held office at the end of the financial year do not have any interests in the shares of the Company or any other UK company, nor received any remuneration from the Company.

Going Concern

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

The Company relies upon its fellow group company, Petro-Canada International GmbH, to repay the intercompany loan. The directors of the Company are satisfied that the Company's counterparty is in a strong financial position and that these receivables are fully recoverable.

Charitable and political contributions

The Company did not make any charitable or political contributions (2015: nil).

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

PETRO-CANADA ENERGY NORTH SEA LIMITED

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board.

R. A. Davie

Director

Independent auditors' report to the members of Petro-Canada Energy North Sea Limited

Report on the financial statements

Our opinion

In our opinion, Petro-Canada Energy North Sea Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether this report includes the disclosures required by applicable legal requirements.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
26 September 2017

PETRO-CANADA ENERGY NORTH SEA LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Administrative expenses	2	**(30)**	(10)
Operating loss		**(30)**	(10)
Interest receivable and similar income	3	**933**	1,050
Profit before income tax		**903**	1,040
Tax on profit	4	**(181)**	(211)
Profit for the financial year		**722**	829

There is no other comprehensive income during the year other than the profit for the financial year. Accordingly, a statement of other comprehensive income is not presented.

The Company's results are all derived from continuing activities.

PETRO-CANADA ENERGY NORTH SEA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Current assets			
Debtors	6	**137,633**	136,793
		137,633	136,793
Creditors: amounts falling due within one year	7	**(1,301)**	(1,183)
Net current assets		**136,332**	135,610
Net assets		**136,332**	135,610
Capital and reserves			
Called up share capital	8	**1,279**	1,279
Share premium account		**129,715**	129,715
Profit and loss account		**5,338**	4,616
Total shareholders' funds		**136,332**	135,610

The financial statements on pages 7 to 15 were approved by the Board of Directors and were signed on its behalf by:

R. A. Davie

Director

Company Number 3084447

PETRO-CANADA ENERGY NORTH SEA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up Share capital	Share Premium account	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000
At 1 January 2015	1,279	129,715	3,787	134,781
Profit for the financial year	-	-	829	829
At 31 December 2015	1,279	129,715	4,616	135,610
Profit for the financial year	-	-	722	722
At 31 December 2016	1,279	129,715	5,338	136,332

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

(a) Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Accounting standards, in particular, Financial Reporting Standards 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for purposes of FRS 101. Note 9 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The financial statements have been prepared under historical cost convention.

(b) Disclosure Requirements

The Company has adopted disclosure exemptions as allowed by FRS 101. The exemption covers some disclosures in the following standards.

IFRS 13 - Disclosure relating to fair value measurements.

IAS 7 - A cash flow statement is not required.

IAS 8 - Disclosure in respect of new standards and interpretations that have been issued but which are not yet effective.

IAS 24 - Disclosure of key management personnel compensation and for related party transactions entered into between two or more members of a group (for wholly owned subsidiaries).

(c) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Tax losses are surrendered or claimed in the form of group relief with consideration being received or paid accordingly. The group relief amount is recorded separately within the debtors and creditors amounts in the balance sheet as appropriate and is calculated by applying the tax rate enacted or substantively enacted at the balance sheet date to the loss amount.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(d) Foreign currencies

Transactions in foreign currencies are recorded at the relevant rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

1 Accounting policies (Continued)

(e) Interest receivable and payable

Interest arising is charged or credited to the profit and loss account in the year in which it is payable or receivable.

(f) Going Concern

The company's business activities, together with the factors likely to affect its future development and performance, are set out in the Directors' report on page 2. The Report also outlines the company's financial risk management policies. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(g) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management have considered the estimates and assumptions that have been made in calculating the carrying amounts of assets and liabilities and do not consider any to have a significant risk of causing a material adjustment within the next financial year.

(h) Changes in accounting policy and disclosures

(1) New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2016 have had a material impact on the company.

(2) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the group or parent company, except the following, set out below:

i) IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.
For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. The impact of IFRS 9 is being assessed by management. The main impact is likely to arise from the implementation of the expected loss model although full quantification of this impact is still underway.

1 Accounting policies (Continued)

(h) Changes in accounting policy and disclosures (Continued)

(2) New standards, amendments and interpretations not yet adopted (Continued)

ii) IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement.

The impact of IFRS 15 is being assessed by management. Implementation of IFRS 15 requires a thorough review of existing contractual arrangements. At present, the directors anticipate there may be some changes in the recognition of royalty income leading to earlier recognition of some income although the amounts involved are relatively immaterial. The transition work in respect of other areas is on-going but has not, as yet, highlighted potentially material adjustments.

iii) IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17
'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The full impact of IFRS 16 has not yet been assessed.

2. Administrative expenses

Administrative Expenses Include

	2016	2015
	£000	£000
Professional Fees	**23**	3
Auditors' Fees	7	7
Total	**30**	10

Two directors exercised stock options in the ultimate parent company during 2016 (2015: 3). No directors received any remuneration for their services to the Company in 2016 (2015: £nil).

This company had no employees for the year to 31 December 2016 (2015: nil).

3. Interest receivable and similar income

	2016 £000	2015 £000
Interest received and receivable from group undertakings	**933**	1,050

4. Tax on profit

(a) Analysis of tax charge in the year

	2016 £000	2015 £000
Current tax		
Group relief payable	**181**	211
Total tax charge on profit	**181**	211

(b) Reconciliation of tax charge in the year

	2016 £000	2015 £000
Profit before income tax	**903**	**1,040**
Tax at 20.00% (2015: 20.25%)	**181**	**211**
Total tax charge for the year	**181**	**211**

There was no deferred tax at either balance sheet date.

Factors affecting current and future tax changes

The main rate of UK corporation tax reduced from 21% to 20% with effect from 1 April 2015. In addition, the UK government has enacted legislation to reduce the main rate of corporation tax by a further 1% to 19% from 1 April 2017. Further reductions to the main rate were announced in the Budget 2016, which reduce the rate to 17% from 1 April 2020

The changes to the tax rates do not have a material impact on these financial statements.

5. Dividends paid

The Company has not paid dividends in 2016 (2015: nil).

6. Debtors

	2016 £000	2015 £000
Amounts falling due within one year		
Amounts owed by fellow subsidiary undertaking	**96,119**	96,209
Amounts owed by group undertakings:		
- internal clearing cash account	**41,513**	40,580
Other debtors	**1**	4
	137,633	136,793

Amounts owed by other group undertakings are unsecured, interest bearing and repayable on demand.

Amounts owed by fellow group undertakings is an unsecured loan of £95,000,000, and interest thereon, which was issued on 18 December 2014 and is expected to be fully repaid by December 31, 2017.

To optimise the use of liquid funds, the Company's cash is held within a cash pooling system administered by another company within the group. These accounts receive or pay interest based on market rates.

7. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to fellow subsidiary undertaking	**966**	678
Other creditors including tax	**335**	505
	1,301	1,183

The amount owed to fellow subsidiary undertaking is unsecured, interest free and repayable upon demand.

8. Called up share capital

	2016 £'000	2015 £'000
Authorised:		
300,000 (2015:300,000) Class A ordinary shares of US$10 each	**1,634**	1,634
10,000 (2015:10,000) Class B ordinary shares of £1 each	**10**	10
	1,644	1,644
Called up, allotted and fully paid		
234,588 (2015 - 234,588) Class A ordinary shares of US$10 each	**1,278**	1,278
1,000 (2015:1,000) Class B ordinary shares of £1 each	**1**	1
	1,279	1,279

Class B ordinary shares carry full voting rights; however, they carry no right to receive dividends from the Company and their economic worth is limited to the nominal value of the shares.

9. Ultimate parent company

Suncor Energy UK Limited is the immediate parent company. The ultimate parent company and controlling entity at 31 December 2016 was Suncor Energy Inc., a company incorporated in Canada. The consolidated financial statements of the Suncor Energy Inc. Group, the smallest and largest to include the financial statements of the Company, are available from Suncor Energy Inc. at 150 – 6th Avenue SW, Calgary, Alberta, Canada T2P 3E3.

10. Related Party Transactions

As the company is a wholly owned subsidiary of Suncor Energy Inc, the Company has taken advantage of the exemption available under paragraph 8 of IFRS101 which allows exemption from disclosure of related party transactions with other group companies. The consolidated financial statements of Suncor Energy Inc. are publicly available.