

# **Petrogas E&P UK Limited**

Directors' Report and Financial Statements

Year Ended

31 December 2020

Company Number 05152884

# Petrogas E&P UK Limited

## Company Information

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<b>Directors</b>	U M A Al Barwani T N Chapman P N Dancer K Sen
<b>Registered number</b>	05152884
<b>Registered office</b>	1 Bartholomew Lane London United Kingdom EC2N 2AX
<b>Independent auditor</b>	BDO LLP Statutory Auditor 55 Baker Street London W1U 7EU
<b>Bankers</b>	ING Wholesale Banking 8-10 Moorgate London EC2R 6DA  ING Bank N.V Bijlmerdreef 106 1102 CT Amsterdam The Netherlands

# Petrogas E&P UK Limited

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# Petrogas E&P UK Limited

## Directors' Report For the Year Ended 31 December 2020

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The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

### Principal activity

The principal activity of the Company during the year continued to be the procurement of exploration and production oil and gas licenses and their operatorship and management on its own behalf and on behalf of its partner oil and gas companies.

### Business activities

The Company has operated and non-operated licences in the UK, Danish and German sector of the North Sea. In March 2020, the coronavirus ('COVID-19') outbreak developed rapidly with a significant number of infections. The implication of the pandemic were far reaching and momentous, with many governments across the world decided to 'close down their countries and borders', leaving a great impact on the global public health and well-being and global economy.

As a result of the COVID-19 Pandemic, there had been deterioration in the macro-economic conditions witnessed by the disruption in the demand for oil and ensuing significant drop in oil and gas prices.

### *Exit Petrogas Neo UK limited*

For Petrogas, these conditions have significantly influenced the strategic value of the transaction it had concluded in June 2019 when Petrogas and Hitec Vision (Private Equity Firm) entered into an agreement to jointly acquire assets from TOTAL UK. The transaction, Petrogas entered into through its shareholding in Petrogas NEO UK Limited (PNUK), comprised a portfolio of operated and non-operated upstream assets in the UK North Sea.

Although the completion activities of the transaction including regulatory approvals progressed well towards completion, Petrogas elected to exit the transaction amicably, as the transaction was no longer strategic for Petrogas, under the changed macro environment.

Following various rounds of discussions between Petrogas, its JV partner and Seller, parties reached a mutual agreement on Petrogas's exit. On 19th May 2020, Petrogas formally exited the transaction and ceased to be party to this acquisition by signing a deed of settlement and release. Neo Energy Holding (Hitec subsidiary) now owns 100% share in Petrogas NEO UK Ltd, the former subsidiary of Petrogas E&P UK Ltd, releasing Petrogas from all financial commitments to complete the transaction.

As part of the settlement the Company will not be able to recover the costs made with respect to the abovementioned asset acquisition. This includes the funds provided to its formerly subsidiary Petrogas NEO UK Limited with respect to the initial advance and transaction cost incurred towards this acquisition.

The settlement agreed above is offset with the discharge of the corresponding funds and costs with its parent Company Petrogas International E&P Cooperative, so has no net impact on the result or equity of the Company.

With respect to its other projects, the Company continued its activities while carefully considering the business environment, safety and health of its people and the liquidity of the Company. It focused on safeguarding its financial position, took measures to realise costs savings, rephased project expenditures and optimised its use of invested working capital where possible. Therefore at the year end the 2020 expenditures were mainly related to the non-operated Danish activities on licence 12/06 and 4/16.

The company has been confronted with the discontinuation of Spyker Energy (8% partner) in the Broder Tuck area as from March 2020 and will together with the other partners and the state participant share the costs due by Spyker with the operator. Whilst the operator will pursue the payment of the financial obligations due by Spyker, as of March 2020, Petrogas E&P UK Limited is carrying an additional 1.65% equity in the 12/6 licence, giving an effective total equity of 20.65%.

# Petrogas E&P UK Limited

## Directors' Report (continued) For the Year Ended 31 December 2020

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In the UK, the Company decided to return its licenses P2394 and P2483 and to discontinue its shallow gas exploration efforts. The Company considered the prospects small and sub-commercial in this low gas price environment.

Further the Company also progressed through its subsidiary, Petrogas North Sea limited, with the preparations for an appraisal well in the P2025 license. However due to COVID-19 Pandemic, this project could not progress as planned and an extension was received from the OGA to allow for deferral of this well to 2021.

### *New parent company*

As per 13 March 2020 due to a legal restructuring the shares of the Company were transferred within the Petrogas Group to Petrogas UK Holding BV. The new parent company was incorporated to function as an intermediate holding for the UK companies for the Petrogas Group.

### **COVID-19 and Brexit**

There is uncertainty in relation to the extent and period that COVID-19 pandemic will last, these developments could have an impact on the Company's financial position, future cashflow and operations.

Currently the Company and its subsidiary anticipate activities to continue and progress while managing and mitigating the influence of COVID-19 to the business operations, its staff and liquidity.

Management is monitoring the COVID-19 developments and adverse effects closely and together with the support of the Petrogas Group responding to unexpected increased health, safety and liquidity risks for the current operations, including the deferral of non-essential activities, where possible. The Company will also work with its contractors to include more flexibility with respect to its commitments and workprogram, where possible.

The departure and separation of the United Kingdom from the European Union has been effective since 1 January 2021. Based on the Post Brexit (Trade) Agreement, the Company has ensured that the changed requirements, legislation and regulations are and will be incorporated in its future operations. The Company assessed the current uncertainties around the Brexit as minimal.

### **Directors**

The Directors who served during the year were:

U M A Al Barwani  
T N Chapman  
P N Dancer  
K Sen

### **Directors' responsibilities statement**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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.

# Petrogas E&P UK Limited

## Directors' Report (continued) For the Year Ended 31 December 2020

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### Directors' responsibilities statement (continued)

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

### Directors' indemnity insurance

During the reporting year the Company provided a Directors' and Officers' insurance policy to those in the office.

### Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

### Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

**U M A Al Barwani**  
Director

Date: 20.04.21

# Petrogas E&P UK Limited

## Independent Auditors' Report to the Members of Petrogas E&P UK Limited

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### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its result for the year then ended;
- have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Petrogas E&P UK Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

# Petrogas E&P UK Limited

## Independent Auditors' Report to the Members of Petrogas E&P UK Limited (continued)

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### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report and financial statements, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other Companies Act 2006 reporting

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 the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to Report in respect of the following matters in relation to which the Companies Act 2006 requires us to Report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

# Petrogas E&P UK Limited

## Independent Auditors' Report to the Members of Petrogas E&P UK Limited (continued)

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### Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience through discussion with the Directors and other management (as required by auditing standards).
- We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related Company legislation) and taxation legislation. We considered that extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors.
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
- We addressed the risk of fraud through management override of controls, by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

# Petrogas E&P UK Limited

## Independent Auditors' Report to the Members of Petrogas E&P UK Limited (continued)

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### Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Michael Simms** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom

Date 20 April 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Petrogas E&P UK Limited

## Statement of Comprehensive Income For the Year Ended 31 December 2020

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	Note	2020 £	2019 £
General and administrative expenses		(325,937)	(251,492)
Exceptional (costs)/income	9	(946,290)	280,273
Other operating income		537,659	513,062
<b>Operating result</b>	4	<b>(734,568)</b>	541,843
Interest receivable and similar income		36,088	5,009
Interest payable and expenses	7	(1,907,772)	(1,371,466)
<b>Result before tax</b>		<b>(2,606,252)</b>	(824,614)
Tax on ordinary activities	8	-	-
<b>Result for the financial year</b>		<b>(2,606,252)</b>	(824,614)

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 11 to 21 form part of these financial statements.

# Petrogas E&P UK Limited

Registered number: 05152884

## Statement of Financial Position As at 31 December 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	10	4,107,765	4,035,649
Financial Fixed Assets	11	100	200
		<u>4,107,865</u>	<u>4,035,849</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	7,758,949	13,915,441
Cash at bank and in hand		44,586	457,098
		<u>7,803,535</u>	<u>14,372,539</u>
Creditors: amounts falling due within one year	13	(2,989,740)	(14,534,141)
<b>Net current assets/(liabilities)</b>		<u>4,813,795</u>	<u>(161,602)</u>
<b>Total assets less current liabilities</b>		<u>8,921,660</u>	<u>3,874,247</u>
Creditors: amounts falling due after more than one year	14	(19,584,693)	(11,931,028)
<b>Net liabilities</b>		<u>(10,663,033)</u>	<u>(8,056,781)</u>
<b>Capital and reserves</b>			
Called up share capital	15	31,169,700	31,169,700
Accumulated losses		(41,832,733)	(39,226,481)
		<u>(10,663,033)</u>	<u>(8,056,781)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

**U M A Al Barwani**  
Director

Date: 20.04.21

The notes on pages 11 to 21 form part of these financial statements.

# Petrogas E&P UK Limited

## Statement of Changes in Equity For the Year Ended 31 December 2020

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	Called up share capital £	Accumulated losses £	Total equity £
<b>At 1 January 2019</b>	<b>31,169,700</b>	<b>(38,401,867)</b>	<b>(7,232,167)</b>
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(824,614)	(824,614)
<b>At 1 January 2020</b>	<b>31,169,700</b>	<b>(39,226,481)</b>	<b>(8,056,781)</b>
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(2,606,252)	(2,606,252)
<b>At 31 December 2020</b>	<b>31,169,700</b>	<b>(41,832,733)</b>	<b>(10,663,033)</b>

The notes on pages 11 to 21 form part of these financial statements.

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

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### 1. General information

Petrogas E&P UK Limited is a private Company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activity are set out in the Directors' Report on page 1.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company's exploration and development activities are generally conducted in joint arrangements with other companies. These joint arrangements are wholly risk sharing in nature and therefore will fall within the FRS 102 Section 15. The financial statements therefore reflect the proportion of capital expenditure and operating costs applicable to the Company relative to the Company's interests.

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exception to prepare consolidated accounts.

The Company has taken advantage of the exemption from preparing a Statement of Cash Flows in accordance with section 1A of FRS 102 as it is a small entity.

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

#### 2.2 Going concern

As in previous years, Petrogas E&P UK Limited (the 'Company') has no income from its assets and is wholly dependent upon Petrogas International E&P Cooperatief U.A., for funding its 2021 operations. Petrogas International E&P Cooperatief U.A., is a reputable enterprise having assets through its subsidiaries in the Netherlands and is financially supported by its parent Petrogas E&P LLC.

Based on early stage projects the Company is involved in, the Company is financed in full by its parent company. Petrogas E&P LLC has undertaken to provide financial support until 31 December 2022.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Based on their assessment of the current uncertainties towards a situation in which the COVID-19 crisis is behind us, the Company has sufficient working capital for the foreseeable future, based on the support of its parent Company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Considering this and all other pertinent matters, the Directors have elected to prepare these financial statements on a going concern basis.

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

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### 2. Accounting policies (continued)

#### 2.3 Intangible assets

Expenditures for exploration and evaluation of oil and gas properties are reported according to the Full Cost Method. All costs attributable to exploration, drilling and evaluation of such interests are capitalised in full. The expenditures are accumulated separately for each licence right and the capitalisation of exploration and evaluation assets, or alternatively oil and gas properties depends on the development phase that has been reached.

Expenditure incurred prior to the acquisition of a licence is written off to the Statement of Comprehensive Income as it is incurred, as is expenditure on licences that are subsequently relinquished.

#### 2.4 Impairment of intangible assets

Assets that are not subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the asset's (of CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### 2.5 Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 2.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans to related parties and investments in non-puttable ordinary shares.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

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### 2. Accounting policies (continued)

#### 2.8 Financial instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

#### 2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 2.10 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.11 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### 2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

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### 2. Accounting policies (continued)

#### 2.13 Taxation

The tax expense represents the sum of current tax and deferred tax.

The charge for current tax is based on the results for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is recognised in the same component of the Statement of Comprehensive Income, other comprehensive income or equity as the transaction or event that resulted in the tax expense or income.

Deferred tax is the tax expected to be payable or recoverable on timing differences between taxable profits and the total comprehensive income as reported in the financial statements.

Deferred tax liabilities are recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits will be available against which timing differences can be utilised. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the total comprehensive income.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

A change in deferred tax assets and liabilities as a result of a change in the tax rates or laws is recognised in comprehensive income, or other comprehensive income to the extent that it relates to items previously recognised in other comprehensive income.

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The main estimates and assumptions are shown below:

#### **Estimates and assumptions of oil and gas reserves:**

The valuation of oil and gas properties is based on estimates and assumptions concerning oil and gas resources at the time of acquisition and the expected oil and gas that may be subsequently produced annually.

#### **Impairment testing of receivables**

The funds provided to its subsidiaries were impaired to its recoverable amount based on the value of the supporting exploration and evaluation assets owned and investments undertaken by its subsidiaries taking into account the support from group for these subsidiaries.

#### **Impairment testing of exploration and evaluation assets as well as oil and gas properties:**

The exploration and evaluation assets were impaired to its recoverable amount which was its fair value less costs to sell, when an indication or trigger of impairment applies.

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 4. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	(15,667)	(14,867)
Accounts preparation services	(2,667)	(2,667)
Tax compliance services	(3,333)	(2,883)
Exchange gains	537,659	513,036
	<u>537,659</u>	<u>513,036</u>

### 5. Employees

The average monthly number of employees, including Directors, during the year was 4 (2019 - 4).

### 6. Directors' remuneration

The Directors' remuneration was borne by the parent company. The Directors do not consider there to be any members of key management other than the Directors themselves.

### 7. Interest payable and similar expenses

	2020 £	2019 £
Other interest payable	-	1,167
Interest payable on parent company loan	1,907,772	1,370,299
	<u>1,907,772</u>	<u>1,371,466</u>

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 8. Taxation

	2020 £	2019 £
Total current tax	-	-

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	<b>(2,606,252)</b>	(824,614)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	<b>(495,188)</b>	(156,676)
<b>Effects of:</b>		
Capital allowances for year in excess of depreciation	<b>(278,091)</b>	(90,912)
Unrelieved tax losses carried forward	<b>773,279</b>	247,588
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

#### Factors that may affect future tax charges

The finance Act (No2) 2015, which was passed on 18 November 2015, provided that the main UK corporation tax rate was reduced to 19% as from 1 April 2017 and would be reduced to 17% from 2020. The rate has however been maintained at 19% rather than reducing it to 17% from 1 April 2020. The charge to Corporation Tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

At 31 December 2020 the Company has tax losses amounting to £88m (2019: £84m) available to offset against future trading profits. A deferred tax asset has not been recognized in respect of these losses as the conditions for recognition have not been realised

The tax regime which applies to exploration for, and production of, oil and gas in the UK and on the UK Continental Shelf (UKCS) currently comprises of a ring fence corporation tax of 30% and Supplementary charge in respect of ring fence trades of 10%. The main consequence of the ring-fence is that non-ringfence losses may not be offset against the profits from a ring-fence trade. However, losses from a ring-fence trade can be offset against non-ringfence profits.

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 9. Exceptional costs/(income)

	2020 £	2019 £
Impairment of intangible assets	946,290	35,819
Discontinued operations relating to Petrogas NEO UK Limited	(18,759,543)	-
Payable forgiveness Petrogas International E&P Cooperatief U.A.	18,759,543	-
Allowance for doubtful receivable	-	(316,092)
	<u>946,290</u>	<u>(280,273)</u>

The 2019 allowance for doubtful debtors is an allowance for the receivable from Petrogas North Sea Limited, a group undertaking. The reversal was a result of the received funds from the operator on behalf of its subsidiary, Petrogas North Sea Limited, which reduced the outstanding intercompany balance in 2019.

In June 2019, Petrogas and Hitec Vision (Private Equity Firm) entered into an agreement to jointly acquire assets from TOTAL UK. The transaction, Petrogas entered into through its shareholding in Petrogas NEO UK Limited (PNUK) comprised a portfolio of operated and non-operated upstream assets in the UK North Sea.

As a result of the COVID-19 Pandemic, there had been deterioration in the macro-economic conditions witnessed by the disruption in the demand for oil and ensuing significant drop in oil and gas prices. For Petrogas, these conditions have significantly influenced the strategic value of the transaction. Although the completion activities including regulatory approvals have progressed well towards completion, Petrogas elected to exit the transaction amicably, as the transaction was no longer strategic for Petrogas, under the changed macro environment. Following various rounds of discussions between Petrogas, its JV partner and Seller, parties reached a mutual agreement on Petrogas's exit. On 19 May 2020, Petrogas formally exited the transaction and ceased to be party to this acquisition by signing a deed of settlement and release. Neo Energy Holding (Hitec subsidiary) now owns 100% share in Petrogas NEO UK Ltd, the former subsidiary of Petrogas E&P UK Ltd, releasing Petrogas from all financial commitments to complete the transaction.

As part of the settlement the Company will not be able to recover the costs made with respect to the abovementioned asset acquisition and funds provided to its former subsidiary Petrogas NEO UK Limited with respect to the initial advance and transaction cost incurred towards this acquisition, hence these costs were written off in 2020. The forgiveness of the funds or discharge of costs given by the Company towards the divested company PNUK is offsetting with the forgiveness of the funds or discharge of the corresponding funds and costs with Petrogas International E&P Cooperatief U.A., so has no net impact on the result or equity of the Company.

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 10. Intangible assets

	Exploration and appraisal costs £
<b>Cost</b>	
At 1 January 2020	32,715,485
Additions	1,018,406
Disposals	(938,629)
At 31 December 2020	<u>32,795,262</u>
<b>Amortisation and Impairment</b>	
At 1 January 2020	28,679,836
On disposals	(938,629)
Impairment charge	946,290
At 31 December 2020	<u>28,687,497</u>
<b>Net book value</b>	
At 31 December 2020	<u>4,107,765</u>
At 31 December 2019	<u>4,035,649</u>

The additions were mainly related to the 2020 expenditures on the non-operated Danish activities on licence 12/06 and 4/16 and smaller expenditure on the operated German licence.

In the UK, the Company decided to return its licenses P2394 and P2483 and to discontinue its shallow gas exploration efforts. The Company considered the prospects small and sub-commercial in this low gas price environment. Therefore the capitalised expenditure with respect to these licences has been fully written off.

Management carried out an impairment (trigger) assessment for the intangible assets of the respective licences as at 31 December 2020. Management has assessed that these assets were not impaired based on the business plans for 2021 onwards.

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 11. Financial fixed assets

	Investments in subsidiary companies £
<b>Cost and net book value</b>	
At 1 January 2020	200
Disposals	(100)
At 31 December 2020	<u>100</u>

During 2020 the divestment of Petrogas Neo UK Limited took place as part of the exit of the Total asset transaction.

#### Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Petrogas North Sea Limited	England and Wales	Procurement and management of exploration and production oil and gas licences	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2020 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves £	Loss for the year £
Petrogas North Sea Limited	(12,614,621)	(192,668)

The registered office address of the above subsidiary is the same as Petrogas E&P UK Limited at 1 Bartholomew Lane, London, EC2N 2AX.

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 12. Debtors

	2020 £	2019 £
Amounts owed by group undertakings	7,541,327	13,792,810
Amounts owed by joint ventures and associated undertakings	213	27,108
Other debtors	217,409	95,523
	<u>7,758,949</u>	<u>13,915,441</u>

The amount owed by group undertakings is net of a provision of £11,978,331 (2019 - £11,978,331).

The balance of £7,541,327 does no longer include amounts utilised by the former subsidiary Petrogas NEO UK Limited for the asset acquisition (2019 - £11,895,725). Please see note 9 for further details.

The amounts owed by group undertakings are due on demand and no interest is charged on these balances.

### 13. Creditors: amounts falling due within one year

	2020 £	2019 £
Amounts owed to group undertakings	273,383	11,708,854
Amounts owed to joint ventures	135,607	1,660,241
Accruals	2,580,750	1,165,046
	<u>2,989,740</u>	<u>14,534,141</u>

The amounts owed to group undertakings does not longer include amounts utilised by former subsidiary Petrogas NEO UK Limited for the asset acquisition (2019 - £11,633,405).

The amounts owed to group undertakings are due on demand and no interest is charged on these balances.

### 14. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Amounts owed to group undertakings	19,584,693	11,931,028

The amounts owed to group undertakings, due after more than one year, represent an unsecured loan of £19,584,693 (2019 - £11,931,028), which bears interest at 11.46% (2019 - 11.46%). It is anticipated that the repayment will take place later than 31 December 2021. A yearly interest was charged on the Statement of Comprehensive Income (Note 7).

# Petrogas E&P UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 15. Share capital

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
31,169,700 ordinary shares of £1 each	<b>31,169,700</b>	31,169,700

### 16. Contingent assets

In respect of the sale of the working interest in the Q7/Q10 licence in 2014 and completion in 2015, the deferred consideration is expected to be payable when the licence reached its point of break even. No income has been recognised during the financial year, as the receipt of this additional consideration is expected but its discounted value is not virtually certain: the uncertainties are mainly relating to the timing as the point of break even of the project, being dependent on a number of factors, in particular production volume, new investments and commodity price, of which the gas price was significantly depressed during 2020. Being a third party Petrogas does not have control, or have information to project an appropriate estimate.

### 17. Related party transactions

The Company has taken the FRS 102 Section 1A disclosure exemption of related party transactions with other group companies as the Company is a wholly-owned subsidiary of Petrogas E&P LLC.

### 18. Controlling party

At 31 December 2020, the Company's immediate parent Company was Petrogas UK Holding BV and was a member of the Petrogas E&P LLC Group, with as ultimate controlling party MB Holding Company (Muscat/Oman). A copy of the Petrogas E&P LLC Group financials may be obtained from Petrogas E&P LLC at Way number 6862, Building number 1742-18 Nov Street, Azaiba, P.O. Box: 353, PC112 Ruwi, on request through their website, [www.petrogasep.com](http://www.petrogasep.com).

### 19. Post balance sheet events

There were no post balance sheet events that have a significant impact on the financial statements of 2020.