Annual Report and Audited

Financial Statements for the Year Ended 31 December 2020

for

Iranian Oil Company (U. K.) Limited

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Iranian Oil Company (U. K.) Limited

Contents of the Financial Statements for the Year Ended 31 December 2020

Company Information
for the Year Ended 31 December 2020

DIRECTOR:	J Damanpak
SECRETARY:	J Damanpak
REGISTERED OFFICE:	NIOC House 6th Floor 4 Victoria Street London SW1H 0NE United Kingdom
REGISTERED NUMBER:	01019769 (England and Wales)

Iranian Oil Company (U. K.) Limited
(Registered number 01019769)

Strategic Report
for the Year Ended 31 December 2020

The Director presents the strategic report for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The Iranian Oil Company (U.K.) Limited ("IOC"), registered in the UK, is a wholly owned subsidiary of the Bluebell Purpose Trust, a trust registered in Jersey, Channel Islands, United Kingdom.

The principal activity of the Company is the participation in joint operations to develop and exploit the petroleum prospects of the block 3/29a in the United Kingdom Continental Shelf ("UKCS"), under licence from the Department for Business, Energy and Industrial Strategy.

REVIEW OF BUSINESS

The licence held by the Company for Block 3/29a (Rhum field) remains within the U.S. sanction regime that initially became effective on 5 November 2018. To date, the European Union has not stated any intentions to re-impose sanctions. As the Rhum field is an important producing asset on the UKCS and in the interest of the UK government's policy of Maximising Economic Recovery, it has been permitted to continue producing under a new arrangement.

In order to continue Rhum field operations, a new arrangement was established in 2018 by a trust deed under which the shares of the Company are owned by a special purpose trust until such U.S. sanctions are lifted. During this sanction period and as part of this arrangement, a management company, Rhum Management Company Limited ("RMC"), carries out the duties related to the Rhum field independently of IOC so that IOC exercises no decision-making powers in respect of Rhum. During such period there is no relationship between the Company and its previous shareholder, Naftiran Intertrade Co (NICO) Limited and its related parties.

The loss for the Company for the year ended 31 December 2020 was £0.1 million (2019: profit £26.1 million). On 31 December 2020, the total assets of the Company were £136.1 million (2019: £151.2 million) and the net assets were £22.7 million (2019: £22.8 million).

Results for 2020 were impacted by the COVID-19 crisis and resulting global pandemic, which caused unprecedented fall in both oil and gas prices, with gas prices averaging less than 25 pence per therm.

The impact of this, coupled with lower production as a result of the 45 day suspension of production to resolve issue with unused caisson on the Bruce platform in the early part of 2020, along with further outages in excess of 17 days, has reduced production levels and resulted in significantly lower income.

In addition, as a result of volatile oil prices, there is a £6.63m charge to the Income Statement representing a reduction of opening liquids underlift position, as a result of oil prices per barrel falling from $69.03 to $51.26.

Iranian Oil Company (U. K.) Limited
(Registered number 01019769)

Strategic Report continued
for the Year Ended 31 December 2020

STRATEGY

Given the current U.S. sanctions, all Rhum related operations are now carried out by RMC with the specific remit to protect the asset in Block 3/29a which may include additional capital expenditure during the U.S. sanctions period. All benefits accruing from and relating to IOC's interest in the Rhum field are being held in escrow for such period as U.S. sanctions apply to ensure that neither IOC nor any prior direct or indirect parent company of IOC will derive any economic benefit from the Rhum field during that period. Under the current arrangement, IOC has delegated all its decision-making powers in respect of the Rhum field to RMC during the same period. When the U.S. sanctions are lifted, this arrangement will be unwound and ownership will revert back to previous shareholders.

Key Performance Indicators

The key performance indicator ("KPI") during the year was as follows:

KPI	Planned	Actual	Variance
Production	11.2mboe/d	11.39mboe/d	0.19mboe/d

It is the view that the overall KPI performance for the year was satisfactory.

Principal Risks and Uncertainties

The Company is subject to all the risks and uncertainties normally associated with the exploration, development and productions of hydrocarbons.

Furthermore, recoverability of reserves may be affected by matters such as reservoir problems, facility issues, production shutdowns, commercial considerations, and other factors beyond the Company's control, such as adverse weather conditions. Any material changes in those conditions or other factors affecting those assumptions could impact the quantity and value of the natural oil and gas reserves. These factors, in addition to compliance with additional government regulations can increase costs or restrict activities.

In addition, the Company is reliant on renewal of the OFAC license to continue existing operations. The field is currently governed by OFAC licence No. MUL-2018-352294-6 dated 19 January 2021, which is required to be renewed by the operator of the Rhum field, Serica Energy (UK) Limited, on or before 31 January 2023.

The results of operations are significantly dependent on the price that is received for the hydrocarbons sold. The market prices for oil and gas are subject to fluctuation. To the extent that there is no hedging of exposure to price volatility, a dramatic decline in such prices could have a material effect on the results.

All risks identified are captured within the risk framework, with mitigating actions being developed as a result of in-house expertise and understanding. As non-operating partner to the joint venture, the key action to manage the Company's risks is to ensure it is fully engaged with the relevant operator and industry bodies.

Governance

As part of the management agreement in place, RMC has to manage, operate and administer IOC's participating interest under the Rhum Joint Operating Agreement. Within that remit certain powers, duties and obligations fall to RMC, including all decision making powers from an operational perspective in relation to the Rhum field, and as such all cash management. Both the IOC and RMC Board's recognise the importance of having efficient and effective risk management systems in place but also recognise that given the remit, RMC can only mitigate risks which it has oversight and control of and hence is unable to eliminate risks entirely.

The RMC board is supportive of embracing the highest level of corporate governance possible given the unique position it is in with regards to the protection of IOC's interest in the Rhum field. To that extent, controls have been implemented around various aspects and expectations of the management agreement, including quarterly reporting to the stakeholders, including IOC. Accordingly, reliance is placed on the RMC board to ensure adequate risk management and internal controls are in place.

Compliance with S172 of the Companies Act 2006

The director of the company must act in accordance with a set of general duties and these can be summarised as follows:

A director of the company must act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to the following:

(a) the likely consequences of any decision in the long term,

(b) the interests of the company's employees,

(c) the need to foster the company's business relationships with suppliers, customers and others,

(d) the impact of the company's operations on the community and environment,

(e) the desirability of the company maintaining a reputation for high standards of business conduct, and

(f) the need to act fairly as between members of the company

In reference as to how the Company has complied with each point;

(a) The likely consequences of any decision in the long term
The RMC Board is expected to continue IOC's participation in joint operations to develop and exploit the petroleum prospects of block 3/29a. This priority considers the longer term effect on the asset and therefore of employees.

(b) The interests of the company's employees
Currently there is only one employee outside of the Director. Whilst in a period of effective "interim governance", the employee is not actively working for IOC and is therefore not subject to the usual engagement processes such as appraisals or development.

(c) The need to foster the company's business relationships with suppliers, customers and others
IOC is a non-operator in context of the Rhum field and most material relationships are managed by RMC of which the remit is to understand their long term value to the business and are therefore underpinned by various agreements inclusive of expected service levels.

Compliance with S172 of the Companies Act 2006 continued

(d) The impact of the company's operations on the community and environment
IOC is a small employer however it is keen to ensure that where practical any ability to support the community is considered. We identify, assess and manage risks in all activities and operations such that harm to people is minimised or eliminated and pollution is prevented.

(e) The desirability of the company maintaining a reputation for high standards of business conduct
IOC operates under a licence from the Department for Business, Energy and Industrial Strategy and the Rhum field is aligned with the UK government's policy of Maximising Economic Recovery. Given the industry the Company operates in, it is also subject to scrutiny from the Oil & Gas Authority therefore RMC must ensure that all business conduct is of the highest standard. RMC maintain an open dialogue with the OGA.

(f) The need to act fairly as between members of the company
IOC, is a wholly owned subsidiary of The Bluebell Purpose Trust, a trust registered in Jersey, Channel Islands, United Kingdom. As part of the management agreement RMC ensures that there is an open dialogue between the Board and the Trustee. Two members of the Trustee are appointed to the RMC board. Formal dialogue exists on a quarterly basis through RMC board meetings and periodic reporting.

ON BEHALF OF THE BOARD:

....	**22 September 2021**
J Damanpak – Director	Dated

Iranian Oil Company (U. K.) Limited
(Registered number 01019769)

Director's Report
for the Year Ended 31 December 2020

The Director presents the Director's Report for the year ended 31 December 2020.

DIRECTORS

The Director shown below has held office during the period from 1 January 2020 to the date of this report:

J Damanpak

SECRETARY

J Damanpak

DIVIDENDS

Under interim management no dividend is recommended (2019: £ nil).

FUTURE DEVELOPMENTS

The Company will continue to be kept informed of developments on Block 3/29a licence through reporting from RMC as specified under a management agreement in place as required under the specific OFAC licence.

Throughout 2021, the Company continued its participation in joint operations to develop and exploit the petroleum prospects of block 3/29a to which a commitment had been made by the operator for a workover of the R3. This programme involved recovering equipment left in the well by the previous operator and removing an obstruction that was across parts of the downhole completion. The project was completed successfully and first production from the well commenced 23 August 2021. By the end of August 2021, production volumes increased significantly from the maximum rate before commencement of R3 production. Further work will be undertaken to optimise production and increased production capacity from the Rhum field.

GOING CONCERN

The Director has, 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. The Director has reviewed the going concern period for a period up to 31 December 2022, which concludes that the use of the going concern basis is appropriate in preparing the financial statements.

RMC has reviewed the income streams in light of the volatile oil and gas price environment across the "life of field" plans. Given the extreme volatility in prices, RMC have also performed sensitivity and stress testing using gas prices in the range of 25-85 pence per therm, and in each scenario there would be sufficient cash available to allow the business to continue for the going concern period. Sensitivity has also been tested with and without the additional production from R3 well, at the same price levels with no going concern issues arising.

Notwithstanding pricing uncertainty, after making enquiries from relevant sources around the forward price curve, the Director has a reasonable expectation that the Company will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Director continues to adopt the going concern basis in preparing the financial statements.

EVENTS SINCE THE BALANCE SHEET DATE

The Rhum field is governed by an OFAC licence which is generally renewed annually by the operator, Serica Energy (UK) Limited. The current licence was renewed on 19 January 2021 for a period of 24 months and is due to expire on 31 January 2023.

Prices for both oil and gas have significantly strengthened since the start of the year, particularly gas prices which account for the bulk of Rhum production. This has supported the ongoing spend on the Rhum R3 project. Total committed R3 capital costs are £41.65m, £30.45m of which will be spent in 2021.

The R3 project has now completed successfully and first production from the well commenced 23 August 2021, production volumes increased significantly from the maximum rate before commencement of R3 increasing production capacity.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the current Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquires with the Company's auditor, the Director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

In accordance with s.485 of the Companies Act 2006, the auditors, Ernst & Young, were appointed in 2020 by the shareholder and will be proposed for re-appointment at the next forthcoming interim management board meeting.

STREAMLINE ENERGY AND CARBON REPORTING (SECR)

The Company has an interest in a non-operated asset and as such has not disclosed emissions in relation to these operations. The remaining emissions for the Company are below 40MWh annually therefore are exempt from disclosure.

ON BEHALF OF THE BOARD:

....
J Damanpak – Director

22 September 2021
Dated

Iranian Oil Company (U. K.) Limited
(Registered number 01019769)

Statement of Director's responsibilities in respect to the financial statements

The Director is responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Director to prepare financial statements for each financial year. Under that law, the Director has prepared the financial statements in accordance with International Reporting Standards ("IFRSs") in conformity with the requirements of the Companies Act 2006.

Company law requires the Director 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 those financial statements the Director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether the company's financial statements have been prepared in accordance with IFRSs in conformity with the requirements of Companies Act 2006, 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 Director is 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 Director is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRANIAN OIL COMPANY (U.K.) LIMITED

Opinion

We have audited the financial statements of Iranian Oil Company (U.K.) Limited for the year ended 31 December 2020 which comprise the Statement of Profit or Loss, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its result for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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 Director's 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 15 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Director is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of director

As explained more fully in the director's responsibilities statement set out on page 9, the Director is 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 Director determines 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 Director is 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 Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006), Companies Act 2006, Bribery Act 2010, Companies (Miscellaneous Reporting) Regulation 2018, Petroleum Act 1998, Oil & Gas Authority regulations, those laws and regulations relating to health and safety and employee matters and relevant tax compliance regulations in the jurisdictions in which the Company operates, including the United Kingdom.
- We understood how the Company is complying with those frameworks by making enquiries of management, and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by enquiring of management, those charged with governance, and other employees within the Company to understand the Company's policies and procedures. We also obtained documentation on the entity-level control environment to determine whether it supports the prevention, detection and correction of material misstatements, including those that are due to fraud. We considered the risk of management override and determined that revenue recognition may present a fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiry with management and considering whether events or conditions during the audit might have indicated noncompliance with laws and regulations.
- Our procedures on journal entries testing included a focus on journals meeting our defined risk criteria, including those posted by those charged with governance, based on our understanding of the business and enquiry with management. Where instances of higher risk journals were identified, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information. We incorporated unpredictability into our testing of manual journals and into our testing of revenue recognition.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Ernst & Young LLP

Gemma Noble (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
22 September 2021

Iranian Oil Company (U. K.) Limited
(Registered number 01019769)

Statement of Profit or Loss
for the Year Ended 31 December 2020

	Notes	2020 £ 000	2019 £ 000
Revenue	3	46,640	82,230
Cost of sales	4	(47,825)	(36,518)
Gross (loss)/profit		(1,185)	45,712
Administrative expenses		(2,269)	(1,979)
Operating (loss)/profit		(3,454)	43,733
Finance costs	6	(698)	(1,392)
Finance income	6	1,784	131
(Loss)/profit before tax		(2,368)	42,472
Tax credit/(expense)	8	2,273	(16,360)
(Loss)/profit after tax		(95)	26,112

The Statement of Profit or Loss has been prepared on the basis that all operations are continuing operations.

Iranian Oil Company (U. K.) Limited
(Registered number 01019769)

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

	Notes	2020 £ 000	2019 £ 000
(Loss)/profit for the year		(95)	26,112
Other comprehensive income / (loss) net of tax		-	-
Total comprehensive (loss)/income for the year		(95)	26,112

Iranian Oil Company (U. K.) Limited
(Registered number 01019769)

Statement of Financial Position
31 December 2020

	Notes	2020 £ 000	2019 £ 000
ASSETS			
Non-current assets			
Development and production assets	9	59,671	57,105
Restricted receivables	10	1,218	1,215
Rent deposits		7	19
Restricted cash	11	3,580	3,580
		64,476	61,919
Current assets			
Trade and other receivables	12	32,257	31,822
Cash and cash equivalents	21	39,339	57,413
		71,596	89,235
Total assets		136,072	151,154
EQUITY			
Shareholder's Equity			
Called up share capital	13	100,000	100,000
Capital contribution	15	234,115	234,115
Retained losses		(311,420)	(311,325)
Total equity/(liabilities)		22,695	22,790
LIABILITIES			
Non-current liabilities			
Deferred tax liability	17	10,854	13,127
Provisions	16	24,192	24,259
Financial liabilities – borrowings			
Restricted interest bearing loans	15	56,977	58,676
		92,023	96,062
Current liabilities			
Trade and other payables	14	21,354	16,403
Corporation tax payable		-	15,899
		21,354	32,302
Total liabilities		113,377	128,364
Total equity and liabilities		136,072	151,154

The financial statements were approved by the Director, Jafar Damanpak, on behalf of the Company, on 22 September 2021

Director

Iranian Oil Company (U. K.) Limited
(Registered number 01019769)

Statement of Changes in Equity for the Year Ended 31 December 2020

	Notes	Called up share capital	Capital contrib-ution*1	Retained losses	Total equity
		£000	£000	£000	£000
Balance at 1 January 2019		100,000	234,115	(337,437)	(3,322)
Profit after tax for the year		-	-	26,112	26,112
Balance at 1 January 2020		100,000	234,115	(311,325)	22,790
Loss after tax for the year		-	-	(95)	(95)
Balance at 31 December 2020		100,000	234,115	(311,420)	22,695

*1 In early 2017, £234 million of bond interest was waived and treated as a capital contribution from the previous shareholder, Naftiran Intertrade Co (NICO) Limited (Note 15).

Iranian Oil Company (U. K.) Limited
(Registered number 01019769)

Statement of Cash Flows
for the Year Ended 31 December 2020

	Notes	2020 £ 000	2019 £ 000
Cash flows from operating activities	20	9,017	46,542
Taxation paid in year		(15,899)	(15,568)
Net cash (out)/in flow from operating activities		(6,882)	30,974
Cash flows from investing activities:			
Purchase of fixed assets	9	(11,204)	-
Rent deposits returned/(paid) in the year		12	(7)
Net cash (out)/in flow from investing activities		(11,192)	(7)
Cash flows from financing activities:			
Payments of loans and borrowings		-	-
Net cash flow from financing activities		-	-
(Decrease)/increase in cash and cash equivalents		(18,074)	30,967
Cash and cash equivalents at beginning of year	21	60,993	30,026
Cash and cash equivalents at end of year	21	42,919	60,993

1. GENERAL INFORMATION

The financial statements of the Company for the year ended 31 December 2020 were authorised for issue and signed by the sole Director of the Company, J Damanpak, on 22 September 2021 per the Statement of Financial Position.

The Company is a private company, limited by share capital, incorporated and domiciled in UK. The address of its registered office is:

NIOC House
6th Floor
4 Victoria Street
London SW1H 0NE

The principal place of business is:
7 Queens Gardens
Aberdeen AB15 4YD

2. ACCOUNTING POLICIES

Basis of preparation
The Company's financial statements at 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRSs), and as applied in accordance with the Companies Act 2006. The financial statements have been prepared under a historical costs basis unless otherwise stated.

The Company's earnings stream and expenditure are primarily denominated in Pound Sterling ("GBP"), and therefore the functional currency is GBP. The Company's financial statements are prepared in GBP and all values are rounded to the nearest thousand (£ 000), except when otherwise indicated.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

Going concern
The Director has, 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. The Director has reviewed the going concern period for a period up to 31 December 2022, which concludes that the use of the going concern basis is appropriate in preparing the financial statements.

RMC has reviewed the income streams in light of the volatile oil and gas price environment across the "life of field" plans. Given that extreme volatility in prices, RMC have also performed sensitivity and stress testing using gas prices in the range of 25-85 pence per therm, and in each scenario there would be sufficient cash available to allow the business to continue for the going concern period. Sensitivity has also been tested with and without the additional production from R3 well, at the same price levels with no going concern issues arising.

Notwithstanding pricing uncertainty, after making enquiries from relevant sources around the forward price curve, the Director has a reasonable expectation that the Company will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Director continues to adopt the going concern basis in preparing the financial statements.

2. ACCOUNTING POLICIES CONTINUED

Current versus non-current classification
An asset is current when it is expected to be realised within twelve months after the reporting period or held primarily for purpose of trading. It also includes cash equivalents. All other assets are classified as non-current and this includes restricted receivables and restricted cash which cannot be exchanged or used to settle a liability in the next twelve months.

A liability is current when it is held primarily for purpose of trading or expected to be realised within twelve months or if there is an unconditional right to defer the settlement of the liability within twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax liabilities are classified as non-current liabilities.

Financial assets

(i) Classification
The Company classifies its financial assets in the following categories:

- Non-current financial assets are held at fair value through profit and loss. The Company has restricted receivables and restricted cash in the statement of financial position. "Restricted" assets are non-derivative financial assets at fixed amounts that cannot be realised due to sanctions and are carried at the respective values in a frozen state by the counterparty. These are not quoted in an active market and cannot be traded.

- Loans and receivables and cash equivalent are "basic" financial assets classified at amortised cost where the objective is to collect the contractual value. They are non-derivative financial assets with fixed or determinable amounts that are not quoted in an active market They are included in current assets. The Company's loans and receivables comprise "trade and other receivables" and "cash and Cash equivalents" in the statement of financial position.

The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of financial assets at initial recognition. The Company had only loans and receivables and cash equivalent for the years presented in the financial statements.

(ii) Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade date which the Company commits to purchase or sell the asset at the undiscounted invoice price or amortised value through the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(iii) Impairment of financial assets
The Company assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. ACCOUNTING POLICIES CONTINUED

(iii) Impairment of financial assets continued

IFRS 9 Financial instruments requires classification, measurement and impairment under the 'expected credit loss' ('ECL') model. For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. The Company recognises a loss allowance, if applicable based on lifetime ECLs at each reporting date. The Company has based this on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Should the occasion arise that the financial assets are impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the profitability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

(i) Classification
The Company classifies its financial liabilities in the following categories:

- Non-current financial liabilities include only interest-bearing bonds issued by the Company

- Current financial liabilities include trade and other payables

(ii) Recognition and measurement
The bonds payable have been suspended following the transfer of the Company to the Trust on 2 November 2018, and are recorded at fair value at the date of transfer.

Trade and other payables are initially measured at the undiscounted invoice price at the transaction date and are subsequently measured at amortised cost written back to the profit and loss account if the value becomes disputed.

(iii) Impairment of financial liabilities
The carrying values will still be discounted and interest accrued for each reporting year until the Company is rightfully returned to its previous shareholder when sanctions are lifted.

2. ACCOUNTING POLICIES CONTINUED

New standards and interpretations

a. New standards, amendments and interpretations issued and effective during the financial year beginning 1 January 2020 that are relevant to the Company

The Company, has considered all new and amended International Accounting Standards in conformity with the requirements of the Companies Act 2006 that are mandatorily effective for the year ending 31 December 2020. Where the changes affect the Company, the relevant application and disclosure has been made during the year to 31 December 2020. The new and amended IFRSs during the year are as detailed below:

- Amendments to IFRS 3 *Definition of a Business*
- Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8 *Definition of Material*

The application of the above standards and amendments did not have any material impact on the Company's financial statements.

b. Standards issued but not yet effective that are relevant to the Company

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting period beginning on or after 1 January 2021 or later periods, but the Company has not early adopted them:

- Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current*
- Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to IFRS 9 *Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

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

Leases
The Company has reviewed all contracts at the reporting date to assess whether they are a lease and assessed the potential right of use asset and financial liability created over the term of the lease. This did not identify any material leases to present in the financial statements. Therefore the Company has not applied the measurement and recognition requirements of IFRS 16. Accordingly, no right of use asset and lease liability is recognised in these financial statements.

Revenue recognition
IFRS 15 Revenue from Contacts with Customers applies a five-step model to revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

Revenue is derived from the Company's share of condensates and oil and gas production sold. The majority of the revenue is from gas contracts with customers and are stated exclusive of value added tax and similar levies. Revenue is recognised on a monthly basis from "nominations" measured by the throughput of the products extracted and these are checked and verified by external specialists

2. ACCOUNTING POLICIES CONTINUED

Revenue recognition continued
contracted to this specific task. The market price is then applied to calculate the financial economic benefit that will flow to the Company. Revenue is measured at the fair value of consideration received or receivable.

Condensate and crude oil, also known as Non-Gas Liquid Substrates, (NGLS) are accounted by the under / over lift arrangements with the participants of the Company's operations. The market price of these products are applied. Please refer to Under / Overlift accounting policy note.

Under / Overlift
Lifting arrangements for oil and gas produced in the Company's operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within debtors and creditors respectively. Movements during an accounting period are adjusted through Cost of Sales such that Gross profit / (loss) is recognised on an entitlement basis.

Finance income
Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Finance cost
Finance cost of debt instruments are allocated to periods over the term of the related instruments and are discounted to present value.

Property, plant and equipment
All property, plant and equipment are shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of these assets. Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Oil and Gas assets
Exploration, appraisal and development expenditure is accounted for under the 'successful efforts' method. The successful efforts method means that only costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised. Exploration and evaluation costs are capitalised within intangible assets. Development expenditure on producing assets is accounted for in accordance with IAS 16, 'Property, plant and equipment'. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the statement of profit or loss.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible assets or property plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the Director considers to be unevaluated until reserves are appraised as commercial, at which time they are transferred to property plant and equipment following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

2. ACCOUNTING POLICIES CONTINUED

Depreciation, depletion and amortisation
Successful exploration and appraisal wells and field development costs are amortised from the commencement of production on the unit of production basis over estimated proved developed reserves.

The carrying value of fixed assets is reviewed for possible impairment whenever events or economic circumstances indicate a possible diminution in their revenue earning capacity.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the initial transaction dates. Differences arising on settlement or retranslation of monetary items are recognised in the statement of profit or loss.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand and cash held at bank under escrow.

Provisions
Provisions are recognised when the Company has a present obligation as a result of past events, it is possible that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the expenditure required to settle the obligation.

Decommissioning provision
Provision for decommissioning costs is recognised when the Company has an obligation to dismantle and remove a production asset and to restore the site on which it is located. The amount recognised is the present value of the estimated future cost that will be incurred. A corresponding tangible fixed asset of an amount equal to the provision is also created and is included in development and production assets. This is subsequently depreciated as part of the capital costs of the related developed field. Changes to estimates of future expenditure are reflected prospectively by adjusting the value of the related provisions and associated fixed assets.

The discount rate is a pre-tax rate and reflects current market assessments of the time value of money and the risks specific to the decommissioning provision. The discount rate does not reflect risks for which future cash flows estimates have been adjusted.

The unwinding of discounts on provisions stated at present value is included within finance costs in the statement of profit or loss.

2. ACCOUNTING POLICIES CONTINUED

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Taxation
Income tax expense represents the sum of tax currently payable and deferred tax. The current tax payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the statement of profit and loss due to items that are non-taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged and credited to the statement of profit or loss, except when it relates to items charged or credited directly to SOCIE, in which case the deferred tax is also dealt with within SOCIE.

Use of accounting estimates, judgements and assumptions
Financial statements in conformity with IFRS require the use of certain estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements as well as amounts included in the notes thereto. Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time.

The accounting policies and areas that require a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are in relation to the accounting for oil and gas activities, specifically in the determination of proved and proved developed reserves, impairment of oil and gas assets and decommissioning provision.

If such estimates and assumptions deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. The effect could be material if claims for cost overruns on projects, claimed in accordance with the contract, are not agreed with or paid by counter-parties.

2. ACCOUNTING POLICIES CONTINUED

A summary of significant estimates are as follows:

A) Oil and Gas activities

- **Reserves**

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates

Estimating the quantity and / or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation, depletion and amortisation charged in the statement of profit and loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimating reserves affect expectations about the timing or cost of these activities;
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

a) **Proved oil and gas reserves**

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, that is, prices and costs as at the date that the estimate is made.
Reserves are considered proved if economic productivity is supported by either actual production or conclusive formation tests. The area of a reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil or oil-water contacts, if any, or both, and; (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data.

In the absence of information of fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.
Reserves can be produced economically through the application of improved recovery techniques (such as fluid injection) are generally only included in the proved classification if successful testing by a pilot project, or the operation of an installed programme in the reservoir, provides support for the engineering analysis on which the project or programme was based.

2. ACCOUNTING POLICIES CONTINUED

Use of accounting estimates, judgements and assumptions continued

b) **Proved developed oil and gas reserves**
Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection, or other improved recovery techniques, for supplementing the natural forces and mechanisms of primary recovery will generally be included as proved developed reserves only after testing by a pilot project, or after the operation of an installed programme, has confirmed through production response that increased recovery will be achieved.

c) **Proved undeveloped reserves**
All other proved reserves which do not meet the definition of proved developed reserves.

d) **Probable and possible resources**
Probable resources are those resources which are not yet "proved", but are estimated to have better than 50% chance of being technically and economically producible. Possible resources are those resources which at present cannot be regarded as "probable", but which are estimated to have a significant but less than 50% chance of being technically and economically producible.

- **Exploration and evaluation expenditure**
The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of profit or loss.

- **Development expenditure**
Development activities commence after project sanctioning by the appropriate level of management, judgement is applied by management in determining when a project has reached a stage at which economically recoverable reserves exist such that development may be sanctioned. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the statement of profit or loss.

B) **Recoverability of oil and gas assets**
In accordance with the Company's accounting policy, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell or the value in use.

2. ACCOUNTING POLICIES CONTINUED

Use of accounting estimates, judgements and assumptions continued

B) **Recoverability of oil and gas assets continued**
Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see 'reserve estimates' above), operating costs, decommissioning costs and future capital expenditure. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all the carrying value of the assets may be impaired and the impairment would be charged against the statement of profit and loss.

C) **Decommissioning provision**
The Company's accounting policy requires the recognition of provisions for the decommissioning of each site. The Company assesses its decommissioning provision at each balance sheet date. The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework, the magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the decommissioning asset and provision. Such changes give rise to a change in future depreciation and interest charges. For closed sites, changes to estimated costs are recognised immediately in the statement of profit and loss.

D) **Units of production (UOP) depreciation of oil and gas assets**
Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation or amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation or amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change.

3. REVENUE

	2020	2019
United Kingdom	£ 000	£ 000
Natural gas	45,006	79,530
Natural gas liquids	538	434
Raw gas	1,096	2,266
	46,640	82,230

4. COST OF SALES

	2020	2019
	£ 000	£ 000
Operating expenses	39,005	40,462
Overlift/(underlift) Adjustment	947	(13,877)
Depreciation, depletion and amortisation	7,873	9,933
	47,825	36,518

5. EMPLOYEES AND DIRECTOR

In addition to the Director, the Company had 1 employee (2019 - 1) who is on extended leave without pay whilst RMC carries out the duties related to the Rhum field during the sanction period.

The Director's aggregate remuneration for the year was as follows:

	2020	2019
	£ 000	£ 000
Wages and salaries	127	100
Social security costs	14	7
Pension and benefits in kind	3	6
	144	113

6. FINANCE INCOME /FINANCE COSTS

	2020	2019
	£ 000	£ 000
Finance income:		
Deposit account interest	85	131
Foreign exchange gain on bond revaluation	1,699	-
	1,784	131
Finance costs:		
Unwinding of discount on decommissioning provisions (Note 16)	(698)	(993)
Foreign exchange loss on bond revaluation	-	(399)
	(698)	(1,392)
Net finance gain/(loss)	1,086	(1,261)

7. OPERATING PROFIT

Operating profit is stated after charging:

	2020 £ 000	2019 £ 000
Auditors' remuneration	56	84
Expenses related to property leases	29	35
Expenses related to short term leases	6	6

8. TAX

Analysis of tax	2020 £ 000	2019 £ 000
Current income tax charge	-	21,462
Adjustments in respect of prior year income tax of prior year	-	(737)
Deferred tax:		
Originating and reversal of temporary differences – current year	(2,273)	(4,367)
Originating and reversal of temporary differences – prior year	-	2
Total deferred tax liability movement	(2,273)	(4,365)
Total tax (credit)/charge	(2,273)	16,360

Reconciliation of tax charge	2020 £ 000	2019 £ 000
(Loss)/profit before tax	(2,368)	42,472
Profit multiplied by the ring fence rate of corporation tax in the UK of 40% (2018 - 40%)	(947)	16,988
Effects of:		
Permanent differences	(626)	107
Investment allowance generated in the period	(700)	-
Prior year adjustment deferred tax	-	2
Prior year adjustment current tax	-	(737)
Tax expense	(2,273)	16,360

The reconciliation of the tax charge has been based upon the UK ring fence corporation tax rate of 30% (2019: 30%) and the UK Supplementary charge which was 10% (2019: 10%), giving a combined rate of 40% (2019: 40%).

Iranian Oil Company (U. K.) Limited

Notes to the Financial Statements
for the Year Ended 31 December 2020

9. TANGIBLE ASSETS

	Fixtures & fittings	Development & production	Total
	£000	£000	£000
Cost			
At 1 January 2020	25	211,897	211,922
Additions	-	11,204	11,204
Change in decommissioning provision (Note 16)	-	(765)	(765)
At 31 December 2020	25	222,336	222,361
Depletion			
At 1 January 2020	25	154,792	154,817
Charge for year	-	7,873	7,873
At 31 December 2020	25	162,665	162,690
Net Book Value			
At 31 December 2020	-	59,671	59,671
At 31 December 2019	-	57,105	57,105

10. RESTRICTED RECEIVABLES

	2020	2019
	£ 000	£ 000
Non-current:		
Restricted receivables	1,218	1,215

Restricted receivables are frozen accounts due to sanctions and relate to operational funds settled but held in custody due to historical banking issues for the previous shareholder.

11. RESTRICTED CASH

	2020	2019
	£ 000	£ 000
Non-current:		
Restricted cash	3,580	3,580

Cash held by Turkiye Is Bankasi, London is frozen due to sanctions imposed. There has been no change in Moody's rating of B3 for bank deposits.

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	£ 000	£ 000
Current:		
Trade receivables	-	1,185
Other receivables	9,196	6,827
VAT receivable	119	34
Prepaid expenses	113	-
Underlift	22,829	23,776
	32,257	31,822

13. CALLED UP SHARE CAPITAL

Authorised, issued and fully paid:

Number:	Class:	Nominal Value:	2020 £ 000	2019 £ 000
100,000,100	Ordinary	£1	100,000	100,000

On 16 April 2018, 100,000,000 ordinary shares were issued at par to Naftiran Intertrade Co (NICO) Limited to extinguish the interest-free loan of £100m. At 31 December 2020 the shares are owned by the Bluebell Purpose Trust.

By written special resolution passed on 2 November 2018, the Company's Articles of Association were amended in matters of the Company's shares to ensure:

- no shares can be issued to any person;
- no shares can be transferred to any person;
- no dividends can be paid to any person;

except to a new or additional trustee or to an IOC transferee in accordance with the Trust Deed.

14. TRADE AND OTHER PAYABLES

	2020 £ 000	2019 £ 000
Trade payables	4,789	4,802
Amount due to Rhum Management Company Limited	67	241
Social security and other taxes	2	1
Accruals and deferred income	16,496	11,359
	21,354	16,403

15. FINANCIAL LIABILITIES – BORROWINGS

In early 2017, £234 million of bond interest was waived and treated as a capital contribution from the previous shareholder, Naftiran Intertrade Co (NICO) Limited. The bonds were re-financed on 28 December 2017.

The remaining bonds have been recognised as financial liabilities and valued at amortised cost which is computed using the effective interest rate method. The effective interest rate (compounded monthly) was 7.5% per annum at 31 December 2018.

Following transfer of all assets to the Bluebell Purpose Trust, on 2 November 2018, the bonds payable to Naftiran Intertrade Co (NICO) Limited were suspended and no sums shall become due or payable whilst under trust management. The amount due at the effective date is $78 million with a carrying value as at 31 December 2020 of £56.98 million (2019: £58.68 million).

15. FINANCIAL LIABILITIES – BORROWINGS CONTINUED

	2020 £ 000	2019 £ 000
Bonds payable	56,977	58,676

The remaining bonds had values as at 31 December 2020 as follows:

Redemption Date	Bond	Face Value $000	Carrying Value £000
31.12.2019	No.5	7,098	5,195
30.06.2020	No.6	18,000	13,174
31.12.2020	No.7	25,000	18,297
30.06.2021	No.8	14,000	10,247
31.12.2021	No.9	13,750	10,064
Total		77,848	56,977

Bond No.5 has an original face value of $36m, and was partially repaid during 2018, to give a current face value of $7m.

16. PROVISIONS

	2020 £ 000	2019 £ 000
Decommissioning provision	24,192	24,259
Analysed as follows:		
Non-current	24,192	24,259
Balance at 1 January	24,259	35,457
Unwinding of discount (Note 6)	698	993
Revision to decommissioning cost estimate (Note 9)	(765)	(12,191)
Balance at 31 December	24,192	24,259

The decommissioning provision relates to the Rhum Field. The cost is expected to be incurred in 2027 (2019: 2027). The provision has been estimated using existing technology at current prices, escalated at 2% (2019: 2%) and discounted at 3% (nominal) (2019: 3%).

17. DEFERRED TAX LIABILITY

Deferred tax is calculated in full on temporary differences using a combined rate of corporation tax and supplementary charge in the UK of 40% (2019: 40%) in respect of accumulated tax losses, accelerated capital allowances and other temporary differences.

	2020 £ 000	2019 £ 000
Balance at 1 January	13,127	17,492
Credited to statement of profit and loss	(2,273)	(4,365)
	10,854	13,127

Accelerated capital allowances	26,932	25,958
Tax losses	(2,628)	-
Other temporary differences	(13,450)	(12,831)
	10,854	13,127

All deferred tax liabilities have been provided and therefore no un-provided balances are to be disclosed.

18. ULTIMATE PARENT COMPANY

With effect from 2 November 2018, the Company's immediate parent is the Bluebell Purpose Trust. The Company is a 100% subsidiary of the Bluebell Purpose Trust. The ultimate parent is F.C.M. Limited as trustee of the Bluebell Purpose Trust.

Prior to this date, the immediate parent was Naftiran Intertrade Company Limited who wholly owned this Company. The ultimate parent was National Iranian Oil Company.

19. RELATED PARTY DISCLOSURES

For the Director's remuneration, refer to Note 5. In addition to the Director's remuneration, the following fees were charged to the Company by related parties and occurred in the normal course of the business:

	2020 £ 000	2019 £ 000
a) Simon O'Toole - The Enforcer of the Bluebell Purpose Trust	41	7
b) F.C.M. Limited - The Trustee of the Bluebell Purpose Trust	616	493

The following balances were unpaid at end of the year:

F.C.M. Limited	169	-

The Company had the following balances payable to a related party with common ownership, in respect of expenses not yet reimbursed at reporting date:

Rhum Management Company Limited	67	241

20. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

		2020	2019
		£ 000	£ 000
(a)	**Adjustment for non-cash charges:**		
	(Loss)/profit before tax	(2,368)	42,472
	Finance (gains)/costs	(1,001)	1,392
	Interest on restricted receivables	(3)	-
	Depreciation, depletion and amortisation charges	7,873	9,933
		4,501	53,797
	Working capital changes:		
	Increase in trade and other receivables	(435)	(6,121)
	Increase/(decrease) in trade and other payables	4,951	(1,134)
	Net cash flow from operating activities	9,017	46,542

		2020	2019
(b)	**Analysis of changes in net debt**	£ 000	£ 000
	Cash and cash equivalent	42,919	60,993
	Borrowings - Intergroup borrowing liabilities	(56,977)	(58,676)
	Total net (debt)/cash	(14,058)	2,317

Reconciliation of net cash flow to movement in net debt

	2020	2019
Movement in cash and cash equivalent	(18,074)	30,967
Revaluation of bonds (non-cash)	1,699	(399)
	(16,375)	30,568
Opening net cash/(debt)	2,317	(28,251)
Closing net (debt)/cash	(14,058)	2,317

21. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	2020	2019
	£ 000	£ 000
- Restricted cash	3,580	3,580
- Cash and cash equivalents	39,339	57,413
Balance as at 31 December	42,919	60,993
Balance as at 1 January	60,993	30,026
(Decrease)/increase in cash and cash equivalents	(18,074)	30,967

Cash at bank with Moody rating of B3, £3.6m (2019: £3.6m) is identified as restricted cash. This restricted cash is classified as a non-current asset on the Statement of Financial Position.

Cash is held in escrow under the Trust structure in the name of RMC. This is held by Lloyds Banking Group.

22. FINANCIAL RISK MANAGEMENT

A) Financial risk factors

The Company's operations in the UK expose it to certain financial risks: a) market risk (including i) foreign exchange risk, ii) fair value interest rate risk & cash flow interest rate risk and iii) price risk), b) credit risk and c) liquidity risk. With effect from 2 November 2018, risk management is carried out by external management due to sanctions with the purpose to minimise potential adverse effects on the Company's financial performance. This was performed previously by IOC management.

A) Market risk

i) Foreign exchange risk

The majority of the Company's income is denominated in Pound Sterling and business transactions are carried out in Pounds Sterling. Financial liabilities to the previous parent company are not payable until the sanctions are lifted but denominated in US Dollars. During the year, the Company has not entered into any forward exchange contracts.

ii) Commodity price risk

The main commodity price risk arises in respect of the Company's gas sales.

Gas was sold to the previous parent company until 2 November 2018 at a fixed price and therefore was not subject to commodity price risk for most of 2018. The Company is now exposed to the impact of changes in gas prices on its revenues and profits generated from sales of gas.

During the year, the Company has not entered into any derivative contracts in order to hedge commodity risk.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions.

22. FINANCIAL RISK MANAGEMENT CONTINUED

b) Credit risk continued
For banks and financial institutions only independently rated parties with a minimum rating of "C" are accepted. There are sales made to a third party with a good credit rating and no indicators of impairment exist.

c) Liquidity risk
Liquidity risk relates to the need to maintain sufficient cash and cash equivalent and undrawn borrowing facilities for the Company to continue to meet its cash and funding requirements as they fall due. At 31 December 2020, the Company had net current assets of £50.2 million (2019 net current assets: £56.9 million).

B) Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to safeguard returns held in trust and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

No dividend payment, return of capital or issue of shares is permitted while the shares are owned by the Bluebell Purpose Trust.

C) Fair value measurement

Financial assets	2020	2019
Loans and receivables	£ 000	£ 000
Cash equivalent and restricted cash	42,919	60,993
Trade and other receivables	32,257	31,822
Financial liabilities		
Amortised cost		
Trade and other payables	21,354	16,403
Borrowings	56,977	58,676

There is no difference between the fair value and the carrying value of the balances above.

23. EVENTS AFTER THE BALANCE DATE

Rhum field is governed by an OFAC licence which is generally renewed annually by the operator, Serica Energy (UK) Limited. The current licence was renewed 19 January 2021 for a period of 24 months and is due to expire on 31 January 2023. Serica, the operator, will apply for further renewal of this.

Prices for both oil and gas have significantly strengthened since the start of the year, particularly gas prices which account for the bulk of Rhum production. This has supported the ongoing spend on the Rhum R3 project. Total committed R3 capital costs are £41.65m, £30.45m of which will be spent in 2021.

The R3 project has now completed successfully and first production from the well commenced 23 August 2021, production volumes increased significantly from the maximum rate before commencement of R3, increasing production capacity from the field.