Company Registration No. 05030838 (England and Wales)

WALDORF PRODUCTION UK LIMITED

STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED 31 JANUARY 2022

Waldorf Production UK Limited

Period ended 31 January 2022

STATEMENT OF FINANCIAL POSITION - Balance Sheet

	Notes	As at 31 Jan 2021
		$'000
Non current assets		
Property, plant and equipment		153,921
Investments		303,922
Deferred tax asset		153,007
		610,850
Current assets		
Inventories		4,445
Other current assets		813
Intercompany receivables		126,361
Trade and other receivables		28,468
Restricted cash		105,948
Cash and cash equivalents		93,910
Derivative financial instruments		17,551
		377,496
Total assets		**988,346**
Current liabilities		
Trade and other payables		148,976
Intercompany payables		75,308
Borrowings		100,000
Provisions		969
Derivative financial instruments		14,559
		339,812
Net current assets		**37,684**
Non-current liabilities		
Trade and other payables		145,571
Borrowings		171,171
Long term provisions		162,848
Derivative financial instruments		2,992
		482,582
Total liabilities		**822,394**
Net assets		**165,952**
Equity		
Share capital	2	-
Share premium	3	-
Other reserves (distributable)	4	1,403,652
Retained earnings		(1,237,700)
Total equity		**165,952**

Waldorf Production UK Limited

Period ended 31 January 2022

The statement of financial position and related Notes have been prepared for the purposes of re-registering Waldorf Production UK Limited (the 'Company') as a public limited company under section 92 of the Companies Act 2006.

The directors conclude that, at 31 January 2022, the amount of the company's net assets (within the meaning given to that expression by section 831(2) of the Companies Act 2006) was not less than the aggregate of its called-up share capital and undistributable reserves.

The statement of financial position and related notes were approved by the board of directors and authorised for issue on 29.03.2022 and are signed on its behalf by:

Erik Brodahl
Director

Company Registration No. 05030838

The notes form an integral part of the statement of financial position.

DIRECTORS'S RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the special purpose financial information, comprising the statement of financial position and related notes, in accordance with applicable law and regulations.

Under that law the directors have elected to prepare the statement of financial position and related notes in accordance with UK-adopted International Accounting Standards (IAS). Under company law the directors must not approve the special purpose financial information unless they are satisfied that it has been properly prepared in accordance with the provisions of the Companies Act 2006, which would have applied had the statement of financial position been prepared for a financial year of the company. In preparing this special purpose financial information, the directors are required to:

- properly select and apply accounting policies;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted International Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 specially prepared statement of financial position and related notes complies 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.

ACCOUNTING POLICIES

Company information

Waldorf Production UK Limited ("the Company"), is a private company limited by shares incorporated in England and Wales. The registered office is One St Peter's Square, Manchester, United Kingdom, M2 3DE.

The principal activities of the Company are the production and development of oil and gas reserves in the U.K.

The Company has taken advantage of the exemption under the Companies Act 2006 s400 not to consolidate its subsidiaries.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

1.1. Accounting convention

The special purpose financial information has been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act which would have applied had the statement of financial position been prepared for a financial year of the company.

The financial statements are prepared in US dollars, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest $'000.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. One exception to the historical cost accounting method being applied is in the accounting for derivatives, which are held at fair value through profit and loss.

1.2. Going concern

The directors have a reasonable expectation that the company has sufficient resources to continue in operational existence for the foreseeable future and have received confirmation that Waldorf Energy Partners Limited will provide support should it be required. The financial support is guaranteed for a period up to 31 December 2023. As a result they have continued to adopt the going concern basis of accounting when preparing the special purpose financial information.

The Company and its Directors have reviewed the forecast cash flows for the Group. The Group's view of the current situation is as follows:

The Group's founding philosophy is underpinned by a focus on cash flow generation and risk mitigation. Consequently, management constantly monitors its funding position and liquidity risk throughout the period and engages in active cash management to ensure it has sufficient funds to meet forecasted requirements.

Following the recent acquisition of minority interest in Catcher and Kraken, the risk profile of the Group has significantly improved, with reduced reliance on production from any one asset and managed exposure to increases in OPEX and CAPEX spend. Further, with the start of production from Columbus, the Company has a more balanced oil/gas mix and greater exposure to the recent rally in gas prices.

1.2 Going concern (continued)

During 2021, Waldorf Production UK Limited issued a $300 million Senior Secured Bond (listed on the Nordic ABM) to fund the acquisition of the Catcher and Kraken interests, as well as refinance of the existing Sculptor debt. The 3-year bond substantially strengthens the Group balance sheet and provides greater flexibility for ongoing acquisitions and future growth. Coupled with the Group's conservative approach to commodity price hedging, in line with the terms of the bond, the Group retain its focus on maintaining a robust financial position. Over the Going Concern assessment period, the Company will make scheduled Bond repayments of $175 million in line with the terms of the Senior Secured Bond. The Bond repayments have been factored into the Going Concern Assessment and the Director's consider the Company's ability to make these repayments highly likely.

Cash forecasts and sensitivities are regularly produced based on the Group's latest estimates for life of field production and cost profiles and estimated future commodity prices. Sensitivities have been run to evaluate any potential funding gaps across various plausible downside scenarios, including, underperformance of its assets and delays or cost overruns at capital projects. These analyses are used to identify risks in a timely manner so management can formulate appropriate risk mitigation strategies.

Over the Going Concern assessment period to 31 December 2023, management's base case forecast is based on the hedged oil price of $55/bbl, and management's assumptions for costs and timing for activity at existing fields broadly in-line with operator estimates. As the oil price is hedged at $55/bbl the stress tests to review going concern have kept the price constant at this rate. Reverse stress tests have been completed to review the effect of a significant production decrease and to consider the effect of cost increases over the going concern period. The results of these are as follows:

- Production could fall by 20% over all oil and gas fields and the Group would still be in a positive cash flow position to 31 December 2023; and
- OPEX could increase by 40% over all fields and cash flow would still be positive until 31 December 2023.

The directors consider a drop in production over all fields by 20% and an increase in OPEX over all fields by 40% to be highly unlikely.

Furthermore, as 75% of production is hedged via put options at $55, should oil prices drop to the levels seen in 2020 of $25/bbl, the company would be largely protected over the going concern period.

Under all plausible downside scenarios, the Directors do not anticipate any risk of default for the Group during the period to 31 December 2023, and the Group remains well within debt covenant thresholds.

Finally, the Group continues to actively engage in material acquisition discussions in order to further strengthen and diversify the Company's portfolio of assets. A material acquisition would require the Company to secure additional financing. In making the going concern assessment, the Directors have considered known potential future transactions and concluded that such transactions would only be entered into on the condition that suitable financing was secured in advance. Any smaller scale transactions can be funded from existing free cash flow as demonstrated in the base case and stress tested scenarios.

Having reviewed the Group going concern assessment the Directors of the company have concluded that the Waldorf Energy Partners Limited Group retained sufficient liquidity and headroom on debt covenants to provide support to the company and that therefore the going concern basis remains appropriate for the company.

1.3 Revenue

Turnover is derived from the sale of oil and gas from UK North Sea. Revenue from the sale of crude oil and NGLs and natural gas products is recognized when performance obligations in the sales contract are satisfied and it is probable that the Company will collect the consideration to which it is entitled. Performance obligation for recognising the sale of crude oil is at the time the customer takes physical possession of the oil through lifting or on delivery of the oil into an infrastructure. Performance obligation for recognising the sale of NGL is when it has been delivered. The Company assesses customer creditworthiness, both before entering into contracts and throughout the revenue recognition process. The directors consider all activities of the company to fall within the offshore sector within one distinct region, therefore no segmental analysis has been prepared.

Revenue is accrued where performance obligations have been met but where certain conditions are required to be satisfied prior to invoicing to the customer and receiving consideration.

Deferred revenue

For certain of the Company's UK fields, production is sold on a monthly basis and the invoices are based on agreed quantities with the customer, however, the production remains in the field's storage tanks. The inventory associated with these sales remains on the Statement of Financial Position and the revenue is deferred until the production is shipped out of the storage tanks and the title to the production transfers to the purchaser. The Company records deferred revenue as a contract liability when consideration is received and when production sold exceeds production shipped out of the field's storage tanks.

1.4. Oil and Gas Assets

Oil and gas exploration costs are accounted for under a successful efforts based method: exploration costs are recognised in income when incurred, except that exploratory drilling costs are included within intangible assets pending determination of proved reserves. When assets are declared part of a commercial development, related costs are transferred to property, plant and equipment. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the income statement. The application of the accounting policy for oil and gas assets requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the Statement of Comprehensive Income in the period when the new information becomes available.

Exploration costs capitalised in respect of exploration wells that are more than 12 months old are written off unless:

- proved reserves are booked; or
- they have found commercially producible quantities of reserves and they are subject to further exploration or appraisal activity in that either drilling of additional exploratory wells is underway or firmly planned for the near future or other activities are being undertaken to sufficiently progress the assessing of reserves and the economic and operating viability of the project.

Oil and gas assets include rights in respect of properties with proved reserves (proved properties) and with no proved reserves (unproved properties). Property, plant and equipment, including expenditure on major inspections, and intangible assets are initially recognised in the Statement of Financial Position at cost where it is probable that they will generate future economic benefits. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement.

1.4. Oil and Gas Assets (continued)

Property, plant and equipment and intangible assets are subsequently carried at cost less accumulated depreciation, depletion and amortisation (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognised in the Statement of Comprehensive Income, within interest and other income.

1.5. Licence and Property Acquisition Costs

Exploration licence costs are capitalised in intangible assets. Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that work is under way to determine that the discovery is economically viable. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through the statement of profit or loss and other comprehensive income. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

1.6. Development Costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells is capitalised within property, plant and equipment.

1.7. Depreciation, Depletion and Amortisation

Property, plant and equipment are depreciated using the Unit of Production ("UOP") method over total proven and probable reserves. This results in a depreciation charge proportional to the depletion of the anticipated remaining production from the field. The life of each field is assessed at least annually. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

1.8. Major Maintenance, Inspection and Repairs

Expenditure on major maintenance projects, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where a maintenance project is expected to provide future economic benefits, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

1.9. Other Tangible Fixed Assets

Other tangible assets with finite lives are using the straight-line method over their estimated useful economic lives of two to five years and assessed for impairment whenever there is an indication that the tangible asset may be impaired. Changes in the expected useful life are treated as changes in accounting estimates.

1.10. Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss. The valuation of the investment takes into consideration the fact that the initial carrying value includes fair value of the contingent consideration, which is based upon performance of Catcher and Kraken, assets held within Capricorn North Sea Limited, at the period end, and the movement of the oil price. The investment is subsequently measured on an annual basis taking into account the movement of these factors.

1.11. Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset (or CGU) may be impaired. If any indication exists, the Company estimates the field's recoverable amount, being the higher of value in use ("VIU") and fair value less costs to dispose ("FVLCD"). Where the carrying amount of a field exceeds its recoverable amount, the field is considered impaired and is written down to its recoverable amount. The Company also assess whether any previously impaired assets have recovered in value, assessing the carrying value against the adjusted value in use taking into account movement since the point of impairment.

In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the field. VIU does not reflect future cash flows associated with improving or enhancing an asset's performance.

The assessments of recoverable amounts require the use of estimates and assumptions regarding the expected future cash flow from proven and probable property, plant and equipment, which are dependent upon various factors, such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

1.12. Inventories

Materials and supplies are valued at the lower of cost or net realisable value. The cost of materials is the purchase cost, determined on a first-in, first-out basis. The cost of crude oil and natural gas liquids is the purchase cost, the cost of refining, including the appropriate proportion of depreciation, depletion and amortisation and overheads based on normal operating capacity, determined on a weighted average basis. The net realisable value of crude oil and natural gas liquids is based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

1.13. Fair value measurement

The carrying amounts reflected in the balance sheet for cash and equivalents, short-term receivables and short-term payables approximate their fair value due to the short maturity of the instruments.

The Company measures the fair value of financial assets and liabilities on a recurring basis, defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. This includes not only the credit standing of counterparties involved and the impact of credit enhancements but also the impact of our own non-performance risk on our liabilities. Fair value measurements are classified and disclosed in one of the following categories:

- Fair value is based on actively-quoted market prices.
- In the absence of actively-quoted market prices, the Company seeks price information from external sources, including broker quotes and industry publications. Substantially all of these inputs are observable in the marketplace during the entire term of the instrument, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace.
- If valuations require inputs that are both significant to the fair value measurement and less observable from objective sources, the Company shall estimate prices based on available historical and near-term future price information and certain statistical methods that reflect the Company's market assumptions.

1.14. Cash and cash equivalents

Cash in the statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value. Cash excludes restricted cash, which is not available for our use and therefore is not considered highly liquid - for example, cash set aside to cover decommissioning obligations.

1.15. Financial assets

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Initial recognition and measurement

Financial assets are classified, at initial recognition, when the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement

The measurement of financial assets depends on their classification, as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments

Financial assets held at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade and other receivables, amounts due from related parties, restricted cash and cash and cash equivalents.

1.16. Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Our financial liabilities include trade and other payables, loans and derivative financial liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term, which includes derivative financial instruments that are not designated as hedging instruments in hedge relationships. Gains or losses on liabilities held for trading are recognised in the Statement of Comprehensive Income.

1.16. Financial liabilities (continued)

Amortised costs

After initial recognition, interest-bearing loans and borrowings, including bonds, are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised, as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the Statement of Comprehensive Income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

1.17. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

In addition, future changes in tax laws in the jurisdictions in which we operate could limit our ability to obtain tax deductions in future periods.

1.17. Taxation (continued)

Petroleum Revenue Tax

The charge for petroleum revenue tax ("PRT") forms part of the taxation charge in the Statement of Comprehensive Income. It is calculated on a period-by-period basis with reference to the operating income of chargeable fields, PRT allowances utilised and temporary differences arising in the period. The Company's PRT expense is related to our interest in the Alba field.

1.18. Decommissioning

Provision for future decommissioning costs is made where the Company has a present legal or constructive obligation, which generally arises when a well is drilled or equipment installed. The provision for future decommissioning is calculated, based on future cash flows discounted at a pre-tax discount rate to reflect risks specific to the costs. An amount equivalent to the initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit of production basis over proven and probable reserves. Changes to the provision other than unwinding of the discount are taken into account prospectively.

Unwinding of the discount of future decommissioning provisions is included in interest expense on the Statement of Comprehensive Income.

The Company assesses the decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure may also change.

Estimating decommissioning provisions requires us to make estimates and judgments regarding timing, amount and existence of a liability, as well as what constitutes adequate restoration. The Company uses the present value of estimated cash flows related to decommissioning provisions to determine fair value. The Company's liability is determined using significant assumptions, including current estimates of plugging and abandonment costs, inflation factors, the productive lives of wells and the risk-adjusted interest rate. In addition, there are other external factors which could significantly affect the ultimate settlement costs for these obligations including changes in environmental regulations and other statutory requirements, fluctuations in industry costs and advances in technology. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

1.19. Retirement benefits

We operate a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

1.20. Leases

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are held as a separate category on the statement of financial position, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

1.20. Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.21. Foreign exchange

The financial statements are presented in US dollars, which is also our functional and presentation currency. Transactions in other currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated using the contracted rate or retranslated at the rate of exchange ruling at each balance sheet date with the gains or losses on translation included in the profit and loss account.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

1.22. Joint Arrangements

The Company has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Company includes its share of assets, liabilities and cash flows in joint arrangements, measured in accordance with the terms of each arrangement, which are usually pro rata to the Company's interest in the joint arrangement.

1.23. Underlift/Overlift

Underlift or overlift of entitlement to production is valued at period end at contract prices where fixed, or otherwise at market prices prevailing. Underlift and overlift balances are split out and shown within trade receivables or trade creditors as appropriate.

1.24. Commodity Pricing Derivatives

Initial measurement and recognition

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2 Share capital

	2022
	£
Authorised	
10,000 Ordinary shares of £0.10 each	1,000
Issued and fully paid	
1,400 Ordinary shares of £0.10 each	140

3 Share premium account

	2022
	$'000
Share premium	-

The Company carried out a share premium cancellation on 28 January 2022. The Company cancelled the full share premium outstanding at 31 December 2021. The amount was transferred into retained earnings.

4 Other reserves

	2022
	$'000
Other reserves	1,403,652

Other reserves represent capital contributed to the entity by the previous owners and is distributable.