

Company registration number 05835764 (England and Wales)

PETRICORE LIMITED AND SUBSIDIARIES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

PETRICORE LIMITED AND SUBSIDIARIES

COMPANY INFORMATION

Directors	Mr B E Osthus Mr J D Lawrence Mr O S Hjelmeland Mr R P O Welsvik Mr C Palavicini Cham	(Appointed 27 October 2022)
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Company number	05835764
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Registered office	Gable House 239 Regents Park Road London N3 3LF
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Auditor	SPW (UK) LLP Gable House 239 Regents Park Road London N3 3LF
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PETRICORE LIMITED AND SUBSIDIARIES

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PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

The group saw its sales increased by 32% in 2022 to just under \$34m, reflecting stable and positive sentiment in the oil and industry during the year ended 31 December 2022. This was achieved mainly by the sustainable performance from Mexico Laboratory and Mexico Wellsite, where total revenue increased by 21% compared to previous year. Activity in the industry especially in Mexico continue to increase, where Pemex continues to be highly active, as well as International Oil Companies commencing activities in their blocks.

Laboratory operation in Abu Dhabi was discontinued and management will be placing Scal Arabia Limited into formal liquidation by end of 2024. Legal obligations in respect of all pending assignments were completed by Houston Laboratory on an arm's length basis in the year ended 31 December 2023. Formal closure will be initiated once remaining formalities are completed in Abu Dhabi.

Houston Laboratory reported net profit of \$0.6m in the year ended 31 December 2022. This was due to a major restructuring in which resulted in reduction in number of employees and changes the way laboratory operates. Business development efforts in place to further increase penetration in US and the Middle East markets. However, intercompany transactions with Mexico still expected to be major part of the company's revenue during the current year.

Petricore Limited formally acquired remaining 30% of minority shares in Codego AS in October 2023. Following the acquisition, board of directors approved merger of Petricore Norway AS and Codego AS, and this was formalised under Norwegian law.

Statement relating to the directors' responsibilities under Section 172 of the Companies Act

The directors recognise their duty to act in a way which they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole in accordance with section 172 of the UK Companies Act 2006. The directors' section 172 duties are part of Board discussions.

Annual budgets and short-term forecasts are updated through each year as part of the group's strategic planning process. These plans target increasing shareholder value through ongoing investment in both existing business and development of new services. Increasing shareholder value will benefit all stakeholders as business growth is designed to ensure operational resilience, providing greater opportunities for employees, improved service offering to our customers and volume to our supply chain.

The directors continue to have regard to the interest of the group's key stakeholders and, throughout the year, the Board and management engage with key stakeholders on items relevant to them. We set out below our key stakeholder groups and their material issues. The group engages with and considers the interest of each stakeholder group.

- **Investors and lenders**

The beneficial owners and shareholders with voting rights more than 5% of the ordinary share capital at the time when accounts were approved are;

Geological Investments Ltd – 7.93%
Staur Private Equity AS – 23.68%
Hauken Invest AS – 11.95%
Pareto Energy Solutions AS - 17.97%
Pareto Staur Energy AS - 5.07%
Carlos A S Marin - 5.98%

PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement relating to the directors' responsibilities under Section 172 of the Companies Act (continued)

- Employees

The directors consider the employees to be the group's most valuable asset and ensure they are kept informed of performance, progress and developments through regular briefings with management.

We engage with our employees by focusing on (i) the setting of performance goals that are aligned with the group's strategic objectives and (ii) the setting of employee development goals in a road map to ensure their career aspirations are achievable.

We continue to invest in the development of our employees to ensure they achieve their full potential and can have long and fulfilling careers with us.

During 2021 the group has continued this focus, wherever possible, on the retention and development of the workforce to position the business for stability and sustainable growth as market conditions improve.

- Customers

Customers are critical to the group's success with strong relationships maintained through regular interactions to better understand both current and future requirements. This ensures we continue to provide a market leading service whilst working to the same core values, safety and quality standards.

- Suppliers

A strong supply chain is similarly critical to the group's success and we are committed to fair and ethical treatment. Our approved supplier list is reviewed on a regular basis in conjunction with our quality system to identify and resolve any potential supply chain issues and we actively work with suppliers to address and overcome any issues identified.

- Other stakeholders

We are committed to protecting and supporting the environments and communities in which we work; to looking after our people and to behaving responsibly in all our business dealings. We execute continuous improvement in environmental management, performance and culture. We understand our impact and responsibilities to the environment and ensure best practise is implemented. In 2021 we continued our commitment to reducing our impact on the environment pursuing initiatives which included reduction in energy consumption, reduction in water, paper usage and waste and increasing our recycling.

Maintaining our reputation for high standards of business conduct is critical to ensuring the sustainability and success of the group. We strive to be a good corporate citizen and we are committed, at all times, to doing business in a responsible way by ensuring we have a positive impact on our stakeholders, the environment and the wider community.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The oil and gas industry is highly cyclical and demand for our services is substantially dependent upon the level of expenditures by the oil and gas industry for the exploration, development and production of crude oil and natural gas reserves, which in turn are sensitive to oil and natural gas prices and generally dependent upon the industry's view of future oil and gas prices.

The oil & gas industry has historically experienced period downturns, which have been characterised by diminished demand for our oilfield services and products and downward pressure on the prices we charge. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and could adversely affect our operating results.

PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators

The group monitors performance against a set of Key Performance Indicators (KPIs) with the aim of delivering its strategic objectives.

The table below compares the trading year ended 31 December 2021 with that of the previous year showing KPIs for the group and its trading subsidiaries.

	2022 US \$'000	2021 US \$'000
Group		
Sales	33,865	25,720
Cost of sales	22,361	17,631
Gross margin profit	11,504	8,089
Gross margin %	34%	31%
Administration expenses	6,307	5,395
EBITDA profit	6,667	3,875
Depreciation and amortisation	1,470	1,181
Net (loss) / profit	(24)	8,046
Drilltek S.A. De C.V.		
Sales	8,193	7,917
Cost of sales	7,702	4,201
Gross margin profit	491	3,716
Gross margin %	6%	47%
Administration expenses	908	771
EBITDA (loss) / profit	(329)	3,031
Depreciation and amortisation	88	86
Net (loss) / profit	(728)	1,264
Stratascan Mexico S.A. De C.V.		
Sales	22,933	17,740
Cost of sales	13,919	12,319
Gross margin profit	9,014	5,421
Gross margin %	39%	31%
Administration expenses	3,433	3,802
EBITDA profit	6,089	2,128
Depreciation and amortisation	508	509
Net profit	3,532	1,901
DTK Laboratories Inc		
Sales	2,897	1,304
Cost of sales	1,481	2,079
Gross margin profit / (loss)	1,416	(775)
Gross margin %	49%	59%
Administration expenses	790	284
EBITDA profit / (loss)	835	(977)
Depreciation and amortisation	209	82
Net profit / (loss)	611	(518)

PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 US \$'000
Petricore Norway AS	
Sales	861
Cost of sales	27
Gross margin profit	834
Gross margin %	1
Administration expenses	639
EBITDA	259
Depreciation and amortisation	64
Net profit	24
Codego AS	
Sales	15
Cost of sales	
Gross margin profit	15
Gross margin %	1
Administration expenses	25
EBITDA	5
Depreciation and amortisation	15
Net loss	(10)

On behalf of the board

Mr J D Lawrence
Director
9 February 2024

PETRICORE LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company and the group in the year under review was that of a holding and investment company undertaking the management of group companies, and the buying and leasing equipment to such companies, and geological laboratory services.

Results and dividends

The results for the year are set out on page 12.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B E Osthus

Mr J D Lawrence

Mr O S Hjelmeland

Mr R P O Welsvik

Mr C Palavicini Cham

(Appointed 27 October 2022)

Financial instruments

Treasury operations and financial instruments

The group operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the group's activities.

The group's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the group's activities, and bank overdrafts and loans, the main purpose of which is to raise finance for the group's operations. In addition, the group has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. Group policy permits to use forward exchange contracts if required. In accordance with group's treasury policy, derivative instruments are not entered into for speculative purposes.

Liquidity risk

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. Group policy permits if required to use interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

Foreign currency risk

The group's principal foreign currency exposures arise from trading with overseas companies. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in USD. This hedging activity involves the use of foreign exchange forward contracts.

PETRICORE LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

SPW (UK) LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, and is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

As the group has not consumed high level of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr J D Lawrence
Director

9 February 2024

PETRICORE LIMITED AND SUBSIDIARIES

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Opinion

We have audited the financial statements of Petricore Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

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 directors are 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 our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

The objectives of our audit, in respect to detecting irregularities including fraud, are;

to identify and assess the risks of material misstatement of the financial statements due to fraud;

to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses;

and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

The audit team 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 (FRS102 and the Companies Act 2006), the relevant UK tax compliance regulations and Data Protection Regulation (GDPR).

We understood how the company complies with laws and regulations by making enquiries of management, internal audit, those responsible for legal and compliance procedures. We made enquiries through our review of board minutes and internal controls process documentation and considered the results of our audit procedures. We obtained confirmation from the company that there have been no breaches of laws and regulations, specifically Health & Safety and Oil and Gas regulations.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to discuss areas where we considered there was susceptibility to fraud. We considered the internal controls that the company has implemented to address any risks identified, or to prevent, deter and detect fraud, and how senior management monitor them.

In common with all audits under ISAs, we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

The key audit areas identified at planning included revenue recognition, accounting estimates, translations from foreign exchanges and testing manual journals. We planned and designed our work to provide reasonable assurance that the financial statements were free from fraud or error. However due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected an irregularity or fraud that could result in a material misstatement in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

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

Use of our report

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

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Shirish Shah (Senior Statutory Auditor)
For and on behalf of SPW (UK) LLP

9 February 2024

Chartered Accountants
Statutory Auditor

Gable House
239 Regents Park Road
London
N3 3LF

PETRICORE LIMITED AND SUBSIDIARIES

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 \$	2021 \$
Revenue	3	33,863,085	25,719,747
Cost of sales		(22,360,639)	(17,630,529)
Gross profit		11,502,446	8,089,218
Administrative expenses		(6,308,608)	(5,392,723)
Other operating (expenses)/income		(125,657)	504,331
Operating profit	4	5,068,181	3,200,826
Investment income	8	27,933	33,319
Finance costs	9	(2,146,504)	(705,977)
Other gains and losses	11	(702,787)	-
Profit/(loss) on disposal of operations	7	-	6,834,291
Profit before taxation		2,246,823	9,362,459
Tax on profit	10	(2,273,070)	(1,313,331)
(Loss)/profit for the financial year	26	(26,247)	8,049,128
(Loss)/profit for the financial year is attributable to:			
- Owners of the parent company		11,991	242,909
- Non-controlling interests		(38,238)	7,806,219
		(26,247)	8,049,128

The income statement has been prepared on the basis that all operations are continuing operations.

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 \$	2021 \$
(Loss)/profit for the year	(26,247)	8,049,128
Other comprehensive income		
Currency translation gain/(loss) taken to retained earnings	380,680	(340,298)
Total comprehensive income for the year	<u>354,433</u>	<u>7,708,830</u>
Total comprehensive income for the year is attributable to:		
- Owners of the parent company	383,672	(91,708)
- Non-controlling interests	(29,239)	7,800,538
	<u>354,433</u>	<u>7,708,830</u>

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	\$	\$	\$	\$
Non-current assets					
Goodwill	12		1,862,889		2,098,267
Other intangible assets	12		124,481		137,203
Total intangible assets			1,987,370		2,235,470
Property, plant and equipment	15		6,032,071		6,633,035
			8,019,441		8,868,505
Current assets					
Inventories	16	10,893		10,366	
Trade and other receivables	17	24,573,448		11,935,543	
Cash and cash equivalents		3,456,621		2,298,648	
		28,040,962		14,244,557	
Current liabilities	18	(31,842,622)		(19,718,171)	
Net current liabilities			(3,801,660)		(5,473,614)
Total assets less current liabilities			4,217,781		3,394,891
Non-current liabilities	19		(1,827,147)		(2,325,322)
Net assets			2,390,634		1,069,569
Equity					
Called up share capital	23		2,012,895		2,005,763
Share premium account	25		27,925,602		27,754,434
Retained earnings	26		(27,674,735)		(28,847,009)
Equity attributable to owners of the parent company			2,263,762		913,188
Non-controlling interests			126,872		156,381
			2,390,634		1,069,569

The financial statements were approved by the board of directors and authorised for issue on 9 February 2024 and are signed on its behalf by:

Mr J D Lawrence
Director

Company registration number 05835764 (England and Wales)

PETRICORE LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	\$	\$	\$	\$
Non-current assets					
Intangible assets	12		28,400		42,600
Property, plant and equipment	15		2,533,445		2,868,626
Investments	13		8,933,316		8,878,602
			<u>11,495,161</u>		<u>11,789,828</u>
Current assets					
Trade and other receivables	17	9,336,774		9,693,183	
Cash and cash equivalents		3,155		381,479	
		<u>9,339,929</u>		<u>10,074,662</u>	
Current liabilities	18	(13,236,749)		(11,342,289)	
Net current liabilities			<u>(3,896,820)</u>		<u>(1,267,627)</u>
Total assets less current liabilities			<u>7,598,341</u>		<u>10,522,201</u>
Non-current liabilities	19		<u>(1,683,151)</u>		<u>(2,451,671)</u>
Net assets			<u><u>5,915,190</u></u>		<u><u>8,070,530</u></u>
Equity					
Called up share capital	23		2,012,895		2,005,763
Share premium account	25		27,925,602		27,754,434
Retained earnings	26		(24,023,307)		(21,689,667)
Total equity			<u><u>5,915,190</u></u>		<u><u>8,070,530</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was \$2,333,639 (2021 - \$1,304,431 profit).

The financial statements were approved by the board of directors and authorised for issue on 9 February 2024 and are signed on its behalf by:

Mr J D Lawrence
Director

Company registration number 05835764 (England and Wales)

PETRICORE LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital \$	Share premium account \$	Retained earnings \$	Total \$
Balance at 1 January 2021		2,005,763	27,754,434	(22,994,098)	6,766,099
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	1,304,431	1,304,431
Balance at 31 December 2021		2,005,763	27,754,434	(21,689,667)	8,070,530
Year ended 31 December 2022:					
Profit and total comprehensive income		-	-	(2,333,640)	(2,333,640)
Issue of share capital	23	7,132	171,168	-	178,300
Balance at 31 December 2022		2,012,895	27,925,602	(24,023,307)	5,915,190

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium account	Retained earnings	Total non-controlling interest	Total
Notes	\$	\$	\$	\$	\$
Balance at 1 January 2021	2,005,763	27,754,434	(28,755,301)	1,004,896	(7,644,157)
					(6,639,261)
Year ended 31 December 2021:					
Profit for the year	-	-	242,909	242,909	7,806,219
Other comprehensive income:					8,049,128
Currency translation differences	-	-	(340,298)	(340,298)	-
Amounts attributable to non-controlling interests	-	-	5,681	5,681	(5,681)
					-
Total comprehensive income for the year	-	-	(91,708)	(91,708)	7,800,538
					7,708,830
Balance at 31 December 2021	2,005,763	27,754,434	(28,847,009)	913,188	156,381
					1,069,569
Year ended 31 December 2022:					
Loss for the year	-	-	11,991	11,991	(38,238)
Other comprehensive income:					(26,247)
Currency translation differences	-	-	380,680	380,680	-
Amounts attributable to non-controlling interests	-	-	(8,999)	(8,999)	8,999
					-
Total comprehensive income for the year	-	-	383,672	383,672	(29,239)
Issue of share capital	23 7,132	171,168	-	178,300	-
Other movements	-	-	788,602	788,602	(280,673)
					507,929
Balance at 31 December 2022	2,012,895	27,925,602	(27,674,735)	2,263,762	126,872
					2,390,634

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022		2021	
	Notes	\$	\$	\$	\$
Cash flows from operating activities					
Cash generated from operations	30	3,951,604		12,445,680	
Interest paid		(188,565)		(294,147)	
Income taxes paid		(2,429,181)		(2,579,399)	
Net cash inflow from operating activities		<u>1,333,858</u>		<u>9,572,134</u>	
Investing activities					
Purchase of intangible assets		(17,020)		-	
Purchase of property, plant and equipment		(581,613)		(624,367)	
Interest received		27,933		33,319	
Net cash used in investing activities		<u>(570,700)</u>		<u>(591,048)</u>	
Financing activities					
Proceeds from issue of shares		178,300		-	
Repayment of borrowings		730,705		(4,792,479)	
Repayment of bank loans		-		(2,653,415)	
Payment of finance leases obligations		(514,190)		(439,680)	
Net cash generated from/(used in) financing activities		<u>394,815</u>		<u>(7,885,574)</u>	
Net increase in cash and cash equivalents		<u>1,157,973</u>		<u>1,095,512</u>	
Cash and cash equivalents at beginning of year		2,298,648		1,203,136	
Cash and cash equivalents at end of year		<u><u>3,456,621</u></u>		<u><u>2,298,648</u></u>	

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

2 Accounting policies

Company information

Petricore Limited and Subsidiaries ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Gable House, 239 Regents Park Road, London, N3 3LF.

The group consists of Petricore Limited and Subsidiaries and all of its subsidiaries.

2.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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 \$.

The financial statements have been prepared under the historical cost convention, (modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value). The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was \$2,333,640 (2021 - \$1,304,431 profit).

2.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

The consolidated group financial statements consist of the financial statements of the parent company Petricore Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Investments in joint ventures and associates are carried in the group statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

2.3 Going concern

The financial statements have been prepared on the going concern basis as the directors consider that the group presently is able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements which takes into consideration the availability of the financial support from the shareholders. The directors have considered the forecasts of the group and have had discussions with the group management to arrange for necessary funds required by the group. The financial statements do not include any adjustments that would result if the entity was unable to continue as a going concern.

2.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

2.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software Costs	15% to 20% on straight line basis
Other Intangibles	15% to 20% on straight line basis
Development Costs	15% to 20% on straight line basis

2.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the period of the lease
Plant and machinery	10% to 20% on straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

2.8 Non-current investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

2.9 Impairment of non-current assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, 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 asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

2.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

2.14 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing 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 reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.18 Foreign exchange

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in USD.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to USD (\$) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

3 Revenue

An analysis of the group's revenue is as follows:

	2022	2021
	\$	\$
Revenue analysed by class of business		
Laboratory services	25,671,711	17,737,887
Wellsite services	8,191,374	7,981,860
	<u>33,863,085</u>	<u>25,719,747</u>

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Revenue (Continued)

	2022	2021
	\$	\$
Revenue analysed by geographical market		
Mexico	31,051,428	25,170,896
United States of America	1,934,079	394,851
United Kingdom and Europe	877,578	154,000
	<u>33,863,085</u>	<u>25,719,747</u>
	2022	2021
	\$	\$
Other revenue		
Interest income	27,933	33,319
	<u>27,933</u>	<u>33,319</u>

Revenue is recognised when it is determined that the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed or determinable; and (iv) collectability is reasonably assured.

4 Operating profit

	2022	2021
	\$	\$
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	104,932	81,930
Depreciation of owned property, plant and equipment	863,233	653,575
Depreciation of property, plant and equipment held under finance leases	340,760	340,760
Profit on disposal of property, plant and equipment	(21,416)	-
Amortisation of intangible assets	264,850	186,365
Operating lease charges	245,146	413,256
	<u>1,737,505</u>	<u>1,676,886</u>

5 Auditor's remuneration

	2022	2021
	\$	\$
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	55,000	65,000
	<u>55,000</u>	<u>65,000</u>

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Management	23	23	5	5
Operations	326	317	-	-
Total	349	340	5	5

Their aggregate remuneration comprised:

	Group 2022 \$	2021 \$	Company 2022 \$	2021 \$
Wages and salaries	10,429,639	9,715,624	-	-
Social security costs	227,252	214,437	-	-
Pension costs	33,187	29,387	-	-
	10,690,078	9,959,448	-	-

7 Profit on disposal of operations

There are no proceeds related to the gain of \$6,834,291 shown in the group profit and loss account. This was due to removal of Scal Arabia Limited and its associated cumulative losses from the group accounts, merely a book entry.

8 Investment income

	2022 \$	2021 \$
Interest income		
Other interest income	27,933	33,319

9 Finance costs

	2022 \$	2021 \$
Interest on bank overdrafts and loans	14,979	1,838
Other interest on financial liabilities	2,081,710	602,614
Interest on finance leases and hire purchase contracts	49,815	101,525
Total finance costs	2,146,504	705,977

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation

	2022	2021
	\$	\$
Current tax		
Foreign current tax on profits for the current period	2,421,323	1,376,136
Deferred tax		
Origination and reversal of timing differences	(148,253)	(62,805)
Total tax charge	2,273,070	1,313,331

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	\$	\$
Profit before taxation	2,246,823	9,362,459
Expected tax charge based on the standard rate of corporation tax in Mexico of 30.00% (2021: 30.00%)	674,047	2,808,738
Tax effect of expenses that are not deductible in determining taxable profit	1,229,486	566,003
Tax effect of income not taxable in determining taxable profit	-	(2,050,287)
Tax adjustments	369,537	(11,123)
Taxation charge	2,273,070	1,313,331

No liability to UK corporation tax arose on ordinary activities for the year.

11 Other gains and losses

	2022	2021
	\$	\$
Amounts written off current loans	(702,787)	-

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Intangible fixed assets

Group	Goodwill	Software Costs	Development Costs		Total
	\$	\$	\$	\$	\$
Cost					
At 1 January 2022	2,732,128	103,415	131,140	81,141	3,047,824
Additions	-	12,183	4,837	-	17,020
	<u>2,732,128</u>	<u>115,598</u>	<u>135,977</u>	<u>81,141</u>	<u>3,064,844</u>
At 31 December 2022	2,732,128	115,598	135,977	81,141	3,064,844
Amortisation and impairment					
At 1 January 2022	634,131	60,815	117,678	-	812,624
Amortisation charged for the year	235,108	14,373	519	14,850	264,850
	<u>869,239</u>	<u>75,188</u>	<u>118,197</u>	<u>14,850</u>	<u>1,077,474</u>
At 31 December 2022	869,239	75,188	118,197	14,850	1,077,474
Carrying amount					
At 31 December 2022	<u>1,862,889</u>	<u>40,410</u>	<u>17,780</u>	<u>66,291</u>	<u>1,987,370</u>
At 31 December 2021	<u>2,098,267</u>	<u>42,600</u>	<u>13,462</u>	<u>81,141</u>	<u>2,235,470</u>

Company	Software Costs
	\$
Cost	
At 1 January 2022 and 31 December 2022	<u>71,000</u>
Amortisation and impairment	
At 1 January 2022	28,400
Amortisation charged for the year	<u>14,200</u>
At 31 December 2022	<u>42,600</u>
Carrying amount	
At 31 December 2022	<u>28,400</u>
At 31 December 2021	<u>42,600</u>

13 Fixed asset investments

	Notes	Group 2022 \$	2021 \$	Company 2022 \$	2021 \$
Investments in subsidiaries	14	<u>-</u>	<u>-</u>	<u>8,933,316</u>	<u>8,878,602</u>

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Fixed asset investments (Continued)

Movements in non-current investments		Shares in
Company		subsidiaries
		\$
Cost or valuation		
At 1 January 2022		8,878,602
Additions		54,714
		<hr/>
At 31 December 2022		8,933,316
		<hr/>
Carrying amount		
At 31 December 2022		8,933,316
		<hr/>
At 31 December 2021		8,878,602
		<hr/>

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Address	Class of shares held	% Held Direct
Drilltek S.A. de C.V.	Mexico (Note 1)	Ordinary	95.00
DTK Laboratories Inc.	USA (Note 2)	Ordinary	100.00
Stratascan Mexico S.A. de C.V.	Mexico (Note 1)	Ordinary	99.97
Petricore Norway AS	Norway (Note 3)	Ordinary	100.00
Codego AS	Norway (Note 3)	Ordinary	70.00

Registered office addresses:

- 1 Carretera Villahermosa, Frontera Km. 6.5, Rancheria Medellin y Piqua, 2da Seccion, Centro Tabasco, CP 86281 Mexico
- 2 2703 Highway 6 South, 28, Houston, TX 77082
- 3 Stiklestadveien 1, 7041 Trondheim, Norway

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Property, plant and equipment

Group	Leasehold improvements \$	Plant and machinery \$	Total \$
Cost			
At 1 January 2022	1,619,052	11,085,558	12,704,610
Additions	250,632	886,095	1,136,727
Disposals	-	(985,239)	(985,239)
At 31 December 2022	1,869,684	10,986,414	12,856,098
Depreciation and impairment			
At 1 January 2022	765,481	5,306,094	6,071,575
Depreciation charged in the year	292,012	911,981	1,203,993
Eliminated in respect of disposals	-	(451,541)	(451,541)
At 31 December 2022	1,057,493	5,766,534	6,824,027
Carrying amount			
At 31 December 2022	812,191	5,219,880	6,032,071
At 31 December 2021	853,571	5,779,464	6,633,035
Company		Plant and machinery	
			\$
Cost			
At 1 January 2022			5,672,361
Additions			555,114
Disposals			(859,611)
At 31 December 2022			5,367,864
Depreciation and impairment			
At 1 January 2022			2,803,735
Depreciation charged in the year			356,597
Eliminated in respect of disposals			(325,913)
At 31 December 2022			2,834,419
Carrying amount			
At 31 December 2022			2,533,445
At 31 December 2021			2,868,626

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Property, plant and equipment

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2022 \$	2021 \$	Company 2022 \$	2021 \$
Plant and machinery	1,851,623	2,726,080	1,851,623	2,726,080
Depreciation charge for the year in respect of leased assets	340,760	340,760	340,760	340,760
16 Inventories				
	Group 2022 \$	2021 \$	Company 2022 \$	2021 \$
Raw materials and consumables	10,893	10,366	-	-
17 Trade and other receivables				
	Group 2022 \$	2021 \$	Company 2022 \$	2021 \$
Amounts falling due within one year:				
Trade receivables	20,156,167	6,760,900	-	52,464
Unpaid share capital	55,495	55,495	44,907	44,907
Amounts owed by group undertakings	-	350,920	9,133,162	9,340,341
Other receivables	2,597,231	3,425,589	158,705	255,471
Prepayments and accrued income	342,376	76,571	-	-
	23,151,269	10,669,475	9,336,774	9,693,183
Amounts falling due after more than one year:				
Deferred tax asset (note 24)	1,422,179	1,266,068	-	-
Total debtors	24,573,448	11,935,543	9,336,774	9,693,183

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

18 Current liabilities

		Group 2022	2021	Company 2022	2021
	Notes	\$	\$	\$	\$
Obligations under finance leases	21	638,172	564,826	618,194	564,826
Other borrowings	20	10,016,438	8,140,694	10,016,438	8,140,694
Payments received on account		406	359	-	-
Trade payables		9,896,367	5,350,575	895,360	684,854
Amounts owed to group undertakings		-	-	1,506,538	1,462,272
Other taxation and social security		9,505,224	3,276,303	365	365
Other payables		1,621,698	1,993,280	115,875	294,179
Accruals and deferred income		164,317	392,134	83,979	195,099
		<u>31,842,622</u>	<u>19,718,171</u>	<u>13,236,749</u>	<u>11,342,289</u>

19 Non-current liabilities

		Group 2022	2021	Company 2022	2021
	Notes	\$	\$	\$	\$
Bank loans and overdrafts	20	163,508	153,642	-	-
Obligations under finance leases	21	1,493,971	2,081,507	1,276,469	1,894,663
Other borrowings	20	-	6,142	406,682	481,008
Other payables		169,668	8,031	-	-
Accruals and deferred income		-	76,000	-	76,000
		<u>1,827,147</u>	<u>2,325,322</u>	<u>1,683,151</u>	<u>2,451,671</u>

20 Borrowings

		Group 2022	2021	Company 2022	2021
		\$	\$	\$	\$
Bank loans		163,508	153,642	-	-
Loans from group undertakings		-	-	406,682	481,008
Other loans		10,016,438	8,146,836	10,016,438	8,140,694
		<u>10,179,946</u>	<u>8,300,478</u>	<u>10,423,120</u>	<u>8,621,702</u>
Payable within one year		10,016,438	8,140,694	10,016,438	8,140,694
Payable after one year		163,508	159,784	406,682	481,008

The bank loans are unsecured and this was provided by US Government as part of the small business loan program to support businesses' recovery from Covid-19.

Other borrowings are amounts due to shareholders. Majority of these loans are either for share conversion or were provided in accordance to the Facility Agreement which is only payable at exit.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

21 Finance lease obligations

	Group 2022 \$	2021 \$	Company 2022 \$	2021 \$
Future minimum lease payments due under finance leases:				
In two to five years	-	2,459,489	-	2,459,489

Certain plant and machinery is held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases (see note 13). The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

22 Retirement benefit schemes

	2022 \$	2021 \$
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	33,187	29,387

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

23 Share capital

Group and company	2022 Number	2021 Number	2022 \$	2021 \$
Ordinary share capital				
Issued and fully paid				
Ordinary share of \$1 each	1	1	1	1
Ordinary shares of \$1 each	2,005,762	2,005,762	2,012,894	2,005,762
	2,005,763	2,005,763	2,012,895	2,005,763

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

24 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2022	Assets 2021
Group	\$	\$
Timing differences on certain expenses, revenue and provisions	1,422,179	1,266,068

Company

Deferred tax assets and liabilities amounted to \$nil at 31 December 2022 and 31 December 2021.

25 Share premium account

Group and company

	2022	2021
	\$	\$
At beginning of year	27,754,434	27,754,434
Issue of new shares	171,168	-
At end of year	27,925,602	27,754,434

26 Retained earnings

	Group 2022	2021	Company 2022	2021
	\$	\$	\$	\$
At the beginning of the year	(28,847,009)	(28,755,301)	(21,689,667)	(22,994,098)
Profit/(loss) for the year	11,991	242,909	(2,333,640)	1,304,431
Currency translation differences	380,680	(340,298)	-	-
Amounts attributable to non-controlling interests	(8,999)	5,681	-	-
Other movements	788,602	-	-	-
At the end of the year	(27,674,735)	(28,847,009)	(24,023,307)	(21,689,667)

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

27 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2022 \$	2021 \$	Company 2022 \$	2021 \$
Within one year	198,760	239,868	-	-
Between two and five years	795,040	959,472	-	-
In over five years	-	239,868	-	-
	<u>993,800</u>	<u>1,439,208</u>	<u>-</u>	<u>-</u>

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel and directors, is as follows.

	2022 \$	2021 \$
Aggregate compensation	<u>3,940,060</u>	<u>3,981,200</u>

Transactions with related parties

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

28 Related party transactions

(Continued)

During the year the Petricore Limited (company) entered into the following transactions with related parties:

- The company received dividends of \$905,690 (2021: \$3,924,440) from Stratascan Mexico S.A. de C.V.
- There were no management fees received during the current year (2021: \$5,849) from subsidiary undertakings
- There was no interest received during the current year (2021: \$49,971) from subsidiary undertakings
- The company paid interest of \$23,359 (2021: \$29,093) to subsidiary undertakings

The following amounts were net payable by the company to subsidiaries at the year-end:

- Drilltek S.A. de C.V. - \$699,674 (2021: \$704,650)
- Stratascan Mexico S.A. de C.V. – \$613,897 (2021: \$688,223)

The following amounts were net receivable by the company from subsidiaries at the year-end:

- DTK Laboratories Inc - \$7,757,048 (2021: \$7,245,046)
- Petricore Norway AS - \$702,996 (2021: \$1,408,033)
- Codego AS - \$113,473 (2021: \$126,854)

29 Events after the reporting date

There are no material post balance sheet events

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

30 Cash generated from group operations

	2022 \$	2021 \$
(Loss)/profit for the year after tax	(26,247)	8,049,128
Adjustments for:		
Taxation charged	2,273,070	1,313,331
Finance costs	2,146,504	705,977
Investment income	(27,933)	(33,319)
Gain on disposal of property, plant and equipment	(21,416)	-
Amortisation and impairment of intangible assets	264,850	186,365
Depreciation and impairment of property, plant and equipment	1,203,993	994,335
Other gains and losses	702,787	-
Fair value adjustment to disposal group	-	(6,834,291)
Movements in working capital:		
(Increase)/decrease in inventories	(527)	1,964,935
(Increase)/decrease in trade and other receivables	(11,928,146)	6,276,940
Increase/(decrease) in trade and other payables	9,364,669	(177,721)
Cash generated from operations	3,951,604	12,445,680

31 Analysis of changes in net debt - group

	1 January 2022 \$	Cash flows \$	Market value movements \$	31 December 2022 \$
Cash at bank and in hand	2,298,648	1,157,973	-	3,456,621
Borrowings excluding overdrafts	(8,300,478)	(3,837,407)	1,957,939	(10,179,946)
Obligations under finance leases	(2,646,333)	514,190	-	(2,132,143)
	<u>(8,648,163)</u>	<u>(2,165,244)</u>	<u>1,957,939</u>	<u>(8,855,468)</u>

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