Registered number: 07240286

IGas Energy Development Limited

Annual Report and Unaudited Financial Statements
for the year ended 31 December 2020

Company information

Ulimate parent undertaking	IGas Energy plc
Directors	S D Bowler J L Tedder (resigned 31 July 2020) T Perera Schuetze F Ward (appointed 31 July 2020)
Registered number	07240286
Registered office	Welton Gathering Centre Barfield Lane Off Wragby Road Sudbrooke Lincoln England LN2 2QX
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP

Copies of Annual Report and Unaudited Financial Statements

Further copies of this Annual Report and Unaudited Financial Statements can be obtained from IGas Energy Development Limited's Registered Office.

Directors' report

Registered number: 07240286

The Directors present their report and unaudited financial statements of IGas Energy Development Limited ("the Company") for the year ended 31 December 2020.

Directors of the company

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on Page 1.

Dividends

The Directors do not recommend the payment of a dividend.

Principal activities and future developments

The principal activities of the Company is to explore for, appraise, develop and produce oil and gas reserves and resources in United Kingdom.

The Company continues to optimise economic production from its assets and to seek initiatives to extend asset uptime and optimise processes and costs.

The Company holds interests in PEDLs 012, 139, 140, 147, 169, DL 002, PL 162, PL 179, PL 233, PL 249, and EXL 273 ("the licences"). The effective moratorium on the issue of Hydraulic Fracture Consents, that was introduced by the Government in November 2019, which relates to PEDLs 012, 139, 140, 147, 169 and EXL 273, remains in place until new evidence is provided. IGas along with its industry peers continues to be committed to working closely with the OGA and other regulators to demonstrate that we can operate safely and in an environmentally responsible manner.

Financial instruments

The Company finances its activities with a combination of intercompany loans and cash generated from operations. Intercompany advances are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade and other receivables, trade and other payables and cash and cash equivalents, arise directly from the Company's operating activities

The Company manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the Company's financial targets while protecting future financial security

The Company is exposed to the following risks:

- Market risk, including commodity price, foreign currency and interest rate risks; and
- Liquidity risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as commodity price risk, foreign currency risk and interest rate risk. The Company is exposed to the risk of fluctuatioins in prevailing market commodity prices (primarily crude oil) on the oil it sells. The Company considers that such risks are mitigated by the ultimate parent's hedging policy. The Company is exposed to exchange rate risk through its major source of revenue being priced in US$, whereas its costs are primarily deominated in Pounds Sterling. The IGas Energy plc Board monitors the cash flows of the Group to ensure currency exposure is understood and considers exchange rae hedges as appropriate to ensure cash inflows in dollars are matched with sterling cash outflows.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments. External borrowing facilities are managed by the Group.

Directors' report (continued)

Registered number: 07240286

Events since the balance sheet date

On 4 February 2021, the Company's registered office changed from 7 Down Street, London, W1J 7AJ to Welton Gathering Centre, Barfield Lane Off Wragby Road, Sudbrooke, Lincoln, LN2 2QX.

Subsequent to 31 December 2020, the EXL288 licence was relinquished. As at 31 December 2020 the carrying value relating to this license was £nil as it had previously been impaired.

We believe the Springs Road site (PEDL139 and PEDL140) is of national importance and we therefore applied to extend the operational period of the site for a further three years while discussions continue with the UK Government and regulators. In July 2021, despite a recommendation by the Planning Officer, the planning committee at Nottinghamshire County Council voted against the extension. We are considering our options along with our partners including our right to bring forward an appeal.

Directors' liabilities

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors and Officers insurance to indemnify the Directors and Officers against liability in respect of proceedings brought by third parties. Such provision remains in force at the date of this report.

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Article 53 of the Company's Articles of Association as adopted on 11 September 2019. These provisions remained in force throughout the year and remain in place at the date of this report.

Basis of preparation

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The Directors have also taken advantage of the small companies exemptions provided by section 414B of the Companies Act 2006 and have not prepared a strategic report.

Audit exemption

For the years ended 31 December 2020 and 31 December 2019, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006;
- the Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

On behalf of the board

Francis Ward

F Ward
Director
29 September 2021

Directors' report (continued)

Registered number: 07240286

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements, subject to any material departures disclosed and explained in the financial statement;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

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

Frances Ward

F Ward
Director
29 September 2021

Income statement
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Revenue	3	**3,679,138**	8,636,096
Cost of sales		**(5,364,286)**	(7,954,295)
Gross profit		**(1,685,148)**	681,801
Administrative expenses		**(244,771)**	(184,926)
Exploration and evaluation assets written back/(off)	9	**34,189**	(3,181,151)
Impairment of property, plant and equipment	10	**(10,483,559)**	-
Operating loss	4	**(12,379,289)**	(2,684,275)
Finance costs	7	**(1,505,781)**	(1,430,526)
Loss before tax		**(13,885,070)**	(4,114,801)
Income tax charge	8	**(1,128,116)**	(522,782)
Loss for the year		**(15,013,186)**	(4,637,584)

All transactions in current and previous year are derived from continuing activities.

Statement of comprehensive income
For the year ended 31 December 2020

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Loss for the year	**(15,013,186)**	(4,637,584)
Total comprehensive loss for the year	**(15,013,186)**	(4,637,584)

The notes on pages 9 to 29 are an integral part of these financial statements.

Statement of financial position
At 31 December 2020

	Note	31 December 2020 £	31 December 2019 £
Non-current assets			
Intangible exploration and evaluation assets	9	**3,095,643**	2,608,353
Property, plant and equipment	10	**13,206,522**	23,186,929
Right-of-use asset	11	**1,730,709**	1,449,306
Investments	12	**1**	1
Deferred tax asset	8	**5,564,541**	6,692,657
		23,597,416	33,937,246
Current assets			
Inventories	13	**108,409**	135,061
Other receivables	14	**11,504,097**	10,818,259
Cash and cash equivalents		**60,317**	48,118
		11,672,823	11,001,438
Total assets		**35,270,239**	44,938,684
Current liabilities			
Lease liability	11	**(123,055)**	(121,504)
Trade and other payable	15	**(67,653,863)**	(63,669,730)
		(67,776,918)	(63,791,234)
Non-current liabilities			
Other provisions	16	**(9,281,702)**	(8,256,271)
Lease liability	11	**(1,616,869)**	(1,283,243)
		(10,898,571)	(9,539,514)
Total liabilities		**(78,675,489)**	(73,330,748)
Net liabilities		**(43,405,250)**	(28,392,064)
Capital and reserves			
Called up share capital	17	**13,031**	13,031
Share premium	18	**3,675,964**	3,675,964
Accumulated deficit	18	**(47,094,245)**	(32,081,059)
Total shareholders' deficit		**(43,405,250)**	(28,392,064)

The notes on pages 9 to 29 are an integral part of these financial statements.

Audit exemption
For the year ended 31 December 2020 and 31 December 2019, the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements on pages 5 to 29 were approved by the Board on 29 September 2021 and were signed on its behalf by:

Frances Ward

F Ward
Director
29 September 2021

Statement of changes in equity
For the year ended 31 December 2020

	Called up share capital (note 17) £	Share premium £	Accumulated deficit £	Total £
At 1 January 2019	13,031	3,675,964	(27,443,475)	(23,754,480)
Total comprehensive loss for the year	-	-	(4,637,584)	(4,637,584)
At 31 December 2019	13,031	3,675,964	(32,081,059)	(28,392,064)
Total comprehensive loss for the year	-	-	(15,013,186)	(15,013,186)
At 31 December 2020	**13,031**	**3,675,964**	**(47,094,245)**	**(43,405,250)**

The notes on pages 9 to 29 are an integral part of these financial statements.

Statement of cash flow
At 31 December 2020

	Note	31 December 2020 £	31 December 2019 £
Cash flows from operating activities			
Loss before tax		**(13,885,070)**	(4,114,802)
Depreciation, depletion and amortisation	**10 & 11**	**1,863,408**	3,437,530
Abandonment costs/other provisions utilised	**16**	**(6,529)**	(438,774)
Exploration and evaluation assets written back/(off)	**9**	**(34,189)**	3,181,151
Impairment of property, plant and equipment	**10**	**10,483,559**	-
Finance costs	**7**	**1,505,781**	1,430,526
Operating cash flow before working capital movements		**(73,040)**	3,495,631
(Increase)/decrease in trade and other receivables		**(498,673)**	1,069,407
Increase in trade and other payables		**2,737,848**	1,918,323
(Increase)/decrease in inventories		**26,652**	(25,307)
Net cash from operating activities		**2,192,787**	6,458,054
Cash flows from investing activities			
Purchase of exploration and evaluation assets		**(562,913)**	(4,901,082)
Purchase of property, plant and equipment		**(1,390,110)**	(1,210,582)
Interest paid		**-**	(2)
Net cash from/(used in) investing activities		**(1,953,023)**	346,388
Cash flows from financing activities			
Repayment of principal portion of lease liability		**(67,612)**	(343,236)
Repayment of interest on lease liabilities		**(159,953)**	(343,236)
Net cash used in financing activities		**(227,565)**	(343,236)
Net increase in cash and cash equivalents		**12,199**	3,152
Cash and cash equivalents at the beginning of the year		**48,118**	44,966
Cash and cash equivalents at the end of the year		**60,317**	48,118

The notes on pages 9 to 29 are an integral part of these financial statements.

Notes to the financial statements For the year ended 31 December 2020

1. General information

The financial statements of IGas Energy Development Limited (the "Company") for the year ended 31 December 2020 were approved by the Board and authorised for issue on 29 September 2021.

The Company is a private company limited by share capital incorporated in England and domiciled in the United Kingdom.

On 4 February 2021, the Company's registered office changed from 7 Down Street, London, W1J 7AJ to Welton Gathering Centre, Barfield Lane Off Wragby Road, Sudbrooke, Lincoln, LN2 2QX.

2. Accounting policies

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

2.1. Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, as they apply to the Company for the year ended 31 December 2020.

The financial statements are prepared in accordance with the historical cost convention and have been prepared on the going concern basis.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are disclosed in note 2.3.

Going concern

The Company is reliant on the continued financial support of its ultimate parent undertaking, IGas Energy plc ("IGas"). The Directors therefore considered the going concern assessment prepared in respect of the unaudited condensed interim consolidated financial statements of IGas for the six months ended 30 June 2021, approved on 22 September 2021, which included disclosure of the following information in respect of the IGas Group's ability to continue as a going concern:

"The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are regularly produced based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices, management's best estimate of foreign exchange rates and the Group's available loan facility under the RBL. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

The Group's operating cash flows have improved in 2021 as a result of improving commodity prices and we have successfully completed the 2021 half-year redetermination. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its RBL, which is redetermined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants. To mitigate these risks, the Group benefits from its hedging policy with 190,800 bbls hedged for H2 2021 at an average price including collar upside of c.$49/bbl, 126,000 bbls are currently hedged in 2022 using swaps at an average price of $63/bbl and 114,000 bbls using puts with an average price, net of premiums, of $44/bbl.

Notes to the financial statements (continued)
For the year ended 31 December 2020

2. Accounting policies (continued)

2.1. Basis of preparation (continued)

Going concern (continued)

The international efforts to curtail the COVID-19 pandemic, particularly the increasing vaccination roll-outs has created an improving macroeconomic outlook. The combination of the recovery in oil demand and OPEC+ decision on production levels has resulted in higher oil prices which have increased from c.$54/bbl at the beginning of the year to above $70/bbl in June 2021. Although the oil price has recovered sharply, there remains significant uncertainty as to how COVID-19 and its aftermath will impact economies, oil demand and therefore oil price over the near and mid-term.

Management has also considered the impact of the COVID-19 global crisis on the Group's operations. We have seen some impact on production during 2021 due to supply chain constraints and the need for members of our staff to self-isolate. We continue to monitor the situation closely and act within Government guidelines and have a number of contingency plans in place should our operations be significantly affected by the COVID-19 pandemic. Many of our sites are remotely manned and we are well equipped as a business to ensure we maintain business continuity recognising that our production comes from a large number of wells in a variety of locations and we have flexibility in our off-take arrangements. We continue to liaise and co-operate with all the relevant regulators on guidance relating to the pandemic.

The Group's base case cash flow forecast was run with average oil prices of $68/bbl for Q4 2021 falling to an average of $63/bbl in 2022 based on the forward curve. A foreign exchange rate of $1.39/£1 for Q4 2021 and $1.38/£1 for 2022 was used. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility. However, given the uncertainties described above, the level of Group revenues and the availability of facilities under the RBL are inherently uncertain. As such, management has also prepared a downside case with average oil prices at $58/bbl for Q4 2021 falling to an average of $50/bbl in 2022 and an exchange rate of $1.40/£1.00 for Q4 2021 and $1.42/£1.00 for 2022. Our downside case also included an average reduction in production of 5% over the period. To manage the impact of the downside scenario modelled, management would take mitigating actions, including further commodity hedging, delaying capital expenditure and additional reductions in costs in order to remain within the Group's debt liquidity covenants. All such mitigating actions are within management's control. In the downside case, management has also considered additional cash generating opportunities for the Group. While management acknowledges that these may not be in our control, we have assumed that cash flow from some of these opportunities would be available in 2022. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements. However, should oil price or demand (and therefore revenue) fall further, the Group may not have sufficient funds available for 12 months from the date of approval of these financial statements.

As a result, at the date of approval of these interim financial statements, there continues to be material uncertainties, as described above, arising as a result of the potential impact of COVID-19 on the Group's operational activities and future commodity prices. These material uncertainties cast significant doubt upon the Group's ability to continue as a going concern. Notwithstanding these material uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the interim financial statements. The interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern."

Notes to the financial statements (continued)
For the year ended 31 December 2020

2. Accounting policies (continued)

2.1. Basis of preparation (continued)

Basis of consolidation

The financial statements present information about the Company as an individual undertaking and not about it's Group. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare and deliver Group financial statements as the financial statements of IGas Energy Development Limited are consolidated in the financial statements of IGas Energy plc, the ultimate parent undertaking as at 31 December 2020.

2.2. New and amended standards and interpretations

During the year, the Company adopted the following new and amended IFRSs for the first time for its reporting period commencing 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32	Amendments to References to the Conceptual Framework in IFRS Standards

The adoption of these standards does not have a material impact on the Company in the current or future reporting periods.

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but were not yet effective:

IFRS 17	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IFRS 16	Covid-19-Related Rent Concessions

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

2.3. Judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements in accordance with IFRS requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, the Company has identified the following areas where significant judgements and estimates are required, and where if actual results were to differ, this could materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

2. Accounting policies (continued)

2.3. Judgements and key sources of estimation uncertainty (continued)

Estimates

Recoverable value of intangible exploration and evaluation assets

The Company has capitalised intangible exploration and evaluation assets in accordance with IFRS 6. Significant judgementis required in considering whether it is appropriate to carry these costs on the balance sheet and whether the assets have been impaired as described at 2.4.(b) below.

The key areas in which management has applied judgement and estimation include the Company's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal or plans for relinquishment, the assessment of results from wells or geological or geophysical studies, the likely impact of political factors including planning permissions and the assessment of whether the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Details of the Company's intangible exploration and evaluation assets are disclosed in note 9.

Carrying value of property, plant and equipment

Management reviews the Company's property, plant and equipment at least annually for impairment indicators. The determination of recoverable amounts in any resulting impairment test requires judgement around key assumptions. Key assumptions in the impairment models include those related to GBP to US dollar foreign exchange rates and prices that are based on forward curves and long-term corporate assumptions thereafter, discount rates, that are risked to reflect conditions specific to individual assets, future costs, both capital and operating that are based on management's estimates having regard to past experience and the known characteristics of the individual assets, reserves (discussed below) and future production. Details of the Company's property, plant, and equipment are disclosed in note 10.

Proved and probable reserves

The volume of proved and probable oil and gas reserves is an estimate that affects the unit of production depreciation of producing oil and gas property, plant and equipment as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil and gas properties in business combinations. Proved and probable reserves are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on forecast price levels and technology at the balance sheet date. Provision is made for the estimated cost at the balance sheet date, using a discounted cash flow methodology and a risk free rate of return. Details of the Company's decommissioning costs are disclosed in note 16.

Deferred tax asset recognition

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Estimates of future taxable profits are based on cash flows expected to be generated from internal estimates of projected production and costs. Details of the Company's deferred tax assets, including those not recognised due to uncertainty regarding the future utilisation, are disclosed in note 8.

2. Accounting policies (continued)

2.3. Judgements and key sources of estimation uncertainty (continued)

Judgements

Functional currency

The determination of functional currency often requires significant judgement where the primary economic environment in which a Company operates may not be clear. The ultimate parent entity reconsiders the functional currency of its entities if there is a change in the events and conditions which determines the primary economic environment.

Interest rate implicit in the lease

Since the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used. The incremental borrowing rate (IBR) applicable for all of the leases for the Group is between 7.5% and 8.5%. While there is no definitive guidance in IFRS 16 on how to determine an IBR, the Company uses rates built up from 3 components as follows:

a) Risk free rate – a treasury bond rate or an interest swap rate in the local currency for the country of the lease, which reflects the duration of the lease;
b) Credit spread specific to the lessee; and
c) Asset/lease specific adjustments to reflect the nature of the collateral

The determination of whether there is an interest rate implicit in the lease, the calculation of the Group's incremental borrowing rate, and whether any adjustments to this rate are required, involves some judgement and is subject to change over time. At the commencement date of leases management consider whether the lease term will be the full term of the lease or whether any option to break or extend the lease is likely to be exercised. Leases are regularly reviewed and will be revalued if the term is likely to change.

2.4. Significant accounting policies

(a) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Group, net of value added tax and trade discounts. Revenue is recognised at a point in time when the control of the goods have passed onto the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. In the case of oil sales, these are recognised when goods are delivered and title has passed to the customer. This generally occurs when the product is physically delivered to the customer's premises or transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil from fields in which the Company has an interest with other producers, is recognised based on the Company's working interest and the terms of the relevant production sharing contracts. Where oil produced by third parties is processed and delivered to a refinery by the Company, the measurement of the revenue depends upon whether physical title to the oil passes to the Company or whether the Company simply acts an agent for the producer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the invoiced value of goods or services rendered exceed the payment, a contract asset will be recognised. If the payments exceed the invoiced value of goods or services rendered, a contract liability will be recognised.

Notes to the financial statements (continued)
For the year ended 31 December 2020

2. Accounting policies (continued)

2.4. Significant accounting policies (continued)

Joint arrangements

A small proportion of the Company's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled operations are used to explore, evaluate and ultimately develop and produce from its oil and gas interests. Accordingly, the Company accounts for its share of assets, liabilities, income and expenditure of these joint operations, classified in the appropriate balance sheet and income statement headings, except where its share of such amounts remain the responsibility of another party in accordance with the terms of carried interests.

Where the Company enters into a farm-in agreement involving a licence in the exploration and evaluation phase, the Company records all costs that it incurs under the terms of the joint operating agreement as amended by the farm-in agreement as they are incurred.

Where the Company enters into a farm-out agreement involving a licence in the exploration and evaluation phase, the Company records the proceeds received in respect of the farm-out as a reduction to the carrying amount of the asset. Where the proceeds exceed the carrying amount of the asset immediately prior to the farm-out, the excess is recognised as a gain in the income statement. No amounts are recognised in respect of future capital expenditure commitments from the farmee.

When the Company acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on the profit or loss

(b) Non-current assets

Intangible exploration and evaluation assets

The Company accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources" as follows:

Any costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement.

- Expenditures recognised as exploration and evaluation assets comprise those related to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling (including coring and sampling), activities in relation to evaluating the technical feasibility and commercial viability of extracting hydrocarbons (including appraisal drilling and production tests) and any land rights acquired for the sole purpose of effecting these activities. These costs include employee remuneration and directly attributable overheads, materials and consumables, equipment costs and payments made to contractors;
- Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such tangible assets are consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the exploration and evaluation asset;
- Expenditures recognised as exploration and evaluation assets are initially accumulated and capitalised by reference to appropriate geographic areas;
- Expenditure recognised as exploration and evaluation assets are transferred to property plant and equipment, interests in oil and gas properties when technical feasibility and commercial viability of extracting hydrocarbons is demonstrable; and
- Exploration and evaluation assets are assessed for impairment (on the basis described below), and any impairment loss recognised, before reclassification.

Notes to the financial statements (continued)
For the year ended 31 December 2020

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(b) Non-current assets (continued)

Impairment testing of exploration and evaluation assets

Expenditures recognised as exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest that they may be impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, when there are no substantive plans for continued exploration or evaluation of an area, when the Company decides to abandon an area, or where development is likely to proceed in an area there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale.

Property plant and equipment – interests in oil and gas properties

Property plant and equipment, interests in oil and gas properties are accounted for as follows:

- Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses;
- The cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and for qualifying assets where relevant, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The cost of oil and gas assets also includes an amount equal to the decommissioning cost estimate.The capitalised value of any associated finance leases is also included within property, plant and equipment;
- When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation; and
- Oil and gas properties are depleted either on a unit of production basis, commencing at the start of commercial production, or depreciated on a straight line basis over the relevant asset's estimated useful life. Where expenditure is depreciated on a unit of production basis, the depletion charge is calculated according to the proportion that production bears to the recoverable reserves for each property.
- The Company's interests in oil and gas properties are assessed for indications of impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, in which case impairment is computed on the basis as set out below. Any impairment in value is charged to the Income Statement as additional depreciation; and
- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset or group of assets. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset or group of assets.

Impairment

Impairment tests are carried out on the following basis:

- By comparing the sum of any amounts carried in the books as compared to the recoverable amount. The recoverable amount for oil and gas properties is the higher of an asset's fair value less costs to sell and its value in use. The Company generally assesses the value in use using the estimated future cash flows 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 or cash generating unit ("CGU"); and
- Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value and the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(b) Non-current assets (continued)

Decommissioning

Where a liability for the removal of production facilities or site restoration exists, a provision for decommissioning is recognised. The amount recognised is discounted to its present value and is reflected in the Company's non-current liabilities. A corresponding asset is included in the appropriate category of the Company's non-current assets (intangible exploration and evaluation assets and property plant and equipment), depending on the accounting treatment adopted for the underlying operations/asset leading to the decommissioning provision. The asset is assessed for impairment and depleted in accordance with the Company's policies as set out above.

Other property plant and equipment

Other property plant and equipment is stated at cost to the Company less accumulated depreciation. Depreciation is provided on such assets, with the exception of freehold land, at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates, with any impairment being accounted for as additional depreciation:

Freehold land	– indefinite useful life
Buildings/leasehold property improvements	– between five and ten years on a straight line basis/over the period of the lease

The Company does not capitalise amounts considered to be immaterial.

(c) Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Other receivables

Details about the Company's impairment policy and the calculation of expected credit loss allowance is provided in the Impairment of financial assets accounting policy below.

Trade and other payables

These financial liabilities are all non-interest bearing, with the exception of amounts owed to Group undertakings, as detailed in note 15. They are initially recognised at the fair value of the consideration payable.

Impairment of financial assets

At the end of each reporting period, a provision is made if there is objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(c) Financial instruments (continued)

Assets carried at amortised cost
For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognised in the income statement.

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

Expected credit loss
The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of receivables.

(d) Group loans

Group borrowings are measured initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. When management estimates of the amounts or timings of cash flows are revised, borrowings are re-measured using the revised cash flow estimates under the original effective interest rate with any consequent adjustment being recognised in the Income Statement.

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 EIR. The EIR amortisation is included in finance costs in the income statement.

(e) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities
The Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index. The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(e) Leases (continued)

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to and reviewed regularly for impairment. Depreciation on right-of-use assets is included in depletion, depreciation and amortisation within cost of sales or in administrative expense in the income statement based on the nature of the asset.

Extension renewal and termination options
Extension, renewal and termination options are included in a number of land and other equipment leases. *In determining the lease term, management considers all facts and circumstances that create* an economic incentive to exercise an option to extend or renew, or not exercise a termination option. Extension and renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Amounts recognised in cash flow statement
Lease payments are now split between financing cash flows and operating cash flows in the cash flow statement. Financing cash flows represent repayment of principal and interest.

(f) Inventories

Inventories, consisting of crude oil, are stated at the lower of cost and net realisable value. Costs comprise costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

(g) Taxation

The tax charge/credit includes current tax and deferred tax.

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Taxable profit/(loss) differs from the profit/(loss) before taxation as reported in the Income Statement as it excludes items of income or expense that are taxable or deductible in different periods and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Temporary differences arise from differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are not discounted.

Notes to the financial statements (continued)
For the year ended 31 December 2020

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(g) Taxation (continued)

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered and the carrying amount is reviewed at each reporting date.

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 the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(h) Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital and share premium accounts as appropriate.

(i) Foreign currency

The financial statements are presented in UK pound sterling, which is the Company's functional currency. Transactions denominated in currencies other than functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement.

3. Revenue

The Company derives revenue solely within the United Kingdom from the transfer of goods and services to external customers and affiliates which is recognised at a point in time. The Company's major product lines are:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Oil sales	**3,675,441**	8,633,772
Electricity sales	**3,697**	2,324
	3,679,138	8,636,096

As at 31 December 2020, there are no contract assets or contract liabilities outstanding.

Notes to the financial statements (continued)
For the year ended 31 December 2020

4. Operating loss

Operating loss is stated after charging:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Depletion, depreciation and amortisation (note 10 and 11)	**(1,863,408)**	(3,437,530)
Impairment of property, plant and equipment (note 10)	**(10,483,559)**	-
Exploration and evaluation assets written back/(off) (note 9)	**34,189**	(3,181,151)

5. Staff costs

The Company does not have any employees (2019: none). A proportion of the Igas Energy plc group staff costs are charged to the income statement or capitalised as additions to intangible exploration and evaluation assets or property plant and equipment of the Group's subsidiaries through the timewriting or cost allocation process as appropriate based on activities carried out.

6. Directors' remuneration

No Directors serving at the balance sheet date or during the current or previous financial year have been paid any emoluments by the Company as they are employed by either IGas Energy plc or another member of the Group.

No management charge has been made by IGas Energy plc or another member of the Group (2019: £nil). No amounts are charged for Directors' services.

Details of emoluments paid to Directors for services to the IGas Group are detailed in the IGas Energy plc Annual Report and Accounts available on the ultimate parent undertaking's website at www.igasplc.com.

7. Finance costs

Finance costs

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Interest on amounts owing to Group and affiliate undertakings	**(197,495)**	(196,955)
Unwinding of discount on provisions (note 16)	**(238,569)**	(205,835)
Finance charge on lease liability (note 11)	**(159,953)**	(123,293)
Foreign exchange losses	**(909,765)**	(904,441)
Other	**-**	(2)
Finance costs	**(1,505,781)**	(1,430,526)

8. Income tax charge

Tax credit on loss from ordinary activities

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Current tax		
Current income tax for the year	-	-
Total current tax		-
Deferred tax		
Origination and reversal of temporary differences	**(1,129,774)**	(2,040,167)
Current year credit relating to the movement due to the tax rate changes	**1,658**	-
Credit in relation to prior periods	-	1,517,385
Income tax charge	**(1,128,116)**	(522,782)

Factors affecting the tax charge

A reconciliation of the UK statutory corporation tax rate applicable to the Company's loss before tax to the Company's total tax charge is as follows:

	Year ended 31 December 2020 £	**Year ended 31 December 2019 £**
Loss before tax	**(13,885,070)**	(4,114,802)
Expected tax credit based on loss before tax multiplied by the combined average rate of corporation tax and supplementary charge in the UK of 40% (2019: 40%)	**5,554,028**	1,645,920
Effects of:		
Prior year deferred tax credit	-	1,517,385
Tax effect of expenses not allowable for tax purposes	**(57,350)**	(31,968)
Tax effect of expenses not allowable for supplementary charge	-	(19,695)
Losses for which no deferred tax has been recognised	**(5,954,050)**	(3,634,424)
Tax rate change	**1,658**	-
Group relief	**(672,402)**	-
Income tax (charge)/credit	**(1,128,116)**	(522,782)

Notes to the financial statements (continued)
For the year ended 31 December 2020

8. Income tax (charage)/credit (continued)

Deferred tax

The following is an analysis of the deferred tax asset by category of temporary difference:

	31 December 2020 £	31 December 2019 £
Accelerated capital allowances	**(7,253,554)**	(7,676,546)
Tax losses carried forward	**8,173,369**	12,179,503
Investment allowance unutilised	**311,196**	191,743
Decommissioning provision	**4,329,844**	2,018,858
Other	**3,686**	(20,901)
Deferred tax asset	**5,564,541**	6,692,657

The majority of the Company's losses are generated by "ring fence" businesses which attract UK corporation tax and supplementary charge at a combined average rate of 40%.

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered in the near future. Such tax losses include £20.3 million of ring-fence corporation tax losses (2019: £30.7 million).

The Company has further ring-fence corporation tax losses of £28.8 million (2019: £9.1 million) for which no deferred tax asset has been recognised due to uncertainty of available profits agains which the losses can be utilised.

9. Intangible exploration and evalution assets

	31 December 2020 £	31 December 2019 £
Cost		
1 January	**2,608,353**	439,362
Additions	**453,101**	109,990
Transfers from other Group companies	-	4,946,221
Changes in decommissioning	-	293,931
Exploration costs written back/(off)	**34,189**	(3,181,151)
31 December	**3,095,643**	2,608,353

Transfers from other Group companies relates to corporate costs being recharged to oil and gas licences.

Exploration and evaluation assets were reviewed for indicators of impairment. Exploration costs written back during the year were £34,189 (31 December 2019: £3,181,151 write off).

10. Property, plant and equipment

	2020			2019		
	Land & Buildings £	Oil and gas properties £	Total £	Land & Buildings £	Oil and gas properties £	Total £
Cost						
At 1 January	**291,363**	**51,730,010**	**52,021,373**	291,363	48,900,593	49,191,956
Additions	-	**1,442,098**	**1,442,098**	-	1,263,190	1,263,190
Disposals	-	-	-	-	(4,948)	(4,948)
Changes in decommissioning	-	**793,391**	**793,391**	-	1,571,175	1,571,175
At 31 December	**291,363**	**53,965,499**	**54,256,862**	291,363	51,730,010	52,021,373
Accumulated depreciation						
At 1 January	**2,263**	**28,832,181**	**28,834,444**	2,263	25,574,983	25,577,246
Charge for the year	-	**1,732,337**	**1,732,337**	-	3,262,146	3,262,146
Disposals	-	-	-		(4,948)	(4,948)
Impairment	-	**10,483,559**	**10,483,559**	-	-	-
At 31 December	**2,263**	**41,048,077**	**41,050,340**	2,263	28,832,181	28,834,444
Net book value						
At 31 December	**289,100**	**12,917,422**	**13,206,522**	289,100	22,897,829	23,186,929

Impairment of oil and gas properties

Due to the significant uncertainty as to how COVID-19 and its aftermath would impact economies, oil demand and oil price over the near and mid-term, the Company's oil and gas properties were reviewed for impairment as at 31 December 2020. A cash generating unit ("CGU") for impairment purposes is the legal entity. The impairment assessment was prepared on a fair value less costs of disposal basis and using discounted future cash flows based on 2P reserve profiles The future cash flows were estimated using price assumption for Brent of $50-55/bbl for the years 2021-2022 and $60/bbl thereafter (2019: $60/bbl for the years 2020-2024 and $70/bbl thereafter), and a USD/GBP foreign exchange rate of $1.37:£1.00 for 2021 and $1.35:£1 thereafter (2019: $1.35/£1.00). Cash flows were discounted using a pre-tax discount rate of 8.3% (2019: 8.5%). An impairment charge of £10,483,559 was recognised in the year (2019: £nil).

10. Property, plant and equipment (continued)

Sensitivity of changes in assumptions

As discussed above, the principal assumptions are recoverable future production and resources, estimated Brent prices and the USD/GBP foreign exchange rate. Impairments that would result from changes to the key assumptions are shown below:

	Discount rate	Prices	Production	USD/GBP foreign exchange rate
	10%	**10% reduction**	**10% reduction**	**@1.5**
	£	£	£	£
Additional impairment	582,756	5,564,932	5,926,364	1,600,047

The sensitivity analysis above does not take into account any mitigating actions available to management should these changes occur.

The fair value is a level 3 fair value measurement valuation technique which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data.

11. Right-of-use assets and lease liabilities

(a) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	31 December 2020 £	1 January 2020 £
Depreciation charge of right-of-use assets		
Land	**(131,071)**	(171,177)
Other equipment	**-**	(4,207)
	(131,071)	(175,384)
Interest expense (note 7)	**(159,953)**	(123,293)

During the year ended 31 December 2020, the Company had a total cash outflow of £227,565 on qualifying leases.

Notes to the financial statements (continued)
For the year ended 31 December 2020

11. Right-of-use assets and lease liabilities (continued)

(b) Amounts recognised in the balance sheet

The Company has identified lease portfolios for land and other equipment as follows:

	31 December 2020 £	1 January 2020 £
Right-of-use assets		
Land	**1,730,709**	1,449,076
Other equipment	**-**	230
	1,730,709	1,449,306

Additions to the right-of-use assets during the 2020 financial year were £412,474 and depreciation £131,071.

	31 December 2020 £	1 January 2020 £
Lease Liabilities		
Current	**(123,055)**	(121,504)
Non-Current	**(1,616,869)**	(1,283,243)
	(1,739,924)	(1,404,747)

12. Investments

	31 December 2020 £	31 December 2019 £
Cost		
At 1 January and 31 December	**1**	1

The Company has a 100% interest in the ordinary share capital of Greenpark Energy Transportation Limited, a company incorporated in England, which has been dormant since its formation.

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

13. Inventories

	31 December 2020 £	31 December 2019 £
Oil stock	**108,409**	135,061
Total inventories	**108,409**	135,061

Notes to the financial statements (continued)
For the year ended 31 December 2020

14. Other receivables

	31 December 2020 £	31 December 2019 £
Amounts due from Group undertakings	**11,457,557**	10,689,210
Other receivables	**7,643**	9,084
Prepayments	**38,997**	119,965
Total other receivables	**11,504,097**	10,818,259

Payment terms for balances due from Group undertakings are as mutually agreed between the companies within the IGas Energy plc Group.

The carrying value of the Company's financial assets as stated above is considered to be a reasonable approximation of their fair value. No provision for doubtful debts or provision for impairment is required (2019: £nil).

15. Trade and other payables

	31 December 2020 £	31 December 2019 £
Trade creditors	**-**	(88,538)
Amounts due to Group undertakings	**(67,390,341)**	(63,394,355)
Other creditors	**(1,257)**	-
Accruals and deferred income	**(262,265)**	(186,837)
Total trade and other payables	**(67,653,863)**	(63,669,730)

Payment terms for balances due to Group undertakings are as mutually agreed between the companies within the IGas Energy plc Group.

The carrying value of the Company's financial liabilities as stated above is considered to be a reasonable approximation of their fair value. Amounts due to Group undertakings include intercompany loans which are repayable on demand and bear interest at 0.5%. The counterparty does not intend to call on the loan within 12 months from the date of the approval of these financial statements.

Notes to the financial statements (continued)
For the year ended 31 December 2020

16. Other provisions

Decommissioning	**31 December 2020 £**	31 December 2019 £
1 January	**(8,256,271)**	(6,624,104)
Utilisation of provision	**6,529**	438,774
Reassessment of decommissioning provision (note 9 and 10)	**(793,391)**	(1,865,106)
Unwinding of discount (note 8)	**(238,569)**	(205,835)
31 December	**(9,281,702)**	(8,256,271)

Provision has been made for the discounted future cost of abandoning wells and restoring sites to a condition acceptable to the relevant authorities. This is expected to take place between 1 and 23 years from year-end (2019: 1 to 28 years). The provisions are based on the Company's internal estimate as at 31 December 2020. Assumptions are based on the current experience from decommissioning wells which management believes is a reasonable basis upon which to estimate the future liability. The estimates are reviewed regularly to take account of any material changes to the assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time. Furthermore, the timing of decommissioning is uncertain and is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend on factors such as future oil and gas prices, which are inherently uncertain.

A risk free rate range of 1.2% to 3.00% is used in the calculation of the provision as at 31 December 2020 (2019: Risk free rate range of 1.27% to 3.03%).

17. Called up share capital

	Par	**2020 shares**	2019 shares	**2020 £**	2019 £
Issued and fully paid					
1 January	£1	**13,031**	13,031	**13,031**	13,031
31 December	£1	**13,031**	13,031	**13,031**	13,031

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

18. Share premium and accumulated deficit

	31 December 2020 £	31 December 2019 £
Share premium		
At 1 January and 31 December	**3,675,964**	3,675,964
Accumulated deficit		
At 1 January	**(32,081,059)**	(27,443,475)
Loss for the year	**(15,013,059)**	(4,637,584)
At 31 December	**(47,094,245)**	(32,081,059)

Notes to the financial statements (continued)
For the year ended 31 December 2020

19. Financial instruments and risk management

Financial instruments by category

The fair value of financial assets and liabilities is as follows:

Loans and receivables

	31 December 2020 £	31 December 2019 £
Trade and other receivables excluding prepayments	**11,465,200**	10,697,872
Cash and cash equivalents	**60,317**	48,118
	11,525,517	10,745,989

Other financial liabilities at amortised cost

	31 December 2020 £	31 December 2019 £
Trade and other payables excluding accruals and deferred income	**67,391,598**	62,482,893
	67,391,598	62,482,893

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There are no non-recurring fair value measurements nor have there been any transfers of financial instruments between levels of the fair value hierarchy.

At reporting date the Company had no financial assets and liabilities that met the fair value hierarchy categories (2019: none)

20. Commitments

(a) Capital commitments

The Company's capital commitments relate to spend committed but not spent on conventional and unconventional licences as follows:

	31 December 2020 £	31 December 2019 £
Conventional	-	12,906
Total commitments	-	12,906

Notes to the financial statements (continued)
For the year ended 31 December 2020

21. Related party disclosure

Related party transactions

The below transactions were carried out with related parties. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Outstanding balances are settled in cash.

	31 December 2020 £	31 December 2019 £
Amounts due to related parties:		
At 1 January	**(52,705,145)**	(48,623,489)
Services performed by affiliate	**(2,011,429)**	(2,916,325)
Net cash advances	**(108,951)**	(63,934)
IGas Energy plc Group loan interest	**(197,495)**	(196,955)
Revaluation	**(909,764)**	(904,442)
At 31 December	**(55,932,784)**	(52,705,145)

	31 December 2020 £	31 December 2019 £
Amounts due from Group and affiliate undertakings (note 14)	**11,457,557**	10,689,210
Amounts due to Group and affiliate undertakings (note 15)	**(67,390,341)**	(63,394,355)
Total related party transactions	**(55,932,784)**	(57,705,145)

22. Key management compensation

Key management include all Directors. No compensation has been paid or is payable to such individuals (2019: £nil).

23. Subsequent events

On 4 February 2021, the Company's registered office changed from 7 Down Street, London, W1J 7AJ to Welton Gathering Centre, Barfield Lane Off Wragby Road, Sudbrooke, Lincoln, LN2 2QX.

Subsequent to 31 December 2020, the EXL288 licence has been relinquished. As at 31 December 2020 the carrying value relating to this license amounted to £nil as it was previously written off.

We believe the Springs Road site (PEDL139 and PEDL140) is of national importance and we therefore applied to extend the operational period of the site for a further three years while discussions continue with the UK Government and regulators. In July 2021, despite a recommendation by the Planning Officer, the planning committee at Nottinghamshire County Council voted against the extension. We are considering our options along with our partners including our right to bring forward an appeal.

24. Ultimate parent undertaking

The Company's immediate parent undertaking is Dart Energy (Europe) Limited and its ultimate parent undertaking is IGas Energy plc. The Company is consolidated within both of these financial statements which are publicly available either from the ultimate parent undertaking's website at www.igasplc.com or their respective registered offices.