ALPHA PETROLEUM (UK) HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

REGISTRATION NUMBER: 08774092

Directors	Daniel Reis Arun Subbiah Lakhbir Sandhu (resigned on 19 November 2020) Leonardo Adami (appointed on 19 November 2020)
Administrator and Secretary	Vistra Fund Services Limited 4th Floor, St Paul's Gate 22-24 New Street St Helier Jersey JE1 4TR Channel Islands
Registered Office	11 - 12 3rd Floor St James's Square London SW1Y 4LB United Kingdom
Legal Advisors	Debevoise & Plimpton LLP 65 Gresham Street London EC2V 7NQ United Kingdom
Independent Auditor	Deloitte LLP Statutory auditor 1 Little New Street London EC4A 3TR United Kingdom

The directors present their annual report and the audited financial statements of Alpha Petroleum (UK) Holdings Limited (the 'Company') for the year ended 31 December 2020.

The Report of the Directors has been prepared in accordance with the provisions of Companies Act 2006 applicable to companies entitled to the small companies exemption including the exemption to prepare a strategic report.

The Company is a private company limited by shares and is incorporated and domiciled in England. The principal place of business is 11 - 12 3rd Floor, St James's Square, London, England, SW1Y 4LB .

The immediate parent of the Company is Alpha Petroleum HoldCo II Limited ('HoldCo II'). The ultimate parent and controlling party of the Company is Alpha Petroleum HoldCo I Limited ('HoldCo I').

Principal activity

The Company was formed for the purposes of the acquisition of the entire issued share capital of Alpha Petroleum Resources Limited. Alpha Petroleum Resources Limited's assets include producing gas fields and substantial development reserves.

Going concern

As disclosed in Note 1.1, the Company has no revenues but incurs expenditures and invests funds in its investees. It meets its funding requirements through the loans provided by its immediate parent, HoldCo II. HoldCo II meets its funding requirements through the loans provided by HoldCo I.

The Company currently has insufficient cash to meet its forecast and contingent expenditures during the next 12 months and will require continued financial support from HoldCo I, through HoldCo II, to enable it to fulfil its current commitments and continue as a going concern. HoldCo I has agreed funding commitments with its investors, which should be sufficient to meet the Company's necessary expenditures. Therefore, the accounts have been prepared on a going concern basis.

However, whilst the funding commitments to HoldCo I are expected to be received as agreed, they remain ultimately conditional on certain investor approvals and other conditions. Furthermore, market conditions and the Covid-19 pandemic continue impact on business activities and on progressing a range of alternative potential funding solutions the directors are actively considering. Therefore, there can be no absolute assurance that the funding will be sufficient to meet all contingencies and expenditures that may arise within the next 12 months. Accordingly, whilst the directors consider the going concern basis to be appropriate, these factors represent a material uncertainty which may cast significant doubt that the Company will be able to continue to operate as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Results

The results for the year are set out on page 8. The directors do not recommend payment of a dividend. No dividends were declared subsequent to year-end

Events after the reporting period

Events after reporting period are disclosed in note 13 of the financial statements.

Future developments

The Company has no significant future developments to report.

Financial risk management

The financial risk management objectives and policies are disclosed in Note 2.

Proposed dividend

The director have not proposed a dividend during the current or prior year (2019: USD nil).

Directors

The directors in office during the year and when these financial statements were approved are shown on page 1. The directors did not receive any remuneration from the Company for the year ended 31 December 2020 (2019: USD nil).

Employees

The Company had no employees during the current or prior year.

Secretary

The Secretary for the year and subsequently is as stated on page 1.

Auditor

Deloitte LLP have indicated their willingness to continue in office. In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed for the re-appointment of Deloitte LLP as auditor of the Company.

Disclosure of information to auditors

The directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Responsibilities Statement

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 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 period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

Directors' Responsibilities Statement - continued

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by:

Director: Arun Subbiah
Date: 16 April 2021

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Alpha Petroleum (UK) Holdings Limited (the 'Company'):

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

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('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.

We have nothing to report in respect of these matters.

Material uncertainty related to going concern

We draw attention to note 1.1 in the financial statements, which indicates that: the Company has insufficient cash to meet its forecast and contingent expenditures during the next 12 months and will require continued financial support fromt the parent company. The parent company has agreed funding commitments with its investors and whilst the funding commitments are expected to be received as agreed, they remain ultimately conditional on certain investor approvals and other conditions. As stated in note 1.1 these events or conditions, along with the other matters as set forth in note 1.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

Emphasis of matter related to investment fair value

We draw attention to Note 4 in the financial statements, which describes how the fair value is highly sensitive to various key assumptions, and in particular (i) APR's net asset value, which is in turn highly sensitive to various underlying assumptions affecting APR's principal asset, the Cheviot field and (ii) the 'Liquidity discount' assumption, which are inherently uncertain and subjective. Our opinion is not modified in this respect.

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.

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

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

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

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Extent to which the audit was considered capable of detecting irregularities, including fraud - continued
In common with all audits under ISAs (UK), 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
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

Bevan Whitehead FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

ALPHA PETROLEUM (UK) HOLDINGS LIMITED
REGISTRATION NUMBER: 08774092
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	For the year 1 January 2020 to 31 December 2020 USD	USD	For the year 1 January 2019 to 31 December 2019 USD	USD
Expenses					
Administration fees		24,463		24,711	
Audit fees		22,061		24,451	
Legal and professional fees		4,605		8,867	
Bank charges		381		343	
Sundry expenses		534		2,185	
Net foreign exchange loss		5,869		3,282	
Total operating expenses			(57,913)		(63,839)
Net (loss) / gain on financial assets at fair value through profit	3		(125,669,423)		5,067,920
Net (loss) / profit before taxation			(125,727,336)		5,004,081
Taxation	8		-		-
Total (loss)/profit and comprehensive (loss)/income for the year			**(125,727,336)**		**5,004,081**

There were no components of 'other comprehensive income' which are required to be separately disclosed during the current and prior period.

All of the amounts above are in respect of continuing operations.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 December 2020 USD	31 December 2019 USD
Assets			
Non current assets			
Financial assets at fair value through profit or loss	4	68,991,352	190,146,137
Total non current assets		**68,991,352**	**190,146,137**
Current assets			
Cash and cash equivalents	6	50,852	851,241
Total current assets		**50,852**	**851,241**
Total assets		**69,042,204**	**190,997,378**
Equity and liabilities			
Current liabilities			
Accruals and other payables		173,826	116,301
Loans payable	5	110,347,565	106,632,928
Total current liabilities		**110,521,391**	**106,749,229**
Total liabilities		**110,521,391**	**106,749,229**
Equity			
Share capital	7	1	1
(Accumulated losses)/retained earnings		(41,479,188)	84,248,148
Total equity		**(41,479,187)**	**84,248,149**
Total equity and liabilities		**69,042,204**	**190,997,378**

The financial statements of Alpha Petroleum (UK) Holdings Limited were approved and authorised for issue by the Board of Directors on 16 April 2021 and were signed on its behalf by:

Director: Arun Subbiah
Date: 16 April 2021

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share Capital USD	Retained Earnings / (Accumulated Losses) USD	Total USD
Balance as at 1 January 2019		**1**	**79,244,067**	**79,244,068**
Total profit and comprehensive income for the year		-	5,004,081	5,004,081
Balance as at 31 December 2019	7	**1**	**84,248,148**	**84,248,149**
Total loss and comprehensive loss for the year		-	(125,727,336)	(125,727,336)
Balance as at 31 December 2020	7	**1**	**(41,479,188)**	**(41,479,187)**

The notes on pages 12 to 24 form an integral part of these audited financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	For the year 1 January 2020 to 31 December 2020 USD	For the year 1 January 2019 to 31 December 2019 USD
Cash flows from operating activities			
Total (loss)/profit and comprehensive (loss)/income for the year		(125,727,336)	5,004,081
Adjustments for:			
Net loss/ (gain) on financial assets at fair value through profit or loss	3	125,669,423	(5,067,920)
Increase in payables		57,524	63,520
Net cash used in operating activities		(389)	(319)
Cash flows from investing activities			
Investment in interest-free loans	3	(4,514,638)	(16,355,675)
Net cash used in investing activities		(4,514,638)	(16,355,675)
Cash flows from financing activities			
Loans from HoldCo II	5	3,714,638	16,355,675
Net cash generated from financing activities		3,714,638	16,355,675
Net decrease in cash and cash equivalents		(800,389)	(319)
Cash and cash equivalents at the beginning of the year		851,241	851,560
Cash and cash equivalents at the end of the year	6	**50,852**	**851,241**

1. Summary of significant 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 periods presented, unless otherwise stated.

1.1 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 and have been prepared under the historical cost convention as modified for the revaluation of certain financial assets and liabilities at fair value. The financial statements are prepared in US Dollars ('USD'), the primary currency in which the Company operates ('Functional currency').

Consolidation

The Company owns 100% of the issued shares of Alpha Petroleum Resources Limited ('APR'). The registered address of APR is 4th Floor, Friary Court, 13-21 High Street, Guildford, Surrey GU1 3DL.

On adoption of IFRS 10 Consolidated Financial Statements, the Company has determined that it meets the definition of an investment entity as disclosed in Note 1.8 and therefore APR was not consolidated. The Company's investment in APR is accounted for at fair value through profit or loss.

These are the only financial statements produced by the Company.

The immediate parent of the Company is Alpha Petroleum HoldCo II Limited ('HoldCo II'). The ultimate parent and controlling party of the Company is Alpha Petroleum HoldCo I Limited ('HoldCo I'). The registered address of both HoldCo I and HoldCo II is 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, Jersey Channel Islands JE1 4TR.

Going concern

The Company has no revenues but incurs expenditures and invests funds in its investees. It meets its funding requirements through the loans provided by its immediate parent, HoldCo II. HoldCo II meets its funding requirements through the loans provided by HoldCo I.

The Company currently has insufficient cash to meet its forecast and contingent expenditures during the next 12 months and will require continued financial support from HoldCo I, through HoldCo II, to enable it to fulfil its current commitments and continue as a going concern. HoldCo I has agreed funding commitments with its investors, which should be sufficient to meet the Company's necessary expenditures. Therefore, the accounts have been prepared on a going concern basis.

However, whilst the funding commitments to HoldCo I are expected to be received as agreed, they remain ultimately conditional on certain investor approvals and other conditions. Furthermore, market conditions and the Covid-19 pandemic continue impact on business activities and on progressing a range of alternative potential funding solutions the directors are actively considering. Therefore, there can be no absolute assurance that the funding will be sufficient to meet all contingencies and expenditures that may arise within the next 12 months. Accordingly, whilst the directors consider the going concern basis to be appropriate, these factors represent a material uncertainty which may cast significant doubt that the Company will be able to continue to operate as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

1. Summary of significant accounting policies - continued

Critical accounting judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and exercise of judgement by the directors while applying the Company's accounting policies. These estimates are based on the directors' best knowledge of the events, which existed at the financial position date; however, the actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

There are significant areas of estimation uncertainty and critical judgement involved in the calculation of fair values. Further details in relation to key assumptions made in determining the fair values of the Company's investment in APR are disclosed in Note 4.

The Company's classification as an investment entity as disclosed in Note 1.8 is a critical accounting judgement.

Adoption of new and revised standards

In the directors' opinion, all new standards, amendments or interpretations, effective for the financial year beginning on or after 1 January 2020 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, and consequently have not been listed.

New Standards, Amendments and Interpretations not yet effective and not early adopted

In the directors' opinion, all other pronouncements which are in issue but have not yet been adopted by the Company will not have a material impact on the financial statements of the Company, and consequently have not been listed.

1.2 Financial assets

Classification

In accordance with IFRS 9, the Company classifies its financial assets in the following measurement categories: at fair value through profit or loss and at amortised cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise the Company's investment in APR. The Company's policy is for the Board of Directors to evaluate the information about this investment on a fair value basis together with other related information. Assets in this category are classified as current assets if there is a possibility they can be settled within 12 months; otherwise, they are classified as non-current.

Director: Arun
(b) **Date: 16 April 2021**

The Company's financial assets are classified and subsequently measured at amortised cost if they meet both of the following criteria:

- they are held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost comprise cash and cash equivalents and are included in the statement of financial position.

1. Summary of significant accounting policies - continued

1.2 Financial assets - continued

Recognition and measurement

Financial assets carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, financial assets in this category are re-measured at fair value.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income in the period in which they arise.

Financial assets at amortised cost are initially recognised at fair value plus transaction costs, if any, which are directly attributable to their acquisition or origination. They are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards or ownership.

Impairment of financial assets at amortised cost

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on its receivables.

The management applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

1.3 Payables

Payables, including loans payable, are recorded at amortised cost.

1.4 Expenses

All items of expenses are recognised on an accruals basis.

1.5 Foreign currency translation

Foreign currency transactions are translated to USD using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated to USD using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

1. Summary of significant accounting policies - continued

1.6 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the date of the statement of financial position. Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

1.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, bank overdrafts and other short term liquid investments with original maturities of three months or less.

1.8 Investment entity

IFRS 10 Consolidated Financial Statements introduced an exception to the principle that all subsidiaries should be consolidated. The amendments define an investment entity and require a parent entity that is an investment entity to measure its subsidiaries at fair value through profit or loss, in accordance with IFRS 9 and IFRS 13 Fair Value Measurement instead of consolidating those subsidiaries. The Company meets the definition of an investment entity on the basis of the following criteria;

- the Company obtains funds from multiple investors through Alpha Petroleum HoldCo I Limited ('HoldCo I') for the purpose of providing those investors with investment management services;
- the Company commits to its investors, through HoldCo I, that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

To determine if the Company meets the definition of an investment entity, further consideration is given to the following characteristics of an investment entity that are demonstrated by the Company;

- it has more than one investor through HoldCo I;
- it has investors, through HoldCo I, that are not related parties
- it has ownership interests in the form of equity or a similar interest; and
- it holds investments for a limited period only i.e. it has an exit strategy for its investments.

1. Summary of significant accounting policies - continued

1.9 Capital management

For the purpose of the Company's capital management, capital includes issued share capital and retained earnings attributable to the Company's shareholder. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder. The shareholder will invest additional monies into the Company by providing interest-free loans in order to ensure that the Company can meet its ongoing financial obligations. These shall be provided at such times as the Company may require for working capital purposes or for meeting any obligation of the Company. The Company is not subject to any external capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

2. Use of financial instruments

The Company's activities expose its shareholders to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The risk management policies employed by the Company to manage these risks are discussed below.

The carrying values of the Company's financial assets and liabilities below are not considered to be materially different from their fair values.

(a) Market risk

(i) Price risk

The Company's investment in APR is susceptible to market price risk arising from uncertainties about future cash flows from APR's assets, which affect the value of the Company's investment in APR. The basis of the valuation and the Company's exposure to price risk are set out in Note 4.

(ii) Currency risk

The Company has some monetary financial liabilities denominated in currencies other than USD, the functional currency of the Company. Consequently the Company is exposed to currency risks since the value of the liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

As at 31 December 2020

	GBP denominated	USD denominated	Total USD
Assets			
Cash and cash equivalents	214	50,638	50,852
Total assets	214	50,638	50,852
Liabilities			
Accruals and other payables	148,261	25,565	173,826
Loans payable	-	110,347,565	110,347,565
Total liabilities	148,261	110,373,130	110,521,391
Net liabilities	(148,047)	(110,322,492)	(110,470,539)

2. Use of financial instruments - continued

(a) Market risk - continued

(ii) Currency risk - continued

As at 31 December 2019

	GBP denominated	USD denominated	Total USD
Assets			
Cash and cash equivalents	562	850,679	851,241
Total assets	562	850,679	851,241
Liabilities			
Accruals and other payables	90,736	25,565	116,301
Loans payable	-	106,632,928	106,632,928
Total liabilities	90,736	106,658,493	106,749,229
Net liabilities	(90,174)	(105,807,814)	(105,897,988)

The GBP exchange rate at 31 December 2020 was GBP 1 to 1.37 (2019: GBP 1 to USD 1.33).

As at 31 December 2020, a 10% increase/decrease in GBP against USD will result in an increase/decrease in the net assets of the Company by USD 14,805 (2019: increase/decrease of USD 9,017).

The sensitivity analysis includes only outstanding foreign currency denominated financial assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rate thus indicating the potential movement in net assets of the Company. 10% is management's assessment of a reasonably possible change in foreign exchange rates.

(iii) Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The cash and cash equivalents are held with floating rate of interest. The directors believe that there is no significant net interest rate risk to the Company.

As at 31 December 2020

	Interest bearing Up to 1 year USD	Non interest bearing Up to 1 year USD	Total USD
Assets			
Cash and cash equivalents	50,852	-	50,852
Total assets	50,852	-	50,852
Liabilities			
Accruals and other payables	-	173,826	173,826
Loans payable	-	110,347,565	110,347,565
Total liabilities	-	110,521,391	110,521,391
Total interest bearing	**50,852**		

2. Use of financial instruments - continued

(a) Market risk - continued

(iii) Interest rate risk - continued

As at 31 December 2019

	Interest bearing Up to 1 year USD	Non interest bearing Up to 1 year USD	Total USD
Assets			
Cash and cash equivalents	851,241	-	851,241
Total assets	851,241	-	851,241
Liabilities			
Accruals and other payables	-	116,301	116,301
Loans payable	-	106,632,928	106,632,928
Total liabilities	-	106,749,229	106,749,229
Total interest bearing	**851,241**		

(b) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

As disclosed in Note 1.1, the Company meets its funding requirements through loans provided from its ultimate parent company, HoldCo I, through its immediate parent company, HoldCo II. Access to agreed funding commitments from HoldCo I is conditional on certain investor approvals and other conditions. Furthermore, market conditions and the Covid-19 pandemic continue to have an impact on business activities and on progressing a range of alternative potential funding solutions the directors are actively considering to enable to fulful its commitments and continue as a going concern.

Liquidity risk could result from an inability to sell a financial asset quickly at its fair value. The investment held by the Company is unlikely to be readily realisable. This is mitigated by only incurring liabilities and expenditure obligations on terms which are compatible with the illiquidity of the Company's investment and by closely monitoring market developments relevant to APR and evaluating all potential exit opportunities.

2. Use of financial instruments - continued

(c) Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's maximum exposure to credit risk on financial assets is the total carrying amount of the financial assets as set out below:

	31 December 2020 USD	31 December 2019 USD
Cash and cash equivalents	50,852	851,241

The cash and cash equivalents are held with banks with reputable credit rating on which the directors believe that there is no significant credit risk to the Company. In addition while cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. Accordingly, no impairment was recognised in the Statement of Comprehensive Income.

3. Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for asset or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's financial instruments that are measured at fair value:

As at 31 December 2020

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Investment in APR	-	-	68,991,352	68,991,352

As at 31 December 2019

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Investment in APR	-	-	190,146,137	190,146,137

3. Fair value estimation - continued

Financial instruments classified within level 3 have significant unobservable inputs. The key assumptions made in determining thc fair values of the Company's investment in APR are disclosed in Note 4.

At every year-end, the Advisor presents to the directors its assessment if there have been transfers between levels. A transfer is deemed to have occurred if any of the significant inputs in the fair value model have changed from unobservable (Level 3) to either quoted (Level 1) or observable (Level 2). Transfers between levels are effective from the end of the financial year. There were no transfers between levels during the year.

	31 December 2020 USD	31 December 2019 USD
Financial assets at fair value through profit or loss		
Investment in APR		
Opening balance	190,146,137	168,722,542
Interest-free loans to APR	4,514,638	16,355,675
Net (loss) / gain on financial assets at fair value through profit or	(125,669,423)	5,067,920
Ending balance	68,991,352	190,146,137

4. Financial assets at fair value through profit or loss

	31 December 2020 USD	31 December 2019 USD
Investment in APR		
Cost	110,047,565	105,532,928
Fair Value	68,991,352	190,146,137

On 23 December 2013, the Company entered into an agreement with ATP Oil & Gas Corporation to purchase the entire issued capital of APR (formerly ATP Oil & Gas (UK) Limited). Pursuant to the agreement, the Company paid a total amount of USD 37,575,168, which included consideration of USD 1,000 for the ordinary shares of APR. The details of the Company's ownership of APR are as follows:

	% Ownership	Place of incorporation and operations	Nature of business
Direct subsidiary			
Alpha Petroleum Resources Limited ('APR')	100%	United Kingdom	Acquisition and development of oil and gas properties

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England, GU1 3DL

4. Financial assets at fair value through profit or loss - continued

As disclosed in Notes 1.1 and 1.8, the Company meets the definition of an investment entity and therefore does not consolidate APR.

As at 31 December 2020, the Company has also acquired USD 72,472,397 of APR's interest-free funding securities (2019: USD 67,957,760). The loan contributions and interest-free funding securities are included within the carrying amount of the investment in APR.

The valuation of the investments is determined as follows:

	31 December 2020 USD	31 December 2019 USD
Net asset value of APR, adjusted	208,856,442	537,512,136
Contingent payments	(38,643,813)	(49,062,079)
Liquidity discount	(101,221,277)	(298,303,920)
Valuation of investment	68,991,352	190,146,137

The net asset value of APR is based on the discounted cash flows from its development and producing assets. The resulting net asset value of APR amounting to USD 136,384,045 (2019: USD 469,554,376) was adjusted to add back the intercompany loans provided by the Company to APR in the form of interest-free funding securities amounting to USD 72,472,397 (2019: USD 67,957,760). The discounted cash flows of APR involve a number of judgements and estimates including future oil and gas prices, production levels, future capital and operating expenditures and discount rate. These assumptions are inherently uncertain.

APR's own financial statements disclose key sensitivities to reasonably possibly changes in future oil price, discount rate, and exchange rate assumptions which could similarly impact APR's net asset value. APR's financial statements also disclose a further sensitivity to other Cheviot field development assumptions, and changes in these assumptions was a key contributor to the 61% decrease in APR's net asset value since 2019.

The USD 38,643,813 (2019: USD 49,676,368) contingent payments relate to the discounted value of the expected payments required from the Company, pursuant to the agreement relating to the Company's purchase of the entire issued share capital of APR and the company voluntary arrangement of APR. The payments will be triggered by certain milestones being achieved as defined in the agreement. The payments required are fixed contractual sums of up to USD 75,000,000 (2019: USD 75,000,000) however the discounted value of these reflects assumptions about whether, the milestones will be achieved and the discount rate rate to be applied which are inherently uncertain.

A liquidity discount of 61% (2019: 62%) was then applied based on the observed average discount of equities to net asset values of companies similar to APR. This discount reflects a period of turmoil in global oil markets, and therefore there is significant uncertainty as to whether and to what extent such a discount will endure.

The movement in the fair value of the Company's investment in APR is disclosed in Note 3.

As described above the fair value of the Company's investment is highly sensitive to various key assumptions, and in particular (i) APR's net asset value, which is in turn highly sensitive to various underlying assumptions affecting APR's principal asset, the Cheviot field and (ii) the 'Liquidity discount' assumption. These assumptions are inherently uncertain and subjective. Changes in these assumptions led to a 64% decrease in the fair value of the Company's investment between 2019 and 2020. A further decrease/increase, of 64%, which the directors consider to be a reasonable possibility within the next financial year, could decrease/increase the investment value by USD 44,154,465.

5. Loans payable

	31 December 2020 USD	31 December 2019 USD
Loans payable to HoldCo II	110,347,565	106,632,928

As at 31 December 2020, the Company has issued a total of USD 110,347,565 unsecured Interest-free Funding Securities ('IFFS') to HoldCo II (2019: USD 106,632,928), its parent. This is pursuant to the Interest Free Funding Securities Deed Poll by the Company on 19 December 2013. Per the Deed Poll, the aggregate principal of the IFFS the Company can issue is limited to USD 88,500,000 or such larger amount as agreed between the Company and HoldCo II from time to time.

The Company shall be entitled at all times to prepay or repay the outstanding IFFS. The Company can also be called upon to repay the amount due. Repayment of the IFFS is subject to certain limitations to protect the Company's liquidity. The IFFS are otherwise mandatorily convertible into the Company's shares at the fifty-first anniversary of its effective date.

6. Cash and cash equivalents

	31 December 2020 USD	31 December 2019 USD
Cash at bank	50,852	851,241

7. Share capital

The following are the share issued and fully paid as at the year end.

	31 December 2020 USD	31 December 2019 USD
Ordinary USD 1 par value shares (1 share)	1	1

8. Taxation

	31 December 2020 USD	31 December 2019 USD
Current tax		
UK Corporation Tax	-	-
Tax reconciliation		
Net (loss) / profit before taxation	(125,727,336)	5,004,081
Income tax expense at UK tax rate of 19% (2019: 19%)	23,888,194	(950,775)
Non taxable income	(23,877,190)	962,905
Tax losses carried forward on which no deferred tax asset is recognised	(11,004)	(12,130)
Deferred tax	-	-
Total taxation	-	-

The Company has unrecognised deferred tax assets in relation to tax losses amounting to USD 68,236 (2019: USD 62,060). These assets are not recognised on the basis of insufficient evidence concerning profits being available against which deferred tax assets could be utilised.

The unrecognised deferred tax asset included in these financial statements are based on the UK corporate tax rate of 19% for 2020 and 2021 .

At the Budget 2021 on 3 March 2021, the UK Government announced that the corporation tax rate in the UK will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023, as well as announcing a number of other changes to allowances and treatment of losses. These changes are not yet substantively enacted, and the Company has not yet undertaken a full analysis of the impact of the changes.

9. Auditor's remuneration

The analysis of the auditor's remuneration is as follows

	31 December 2020 USD	31 December 2019 USD
Audit of the Company's financial statements	22,061	24,451
Tax compliance services	4,605	8,867
	26,666	33,318

As at 31 December 2020, USD 8,639 is outstanding in respect of the above services (31 December 2019: USD 21,895).

10. Related party transactions

There are no emoluments due and outstanding to the Company's directors for the years ended 31 December 2020 and 31 December 2019.

As disclosed in Note 2, the Company owns 100% of APR's ordinary shares. The Company's investments and loans provided to APR are disclosed in Note 4.

10. Related party transactions - continued

The Company's ordinary shares are 100% owned by HoldCo II. The Company's loans payable to HoldCo II are disclosed in Note 5

As at 31 December 2020, an amount of USD 116,594 (2019: USD 60,871) is due to HoldCo II for operating expenses paid for by HoldCo II on behalf of the Company.

As at 31 December 2020, an amount of USD 25,564 (2019: USD 25,564) is due to HoldCo I for operating expenses paid for by HoldCo I on behalf of the Company.

There were no transactions with related parties that had impact on the statement of comprehensive income for the year ended 31 December 2020 (2019: USD nil).

11. Contingent liabilities

The Company guarantees funding the decommissioning obligations of APR by virtue of UK legislation under Sections 29-34 of the Petroleum Act 1998 through the principle of parental or "associated company" liability.

12. Controlling party and ultimate controlling party

The immediate controlling party and the ultimate controlling party of the Company is HoldCo II and HoldCo I respectively.

13. Events after the reporting period

The directors have evaluated the subsequent events from the date of the financial statements through to the date the financial statements were available to be issued. There were no subsequent events identified which required adjustment nor disclosure in these financial statements.