

COMPANY REGISTRATION NUMBER 04087253
AFENTRA (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2020

WEDNESDAY



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**AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
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**AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
OFFICERS AND PROFESSIONAL ADVISERS**

Director

Paul McDade

Company Secretary

Richard Cliff

Corporate Bankers

The Royal Bank of Scotland Plc

1 Albyn Place

Aberdeen, AB10 1BR

Auditors

BDO LLP UK

55 Baker Street

London, W1U 7EU

Registered Office

High Holborn House, 52-54 High Holborn

London, WC1V 6RL

AFENTRA (UK) LIMITED

YEAR ENDED 31 DECEMBER 2020

DIRECTOR'S REPORT

The Director of Afentra (UK) Limited (the 'Company'), (Previously known as Sterling Energy (UK) Limited), presents his Report and the audited Financial Statements for the year ended 31 December 2020.

The Director's Report has been prepared in accordance with the special provisions applicable to companies entitled to use the small companies' exemption. The Directors have adopted the exemption and, in addition, have not prepared a Strategic Report as defined by Part 15 s414B of the Companies Act 2006.

Principal activities, business review and future prospects

The principal activities of the Company are the provision of oil and gas exploration technical and administration services.

The Company's activities are expected to continue into the future.

Business review

The Company was incorporated as an oil and gas exploration, development and production company as well as a provider of related technical and administration services to its parent company Afentra plc and other companies within the Afentra plc Group (the 'Group').

The Company will continue with its current activities for the foreseeable future.

Results and dividends

The audited Financial Statements and associated notes are set out on pages 10 to 23. The Company made a loss after taxation of £733k for the year (2019: loss £1.1 million).

The Director does not recommend the payment of a dividend (2019: \$nil).

Financial risk management objectives

Details of the Company's exposure to financial risks and how they are managed are provided in note 13 on pages 21 to 23 of the Financial Statements.

Director

The Director's who served during the period is shown below:

Mr. Tony Hawkins (resigned March 2021)

Mr. David Marshall (resigned December 2020)

Going Concern

The Company's business activities and financial position are set out above. In addition, note 13 on pages 21 to 23 of the Financial Statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and details of its financial instruments.

The Director has, at the time of approving the financial statements, a reasonable expectation that given the continued financial support from the ultimate parent company, Afentra plc, the Company has adequate resources to continue in operational existence for the foreseeable future. This assessment has been made by the Director who remains confident the Group has sufficient cash resources at the date of signing the annual report to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements, and notwithstanding the impact that COVID-19 has had internationally. The Director believes that the Group is in a strong position to absorb any potential impact on the Group arising from COVID-19, and thus, continues to adopt the going concern basis of accounting in preparation of the financial statements.

**AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
DIRECTOR'S REPORT (cont'd)**

Auditors

Each of the persons who is a Director at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP has expressed its willingness to continue in office as auditors and a resolution was passed to reappoint BDO at the Afentra plc Annual General Meeting on 30 June 2021.



Paul McDade

Director

28/09/21

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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 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 period.

In preparing these financial statements, the Director is required to:

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

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

Disclosure of audit information

The Director of the Company at the date when this report is approved:

- So far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

For and on behalf of the Board



Paul McDade

Director

28/09/21

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AFENTRA (UK) LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- 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 of Afentra (UK) Limited ("the Company") for the year ended 31 December 2020 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

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

AFENTRA (UK) LIMITED

YEAR ENDED 31 DECEMBER 2020

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 material misstatements in the Directors' report.

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

- adequate accounting records have not been kept, 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 prepare the financial statements in accordance with the small companies regime and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

Extent to which the audit was 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:

In addition, our testing also included, but was not limited to:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006 and international accounting standards
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- Testing the financial statement disclosures to supporting documentation, performing testing on account balances which were considered to be a greater risk of susceptibility to fraud
- We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:
 - enquiries of management; and
 - review of minutes of board meetings throughout the period
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations

AFENTRA (UK) LIMITED YEAR ENDED 31 DECEMBER 2020

- Making enquiries of Management as to whether there was any correspondence from regulators in so far as the correspondence related to the financial statements
- Performing targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, for example capitalisation entries to development assets

These procedures are designed to address the risk of material misstatements in respect of irregularities, including fraud, but do not provide absolute assurance as to the non-existence of any such misstatements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:
Matt Crane
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Matt Crane (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street Marylebone, W1U 7EU
28 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31st December 2020 £000	Year ended 31st December 2019 £000
Revenue		236	238
Other administrative expenses		(565)	(686)
Intercompany bad debt expense		22	-
Pre-licence exploration costs		(748)	(884)
Total administrative expenses		(1,291)	(1,570)
Loss from operations		(1,055)	(1,332)
Finance income	4	318	241
Finance expense	4	(36)	(42)
Loss before tax	5	(773)	(1,133)
Tax	7	-	-
Loss for the year		(773)	(1,133)

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
STATEMENT OF FINANCIAL POSITION

	Note	As at 31st December 2020 £000	As at 31st December 2019 £000
Non-current assets			
Property, plant and equipment	8	619	739
		<u>619</u>	<u>739</u>
Current assets			
Trade and other receivables	9	433	351
Cash and cash equivalents		1	2
		<u>434</u>	<u>353</u>
Total assets		<u><u>1,053</u></u>	<u><u>1,092</u></u>
Equity			
Share capital	10	3,514	3,514
Capital contributions		45,474	45,474
Retained deficit		(52,542)	(51,774)
Total equity		<u>(3,554)</u>	<u>(2,786)</u>
Current liabilities			
Trade and other payables	11	4,006	3,141
Lease liability	12	150	158
		<u>4,156</u>	<u>3,299</u>
Non-current liabilities			
Lease liability	12	426	557
Long-term provision		25	22
		<u>451</u>	<u>579</u>
Total liabilities		<u>4,607</u>	<u>3,878</u>
Total equity and liabilities		<u><u>1,053</u></u>	<u><u>1,092</u></u>

The Financial Statements of Afentra (UK) Limited, registered number 4087253 were approved by the Board of Directors on 28/09/21.

Signed on behalf of the Board of Directors



Paul McDade

Director

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital	Retained	Total
	£000	contributions	deficit	£000
	£000	£000	£000	£000
At 1 January 2019 as restated	3,514	45,474	(50,684)	(1,696)
Changes in accounting policy - IFRS 16	-	-	43	43
At 1 January 2019	3,514	45,474	(50,641)	(1,653)
Total comprehensive expense	-	-	(1,133)	(1,133)
As at 31 December 2019	3,514	45,474	(51,774)	(2,786)
Adjustment to IFRS 9	-	-	5	5
At 1 January 2020	3,514	45,474	(51,769)	(2,781)
Total comprehensive expense	-	-	(773)	(773)
As at 31 December 2020	3,514	45,474	(52,542)	(3,554)

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
STATEMENT OF CASH FLOWS

	Year ended	Year ended
Note	31st December 2020	31st December 2019
	£000	£000
Operating activities		
Loss for the year	(773)	(1,133)
Intercompany bad debt (income)/expense	(22)	-
Foreign exchange loss/(gain)	4 (318)	(241)
Finance costs	4 36	42
Depreciation of PPE	8 151	149
Operating cash outflow prior to working capital movements	(926)	(1,183)
Decrease in trade and other receivables	(82)	18
Increase in trade and other payables	1,185	1,310
Increase in provisions	3	22
Net cash flow generated from operating activities	180	167
Investing activities		
Purchase of property, plant and equipment	8 (10)	-
Net cash flow used in investing activities	(10)	-
Financing activities		
Principal paid on lease liability	12 (174)	(152)
Interest paid on lease liability	4 (36)	(42)
Net cash used in financing activities	(210)	(194)
Net increase in cash and cash equivalents	(40)	(27)
Cash and cash equivalents at beginning of year	2	2
Effect of foreign exchange rate changes	39	27
Cash and cash equivalents at end of year	1	2

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
NOTES TO THE ACCOUNTS

1. General information

Afentra (UK) Limited is a company incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Director's Report on page 4.

The Financial Statements are presented in pounds sterling being the functional currency of the primary economic environment in which the Company operates.

2. Accounting policies

The Financial Statements are prepared in accordance with applicable United Kingdom law and International Financial Reporting Standards ('IFRS'). The particular accounting policies adopted, which have been applied consistently throughout the current period, are described below.

a) Basis of accounting and adoption of new and revised standards

The Company financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

(i) New and amended standards adopted:

No standards adopted this year had a material effect.

(ii) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date	Status
IFRS 3	Amendments - Business Combination	1 January 2022	TBC
IAS 16 and IAS 37	Amendments – Property, Plant and Equipment and Provisions, Contingent Liabilities and Contingent Assets	1 January 2022	TBC
IFRS 1 IFRS 9 Illustrative Examples accompanying IFRS 16 IAS 41	Annual Improvements to IFRSs (2018-2020 Cycle)	1 January 2022	TBC
IAS 1	Amendments - Classification of Liabilities as Current or Non-current	1 January 2023	TBC

b) Revenue

Sales from administrative services are recognised as earned. Sales revenue in the year and the previous year relate entirely to administrative services.

c) Property, plant and equipment assets other than oil and gas assets

Property, plant and equipment other than oil and gas assets are stated at cost, less accumulated depreciation, and any provision for impairment. Depreciation is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Computer and office equipment – 33% straight line

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
NOTES TO THE ACCOUNTS (cont'd)

d) Foreign currencies

The pound sterling is the functional and reporting currency of the Company. Transactions denominated in other currencies are translated into pounds sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in other currencies are translated into pounds sterling at the rate of exchange ruling at the reporting date. All exchange differences arising from such translations are dealt with in current year comprehensive income.

e) Taxation

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

f) Leases

In accordance with IFRS 16, at the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

g) Financial instruments

The Company's Financial Instruments comprise of cash and cash equivalents, payables and receivables. There are no other categories of financial instrument.

Trade receivables

Trade receivables are recognised and carried at the original invoice amount less any provision for impairment.

The Company applies the expected credit loss model in respect of trade receivables. The Company tracks changes in credit risk, and recognise a loss allowance based on lifetime ECLs at each reporting date.

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
NOTES TO THE ACCOUNTS (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits, and other short-term highly liquid investments, with an original maturity of less than three months, and are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

The Company has the following financial liabilities; all are classified as held at amortised cost. The Company holds no other categories of financial liability.

Trade payables

Trade payables are stated at their amortised cost.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

h) Investments

Non-current investments in subsidiary undertakings represent equity holdings valued at cost less any impairment provisions. Such investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

i) Pension costs

The Company operates a number of defined contribution pension schemes. The amount charged to the statement of comprehensive income for these schemes is the contributions payable for the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

j) Going concern

The Financial Statements have been prepared in accordance with the going concern basis of accounting for reasons set out in the 'going concern' section of the Director's Report.

k) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that the Company would be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

3. Critical accounting judgements and estimates

In the application of the Company's accounting policies, which are described in Note 2, the Director is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Estimates

Company – expected credit loss model prescribed by IFRS 9

IFRS 9 requires the Parent company to make assumptions when implementing the forward-looking expected credit loss model. This model is required to be used to assess the intercompany loan receivable from Afentra (East Africa) Limited for impairment.

Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of the intercompany loan receivables, the possible credit losses that could arise and the probabilities for these scenarios. The following was considered; the exploration project risk, country risk, the expected future oil prices, the value of the potential reserves, the ability to sell the project, and the ability to find a new farm-out partner.

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
NOTES TO THE ACCOUNTS (cont'd)

Discount rates – IFRS 16 leases

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 31 December 2020. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor on the basis of external figures derived from the market.

4. Finance income and finance expense

	Year ended 31st December 2020 £000	Year ended 31st December 2019 £000
Finance Income		
Foreign exchange gains	318	241
	<u>318</u>	<u>241</u>
	Year ended 31st December 2020 £000	Year ended 31st December 2019 £000
Finance expense		
Interest expense for leasing arrangement	(36)	(42)
	<u>(36)</u>	<u>(42)</u>

5. Loss before tax

	Note	Year ended 31st December 2020 £000	Year ended 31st December 2019 £000
Loss before tax is stated after charging:			
Staff costs	6	935	1,077
Depreciation of PPE	8	151	149
Intercompany bad debt expense		(22)	-

In 2020 the audit fee payable to the Company's auditors for the audit of the Company's annual accounts of £2k (2019: £2k) was borne by the Company's parent company Afentra plc.

Directors are paid by other companies which are part of the ultimate parent's group. No recharge is made to this company.

6. Remuneration of key management personnel

The Director received total emoluments of £265k (2019: £266k) from the Company during the year; however, it is not practical to allocate this between their services as executives of the parent company Afentra plc and their services as Directors of the parent's subsidiaries undertakings.

2020 Remuneration	Fees and basic salary £	Bonus £	Defined contribution pension £	Benefits In kind £	Total £
	David Marshall (resigned 4 December 2020) ¹	204,509	33,750	21,540	5,515
Aggregate remuneration 2020	<u>204,509</u>	<u>33,750</u>	<u>21,540</u>	<u>5,515</u>	<u>265,314</u>

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
NOTES TO THE ACCOUNTS (cont'd)

2019 Remuneration	Fees and basic salary £	Bonus £	Defined contribution pension £	Benefits in kind £	Total £
David Marshall ²	214,135	26,026	21,413	4,572	266,146
Aggregate remuneration 2019	214,135	26,026	21,413	4,572	266,146

¹ Includes bonus amount of £34k awarded and accrued at 2019 year-end, which was paid on 26th March 2020.

² Includes 2018 bonus amount of £26k accrued at 2018 year-end, which was paid on 26 February 2019.

Average number of persons employed

The average monthly number of employees during the year, including executive Director, was 7 (2019: 7).

	Year ended 31st December 2020 £000	Year ended 31st December 2019 £000
Wages and salaries	760	889
Social security costs	97	112
Contributions to defined contribution pension schemes	78	76
Total	935	1,077

The sum of £236k (2019: £238k) staff costs and associated overheads has been recharged to other entities in the Group.

7. Taxation

Statement of comprehensive income

There is no provision for current or deferred tax at 31 December 2020. The difference between the total tax charge of £nil (2019: £nil) and the amount calculated by applying the applicable standard rate of tax is as follows:

	Year ended 31st December 2020 £000	Year ended 31st December 2019 £000
Total tax expense for the year	-	-
Loss before tax	(773)	(1,133)
Loss multiplied by the applicable companies rate of corporation tax in the UK	(147)	(215)
Tax effects of:		
Expenses not deductible for tax purposes	(4)	(4)
Fixed asset differences	(5)	-
Deferred tax movement on provisions not provided	(3)	2
Tax losses carried forward	159	217
Total tax expense for the year	-	-

Statement of financial position

There is no payable or receivable in relation to taxation.

AFENTRA (UK) LIMITED
YEAR ENDED 31 DECEMBER 2020
NOTES TO THE ACCOUNTS (cont'd)

A deferred tax asset amounting to £3.6 million (2019: £3.1 million) for tax losses has not been recognised owing to uncertainty that suitable taxable gains, as defined in note 2 on page 15, will be available in the foreseeable future. These tax losses can be carried forward indefinitely.

8. Property, plant and equipment

	Office Lease £000	Computer and office £000	Total £000
Cost			
At 1 January 2019	-	110	110
Adoption of IFRS 16	859	-	859
Modification during the year	22	-	22
At 31 December 2019	882	110	992
Additions during the year	-	10	10
Modification during the year	21	-	21
At 31 December 2020	903	120	1,023
Accumulated depreciation and impairment			
At 1 January 2019	-	(104)	(104)
Charge for the year	(146)	(3)	(149)
At 31 December 2019	(146)	(107)	(253)
Charge for the year	(148)	(3)	(151)
At 31 December 2020	(294)	(110)	(404)
Net book value at 31 December 2020	609	10	619
Net book value at 31 December 2019	736	3	739
Net book value at 31 December 2018	-	6	6

9. Trade and other receivables

	As at 31st December 2020 £000	As at 31st December 2019 £000
Amounts falling due within one year:		
Prepayments and other receivables	95	113
Amounts owed by other Group companies	318	224
VAT	20	14
	433	351

Trade and other receivables, not credit impaired, consist of current receivables that the Company views as recoverable in the short term.

The Directors consider that the carrying amount of trade and other receivables is a reliable estimate of their fair value.

Transactions between subsidiaries are non-interest bearing and repayable on demand.

See Note 1 for details (Financial instruments - Trade receivables).

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NOTES TO THE ACCOUNTS (cont'd)

10. Called up share capital

	31st December 2020 £000	31st December 2019 £000
Authorised, called up, allotted and fully paid 3,513,930 (2019: 3,513,930) ordinary shares of £1 each	3,514	3,514

11. Trade and other payables

	As at 31st December 2020 £000	As at 31st December 2019 £000
Trade and other payables	30	28
Taxation and social security	21	28
Other payables	-	135
Accruals	9	31
Amounts payable to other Group companies	3,946	2,919
	4,006	3,141

All amounts owed to other subsidiary companies, are unsecured, non-interest bearing and are payable on demand. The Directors consider that the carrying amount of trade and other payables is a reliable estimate of their fair value.

12. Leases

The Group has a lease for the head office and classifies it as a right-of-use asset in a consistent manner to its property, plant and equipment (see Note 8).

On adoption of IFRS 16, the Company recognised lease liabilities in relation to the head office which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020. The incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 5%.

Lease liabilities are presented in the statement of financial position as follows:

	2020 £000	2019 £000
Current	150	158
Non-current	426	557
	576	715

Extension options are included in the lease liability when it, based on the management's judgement, is reasonably certain that an extension will be exercised. As at 31 December 2020, the contractual maturities of the Company's lease liabilities are as follows:

	Within one year £000	Between one to two years £000	Over two years £000	Total £000	Interest £000	Carrying amount £000
Group Lease liability	174	174	299	647	(71)	576

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NOTES TO THE ACCOUNTS (cont'd)

13. Financial instruments

The Company's objective and policy is to use financial instruments to manage the risk profile of its underlying operations. The Company continually monitors financial risk including oil and gas price risk, interest rate risk, currency translation risk and liquidity risk and takes appropriate measures to ensure such risks are managed in a controlled manner including, where appropriate, the use of financial derivatives.

The Company does not enter into or trade financial instruments, for speculative purposes. During the year, the Company's financial assets and liabilities consisted of:

- cash at bank and in hand;
- intercompany payables and receivables; and
- trade payables and receivables.

These are used to manage the working capital requirements of the Company. The Company monitors risk on a regular basis and takes appropriate measures to ensure risks are managed in a controlled manner.

Capital and liquidity risk management

The Company is not subject to externally imposed capital requirements. The capital structure of the Company consists of equity attributable to the equity holders of the parent, issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Company's liquidity risk is managed on a Group-wide basis by maintaining adequate reserves, banking facilities and reserve borrowing facilities to match its short, medium and long-term funding requirements.

The Company has no debt and therefore no gearing. Further information relating to the Company's capital and liquidity situation are included in note 2 on pages 15-16.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each material class of financial asset, financial liability and equity instrument is disclosed in note 2 on pages 15-16 to the Financial Statements.

The fair values of financial assets and financial liabilities are determined as follows:

	Note	Carrying amount / Fair value	
		2020 £000	2019 £000
Financial assets			
Cash and cash equivalents		1	2
Intercompany receivables	9	318	224
Total		319	226
Financial liabilities			
Intercompany payables	11	3,946	2,919
Trade and other payables	11	30	163
Accruals	11	9	31
Total		3,985	3,113

Financial assets and liabilities are valued at amortised cost less any credit risk provision. Due to the

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NOTES TO THE ACCOUNTS (cont'd)

short-term nature of these assets and liabilities such values are a reliable estimate of their fair values at 31 December 2020 and 31 December 2019.

Interest rate risk management

The Company does not have any outstanding borrowings and hence, the Company is only exposed to interest rate risk on its short-term cash deposits.

Foreign currency translation risk

The Company's reporting currency is pounds sterling being the currency in which the majority of the revenue and expenditure is transacted. Pounds sterling is the functional currency of the Company.

Less material elements of its management, services and treasury functions are transacted in US dollars. The majority of balances are held in sterling with transfers to US dollars and other local currencies as required to meet local needs. No sensitivity is presented as the amounts would not be material.

The Company's foreign currency translation risk is as follows:

Financial assets

	2020	2019
	£000	£000
Cash and cash equivalents		
Cash and cash equivalents held in US\$	1	1
Cash and cash equivalents held in GBP	-	1
	<u>1</u>	<u>2</u>

	2020	2019
	£000	£000
Trade and other receivables		
Trade and other receivables held in US\$	-	-
Trade and other receivables held in GBP	318	224
	<u>318</u>	<u>224</u>

Financial Liabilities

	2020	2019
	£000	£000
Trade and other payables		
Trade and other payables held in US\$	3,946	2,919
Trade and other payables held in GBP	39	194
	<u>3,985</u>	<u>3,113</u>

Credit risk

The Company's credit risk is limited as the majority of its cash is with banks with good credit ratings assigned by international credit rating agencies.

Liquidity and interest rate tables

The following tables detail the remaining contractual maturity for the non-derivative financial liabilities of the Company. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

The table includes both interest and principal cash flows including rates for cash deposits on actual contractual arrangements.

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NOTES TO THE ACCOUNTS (cont'd)

	Less than six months £000	Six months to one year £000	One to six years £000	Total £000	Interest £000	Principal £000
2020						
Financial liabilities	3,985	-	-	3,985	-	3,985
2019						
Financial liabilities	3,113	-	-	3,113	-	3,113

14. Related party transactions

	Note	As at 31st December 2020 £000	As at 31st December 2019 £000
Amounts owed by related parties			
Afentra Northwest Africa Holdings Limited	9	318	224
		<u>318</u>	<u>224</u>
Amounts owed to related parties			
Afentra plc	11	3,946	2,919
		<u>3,946</u>	<u>2,919</u>

Afentra plc is the parent company.

No interest is payable or receivable on amounts owed to or receivable from other Group companies.

Other transactions with related parties include management charges for services provided to the subsidiary company and other related companies of £236k (2019: £238k) disclosed as revenue in the statement of comprehensive income.

Details of Director's remuneration, the Director's who comprise key management personnel, are detailed in note 6 on pages 17 to 18.

15. Subsequent Events

Save for the events surrounding COVID-19, no significant subsequent events requiring disclosure or adjustment have occurred.

The measurement of expected credit losses in accordance with IFRS 9 (Financial Instruments), are not impacted by subsequent global developments related to COVID-19 and are therefore non-adjusting.

16. Controlling party

The immediate and ultimate parent company and controlling party at 31 December 2020 was Afentra plc, a company incorporated in United Kingdom and registered in England and Wales. The smallest and largest group in which the Company is consolidated is that headed by Afentra plc; a copy of these consolidated financial statements may be obtained from High Holborn House, 52-54 High Holborn, London WC1V 6RL and on the Afentra plc website.