

SALTFLEETBY ENERGY LIMITED

**UNAUDITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
22 MAY 2022**

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SALTFLEETBY ENERGY LIMITED

FINANCIAL STATEMENTS

PERIOD ENDED 22 MAY 2022

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SALTFLEETBY ENERGY LIMITED

COMPANY INFORMATION

The Directors:

Paul Forrest
Carlos Fernandes (appointed 30 May 2022)
Andrew Hollis (appointed 30 May 2022)
George Lucan (appointed 30 May 2022)

Registered Office:

Building 3, Chiswick Park
566 Chiswick High Road,
London, England
W4 5YA

Registered Number:

00953066 (England and Wales)

SALTFLEETBY ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION

PERIOD ENDED 22 MAY 2022

	Notes	22/05/2022 £	22/05/2022 £	31/05/2021 £	31/05/2021 £
ASSETS					
Non-current assets					
Tangible assets	4		15,966,817		11,590,538
Total non-current assets			<u>15,966,817</u>		<u>11,590,538</u>
Current assets					
Stocks	5	3,509		3,509	
Trade and other receivables	6	2,352,623		1,941,154	
Cash and cash equivalents		610		1,516	
Total current assets		<u>2,356,742</u>		<u>1,946,179</u>	
Current liabilities					
Derivative liability	10	15,276,000		-	
Trade and other payables	7	4,517,089		333,748	
Total current liabilities		<u>19,793,089</u>		<u>333,748</u>	
Net current (liabilities)/assets			<u>(17,436,347)</u>		<u>1,612,431</u>
Total assets less current liabilities			<u>(1,469,530)</u>		<u>13,202,969</u>
Non-current liabilities					
Derivative liability	10	19,952,000		-	
Provisions	8	1,225,000		750,000	
Total non-current liabilities			<u>(21,177,000)</u>		<u>(750,000)</u>
TOTAL ASSETS LESS LIABILITIES			<u>(22,646,530)</u>		<u>12,452,969</u>
EQUITY					
Equity attributable to owners of the parent:					
Share capital			62,550,518		62,550,518
Share premium			1,000		1,000
Accumulated loss			<u>(85,198,048)</u>		<u>(50,098,549)</u>
TOTAL EQUITY			<u>(22,646,530)</u>		<u>12,452,969</u>

For the period ended 22 May 2022 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

No member has required the company to obtain an audit of its accounts for the period ended 22 May 2022 in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of the accounts.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved and signed by the director and authorised for issue on 5 May 2023.



Paul Forrest

Director

Company Registration Number: 00953066

SALTFLEETBY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 22 MAY 2022

1. General information

Saltfleetby Energy Limited is a private company limited by shares, which is incorporated and domiciled in the United Kingdom. Its registered office is Building 3, Chiswick Park, 566 Chiswick High Road, London, England W4 5YA.

The principal activity of the company during the period was onshore oil and gas exploration, development and production in the United Kingdom. The financial information of the company is presented in British Pounds Sterling ("£").

2. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Company Act 2006.

Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax.

Revenue from the sale of oil, gas and petroleum products is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Buildings	-	useful life
Motor Vehicles	-	over 4 years
Fixtures, fittings tools and equipment	-	over 5 years
Production Assets	-	Unit production method (see below)

Oil and gas production assets are depreciated using a unit production method. The cost of producing wells is amortised over total proved and undeveloped oil and gas reserves. The field development costs subject to amortisation are expenditure incurred to date together with sanctioned future development expenditure.

Stock

Stocks are stated at the lower of cost and net realisable value.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

SALTFLEETBY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 22 MAY 2022

2. Accounting policies (continued)

Licence and property acquisition costs

Licence and property leasehold acquisition costs are capitalised within intangible fixed assets and amortised on a straight-line basis over the estimated period of exploration. Upon determination of economically recoverable reserves amortisation ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting determination within intangible fixed assets. When development is sanctioned, the relevant expenditure is transferred to tangible production assets.

Successful efforts accounting

Oil and natural gas exploration and development is accounted for using the successful efforts method of accounting.

Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found, and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to regular technical, commercial management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proven and probable reserves of oil and gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets.

Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within tangible production assets.

Maintenance expenditure

Expenditure on major maintenance, refits or repairs is capitalised where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.

Decommissioning

Provision for decommissioning is recognised in full on the installation of oil and gas production facilities. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected in an adjustment to the provision and fixed asset.

Borrowing cost

Borrowing cost that are directly attributable to the acquisition, development, or production of a qualifying asset, that necessarily takes substantial time to prepare, are capitalized as part of the cost the respective asset. It consists of interest and other cost in connection with the borrowing of the funds. Capitalization commences when activities to prepare the asset are in progress or in future re-development activities and ceases when all activities necessary to prepare the asset are completed. Other borrowing costs are recognized in the statement of profit and loss and other comprehensive income in the period in which they are incurred.

SALTFLEETBY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 22 MAY 2022

2. Accounting policies (continued)

Derivative financial instrument

The Company, through its Operator and parent company, uses derivative financial instrument, to hedge its commodity price risk, such as commodity swap contracts. The Group has elected not to apply the hedge accounting on this derivative. Derivative financial instruments are recognized at fair value on the date on which the contract is entered into and subsequently measured at fair value. Derivatives are carried as financial asset when the fair value is greater than its initial measurement and financial liabilities when fair value is negative. Any gains or losses arising from the changes in fair value of the derivatives are recognise in the statement of profit and loss and other comprehensive income.

Impairment tests

Internal calculations of hydrocarbon reserves are undertaken annually. For ceiling test purposes, commercial reserves relating to evaluated properties are valued based on undiscounted, undiscounted year end costs and prices. The total net realisable value is compared with the net capitalised costs on a property by property basis and any diminution in property value considered permanent is written off.

Changes in unit production factors

Changes in factors which affect unit-of-production calculations are dealt with prospectively, not by immediate adjustment of prior year amounts.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Going concern

The COVID-19 pandemic has not had a significant immediate impact on the company's operations. The Oil and Gas industry has been deemed critical and thus we have been allowed to continue operations.

The Director has assessed the company's ability to continue as a going concern and have reasonable expectation that the company has adequate resources to continue operations for a period of at least 12 months from the date of approval of these financial statements.

Having regard to the above, the director believe it is appropriate to adopt the going concern basis of accounting in preparing the financial statements. These financial statements do not include any adjustment that may result from any significant changes in the assumption used.

3. Staff numbers

The average number of persons employed by the company (including directors) during the period / year by category, was as follows:

	Number of employees	
	01/06/2021 to 22/05/2022	01/01/2020 to 31/05/2021
Administration	2	2
Production	2	2
	<u>4</u>	<u>4</u>

SALTFLEETBY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 22 MAY 2022

4. Tangible fixed assets

	Buildings	Motor Vehicles	Production Assets	Fixtures, fittings, tools and equipment	Total
	£	£	£	£	£
Cost					
At 1 June 2020	226,938	48,280	47,122,771	121,222	47,519,211
Additions	-	-	932,655	-	932,655
At 31 May 2021	226,938	48,280	48,055,426	121,222	48,451,866
At 1 June 2021	226,938	48,280	48,055,426	121,222	48,451,866
Additions	-	-	3,923,855	-	3,923,855
Site restoration provision increase	-	-	475,000	-	475,000
Disposal of Asset	-	(16,000)	-	-	(16,000)
At 22 May 2022	226,938	32,280	52,454,281	121,222	52,834,721
Accumulated depreciation and impairment					
At 1 June 2020	226,938	17,100	36,502,575	95,404	36,842,017
Charge for year	-	12,070	-	7,241	19,311
At 31 May 2021	226,938	29,170	36,502,575	102,645	36,861,328
At 1 June 2021	226,938	29,170	36,502,575	102,645	36,861,328
Charge for the period	-	11,404	-	7,205	18,609
Disposal	-	(12,033)	-	-	(12,033)
At 22 May 2022	226,938	28,541	36,502,575	109,850	36,867,904
Net book value					
At 22 May 2022	-	3,739	15,951,706	11,372	15,966,817
Net book value					
At 31 May 2021	-	19,110	11,552,851	18,577	11,590,538

SALTFLEETBY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 22 MAY 2022

5. Stocks

	22/05/2022 £	31/05/2021 £
Raw materials and consumables	<u>3,509</u>	<u>3,509</u>

In 2022 the stock of raw materials and consumables have been valued at net realisable value.

In 2022 the net realisable value impairment of raw materials and consumables was £nil (2021: £nil)

6. Debtors

	22/05/2022 £	31/05/2021 £
Trade debtors	935,556	309,007
Amounts receivable from related parties	1,400,000	1,624,147
Prepayments and accrued income	17,067	-
Other debtors	-	8,000
	<u>2,352,623</u>	<u>1,941,154</u>

7. Creditors: amounts falling due within one year

	22/05/2022 £	31/05/2021 £
Trade creditors	3,993,738	262,525
Director's Loan	2,000	-
Accruals	471,729	-
Taxation and social security	41,359	71,223
Bank overdraft	8,263	-
	<u>4,517,089</u>	<u>333,748</u>

8. Provisions

	22/05/2022 £	31/05/2021 £
Provision for Site Restoration Costs		
At beginning of period	750,000	750,000
Recalculation of liability	<u>475,000</u>	<u>-</u>
At end of the period / year	<u>1,225,000</u>	<u>750,000</u>

SALTFLEETBY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 22 MAY 2022

9. Operating Leases

Annual commitments under non-cancellable operating leases are as follows:

	22/05/2022 Land and Buildings £	31/05/2021 Land and Buildings £
Operating leases which expire:		
Within 1 year	21,504	41,711
In the second to fifth years inclusive	92,662	89,963
After fifth year	132,350	128,495
	<u>246,516</u>	<u>260,169</u>

10. Derivative Liability

On 01 June 2021, Angus Energy Weald Basin no. 3 Limited (AWB3), the operator of Saltfleetby Gas Field entered into a hedging agreement with Mercuria Energy Trading SA (METS) under a Swap contract as part of the condition of a Loan Facility. The derivative instrument was used to mitigate price risk on the expected future cash flow from the production of Saltfleetby Gas Field. Under the Swap contract, AWB3 will pay METS the floating price while METS will pay AWB3 the fixed price on the sale of gas from the field.

The cash flow forecast for the coming years on the hedge which was recognized on the financial position as of period are:

Cash Flow of Hedging Instruments	Year 1	Year 2	Year 3	Year 4	Total
	£'000	£'000	£'000	£'000	£'000
Cash Inflow	4,007	3,726	3,001	216	10,950
Cash Outflow	(19,283)	(16,150)	(10,101)	(644)	(46,178)
(Net Liability) on Swap Contract	(15,276)	(12,424)	(7,100)	(428)	(35,228)

As of the reporting date, the expected cash flow on the sale of natural gas amounted to £94.241M resulting in a loss of £71.894M of which the Company's effective share is at £35.228M on its 49% participating interest.

Loss on the Swap contract was brought by the steep rise in the prices of natural gas due to global influences that affects the Company and Operator as the floating price payor.

SALTFLEETBY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 22 MAY 2022

Further details of the contract as at the period are as below:

Period of Gas Production		Quantity in Therms	Fixed price in pence per Therms
1-Jul-22	30-Sep-22	3,375,000	0.4140
1-Oct-22	31-Mar-23	10,500,000	0.5205
1-Apr-23	30-Jun-23	5,250,000	0.3755
1-Jul-23	30-Sep-23	4,500,000	0.3755
1-Oct-23	31-Mar-24	9,000,000	0.4655
1-Apr-24	30-Jun-24	4,500,000	0.3560
1-Jul-24	30-Sep-24	3,750,000	0.3560
1-Oct-24	31-Mar-25	7,500,000	0.4500
1-Apr-25	30-Jun-25	3,750,000	0.3525
		52,125,000	

Total value of the hedged gas production at fixed price amounts to £22.347M

11. Related party transactions

The Company has taken advantage of exemption, under the terms of Financial Reporting Standards 102 'The Financial Reporting applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

12. Ultimate parent undertaking and controlling party

The ultimate parent company as at 22 May 2022 was, Forum Energy Services Limited, a company registered in England and Wales.

13. Subsequent events

On 23 May 2022 Forum Energy Services Limited, sold 100% of the Share Capital in Saltfleetby Energy Limited, to Angus Energy plc, a company registered in England and Wales. As of 23 May 2022 Angus Energy plc, became the ultimate parent Company.