Annual Report and Financial Statements
EUROPA OIL & GAS LIMITED

For the Year Ended 31 July 2022

Company registration number 03093716

Contents

Directors and advisors

Company registration number	03093716
Registered office	30 Newman Street London W1T 1PT
Directors	S Oddie B O'Cathain W Holland (appointed 4 October 2022)
Secretary	M Johnson
Banker	Royal Bank of Scotland plc 1 Albyn Place Aberdeen AB10 1BR
Solicitor	Charles Russell LLP 5 Fleet Place London EC4M 7RD
Auditor	BDO LLP 55 Baker Street London W1U 7EU

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2022.

Principal activities

Europa Oil & Gas Limited's ("Europa") business comprises three core strands: production, appraisal and exploration and these activities take place in the UK.

Licence interests table

Country	Area	Licence	Field/ Prospect	Operator	Equity	Status
UK	East Midlands	DL 003	West Firsby	Europa	100%	Production
		DL 001	Crosby Warren	Europa	100%	Production
		PL 199/215	Whisby-4	BPEL	65%	Production
		PEDL180	Wressle	Egdon	30%	Production
		PEDL181		Europa	50%	Exploration
		PEDL182	Broughton North	Egdon	30%	Exploration
		PEDL299	Hardstoft	Ineos	25%	Exploration
		PEDL343	Cloughton	Egdon	40%	Appraisal
	Central North Sea	P.2358, Block	Serenity	i3	25%	Appraisal

Business review

UK Production - East Midlands

Europa produces oil from four UK oilfields Wressle, West Firsby, Crosby Warren; and Whisby-4. Commencement of oil flow at Wressle was achieved in January 2021. Total net production of 245 boepd was produced from Europa's UK onshore fields during the year with Wressle contributing roughly three quarters of this and the remainder coming from the three older fields.

During the year Causeway Geothermal and geothermal project partner Baker Hughes identified Europa's West Firsby oil field as a potential candidate for developing a closed-loop geothermal system. The future potential for West Firsby to continue delivering revenue and for additional well stock to be repurposed to generate emission-free geothermal energy is directly in line with the Company's ESG strategy.

UK appraisal – Serenity

In March 2022, Company announced the proposed farm-in to the Serenity appraisal well from i3 Energy plc which involved acquiring a 25% interest by paying 46.25% of the cost of the well. This was accompanied by a successful equity raise of £7 million at a price of 1.8 pence per share by the parent entity, Europa Oil and Gas (Holdings) plc. This fulfilled the Company's promised goal of adding an appraisal asset to the portfolio and is in line with our long-term strategy to create a balanced portfolio of high-quality assets.

Results for the year and dividends

The Company total comprehensive income for the year after taxation was £330,000 (2021 loss: £1,127,000). The directors do not recommend the payment of a dividend (2021: £nil).

Directors
The directors who served during the year were S Oddie and B O'Cathain. W Holland was appointed as a director on 4 October 2022.

No director had, during the year or at the end of the year, a material interest in any contract in relation to the Company's activities.

Primary risks and uncertainties
A full discussion of risks and uncertainties is included in the accounts of the parent and ultimate controlling company Europa Oil & Gas (Holdings) plc.

Strategic report
The directors have taken advantage of the exemption not to present a Strategic Report in accordance with section 414B of the Companies Act 2006.

Key performance indicators
At its regular meetings, the Board closely monitors production rates, costs and progress with all the licences in which the Company has interests.

Financial instruments
See note 24 to the financial statements.

Related party transactions
See note 27 to the financial statements.

Post reporting date events
Details of post reporting date events are included in note 28 to the financial statements.

Capital structure and going concern
Further details on the Group's capital structure are included in note 22. Comments on going concern are included in the note 1.

Accounting policies
A full list of accounting policies is set out in note 1 to the financial statements.

Disclosure of information to the auditors
In the case of each person who was a director at the time this report was approved:

- So far as that director was aware there was no relevant audit information of which the Company's auditors were unaware.
- That director had taken all necessary steps to make themselves aware of any relevant audit information, and to establish that the Company's auditors were aware of that information.

Auditors
In accordance with the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditors of the Company will be proposed at the next Annual General Meeting.

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

Approved by the Board of directors and signed on behalf of the Board on 21 February 2023.

William Holland
Director

Statement of directors' 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 UK adopted International Accounting Standards. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

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Report of the independent auditor

Independent auditor's report to the members of Europa Oil & Gas 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 July 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Europa Oil and Gas Limited ("the Company") for the year ended 31 July 2022 which comprise the Statement of Comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows, 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 UK adopted International Accounting Standards.

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 and financial statements, 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:

- 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 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 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 take advantage of the small companies' exemptions in preparing the Directors' report 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:

- We held discussions with management and the Board to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;

- Considering the significant laws and regulations of the UK to be those relating to the industry, financial reporting framework, tax legislation and the listing rules;

- Assessing the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur;

- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;

- We reviewed estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias; and

- We reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

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:
John Black
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John Black (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

21 February 2023

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

Statement of comprehensive income

For the year ended 31 July	Note	2022 £000	2021 £000
Continuing operations			
Revenue		**6,584**	1,372
Cost of sales		**(3,810)**	(1,270)
Impairment of producing fields	12	**(570)**	-
Total cost of sales		**(4,380)**	(1,270)
Gross profit		**2,204**	102
Exploration write off	11	**-**	(12)
Administrative expenses		**(978)**	(343)
Finance income	7	**200**	-
Finance expense	8	**(1,046)**	(872)
Profit /(loss) before taxation	3	**380**	(1,125)
Taxation	9	(32)	-
Profit /(loss) for the year		**348**	(1,125)
Other comprehensive income			
Items that will not be reclassified to profit/ loss:			
Loss on investment revaluation	10	**(18)**	(2)
Total comprehensive income for the year		**330**	(1,127)

The accompanying accounting policies and notes form part of these financial statements.

Statement of financial position

As at 31 July	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Intangible assets	11	**625**	4,125
Property, plant and equipment	12	**2,957**	292
Amounts due from group companies	15	**438**	325
Total non-current assets		**4,020**	4,742
Current assets			
Investments	13	**24**	42
Inventories	14	**36**	23
Trade and other receivables	15	**1,705**	453
Restricted cash	16	**6,621**	-
Cash and cash equivalents		**1,145**	369
Total current assets		**9,531**	887
Total assets		**13,551**	5,629
Liabilities			
Current liabilities			
Trade and other payables	17	**(1,009)**	(540)
Total current liabilities		**(1,009)**	(540)
Non-current liabilities			
Trade and other payables	17	**(1)**	(6)
Long-term borrowings	18	**(26,554)**	(20,198)
Long-term provisions	21	**(4,164)**	(3,393)
Total non-current liabilities		**(30,719)**	(23,597)
Total liabilities		**(31,728)**	(24,137)
Net liabilities		**(18,177)**	(18,508)
Capital and reserves attributable to equity holders of the company			
Share capital	22	2	2
Share premium	22	**3,266**	3,266
Retained deficit	22	**(21,445)**	(21,776)
Total equity		**(18,177)**	(18,508)

These financial statements have been prepared under the small company's accounting regime and were approved by the Board of directors on 21 February 2023 and signed on its behalf by:

William Holland
Director
Company registration number 03093716

The accompanying accounting policies and notes form part of these financial statements.

Statement of changes in equity

	Share capital £000	Share premium £000	Retained deficit £000	Total equity £000
Balance at 1 August 2020	2	3,266	(20,651)	(17,383)
Total comprehensive loss for the year	-	-	(1,125)	(1,125)
Other comprehensive loss attributable to the equity shareholders	-	-	(2)	(2)
Share based payment	-	-	2	2
Balance at 31 July 2021	**2**	**3,266**	**(21,776)**	**(18,508)**

	Share capital £000	Share premium £000	Retained deficit £000	Total equity £000
Balance at 1 August 2021	2	3,266	(21,776)	(18,508)
Total comprehensive profit for the year	-	-	348	348
Other comprehensive loss attributable to the equity shareholders	-	-	(18)	(18)
Share based payment	-	-	1	1
Balance at 31 July 2022	**2**	**3,266**	**(21,445)**	**(18,177)**

The accompanying accounting policies and notes form part of these financial statements.

Statement of cash flows

For the year ended 31 July	Note	2022 £000	2021 £000
Cash flows used in operating activities			
Profit /(loss) from operations		**380**	(1,125)
Adjustments for:			
Share-based payments		**1**	2
Exploration write off		**-**	12
Impairment		**570**	-
Depreciation	12	**1,608**	71
Movement in intercompany provision	24	**220**	(11)
Finance expense	8	**1,046**	872
Increase in inventories		**(13)**	(11)
Increase in trade and other receivables		**(1,252)**	(291)
Increase in trade and other payables		**470**	54
Cash generated by / (used in) operations		**3,030**	(427)
Income taxes paid		**(32)**	-
Net cash generated by /(used in) operating activities		**2,998**	(427)
Cash flows used in investing activities			
Purchase of property, plant & equipment		**(406)**	-
Purchase of intangible assets		**(399)**	(614)
Loans to subsidiary companies		**(333)**	(14)
Cash escrow deposit re Serenity		**(6,621)**	-
Net cash used in investing activities		**(7,759)**	(628)
Cash flows from financing activities			
Receipt of borrowings		**5,544**	960
Lease liability principal payments		**(6)**	(9)
Lease liability interest payments		**(1)**	-
Interest paid		**-**	(2)
Net cash from financing activities		**5,537**	949
Net increase /(decrease) in cash and cash equivalents		**776**	(106)
Exchange loss on cash		**-**	(6)
Cash and cash equivalents at beginning of year		**369**	481
Cash and cash equivalents at end of year		**1,145**	369

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Accounting Policies

General information

Europa Oil & Gas Limited is a company incorporated and domiciled in England and Wales with registered number 03093716. The address of the registered office is 30 Newman Street, London, W1T 1PT.

The nature of the company's operations and its principal activities are set out in the Directors' report.

The functional and presentational currency of the company is Sterling (UK£).

Basis of accounting

The financial statements have been prepared in accordance with applicable UK adopted International Accounting Standards under the historical cost convention except for investments at FVTOCI.

The accounting policies that have been applied in the opening statement of financial position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each UK adopted IAS that is mandatory for accounting periods ending on 31 July 2022.

Going concern

Forecasts have been prepared for the Company which show that the Company is dependent on the Parent Company providing further financial support and in not calling in the intercompany loan. The Parent Company has provided a letter of support. As stated in the financial statements of the Parent Company, the Directors have prepared a cash flow forecast for the period ending 31 January 2024, which considers the continuing and forecast cash inflow from the Group's producing assets, the cash held by the Group at January 2023, less administrative expenses and planned capital expenditure.

The Directors performed sensitivities on the cashflow allowing for a 30% fall in the expected oil price from a base case price of $85 per barrel and, separately, a 15% fall in the expected overall production across all field from a base case of 225 barrels per day during the 2023 fiscal year net to the Company. Oil price estimates are based upon industry analyst expectations, whilst production estimates are sourced from the Group's internal modelling for Wressle and recent actual production.

These sensitivities have been modelled as a reverse stress test, and the Directors consider the likelihood of such movements to be very low. The Directors have also run sensitivities allowing for reasonably possible simultaneous falls in oil price and in Wressle production, and the Group and Company had sufficient cash resources to meet their obligations.

The Directors, who are also the Directors of the Parent Company, have concluded, at the time of approving these financial statements, that there is a reasonable expectation, based on the Group's cash flow forecasts, that the forecasts are achievable and accordingly that the Parent Company will be able to provide further financial support and in not calling in the intercompany loan. Thus these financial statements have been prepared on a going concern basis.

Basis of preparation

The Company is exempt from the obligation to prepare and deliver consolidated group accounts as it has been included in the consolidated group accounts of its immediate and ultimate parent company, Europa Oil & Gas (Holdings) plc which are publicly available. The Company is engaged in oil and gas exploration, development and production through unincorporated joint arrangements. The Company accounts for its share of the results and net assets of these joint arrangements. In addition, where the Company acts as operator to the joint arrangement, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint arrangement are included in the statement of financial position.

Revenue Recognition

The Company follows IFRS 15. The standard provides a single comprehensive model for revenue recognition. The Company has elected to apply the modified retrospective method. The core principle of the standard is that an entity shall recognise revenue when control passes on the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

Contracts with customers are presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. The Company's accounting policy under IFRS 15 is that revenue is recognised when the Company satisfies a performance obligation by transferring oil to a customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Company are fully satisfied. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the Company previous accounting.

Revenue is measured based on the consideration to which the Company expects to be entitled under the terms of a contract with a customer. The consideration is determined by the quantity and price of oil and gas delivered to the customer at the end of each month.

Non-current assets

<u>Oil and gas interests</u>

The financial statements with regard to oil and gas exploration and appraisal expenditure have been prepared under the full cost basis. This accords with IFRS 6 which permits the continued application of a previously adopted accounting policy.

<u>Pre-production assets</u>

Pre-production assets are classified as intangible assets on the statement of financial position. Pre-licence expenditure is expensed as directed by IFRS 6. Expenditure on licence acquisition costs, geological and geophysical costs, costs of drilling exploration, appraisal and development wells, and an appropriate share of overheads (including directors' costs) are capitalised and accumulated in cost pools on a geographical basis. These costs which relate to the exploration, appraisal and development of oil and gas interests are initially held as intangible non-current assets pending determination of commercial viability. On commencement of production these costs are tested for impairment prior to transfer to production assets.

<u>Production assets</u>

Production assets are categorized within property, plant and equipment on the statement of financial position. With the determination of commercial viability and approval of an oil and gas project the related pre-production assets are transferred from intangible non-current assets to property, plant and equipment and depreciated upon commencement of production within the appropriate cash generating unit.

<u>Impairment tests</u>

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) as disclosed in notes 11 and 12. As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Impairment tests are performed when indicators as described in IFRS6 are identified. In addition, indicators such as a lack of funding or farm-out options for a licence which is approaching termination, or the implied value of a farm-out transaction are considered as indicators of impairment.

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

<u>Property, plant and equipment</u>

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation

All expenditure within each cost pool is depreciated from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proven plus probable commercial reserves at the end of the period, plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs within each cost pool. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Reserves

Proven and probable oil and gas reserves are estimated quantities of commercially producible hydrocarbons which the existing geological, geophysical and engineering data shows to be recoverable in future years. The proven reserves included herein conform to the definition approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). The probable and possible reserves conform to definitions of probable and possible approved by the SPE/WPC using the deterministic methodology. Reserves used in accounting estimates for depreciation are updated periodically to reflect management's view of reserves in conjunction with third party formal reports. Reserves are reviewed at the time of formal updates or as a consequence of operational performance, plans and the business environment at that time.

Reserves are adjusted in the year that formal updates are undertaken or as a consequence of operational performance and plans, and the business environment at that time, with any resulting changes not applied retrospectively.

Future decommissioning costs

A provision for decommissioning is recognised in full at the point that the Company has an obligation to decommission an appraisal, development or producing well. A corresponding non-current asset (included within producing fields in note 12) of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. For producing wells, the asset is subsequently depreciated as part of the capital costs of production facilities within tangible non-current assets, on a unit of production basis. Any decommissioning obligation in respect of a pre-production asset is carried forward as part of its cost and tested annually for impairment in accordance with the above policy.

Changes in the estimates of commercial reserves or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset. The unwinding of the discount on the decommissioning provision is included within finance expense.

Acquisitions of Exploration Licences

Acquisitions of Exploration Licenses through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset. Related future consideration that is contingent is not recognised as an asset or liability until the contingent event has occurred.

Taxation

Current tax is the tax payable based on taxable profit/(loss) for the year.

Deferred income taxes are calculated using the balance sheet liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. Tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary difference will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currency

The Company prepares its financial statements in Sterling.

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the statement of comprehensive income in the period in which they arise.

Investments

Investments, which are only investments in subsidiaries, are carried at cost less any impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVPL") depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVPL, at the end of each reporting period. The Company applies a simplified approach to measure the credit loss allowance for trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The Company applies a general approach on all other receivables classified as financial assets. The general approach recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or have expired.

Fair value through other comprehensive income

The Company has a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Company considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

Amortised cost

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents are carried at cost and include all highly liquid investments with a maturity of three months or less.

Restricted cash are those amounts held by third parties on behalf of the Company and are not available for the Company's use; these are accounted for separately from cash and cash equivalents.

Financial Liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All purchases of financial liabilities are recorded on trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Company's financial liabilities approximate to their fair values. The Company's financial liabilities consist of financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently carried at amortised cost.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognized when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

Treatment of finance costs

All finance costs are expensed through the income statement. The Company does not incur any finance costs that qualify for capitalisation.

Inventories

Inventories comprise oil in tanks stated at the lower of cost and net realisable value. Cost is determined by reference to the actual cost of production in the period.

Share-based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to reserves. Where options over the parent company's shares are granted to employees of subsidiaries of the parent, the charge is recognised in the statement of comprehensive income of the subsidiary.

In the parent company accounts there is an increase in the cost of the investment in the subsidiary receiving the benefit.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if the number of share options ultimately exercised is different to that initially estimated.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium.

Critical accounting judgements and key sources of estimation uncertainty

Details of the Company's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

Accounting judgements and estimates:

- Carrying value of intangible assets (note 11) – carrying values are justified with reference to indicators of impairment as set out in IFRS 6. Based on judgements at 31 July 2022 there was £nil write off (2021: £12k write off of costs on the PEDL 299 licence).
- Carrying value of property, plant and equipment (note 12) – carrying values are justified by reference to future estimates of cash flows, discounted at appropriate rates. At 31 July 2022 there was £570k write off related to West Firsby and Crosby Warren, which predominantly related to the impairment of the additional decommissioning assets created by a commensurate increase in the decommissioning liability for these producing assets.
- Deferred taxation (note 20) – assumptions regarding the future profitability of the Company and whether the deferred tax assets will be recovered.
- Decommissioning provision (note 21) – inflation and discount rate estimates (3% and 10% respectively) are used in calculating the provision, along with third party estimates of remediation costs.
- Reserves and resources (note 12) - reserves and resources are estimated based on management's view and third party formal reports and these estimates directly impact the recoverability of asset carrying values that are reported in the financial statements.

2 Operating segment analysis

In the opinion of the directors the Company has one class of business, being oil and gas exploration appraisal and production.

3 Profit / (Loss) before taxation

Profit/(loss) from continuing operations is stated after charging/(crediting):

	2022	2021
	£000	£000
Depreciation (note 12)	1,608	71
Staff costs including directors (note 5)	252	223
Impairment of producing fields (note 12)	570	-
Exploration write off	-	12
Diesel	163	104
Business rates	43	45
Site security & safety	89	68
Fees payable to the auditor for audit of the financial statements	48	28
Operating leases	43	42
Impairment /(reversal) of amounts owed by group undertakings	220	(11)

4 Directors' emoluments (salaries and fees)

	2022	2021
	£000	£000
All directors	-	-

The emoluments of the directors were borne by another Group company and it is not possible to apportion the cost of this remuneration relevant to services rendered to Europa Oil and Gas Limited.

5 Employee information

Average number of employees including directors

	2022	2021
	Number	Number
Field exploration and production	4	4
	4	4

Staff costs

	2022	2021
	£000	£000
Wages and salaries	213	183
Employer's costs	23	23
Pensions	15	15
Share based payments	1	2
	252	223

6 Key management personnel

The emoluments of the key management personnel were borne by another Group company and it is not possible to apportion the cost of this remuneration relevant to services rendered to Europa Oil and Gas Limited. The Company did not provide any benefits or post-retirement benefits to the key management personnel.

7 Finance income

	2022	2021
	£000	£000
Foreign exchange gains	200	-
	200	-

8 Finance expense

	2022	2021
	£000	£000
Loan interest payable	810	633
Unwinding of discount on decommissioning provision (note 21)	233	231
Other finance expenses	3	8
	1,046	872

9 Taxation

	2022	2021
	£000	£000
Movement in deferred tax asset (note 20)	**318**	(178)
Movement in deferred tax liability (note 20)	**(318)**	178
Movement in current tax liability	**32**	-
Tax charge	**32**	-

UK corporation tax is calculated at 30% (2021: 30%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade excluding the Supplementary Charge of 10% (2021: 10%). From 24 May 2022 a new U.K. tax, the Excess Profits Levy ("EPL") applies to the Group, and it is levied at 25% of assessable EPL profits. The current tax expense for the year ending 31 July 2022 related exclusively to EPL.

	2022	2021
	£000	£000
Profit /(loss) before tax	**380**	(1,125)
Tax reconciliation		
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 40% (2021: 40%)	**152**	(450)
Deferred tax asset not recognised	**-**	63
Expenses not deductible for tax purposes	**483**	77
Accelerated capital allowances	**318**	-
Taxed at a different rate	**200**	-
Losses utilised	**(1,124)**	-
Other reconciling items	**3**	310
Total tax charge	**32**	-

10 Other comprehensive income

	2022	2021
	£000	£000
Loss on investment revaluation	**(18)**	(2)

On 8 May 2019, the Company disposed of its interest in PEDL143 to UK Oil & Gas Plc ('UKOG') for consideration of 25,951,557 UKOG shares, which it still holds. At the time of the sale the shares were worth 1.156p each, resulting in a total value of £300,000. The investment was revalued at the year end to £24,000 (0.09p per share (2021: £42,000 (0.163p per share)). An irrevocable election has been made to record gains and losses arising on the shares as Other Comprehensive Income.

11 Intangible assets

	2022	2021
	£000	£000
At 1 August	**4,125**	3,190
Additions	**399**	947
Exploration write off	**-**	(12)
Transferred to property, plant and equipment	**(3,899)**	-
At 31 July	**625**	4,125

Intangible assets comprise the Company's pre-production expenditure on licence interests as follows:

	2022 £000	2021 £000
UK PEDL 180 (Wressle)	-	3,898
UK PEDL 181	81	113
UK PEDL 182 (Broughton)	42	35
UK PEDL 348 (Cloughton)	92	79
Serenity	410	-
Total	625	4,125

Exploration write off

	2022 £000	2021 £000
UK PEDL299 (Hardstoft)	-	12
	-	12

In July 2022 the Company completed a farm-in agreement with i3 Energy plc in relation to UK offshore licence P.2358, Block 13/23c ("Serenity"). Under the farm-in agreement the Company will earn a participating interest of 25% by paying 46.25% of the cost of a single appraisal well.

If the Company is not able to or elects not to continue in any other licence, then the impact on the financial statements will be the impairment of some or all of the intangible assets disclosed above. Further details of the commitments are included in note 25.

12 Property, plant and equipment

	Producing fields £000	Right of use assets £000	Total £000
Cost			
At 1 August 2020	10,682	31	10,713
At transition	-	-	-
Additions	-	-	-
At 31 July 2021	10,682	31	10,713
Additions	944	-	944
Transferred from intangible assets	3,899	-	3,899
At 31 July 2022	**15,525**	**31**	**15,556**
Depreciation			
At 1 August 2020	10,342	8	10,350
Charge for the year	60	11	71
Impairment	-	-	-
At 31 July 2021	10,402	19	10,421
Charge for year	1,601	7	1,608
Impairment	570	-	570
At 31 July 2022	**12,573**	**26**	**12,599**
Net Book Value			
At 31 July 2021	**280**	**12**	**292**
At 31 July 2022	**2,952**	**5**	**2,957**

The producing fields referred to in the table above are the production assets of the Company, namely the oilfields at Crosby Warren and West Firsby, and the Company's interest in the Whisby W4 well.

The carrying value of each producing field was tested for impairment by comparing the carrying value with the value-in-use. The value-in-use was calculated using a discounted cash flow model with production decline rates based on engineering estimates and recent production experience. Brent crude prices was based on the average of forecasts by 4 international firms of specialist oil and gas reserves auditors and a Big 4 accounting firm and ranged from:

2023: US$94 per barrel

2024: US$86 per barrel

2025: US$80 per barrel

2026 onwards: US$82 to $90 per barrel

The post-tax discount rate of 10% is high because of the applicable rates of tax in the UK. Cash flows were projected over the expected life of the fields which is expected to be longer than five years.

Based on the assumptions set out above, an impairment of £570,000 was required in relation to the West Firsby and Crosby Warren fields (2021: no impairment was required). The recoverable amount was calculated at a discount rate of 10% (2021: 10%).

Sensitivity to key assumption changes
Variations to the key assumptions used in the value-in-use calculation would cause impairment of the producing fields as follows:

	Impairment of producing fields £000
Production decline rate	
+10%	-
-10%	-
Brent crude price per barrel	
$75 flat	-
$65 flat	-
Pre-tax discount rate	
20%	-
25%	-

13 Investments

	Investment in subsidiaries £000	**Investment in shares £000**	**Total £000**
At 1 August 2021	-	42	42
Additions	-	-	-
Revaluation of investment	-	(18)	(18)
At 31 July 2022	**-**	**24**	**24**

The Company owns 100% of the ordinary share capital of Europa Oil & Gas (UK) Limited.

The subsidiary is registered in England and Wales and its registered office is at 30 Newman Street, London W1T 1PT.

On 8 May 2019, the Company disposed of its interest in PEDL143 to UK Oil & Gas Plc ('UKOG') for consideration of 25,951,557 UKOG shares, which it still holds. At the time of the sale the shares were worth 1.156p each, resulting in a total value of £300,000. The investment was revalued at the year end to £24,000 (0.09p per share (2021: £42,000 (0.163p per share)). An irrevocable election has been made to record gains and losses arising on the shares as Other Comprehensive Income.

14 Inventories

	2022	2021
	£000	£000
Oil in tanks	**36**	23

15 Trade and other receivables

	2022	2021
Current trade and other receivables	**£000**	£000
Trade receivables	**1,477**	330
Other receivables	**143**	56
Prepayments and accrued income	**85**	67
	1,705	453
Non-current receivables		
Owed by Group undertakings	**438**	325

Amounts due by Group companies are interest free with no fixed date of repayment.

16 Restricted cash

	2022	2021
	£000	£000
Security escrow funds	**6,621**	-
	6,621	-

Pursuant to the requirements of the farm-in agreement with i3 Energy plc in relation to UK offshore licence P.2358, Block 13/23c ("Serenity"), the Company deposited into an escrow account the full remaining committed funding requirement for its paying share of the 2022 appraisal well. i3 Energy plc is able to draw funds actually incurred on the Serenity well from the escrow account and the account cannot be used for any other purpose. The escrow account is treated as restricted cash.

17 Trade and other payables

	2022	2021
	£000	£000
Trade payables	**755**	402
Accruals	**217**	132
Lease liabilities	**5**	6
Corporation tax payable	**32**	-
	1,009	540

Non-current trade and other payables

Lease liabilities	**1**	6

18 Borrowings

Loans repayable in 2 to 5 years	2022 £000	2021 £000
Loan from parent	**26,429**	20,178
Intercompany balance with subsidiary	**125**	20
Total long term borrowing	**26,554**	20,198

The loan from the parent company represents borrowings against a facility put in place on 21 July 2008 with Europa Oil & Gas (Holdings) plc. During the year the company drew down an additional £5.5 million. The loan is unsecured and there is no scheduled repayment date.

19 Leases

	2022 £000	2021 £000
Amounts recognised in the statement of comprehensive income:		
Interest on right of use liabilities	**(1)**	(1)
Amounts recognised in the statement of cash flows:		
Repayment of lease liabilities – principal	**(6)**	(8)
Repayment of lease liabilities – interest	**(1)**	(1)
Maturity analysis (undiscounted):		
Amounts due within one year	**(5)**	(6)
Amounts due after more than 1 year & less than 5 years	**(1)**	(6)
Amounts due after more than 5 years	**-**	-

20 Deferred Tax

Recognised deferred tax liability:	2022 £000	2021 £000
As at 1 August	-	-
Charged to income statement	-	-
At 31 July	-	-

The Company has a deferred tax liability of £1,433,000 (2021: £1,253,000) arising from accelerated capital allowances and a deferred tax asset of £1,433,000 (2021: £1,253,000) arising from trading losses which will be utilised against future taxable profits. These have been offset against each other resulting in a total of £nil net asset/liability (2021: £nil). This offsetting is required because the Company settles current tax assets and liabilities on a net basis. The Company has a non-recognised deferred tax asset of £5,222,000 (2021: £5,000,000), which arises in relation to ring-fence UK trading losses of £8.9 million (2021: £4.8 million) and non-ring-fence UK trading losses of £11.7 million (2021: £11.7 million).

21 Provisions

Decommissioning provisions are based on third party estimates of work which will be required and the judgement of directors. By its nature, the detailed scope of work required and timing is uncertain.

	2022	2021
Long-term provisions	**£000**	£000
As at 1 August	**3,393**	3,162
Charged to the statement of comprehensive income	**233**	231
Change in estimated phasing of cash flows	**538**	-
At 31 July	**4,164**	3,393

Sensitivity to key assumption changes

Variations to the key assumptions used in the decommissioning provision estimates would cause increases / (reductions) to the provision as follows:

	Further decommissioning provision £000
Inflation rate (current assumption 3%)	
2%	(134)
5%	215
Discount rate (current assumption 10%)	
5%	776
15%	(550)

22 Called up share capital

	2022	2021
	£000	£000
Authorised		
1,000,000 ordinary shares of 10p each	**100**	100
Allotted, called up and fully paid		
19,344 ordinary shares of 10p each (2021: 19,344)	**2**	2

All the authorised and allotted shares are of the same class and rank pari passu. The following describes the purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Retained deficit	Cumulative net gains and losses recognised in the consolidated income statement.

23 Share based payments

The Parent Company operates an approved Enterprise Management Incentive ('EMI') share option scheme for employees. The scheme is equity-settled share-based payments as defined in IFRS 2 Share-based payments. A recognised valuation methodology is employed to determine the fair value of options granted as set out in the standard. The charge incurred relating to these options is recognised within operating costs.

There are 2,240,000 ordinary 1p share options in Europa Oil and Gas (Holdings) plc (2021: 1,440,000) held by employees of the Company.

There were no options granted in 2022 (2021: 800,000).

The charge arising from the grant of employee share options was £1k (2021: £2k).

24 Financial instruments

The Company's financial instruments comprise cash, bank borrowings, loans, cash, and items such as receivables and payables which arise directly from its operations. The company's activities are subject to a range of financial risks the main ones being credit, liquidity, interest rates, commodity prices and foreign exchange. These risks are managed through ongoing review taking into account the operational, business and economic circumstances at that time.

Financial assets	**Amortised cost**	**Amortised cost**	**Fair value through other comprehensive income**	**Fair value through other comprehensive income**
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Investments	-	-	24	42
Owed by Group undertakings	438	325		
Trade receivables	1,620	329	-	-
Cash and cash equivalent	1,145	369	-	-
Restricted cash	6,621	-	-	-
Total financial assets	9,824	1,023	24	42

Financial liabilities	**Amortised cost**	**Amortised cost**	**Fair value through other comprehensive income**	**Fair value through other comprehensive income**
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade and other payables	(1,010)	(540)	-	-
Group borrowings	(26,554)	(20,198)		
	(27,564)	(20,738)		

Credit risk

The Company is exposed to credit risks as it sells all crude oil produced to one multinational oil company. The customer is invoiced monthly for the oil delivered to the refinery in the previous month and invoices are generally settled in full within the same month that invoices are issued. At 31 July 2022 trade receivables were £1,477,000 (2021: £330,000). The fair value of trade receivables and payables approximates to their carrying value because of their short maturity. Any surplus cash is held on deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £1,433,000 comprising of mainly two months of Wressle sales, due the invoice for June deliveries only being received on 1 August 2022 (2021: £175,000).

Liquidity risk

The Company currently has no overdraft or overdraft facility with its bankers.

The Company monitors its levels of working capital to ensure it can meet liabilities as they fall due. The following tables show the contractual maturities of the Company's financial liabilities, all of which are measured at amortised cost.

At 31 July 2022	Trade and other payables £000	Long term borrowings £000
6 months or less	1,010	-
2-5 years	-	26,554
Total	1,010	26,554
At 31 July 2021		
6 months or less	540	-
2-5 years	-	20,198
Total	540	20,198

Trade and other payables do not normally incur interest charges. Borrowings bear interest at variable rates. There is no difference between the fair value of trade and other payables and their carrying amount.

Interest rate risk

The Company has interest bearing liabilities owed to the parent entity. The interest rate is 3 month LIBOR plus a margin of 3.25%.

Commodity price risk

The selling price of the Company's production of crude oil is set at a small discount to Brent prices. The table below shows the range of prices achieved in the year and the sensitivity of the Company's Loss Before Taxation (LBT) or profit before tax ('PBT') to such movements in oil price. There would be a corresponding increase or decrease in net assets.

Oil price	Month	2022 Price $/bbl	2022 PBT £000	2021 Price $/bbl	2021 LBT £000
Highest	June 2022	**$122.40**	**1,723**	$73.60	(700)
Average		**$93.90**	**(208)**	$55.80	(1,125)
Lowest	August 2021	**$69.50**	**(1,864)**	$39.10	(1,542)

Foreign exchange risk

The Company's production of crude oil is invoiced in US Dollars. Revenue is translated into Sterling using a monthly exchange rate set by reference to the market rate. The table below shows the range of average monthly US Dollar exchange rates used in the year and the sensitivity of the Company's LBT / PBT to movements in US Dollar exchange.

US Dollar	Month	2022 Rate $/£	2022 PBT £000	2021 Rate $/£	2021 LBT £000
Highest	August 2021	**1.376**	**(373)**	1.418	(1,182)
Average		**1.313**	**(76)**	1.362	(1,125)
Lowest	July 2022	**1.216**	**443**	1.292	(1,055)

The table below shows the Company's currency exposures. Exposures comprise the assets and liabilities of the Company that are not denominated in the functional currency.

	2022	2021
Currency	**£000**	£000
US Dollar	**2,491**	616
Total	**2,491**	616

Capital risk management

The Company's capital is closely monitored by the directors in the light of the capital needs of the Europa Oil & Gas (Holdings) plc Group as a whole. Further details are disclosed in the Group Annual Report and Accounts which are publicly available.

Intercompany loans

The loans to the subsidiaries of the Company and fellow subsidiaries of the parent entity are classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the loan. As the subsidiary company does not have any liquid assets to sell to repay the loan, should it be recalled, the conclusion reached was that the loan should be categorised as stage 3. As part of the assessment of expected credit losses of the intercompany loan receivable, the Directors have considered the published chance of success for Inishkea, and applying the same 33% general wildcat exploration success rate to Inezgane, the loans to Europa Oil & Gas Inishkea and Europa Oil & Gas New Ventures have thus been 67% provided.

The loan to Europa Oil & Gas (Ireland West) and Europa Oil & Gas (Ireland East) have been provided in full due to the relinquishment of the licence held by the subsidiaries.

The movement in the loan and provision was as follows:

	Europa Oil & Gas (Ireland West) Limited £000	**Europa Oil & Gas (Ireland East) Limited £000**	**Europa Oil & Gas (Inishkea) Limited £000**	**Europa Oil & Gas (New Ventures) Limited £000**	**Total £000**
Gross loan balances					
At 31 July 2020	578	533	671	215	1,997
Movement in loan	(54)	(30)	(7)	115	24
Loan balance at 31 July 2021	524	503	664	330	2,021
Movement in loan	-	-	28	305	333
Loan balance at 31 July 2022	524	503	692	635	2,354
Provisions					
Provision at 31 July 2020	(578)	(533)	(450)	(146)	(1,707)
Movement in loan provision	54	30	5	(78)	11
Provision at 31 July 2021	(524)	(503)	(445)	(224)	(1,696)
Movement in provision	-	-	(19)	(201)	(220)
Provision balance at 31 Jul 2022	(524)	(503)	(464)	(425)	(1,916)
Net loan balance at 1 August 2020	-	-	221	69	290
Net loan balance at 31 July 2021	-	-	219	106	325
Net loan balance at 31 July 2022	**-**	**-**	**228**	**210**	**438**

25 Capital commitments and guarantees

Following completion of the farm-in to Production Licence P.2358, Block 13/23c ("Serenity") £6.9m was transferred into an escrow account held under an agreement with Law Debentures to cover the commitment to pay 46.25% of the appraisal well costs.

For PEDL181 there is a contingent commitment to drill two development wells into the Penistone formation, an exploration well for Broughton North and a gas to power project. These activities are contingent upon the budget being approved by the JV partnership. The total net cost to Europa for the work programme is estimated to be £1.35m in 2023 and £3.66m in 2024.

If the Company is not able to raise funds, farm-down, or extend licences; or elects not to continue in an exploration licence, then the impact on the financial statements will be the impairment of the relevant intangible asset disclosed in note 11.

26 Operating lease commitments

The Company pays annual site rentals for the land upon which the West Firsby and Crosby Warren oil field facilities are located.

• The West Firsby lease runs until September 2022 and can be terminated on two months' notice. The annual cost is currently £22,000 (2021: £22,000) increasing annually in line with the retail price index.

• The Crosby Warren lease runs until December 2022 and can be terminated on three months' notice. The annual cost is currently £20,000 (2021: £20,000).

27 Related party transactions

The Company received services from its parent Europa Oil & Gas (Holdings) plc to the value of £849,000 (2021: £1,187,000). This included geological, operational and financial services provided by the executive directors of Europa Oil & Gas (Holdings) plc.

At the end of the year the Company owed the following unsecured amounts to related parties:

	2022	2021
	£000	£000
Europa Oil & Gas (Holdings) plc	**26,534**	20,178
Europa Oil & Gas (UK) Ltd	**20**	20
	26,554	20,198
Comprising:		
Borrowings (note 18)	**26,554**	20,198

The amount of interest charged on borrowings from Europa Oil & Gas (Holdings) plc:

	2022	2021
	£000	£000
Interest expense	**812**	632

During the year, the Company provided no services to subsidiary and other Group companies.

At the end of the year the Company was owed the following amounts by subsidiaries (net of provisions):

	2022	2021
	£000	£000
Europa Oil & Gas (Ireland West) Limited	**-**	-
Europa Oil & Gas (Ireland East) Limited	**-**	-
Europa Oil & Gas (Inishkea) Limited	**228**	219
Europa Oil & Gas (New Venture) Limited	**210**	106
Total	**438**	325

28 Post reporting date events

- The Serenity appraisal well did not find oil bearing sands and as such the well was plugged and abandoned for a forecast gross well cost of £10.4m resulting in an estimated total cost to Europa of £4.8m. The remaining £2m held in the escrow fund will be released to Europa and will no longer be restricted. The various development options of the Serenity field will now be assessed by the Company and i3E in order to maximise the value of the field.

- On 17 November 2022 the Chancellor published his Autumn Statement which increased the Excess Profits Levy from 25% to 35% with effect from 1 January 2023.

29 Ultimate parent undertaking

The parent company and ultimate and immediate controlling company is Europa Oil & Gas (Holdings) plc, a company registered in England and Wales, the accounts of which are available from 30 Newman Street, London, W1T 1PT.