

Registered number: 04181384

**SPIRIT RESOURCES (ARMADA) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**



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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	G.M. Harrison N.J. MacLeod N.J. McCulloch
<b>Company secretary</b>	N.J. MacLeod
<b>Registered number</b>	04181384
<b>Registered office</b>	1st Floor 20 Kingston Road Staines-Upon-Thames United Kingdom TW18 4LG
<b>Independent auditor</b>	Deloitte LLP Union Plaza 1 Union Wynd Aberdeen AB10 1SL

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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## **SPIRIT RESOURCES (ARMADA) LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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The Directors present their Strategic Report for Spirit Resources (Armada) Limited (the 'Company') for the year ended 31 December 2020.

#### **Principal activities**

Following the sale on 1 June 2018 of the Armada field the Company continues to seek opportunities in the UK and Dutch North Sea.

#### **Business review**

During the year, the Company recognised an exceptional credit of £45,000 (2019: £1,497,000) for the revision of the decommissioning provision of the Armada field.

During the year, the Company recognised a tax charge of £3,881,000 (2019: £709,000) due to the derecognition of a deferred tax asset in respect of abandonment expenditure due to the timing of when the decommissioning activity is likely to occur.

The Company continues to seek opportunities in oil and gas interests in the UK and Dutch North Sea.

In response to the challenges presented by COVID-19, as disclosed in the going concern statement, the wider group has undertaken a review of operations in order to mitigate the liquidity risk. This action had enabled the Company to trade in the normal course of business and management remain vigilant to developments in the gas and oil sector.

#### **Financial position**

The financial position of the Company is presented in the Balance Sheet on page 12. Total equity at 31 December 2020 was £34,366,000 (2019: £38,119,000).

#### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties, including COVID-19, are integrated with those of the Spirit Energy Limited Group and its subsidiaries (the 'Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on page 15 of the Group's Annual Report and financial statements for the year ended 31 December 2020, which does not form part of this report and are available at the address detailed in note 17 of these financial statements.

#### **Exit from the European Union**

The UK left the EU on 31 January 2020. Under the transition period until 11pm on 31 December 2020 the UK continued to adhere to EU law, and therefore, existing arrangements largely continued to apply for the Company throughout the financial year. A trade and cooperation agreement was reached by the UK and the EU on 30 December 2020, with effect from 1 January 2021. The impact on the Company has so far been immaterial, with the provisions relating to movement of goods resulting in little disruption to Spirit Energy's supply chain. Withdrawing from the European Union treaties is nevertheless a task of immense complexity with implications beyond agreement on zero quotas and additional tariffs, and the Company is keeping the possible impacts on the business stemming from the new regime under review across areas ranging from impact on the workforce, GDPR and data protection law to new customs practices and carbon emissions trading.

Corporate taxation is not affected by Brexit scenarios, although it is recognised that work is required with Shareholders to define the impacts on shareholder distributions and controlled foreign corporation (CFC) restrictions. Where appropriate we will continue to seek external advice to assist in the understanding and potential mitigation of negative impacts on the business.

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Key performance indicators ('KPI's')**

The performance of the Company is included in the consolidated results of the Group. The Directors of Spirit Energy Limited manage the Group on a divisional basis and use a number of KPIs to monitor progress against the Group's strategy. For this reason, the Company's Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance and position of the business of the Company. A discussion of the Group KPIs is on page 12 of the Group's Annual Report and financial statements for the year ended 31 December 2020, which does not form part of this report and are available at the address detailed in note 17 of these financial statements.

**Future developments**

From the perspective of the Company, the future developments are integrated within those of the Group and are not managed separately. The future developments of the Group are disclosed on page 13 of the Group's Annual Report and financial statements for the year ended 31 December 2020, which does not form part of this report.

The Company continues to seek opportunities in the UK and Dutch North Sea.

This report was approved by the board on 30 June 2021 and signed on its behalf.

DocuSigned by:  
  
BA87674B06CD487...  
**G.M. Harrison**  
Director

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## **SPIRIT RESOURCES (ARMADA) LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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The Directors present their report and the audited financial statements for the year ended 31 December 2020.

#### **Results and dividends**

The results of the Company are set out on page 10. The loss for the financial year ended 31 December 2020 is £4,132,000 (2019: profit of £547,000).

No dividends were paid during the year (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

#### **Directors of the Company**

The Directors of the Company, who were in office during the year and up to the date of signing the financial statements were:

G.M. Harrison  
N.J. MacLeod  
N.J. McCulloch

#### **Future developments**

Future developments are discussed in the Strategic Report on page 2.

#### **Financial risk management**

From the perspective of the Company, the financial risks are integrated within those of the Group and are not managed separately. The financial risk management of the Group are disclosed on pages 73 to 76 of the Group's Annual Report and financial statements for the year ended 31 December 2020, which does not form part of this report.

#### **Going concern**

The financial statements have been prepared on a going concern basis as Spirit Energy Limited, an intermediate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Spirit Energy Limited intends to support the Company for at least one year after the financial statements have been authorised for issue until 24 October 2022.

The Group's principal risks and uncertainties are detailed in the Group's Strategic Report on page 15 and specifically explains the increased challenges the Group faces with COVID-19. The Directors of the Company are satisfied that the actions and sensitivities included in the cash-flow forecasts prepared by Group adequately address the current risks and are therefore satisfied that the Group will be able to support the Company if required under all reasonably foreseeable circumstances.

#### **Directors' insurance and indemnities**

Spirit Energy Limited, the intermediate parent undertaking of the Company, maintains directors' and officers' liability insurance in respect of its Directors and those Directors of its subsidiary companies. Qualifying third-party indemnity provisions, as defined in Section 234 of the Companies Act 2006, were in force for the benefit of the Directors of the Company during the year and up to and including the date of the Directors' Report.

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Disclosure of information to auditor**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director 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 ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Events after the balance sheet date**

Significant events since the balance sheet date are contained in note 18 to the Financial Statements on page 25.

**Auditor**

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

This report was approved by the board on 30 June 2021 and signed on its behalf.

DocuSigned by:

*Gerry Harrison*

BA87674B06CD487...

**G.M. Harrison**  
Director

1st Floor 20 Kingston Road  
Staines-Upon-Thames  
United Kingdom  
TW18 4LG

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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The Directors are responsible for preparing the Strategic Report, the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare audited financial statements for each financial year. Under that law the Directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the audited 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 audited 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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## **SPIRIT RESOURCES (ARMADA) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SPIRIT RESOURCES (ARMADA) LIMITED**

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#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Spirit Resources (Armada) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework";
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **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.

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## **SPIRIT RESOURCES (ARMADA) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SPIRIT RESOURCES (ARMADA) LIMITED (CONTINUED)**

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#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SPIRIT RESOURCES (ARMADA) LIMITED  
(CONTINUED)**

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**Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included, Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included terms of the field licenses monitored by the Industry Regulator and local health and safety and environmental laws and regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in respect of estimating the cost of decommissioning oil fields at the end of producing lives, and our specific procedures performed to address it are described below:

- inquired regarding management's decommissioning process, including the oversight and governance of the processes related to decommissioning;
- engaged specialists to test the mechanical accuracy of the decommissioning model, together with producing analytics to direct our areas of audit focus;
- performed tests over inputs to the decommissioning model; and
- assessed the discount rate applied

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SPIRIT RESOURCES (ARMADA) LIMITED  
(CONTINUED)**

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**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report 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 any material misstatements in the Strategic Report or the Directors' Report.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Use of our report**

This report is made solely to the Company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

*Graham Hollis*

**Graham Hollis ACA (Senior statutory auditor)**

For and on behalf of Deloitte LLP

Union Plaza

1 Union Wynd

Aberdeen

AB10 1SL

30 June 2021

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**SPIRIT RESOURCES (ARMADA) LIMITED**


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**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**


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	<b>Note</b>	<b>2020 £000</b>	<b>2019 £000</b>
Other income	4	5	-
Cost of sales	5	-	4
<b>Gross profit</b>		<b>5</b>	<b>4</b>
Operating costs	5	(2)	(5)
Exceptional items- decommissioning provision revision	6	45	1,497
<b>Operating profit</b>		<b>48</b>	<b>1,496</b>
Finance income	8	153	314
Finance cost	8	(452)	(554)
<b>(Loss)/profit before tax</b>		<b>(251)</b>	<b>1,256</b>
Tax charge	10	(3,881)	(709)
<b>(Loss)/profit for the financial year</b>		<b>(4,132)</b>	<b>547</b>

The results in the above Income Statement relate to continuing operations.

The notes on pages 14 to 25 form part of these financial statements.

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**SPIRIT RESOURCES (ARMADA) LIMITED**


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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**


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	<b>2020</b>	<i>2019</i>
	<b>£000</b>	<i>£000</i>
(Loss)/profit for the financial year	<b>(4,132)</b>	<i>547</i>
<b>Items that will be or have been reclassified to the Income Statement</b>		
Exchange differences on translating foreign operations	<b>379</b>	<i>524</i>
<b>Total comprehensive (loss)/income for the year</b>	<b>(3,753)</b>	<i>1,071</i>

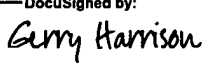
The notes on pages 14 to 25 form part of these financial statements.

**SPIRIT RESOURCES (ARMADA) LIMITED**  
**REGISTERED NUMBER:04181384**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
<b>Non-current assets</b>			
Deferred tax assets	10	-	4,091
<b>Current assets</b>			
Trade and other receivables	11	42,866	45,834
Cash and cash equivalents		50	52
		<u>42,916</u>	<u>45,886</u>
<b>Current liabilities</b>			
Trade and other payables	12	(331)	(3,496)
Current tax liabilities		-	(180)
		<u>-</u>	<u>(3,676)</u>
<b>Net current assets</b>		<u>42,585</u>	<u>42,210</u>
<b>Total assets less current liabilities</b>		<u>42,585</u>	<u>46,301</u>
<b>Non-current liabilities</b>			
Decommissioning provision	13	(8,219)	(8,182)
<b>Net assets</b>		<u>34,366</u>	<u>38,119</u>
<b>Capital and reserves</b>			
Called up share capital	14	42,926	42,926
Other reserves	15	637	258
Retained losses	15	(9,197)	(5,065)
<b>Total equity</b>		<u>34,366</u>	<u>38,119</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2021.

DocuSigned by:  
  
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**G.M. Harrison**  
 Director

The notes on pages 14 to 25 form part of these financial statements.

## SPIRIT RESOURCES (ARMADA) LIMITED

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

	Called up share capital £000	Other reserves £000	Retained losses £000	Total equity £000
<b>At 1 January 2019</b>	<b>42,926</b>	<b>(266)</b>	<b>(5,612)</b>	<b>37,048</b>
Profit for the year	-	-	547	547
Exchange differences on translating foreign operations	-	524	-	524
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>524</b>	<b>547</b>	<b>1,071</b>
<b>At 1 January 2020</b>	<b>42,926</b>	<b>258</b>	<b>(5,065)</b>	<b>38,119</b>
Loss for the year	-	-	(4,132)	(4,132)
Exchange differences on translating foreign operations	-	379	-	379
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>379</b>	<b>(4,132)</b>	<b>(3,753)</b>
<b>At 31 December 2020</b>	<b>42,926</b>	<b>637</b>	<b>(9,197)</b>	<b>34,366</b>

The notes on pages 14 to 25 form part of these financial statements.



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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1. General information**

Spirit Resources (Armada) Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

The address of its registered office and principal place of business is:

1st Floor  
20 Kingston Road  
Staines-upon-Thames  
England  
TW18 4LG

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 2.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council. The financial statements therefore have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

**2.2 Changes in accounting policies**

From 1 January 2020, the following amendments are effective in the Company's financial statements. Their first-time adoption did not have a material impact on the financial statements:

- Amendment to IFRS 3: 'Business Combinations';
- Amendment to IAS 1: 'Presentation of Financial Statements', and IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors';
- Conceptual framework for Financial Reporting 2018.

As the Annual Report and financial statements of Spirit Energy Limited (the 'Group'), which are available from its registered office, include the equivalent disclosures, the Company, as a qualifying entity, has taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- disclosures in respect of related-party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of capital management.

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. Accounting policies (continued)**

**2.3 Measurement convention**

The financial statements are prepared on the historical cost basis.

**2.4 Going concern**

The financial statements have been prepared on a going concern basis as Spirit Energy Limited, an intermediate parent company, currently intends to support the Company to ensure it can meet its obligations as they fall due, provided the Company remains a member of the Group. The Directors have received confirmation that Spirit Energy Limited intends to support the Company for at least one year after the financial statements have been authorised for issue until 24 October 2022.

The Group's principal risks and uncertainties are detailed in the Group's Strategic Report on page 15 and specifically explains the increased challenges the Group faces with COVID-19. The Directors of the Company are satisfied that the actions and sensitivities included in the cash-flow forecasts prepared by Group adequately address the current risks and are therefore satisfied that the Group will be able to support the Company if required under all reasonably foreseeable circumstances.

**2.5 Summary of significant accounting policies and key accounting estimates**

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

**2.6 Finance income**

Finance income is recognised in the Income Statement in the period in which the income is earned.

**2.7 Finance costs**

Finance costs are recognised in the Income Statement in the period in which they are incurred.

**2.8 Cost of sales**

Cost of sales relating to gas and oil production includes depreciation of assets used in production of gas and oil, royalty costs and direct labour costs.

**2.9 Exceptional items**

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. To ensure the business performance reflects the underlying results of the Company, these exceptional items are disclosed separately in the Income Statement. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, significant onerous contract charges and asset write-downs/impairments.

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. Accounting policies (continued)****2.10 Foreign currencies**

These financial statements are presented in pound sterling (with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated), which is also the functional currency of the Company (the functional currency of the Trinidad branch is the US dollar). Operations and transactions conducted in currencies other than the functional currency are translated in accordance with the foreign currencies accounting policy set out below.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the Company at the rates prevailing at the Balance Sheet date, and associated gains and losses are recognised in the Income Statement for the year. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the Income Statement in the respective financial line item to which they relate.

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the Company are translated using the exchange rate prevailing at the dates of the initial transaction and are not retranslated. Non-monetary items measured at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured.

**2.11 Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences identified at the reporting date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax liabilities may be offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same tax jurisdiction, in the foreseeable future, against which the deductible temporary difference can be utilised.

Deferred tax is provided on temporary differences except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Measurement of deferred tax liabilities and assets reflects the tax consequences expected from the manner in which the asset or liability is recovered or settled.

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. Accounting policies (continued)****2.12 Decommissioning costs**

Provision is made for the net present value of the estimated cost of decommissioning gas and oil production facilities at the end of the producing lives of fields, based on price levels and technology at the reporting date.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated property, plant and equipment ('PP&E') and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within PP&E. The unwinding of the discount on the provision is included in the Income Statement within finance cost.

**2.13 Trade and other receivables**

Trade receivables are amounts due from customers for hydrocarbons sold in the ordinary course of business.

Trade receivables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method (although, in practice, the discounting is often immaterial) less an impairment provision calculated under the expected credit loss model. Provision is made when there is objective evidence that the Company may not be able to collect the trade receivable. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not, they are presented as non-current assets.

**2.14 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method (although, in practice, the discounting is often immaterial). If payment is due within one year or less, payables are classified as current liabilities. If not, they are presented as non-current liabilities.

**2.15 Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received.

**2.16 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions. Cash equivalents include cash on deposit with related parties, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

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**SPIRIT RESOURCES (ARMADA) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**


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**2. Accounting policies (continued)**
**2.17 Loans and other borrowings**

All interest-bearing and interest free loans and other borrowings are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, these financial instruments are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In the application of the Company's accounting policies, the Directors are 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 revision and future periods if the revision affects both current and future periods.

**a) Critical judgements in applying the Company's accounting policies**

Such key judgements include the presentation of elected items as exceptional (see note 6). No other key judgements have been made by the Directors in applying the Company's accounting policies.

**b) Key source of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Decommissioning costs (note 13)**

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed annually and is based on reserves, price levels and technology at the balance sheet date. The decommissioning costs held in Spirit Resources (Armada) Limited were retained following the terms of the SPA in 2018 when the Armada field was disposed of. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities, but are currently anticipated to be incurred until 2027 (2019: 2027).

The level of provision held is also sensitive to the discount rate used to discount the estimated decommissioning costs. The real discount rate used to discount the decommissioning liabilities at 31 December 2020 is 0% (2019: 1.2%). A 1% variation in this discount rate would change the decommissioning liabilities by approximately £542,000 (2019: £454,000). During the year, the Company recognised a charge of £3,881,000 (2019: £709,000) on derecognition of deferred tax asset in respect of abandonment expenditure due to change in timing of the decommissioning activity.

**4. Other income**

	2020	2019
	£000	£000
Other income	<u>5</u>	<u>-</u>

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**SPIRIT RESOURCES (ARMADA) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**


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**5. Analysis of (costs)/income by nature**

<b>Year ended 31 December</b>	<b>Cost of sales</b>	<b>2020 Operating costs</b>	<b>Total costs</b>	<b>Cost of sales</b>	<b>2019 Operating costs</b>	<b>Total(costs)/ income</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Transportation, distribution and metering income	-	-	-	4	-	4
Foreign exchange losses	-	-	-	-	(1)	(1)
Other operating income	-	(2)	(2)	-	(4)	(4)
Total operating (costs)/income by nature	-	(2)	(2)	4	(5)	(1)

The Company did not have any employees in the current or prior year.

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**SPIRIT RESOURCES (ARMADA) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**


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**6. Exceptional items**

The following exceptional items were recognised in arriving at operating profit for the year:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Decommissioning provision revision (note 13)	<u>(45)</u>	<u>(1,497)</u>

The Company recognised an exceptional credit on the revision of the decommissioning provisions of fully impaired fields.

**7. Directors' remuneration**

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Spirit Energy Limited subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

**8. Net finance income**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Finance income</b>		
Interest from fellow Group undertakings	<b>103</b>	<b>314</b>
Interest income on bank and other short-term deposits	<u><b>50</b></u>	<u><b>-</b></u>
<b>Total finance income</b>	<u><b>153</b></u>	<u><b>314</b></u>
<b>Finance cost</b>		
Interest on bank overdrafts and borrowings	<b>-</b>	<b>(50)</b>
Net foreign exchange losses on financing transactions	<b>(370)</b>	<b>(389)</b>
Unwind of discount on provisions (note 13)	<u><b>(82)</b></u>	<u><b>(115)</b></u>
<b>Total finance costs</b>	<u><b>(452)</b></u>	<u><b>(554)</b></u>
<b>Net finance cost</b>	<u><u><b>(299)</b></u></u>	<u><u><b>(240)</b></u></u>

**9. Auditor's remuneration**

The Company paid the following amounts to its auditor in respect of the audit of the Company's financial statements.

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Audit fees for the audit of these financial statements	<u><u><b>12</b></u></u>	<u><u><b>12</b></u></u>

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**SPIRIT RESOURCES (ARMADA) LIMITED**


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FOR THE YEAR ENDED 31 DECEMBER 2020**


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**10. Tax**

Tax charged/(credited) in the Income Statement

	2020 £000	2019 £000
<b>Current tax</b>		
UK corporation tax at 40% (2019: 40%)	(230)	(33)
UK corporation tax adjustment to prior years	<u>20</u>	<u>51</u>
Total current tax	<u>(210)</u>	<u>18</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences - UK	<u>4,091</u>	<u>691</u>
Total deferred tax	<u>4,091</u>	<u>691</u>
Tax on (loss)/profit	<u>3,881</u>	<u>709</u>

The main rate of corporation tax for the year to 31 December 2020 was 19% (2019: 19%). The deferred tax assets and liabilities included in these financial statements are based on the rate of 19% having regard to their reversal profiles.

On 3 March 2021, the UK government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted this will impact the value of our UK deferred tax balances, and the tax charged on UK profits generated in 2023 and subsequently. We have yet to determine the impact of these proposed changes.

Upstream oil and gas production activities are taxed at a corporation tax rate of 30% (2019: 30%) plus a supplementary charge of 10% (2019: 10%) to give an overall rate of 40% (2019: 40%). Upstream deferred tax assets and liabilities included in these financial statements are based on the 40% overall effective tax rate having regard for their reversal profiles.

The differences between the taxes shown above and the amounts calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax are reconciled below:

	2020 £000	2019 £000
(Loss)/profit before tax	<u>(251)</u>	<u>1,256</u>
Tax on (loss)/profit at standard UK corporation tax rate of 40% (2019: 40%)	(100)	502
Effects of:		
Adjustments in respect of prior years	20	51
Abandonment expenditure derecognised	4,109	-
Unrealised tax provision released	(180)	-
Increase from effect of different UK tax rates on some earnings	56	17
Additional relief on abandonment expenditure	(4)	139
Loss on disposal not deductible	<u>(20)</u>	<u>-</u>
Total tax charge	<u>3,881</u>	<u>709</u>



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**SPIRIT RESOURCES (ARMADA) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**


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**10. Tax (continued)**

The movements in respect of the deferred income tax assets and liabilities that occurred during the financial year are as follows:

	Accelerated tax depreciation (corporation tax)	Other timing differences including losses carried forward	Total
	£000	£000	£000
1 January 2019	-	4,782	4,782
Charged to the Income Statement	-	(691)	(691)
31 December 2019	-	4,091	4,091
Charged to the Income Statement	-	(4,091)	(4,091)
31 December 2020	-	-	-

**11. Trade and other receivables**

	2020 £000	2019 £000
Amounts owed by fellow Group undertakings	<u>42,866</u>	<u>45,834</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £42,824,000 receivable (2019: £45,824,000 receivable) that bears interest at the monthly rates ranging between 0.04% and 0.70% (2019: ranged between 0.50% and 0.74%). The other net amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

The expected credit loss (ECL) on amounts due to fellow Spirit Energy Group undertakings has been calculated on the basis of a twelve-month ECL as there has been no significant increase in credit risk since the inception of the loans. The level of the ECL is considered to be immaterial as the undertakings have the financial support of Spirit Energy Limited, an intermediate parent company.

**12. Trade and other payables**

	2020 £000	2019 £000
Accrued expenses	(301)	(352)
Amounts owed to fellow Group undertakings	-	(3,113)
Amounts owed to other related parties (note 16)	<u>(30)</u>	<u>(31)</u>
	<u>(331)</u>	<u>(3,496)</u>

The amounts owed to Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. The amounts owed by Group undertakings are unsecured and repayable on demand.

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**SPIRIT RESOURCES (ARMADA) LIMITED**


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FOR THE YEAR ENDED 31 DECEMBER 2020**


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**13. Provisions for other liabilities and charges**

	<b>Decommissioning £000</b>
At 1 January 2020	(8,182)
Unused provision reversed to the Income Statement (note 6)	45
Increase due to discount unwinding (note 8)	(82)
At 31 December 2020	<u>(8,219)</u>
Non-current liabilities	(8,219)
Current liabilities	<u>-</u>

**Decommissioning**

The Company has recognised provisions for its obligations to decommission its oil and gas fields at the end of their operating lives. The provisions recognised represent the best estimate at the reporting date of the expenditures required to settle the present obligation based on existing technology and current legislation requirements. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term pre-tax real rate of 0% (2019: 1.2%).

The timing of the decommissioning payments is dependent on the life of the field but are anticipated to occur between 2024 and 2027 (2019: 2024 and 2027).

**14. Share capital**

	<b>2020 £000</b>	<b>2019 £000</b>
<b>Allotted, called up and fully paid</b>		
42,926,000 (2019 - 42,926,000) Ordinary shares of £1.00 each	<u>42,926</u>	<u>42,926</u>

**15. Reserves****Other reserves**

The other reserves caption is mainly made up of translation differences that arise as a result of translating the financial statement items from the functional currency into the presentational currency using the exchange rate at the reporting date, which differs from the rate in effect at the last measurement date of the respective item. This reserve is non-distributable.

**Retained losses**

The balance classified as retained losses includes the profits and losses realised by the Company in previous periods that were not distributed to the shareholders of the Company at the reporting date.

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**SPIRIT RESOURCES (ARMADA) LIMITED**


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**16. Related-party transactions**

During the year, the Company entered into the following arm's length transactions with related parties (who are not members of the Spirit Energy Group but which were related parties since they are fellow subsidiaries of the wider Centrica plc group), and had the following associated balances:

<b>2020</b>	<b>Sale of goods and services (i) £000</b>	<b>Purchase of goods and services (i) £000</b>	<b>Amounts owed from £000</b>	<b>Amounts owed to (note 12) £000</b>
Centrica plc	-	-	-	(13)
Centrica Energy Limited	-	-	-	(17)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30)</u>

(i) Sale of goods and services includes recharges made to entities outside of the Group and purchase of goods and services includes recharges made by entities outside of the Group.

<b>2019</b>	<b>Sale of goods and services (i) £000</b>	<b>Purchase of goods and services (i) £000</b>	<b>Amounts owed from £000</b>	<b>Amounts owed to (note 12) £000</b>
Centrica Plc	-	-	-	(13)
British Gas Trading Limited	-	(4)	-	(18)
	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(31)</u>

(i) Sale of goods and services includes recharges made to entities outside of the Group and purchase of goods and services includes recharges made by entities outside of the Group.

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**SPIRIT RESOURCES (ARMADA) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**17. Immediate and ultimate parent undertaking**

The immediate parent undertaking of the Company is Spirit Energy Limited, a company registered in England and Wales.

Spirit Energy Limited is the parent undertaking of the smallest group of companies for which group financial statements are drawn up and of which the Company is a member. Spirit Energy Limited, which has its registered office at 1st Floor, 20 Kingston Road, Staines-upon-Thames, England, TW18 4LG, is registered in England and Wales. Copies of Spirit Energy Limited's financial statements can be obtained from the Register of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company's ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which Group accounts are prepared is Centrica plc. Centrica plc has its registered office at Millstream, Maidenhead Road, Windsor, England, SL4 5GD and is registered in England and Wales. Centrica plc's financial statements can be obtained at [www.centrica.com](http://www.centrica.com).

**18. Non-adjusting events after balance sheet date**

There are no material events to disclose subsequent to the year ended 31 December 2020.