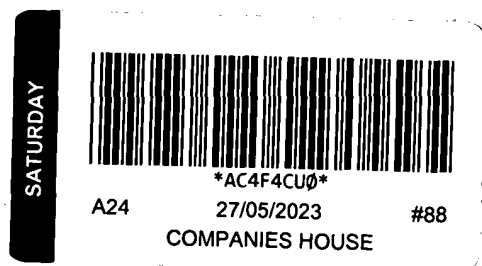


Registration number: 04560068

EnQuest Progress Limited
(Formerly Whalsay Energy Limited)
Annual Report and Financial Statements
for the Year Ended 31 December 2021



EnQuest Progress Limited (formerly Whalsay Energy Limited)

Officers and other information

Directors

M Mentiplay
A Talpur
I Wood

Company secretary

D Ahmed

Auditors

Deloitte LLP
2 New Street Square
London
EC4A 3BZ
United Kingdom

Registered office

Charles House
2nd Floor
5-11 Regent Street
London
SW1Y 4LR
United Kingdom

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

On 24 April 2021, EnQuest Heather Limited purchased the entire share capital of Whalsay Energy Limited from Whalsay Energy Holdings Limited. On 20 July 2021, the company name changed to EnQuest Progress Limited ('the Company') from Whalsay Energy Limited.

Principal activities

The principal activity of the Company is an operating company involved in the appraisal and development of oil resources in the UK North Sea. The Company considers this activity to be currently the only operating segment. The Company's principal asset is the Bentley field; a heavy oil field located in the Northern North Sea. The P1078 licence was due to expire on 30 June 2021, however, an extension was granted by the OGA to 30 June 2025.

Results and dividends

The loss for the year after taxation was \$3,285,000 (2020: \$96,806,000 restated loss (note 10)). The Directors do not propose the payment of a dividend for the year ended 31 December 2021 (2020: \$nil).

Directors' of the Company

The Directors, who held office during the year and to the date of this report, except as noted, were as follows:

C Mattoni (resigned 5 July 2021)
S Shah (resigned 5 July 2021)
P Warwick (resigned 5 July 2021)
A Talpur (appointed 19 July 2021)
M Mentiply (appointed 5 July 2021)
S Malik (appointed 5 July 2021, resigned 15 August 2022)
A Steele (appointed 5 July 2021, resigned 7 October 2022)
I Wood (appointed 30 November 2022)

E Bower resigned as company secretary on 5 July 2021 and K Christ was appointed on the same date. On 2 September 2022 K Christ resigned as company secretary and D Ahmed was appointed on the same date.

Going concern

The Company requires support from EnQuest PLC, the parent company, to provide or procure sufficient funds as and where necessary to allow the Company to continue its operations for the going concern period, being 12 months from the approval of these accounts. As part of assuring the going concern basis of preparation for the Company, the ability and intent of the EnQuest Group ('the Group') to support the Company under a base case and a downside case has been taken into consideration, including the receipt of a binding letter of support from the ultimate parent company.

The Directors have considered the binding letter of support received from the ultimate parent company, and having made appropriate enquiries, the Directors have concluded that the Company will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of this report and have therefore concluded that the going concern basis of accounting is appropriate.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Directors' Report for the Year Ended 31 December 2021 (continued)

Geo-political events

2022 saw another dramatic change in the global geopolitical landscape with the unfolding tragedy in Ukraine. As a responsible Company, the Directors reviewed its commercial arrangements and do not consider it has any adverse exposure to the situation. The Company will continue to monitor its position to ensure it remains compliant with and supports any sanctions in place.

Disclosure of information to the auditors

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

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

The confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006.

Auditors

BDO LLP resigned as auditors on 1 July 2021 and Deloitte LLP were appointed.

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

Future developments

The Directors continue to assess the appraisal and development of oil resources in the UK North Sea for the Company to increase reserves.

Small companies provision statement

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Approved by the Board on 25 May 2023 and signed on its behalf by:



I Wood
Director

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the 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 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.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Independent Auditor's Report to the Members of EnQuest Progress Limited (formerly Whalsay Energy Limited)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of EnQuest Progress Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 16.

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.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Independent Auditor's Report to the Members of EnQuest Progress Limited (formerly Whalsay Energy Limited)

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Independent Auditor's Report to the Members of EnQuest Progress Limited (formerly Whalsay Energy Limited)

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 and internal audit about their own identification and assessment of the risks of irregularities.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety and environmental laws and regulations, anti-bribery and corruption legislation.

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

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 relevant authorities where matters identified were significant.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Independent Auditor's Report to the Members of EnQuest Progress Limited (formerly Whalsay Energy Limited)

Matters on which we are required to report by exception

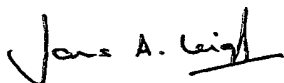
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



James Leigh FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 May 2023

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Profit and loss account for the Year Ended 31 December 2021

		2021	2020
	Note	\$ 000	Restated \$ 000
Impairment charge of oil and gas exploration properties	10	-	(93,733)
General and administrative expenses	3	(1,996)	(953)
Other (expenses)/income	4	(27)	3
Operating loss		(2,023)	(94,683)
Finance expense	7	(1,262)	(2,123)
Loss before taxation		(3,285)	(96,806)
Tax on loss on ordinary activities	8	-	-
Loss for the financial year attributable to the owners of the company		(3,285)	(96,806)

The loss for the year ended 31 December 2021 is derived from continuing activities of the Company.

Note 10 sets out the impact of the restatement of the 2020 profit and loss account and balance sheet.

A Statement of Comprehensive Income is not presented as there is no other comprehensive income other than the results for each financial year.

The notes on pages 12 to 21 form an integral part of these financial statements.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Statement of Financial Position as at 31 December 2021

	Note	2021 \$ 000	2020 Restated \$ 000
Non-current assets			
Intangible oil and gas assets	10	3,130	2,472
Tangible fixed assets	9	-	15
Total non-current assets		<u>3,130</u>	<u>2,487</u>
Current assets			
Trade and other receivables	11	-	467
Cash and cash equivalents	12	3	368
		<u>3</u>	<u>835</u>
Total assets		<u>3,133</u>	<u>3,322</u>
Current liabilities			
Trade and other payables	13	(1,378)	(848)
Intercompany loan payable	13	-	(145,739)
Loan notes	13	-	(19,825)
		<u>(1,378)</u>	<u>(166,412)</u>
Net current liabilities		<u>(1,375)</u>	<u>(165,577)</u>
Total assets less current liabilities		<u>1,755</u>	<u>(163,090)</u>
Net assets/(liabilities)		<u>1,755</u>	<u>(163,090)</u>
Equity			
Called up share capital	14	85	85
Profit and loss account	15	(167,064)	(163,779)
Capital contribution reserve	15	168,130	-
Translation reserve	15	604	604
Equity attributable to owners of the Company		<u>1,755</u>	<u>(163,090)</u>

The notes on pages 12 to 21 form an integral part of these financial statements.

The financial statements of EnQuest Progress Limited, registered number 04560068, were approved by the Board on 25 May 2023 and signed on its behalf by:



.....
I Wood
Director

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital	Profit and loss	Capital	Translation	
	\$ 000	account	Contribution	Reserve	Total
	\$ 000	\$ 000	Reserve	\$ 000	\$ 000
At 1 January 2020	85	(66,973)	-	604	(66,284)
Loss for the year (restated)	-	(96,806)	-	-	(96,806)
Total comprehensive expense for the year (restated)	-	(96,806)	-	-	(96,806)
At 31 December 2020	85	(163,779)	-	604	(163,090)
At 1 January 2021 (restated)	85	(163,779)	-	604	(163,090)
Capital Contribution	-	-	168,130	-	168,130
Loss for the year	-	(3,285)	-	-	(3,285)
Total comprehensive expense for the year	-	(3,285)	-	-	(3,285)
At 31 December 2021	85	(167,064)	168,130	604	1,755

The notes on pages 12 to 21 form an integral part of these financial statements.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information and statement of compliance

The financial statements of EnQuest Progress Limited (formerly Whalsay Energy Limited) for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 25 May 2023 and the balance sheet was signed on the Board's behalf by I Wood. The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of its registered office is: Charles House, 2nd Floor, 5-11 Regent Street, London, SW1Y 4LR, United Kingdom. The nature of the Company's operations and its principal activities are set out on the Directors Report on page 2. The Company has transitioned to FRS 101 from EU adopted International Financial Reporting Standards ("IFRS") for all periods presented. These financial statements were prepared in accordance with Financial Reporting Standards 101 Reduced Disclosure Framework (FRS101) and in accordance with the provisions of the Companies Act 2006.

2 Accounting policies, judgements and estimates

Basis of preparation

The financial statements have been prepared in accordance with FRS 101. These financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value and are presented in United States dollars (USD), which is the functional currency of the Company. All values in the financial statements are rounded to the nearest US\$'000 except where otherwise stated.

The Company has taken advantage of the following disclosure exemption under FRS 101:

- a) the requirement of IFRS 7 Financial Instruments: Disclosures;
- b) the requirement of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant and Equipment and paragraph 118(e) of IAS 38 Intangibles;
- d) the requirements of paragraphs 10(d), 10(f), 16,38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) the requirement of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member; and
- i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Where required, equivalent disclosures are given in the Group financial statements of EnQuest PLC, which are publicly available and can be obtained as set out in note 16.

Going concern

The Company requires support from EnQuest PLC, the parent company, to provide or procure sufficient funds as and where necessary to allow the Company to continue its operations for the going concern period. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved and the financial statements have therefore been prepared under the going concern basis.

For further detail on the Directors' going concern assessment, please refer to the Directors' report.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies, judgements and estimates (continued)

New standards and interpretations

The following new standards became applicable for the current reporting period. No material impact was recognised upon application:

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid 19 Related rent concessions (Amendments to IFRS 16)

Critical accounting judgements and key sources of estimation uncertainty

In applying the accounting policies used in preparing the financial statements, the Directors have identified the following critical judgements or key sources of estimation uncertainty which have the most significant effect on the amounts recognised in the financial statements, or create a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical accounting judgements

Impairment of Exploration and Appraisal assets

Exploration and Appraisal ('E & A') assets are assessed for impairment when circumstances suggest that the carrying value may exceed its recoverable value. This assessment involves judgement as to whether these circumstances are considered to be an indicator of impairment. In the event of any such indication, an impairment test is carried out and, if necessary, an impairment charge is made representing the surplus of capitalised cost over estimated recoverable value of the related commercial oil reserves. For the year ending 31 December 2021 no impairment charge has been recognised (2020 (Restated): \$93,733,000) and the estimated recoverable value is based upon a fair value less costs to sell assessment of the commercial offers received for the Company's assets.

Significant accounting policies

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

Foreign currencies

Transactions in currencies other than the Company's functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to the profit and loss account.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies, judgements and estimates (continued)

Intangible oil and gas assets

Exploration and appraisal assets have indefinite useful lives and are accounted for using the successful efforts method of accounting. Pre-licence costs are expensed in the period in which they are incurred. Expenditure directly associated with exploration, evaluation or appraisal activities is initially capitalised as an intangible asset. Such costs include the costs of acquiring an interest, appraisal well drilling costs, payments to contractors and an appropriate share of directly attributable overheads incurred during the evaluation phase. For such appraisal activity, which may require drilling of further wells, costs continue to be carried as an asset whilst related hydrocarbons are considered capable of commercial development. Such costs are subject to technical, commercial and management review to confirm the continued intent to develop, or otherwise extract value. When this is no longer the case, the costs are written off as E & A expenses in the income statement. When exploration licences are relinquished without further development, any previous impairment loss is reversed and the carrying costs are written off through the income statement. When assets are declared part of a commercial development, related costs are transferred to property, plant and equipment. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the income statement.

Impairment of intangible assets

If, and when, facts and circumstances indicate that the carrying value of the E & A asset may exceed its recoverable amount an impairment review is performed. Impairment tests are performed when indicators, as described in IFRS 6, are identified. Such indicators may include offers for the Company's assets as part of a marketing process at a value below the Company's current carrying value, a lack of development funding or a short remaining term on an oilfield licence. If such indicators are identified an impairment review is carried out by identifying groups of assets, within the E & A asset, which together form the Cash Generating Unit ("CGU") and comparing the carrying value of the CGU with its recoverable amount and any resulting impairment loss is written off to the income Statement. The recoverable amount of the CGU is determined as the higher of its fair value less costs to sell, and its value in use. Impairment charges may be reversed in future periods if future recoverable amount assessments determine that impairment charges or the reversal of historic impairments are no longer appropriate.

Leases

Rental premiums relating to short-term leases are charged to the Income Statement or capitalised within E & A assets depending upon the nature of the lease on a straight-line basis over the term of the lease. Reverse premiums or other such incentives to enter into short-term lease agreements are released to the Income Statement or as a credit to E & A assets over the lease term.

Financial assets

Financial assets are classified, at initial recognition, as amortised cost, fair value through other comprehensive income ('FVOCI'), or fair value through profit or loss ('FVPL'). The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them. The company does not currently hold any financial assets at FVOCI, i.e. debt financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank, cash in hand, outstanding bank overdrafts and highly liquid interest-bearing securities with original maturities of three months or less.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies, judgements and estimates (continued)

Financial liabilities

Financial liabilities are classified, at initial recognition, as amortised cost or at fair value through profit or loss. Financial liabilities are derecognised when they are extinguished, discharged, cancelled or they expire.

Financial liabilities at amortised cost

Loans and borrowings, trade payables and other creditors are measured initially at fair value net of directly attributable transaction costs and subsequently recorded at amortised cost.

Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except where a change attributable to an item of income or expense is recognised as other comprehensive income, in which case, the tax is also recognised directly in other comprehensive income.

Income taxes

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 taxes

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured on an undiscounted basis using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legal right exists to offset current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Finance costs

All finance costs are recognised in the profit and loss account in the period in which they are incurred.

Share capital

The balance classified as equity share capital includes the total net proceeds (nominal value) on issue of registered share capital of the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 General and administrative expenses

	2021	2020
	\$ 000	\$ 000
Outside services	867	232
Staff costs	1,094	585
Other	35	136
	<u>1,996</u>	<u>953</u>

4 Other expenses/(income)

	2021	2020
	\$ 000	\$ 000
Loss on disposal of fixed assets	7	-
Foreign exchange losses/(gains)	5	(3)
Other expenses	15	-
	<u>27</u>	<u>(3)</u>

5 Operating loss

This is stated after charging/(crediting):

	2021	2020
	\$ 000	\$ 000
Loss on disposal of fixed assets (note 4)	7	-
Impairment of intangible assets (restated note 10)	-	93,733
Foreign exchange losses/(gains)	5	(3)
	<u>12</u>	<u>93,730</u>

Audit fees of \$12,000 were paid on behalf of the Company by EnQuest Britain Limited, a fellow subsidiary entity (2020: \$55,000 to previous auditor BDO LLP).

The Company incurred total charges in respect of short-term property leases in the current year of \$8,000 (2020: \$42,000), of which \$nil has been capitalised to E & A assets and the balance expensed to general and administration expenses (2020: \$37,000 capitalised).

EnQuest Progress Limited (formerly Whalsay Energy Limited)**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****6 Employees and Directors' remuneration**

a) The average number of persons employed by the Company (including Directors) during the year was as follows:

	2021 Number	2020 Number
Technical and administration	1	7

The aggregate payroll costs of staff and Directors were as follows:

	2021 \$ 000	2020 \$ 000
Wages and salaries	850	756
Social security costs	116	92
Company defined contribution pension charges	9	39
Compensation for loss of office	119	-
	<u>1,094</u>	<u>887</u>

Of the total payroll costs, a value of \$nil has been capitalised within E & A asset additions in the year ended 31 December 2021 (2020: \$302,000). The balance of payroll costs has been expensed within general and administration costs in the Income Statement.

b) Directors' emoluments and highest paid director

	2021 \$ 000	2020 \$ 000
Wages and salaries	467	240
Compensation for loss of office	56	-
	<u>523</u>	<u>240</u>

The Director is not a member of the Company's defined benefit pension scheme (2020: nil).

7 Interest payable and similar charges

	2021 \$ 000	2020 \$ 000
Loan note interest	1,249	2,123
Other financial expenses	13	-
	<u>1,262</u>	<u>2,123</u>

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

8 Taxation

(a) Tax on Loss on ordinary activities

There is no tax charged/(credited) in the statement of comprehensive income in the year.

The tax on loss before tax for the year is different than the standard rate of corporation tax in the UK of 40% (2020: 40%).

(b) Factors affecting the tax charge for the period

	2021 \$ 000	2020 Restated \$ 000
Loss on ordinary activities before tax	(3,285)	(96,806)
Loss on ordinary activities at standard rate of corporation tax	(1,314)	(38,722)
Income not taxable	-	45
Ring-fence expenditure supplement claim	(38,468)	(34,646)
Tax losses not recognised	39,782	73,323
Total tax charge for the year	-	-

The prior year adjustment has had no impact on the total tax charge, however, the losses not recognised reduced by \$189,000.

(c) Deferred tax

The deferred tax liability of \$1,156,000 (2020: \$899,000) arising on accelerated capital allowances has been fully offset by a deferred tax asset of \$1,156,000 (2020: \$899,000), resulting in a net deferred tax balance of \$nil. A further deferred tax asset arising on tax losses of \$421,994,000 (2020: \$368,391,000) remains unrecognised. The Company will not recognise deferred tax assets until such time as the Company achieves sustained commercial production from its oilfield assets and the utilisation of the related losses is probable.

Factors that may affect future tax charges

The finance Act 2021 enacted an increase in the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023. There is no impact in 2021 resulting from this change.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Tangible fixed assets

<i>Cost</i>	Computer equipment	Furniture and fittings	Total
	\$ 000	\$ 000	\$ 000
At 1 January 2021	157	1	158
Disposals	(157)	(1)	(158)
At 31 December 2021	-	-	-
 <i>Depletion and depreciation</i>			
At 1 January 2021	142	1	143
Depreciation	8	-	8
Disposal	(150)	(1)	(151)
At 31 December 2021	-	-	-
 <i>Net Book Value</i>			
At 31 December 2021	-	-	-
At 31 December 2020	15	-	15

10 Intangible assets

<i>Cost</i>	Exploration and appraisal costs
	\$ 000
At 1 January 2021	503,281
Additions	658
At 31 December 2021	503,939
 <i>Accumulated depreciation and impairment</i>	
At 1 January 2021 (restated) and 31 December 2021	(500,809)
 <i>Net Book Value</i>	
At 31 December 2021	3,130
At 31 December 2020 (restated)	2,472

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Intangible assets (continued)

Prior Year Adjustment Impact summary

	As originally reported \$'000	Prior year restatement \$'000	Restated \$'000
Profit and loss account			
Impairment charge on intangible assets	<u>(94,205)</u>	<u>472</u>	<u>(93,733)</u>
Statement of financial position			
Intangible asset cost as at 31 December 2020	503,281	-	503,281
Accumulated depreciation and Impairment as at 31 December 2020	<u>(501,281)</u>	<u>472</u>	<u>(500,809)</u>
Net Book Value as at 31 December 2020	<u>2,000</u>	<u>472</u>	<u>2,472</u>
Retained Earnings as at 31 December 2020	<u>(164,251)</u>	<u>472</u>	<u>(163,779)</u>

A prior year adjustment was identified on finalisation of the acquisition of the entity during 2021 resulting in a misstatement of the balances reported in the 2020 Financial Statements. The asset impairment has been reduced by \$472,000 to reflect the proceeds received for the entity. This was deemed to be a material error and therefore prior year comparatives have been restated.

11 Trade and other receivables

	2021 \$ 000	2020 \$ 000
Indirect taxes receivables	-	2
Intercompany account receivable	-	459
Prepayments and accrued income	<u>-</u>	<u>6</u>
	<u>-</u>	<u>467</u>

12 Cash and cash equivalents

The carrying value of the Company's cash and cash equivalents is considered to be a reasonable approximation to their fair value due to their short-term maturities.

EnQuest Progress Limited (formerly Whalsay Energy Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Creditors

	2021	2020
	\$ 000	\$ 000
Trade payables	-	5
Social security and other taxes payable	-	19
Amounts owed to Group undertakings	8	-
Accruals and other payables	1,370	824
Intercompany loan payable	-	145,739
Loan notes in issue	-	19,825
	1,378	166,412

Accrued expenses include accruals for capital and operating expenditure in relation to the oil and gas assets.

As part of the acquisition by EnQuest Heather Limited, the Company was sold on a cash, liability and debt free basis. Whalsay Energy Holdings Limited agreed to release the Company from its intercompany financial obligations with the netting off of the intercompany receivable balance against the intercompany loan payable.

As part of the acquisition by EnQuest Heather Limited, Whalsay Energy Holdings Limited entered into an agreement with its noteholders to waive all outstanding obligations under the existing loan notes, with the balance reflected as a capital contribution (note 15).

14 Authorised, issued and fully paid shares

	2021	2020
	\$ 000	\$ 000
50,000 Ordinary shares of £1 each	85	85

15 Reserves

Profit and loss account

Profit and loss account contain the accumulated profits/(losses) of the Company.

Capital contribution reserves

As part of the acquisition by EnQuest Heather Limited the Company was sold on a cash, liability and debt free basis, Whalsay Energy Holdings Limited agreed to release the Company from its intercompany financial obligations with the netting off of the intercompany receivable balance against the intercompany loan payable. The capital contribution reserve is created by the resultant gain.

Other reserves

The translation reserve represents the cumulative exchange differences that arose on the historical translation of functional to presentational currency.

16 Controlling parties

Up until 24 April 2021 the ultimate parent company and controlling party was WEHL, as a result of the acquisition outlined in the directors' report, subsequent to this date, the Company's immediate parent is EnQuest Heather Limited and the ultimate parent company and controlling party which heads the largest and only group in which the results of the Company are consolidated is EnQuest PLC. Copies of these financial statements can be obtained from 2nd Floor, Charles House, 5-11 Regent Street, London SW1Y 4LR.