

COMPANY REGISTRATION NUMBER: 05000092

UKOG SOLENT LIMITED

REPORT AND FINANCIAL STATEMENTS

30 September 2020

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**UKOG SOLENT LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2020**

| Contents | Pages |
|---|--------------|
| Company Information | 1 |
| Strategic Report | 2 |
| Directors Report | 3 |
| Statement of Directors' Responsibilities | 4 |
| Statement of Profit and Loss and Other Comprehensive Income | 5 |
| Balance Sheet | 6 |
| Statement of Changes in Equity | 7 |
| Notes to the Financial Statements | 8 - 12 |

**UKOG SOLENT LIMITED
REPORT AND FINANCIAL STATEMENTS
COMPANY INFORMATION**

Director

Stephen Sanderson

Registered office

The Broadgate Tower 8th Floor
20 Primrose Street
London
EC2A 2EW

Registered number

05000092

**UKOG SOLENT LIMITED
STRATEGIC REPORT**

The director presents his strategic report for the year ended 30 September 2020.

Principal activities

The principal activity of UKOG Solent Limited ("the company") has been the investment in onshore oil and gas exploration, development and production opportunities in the United Kingdom.

The company is a member of the UK Oil and Gas plc Group ("the Group"). The Group specialises in investing in new geological ideas, concepts and methodologies to find and produce oil from previously unexplored rock formations within established oil-producing basins and is listed on London's Alternative Investment Market ("AIM").

Business review

The profit for the year after taxation is £4 (2019: loss of £100). The director does not recommend payment of a dividend (2019: £nil).

The company held a 100% interest in the P1916 licence until it expired on 31 January 2019. Since then, business activities have been of an administrative nature.

Principal risks and uncertainties of the company

From the perspective of the company, the principal risks and uncertainties are so integrated with the principal risks of the Group that they are not managed separately. Accordingly, the principal risks and uncertainties of the UK Oil and Gas Group, which include those of the company, are discussed below.

Principal risks and uncertainties of the group

The principal risks and uncertainties facing the Group are continuously monitored and reported to the board of directors ("the Board") on a regular basis. The Board reviews these risks and focuses on ensuring that effective systems of internal financial and non-financial controls are in place and monitored.

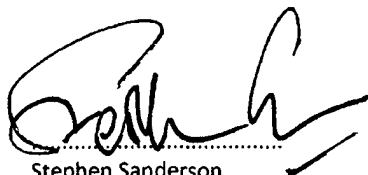
The Group's principal financial instruments are available for sale assets, trade receivables, trade payables and cash at bank, and borrowings. The main purpose of these financial instruments is to fund the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is liquidity risk.

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The UK Oil and Gas Group's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources.

Key performance indicators ("KPIs")

Due to the current status of the company, the Board has not identified any performance indicators as key.

Signed on behalf of the Board by:



Stephen Sanderson
Director

02 June 2021

**UKOG SOLENT LIMITED
DIRECTORS REPORT**

The director presents his report and the financial statements for the year ended 30 September 2020.

Results and dividends

The loss for the year after taxation is £4 (2019: loss of £100). The director does not recommend payment of a dividend (2019: £nil).

The Board is in discussions with the parent company, UK Oil & Gas plc, and related group companies (UKOG Weald Limited and UKOG (GB) Limited) to settle the liabilities due to them before the end of 2021, potentially through a share issue and capital reduction exercise. The company will then become dormant.

The company has received assurance from its ultimate parent company that it will continue to receive financial support for a period of at least 12 months from the signing of the accounts in order to meet its obligations as they fall due.

Directors of the company

The director who held office during the year was:

Stephen Sanderson

Charitable and political donations

The company made no political or charitable donations during the year (2019: £nil).

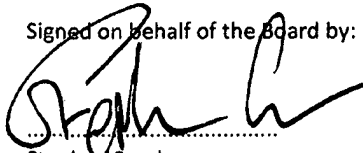
Audit exemption

For the year ended 30 September 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the accounts

Signed on behalf of the Board by:


.....
Stephen Sanderson
Director

02 June 2021

UKOG SOLENT LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

UKOG SOLENT LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 30 SEPTEMBER 2020

| | Note | 2020 £ | 2019 £ |
|---------------------------------|------|-----------|-----------|
| Administrative expenses | | 4 | (100) |
| Operating profit/loss | | 4 | (100) |
| Interest payable | | - | - |
| Profit/Loss before taxation | | 4 | (100) |
| Taxation | 5 | - | - |
| Profit/Loss for the year | | 4 | (100) |
| Other comprehensive income | | - | - |
| Total comprehensive income loss | | 4 | (100) |

The company's results are derived from continuing operations.

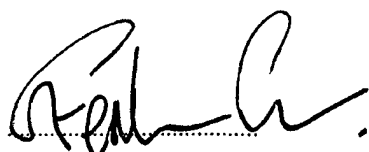
The notes on page 8 to 12 form part of these financial statements

UKOG SOLENT LIMITED
BALANCE SHEET
30 SEPTEMBER 2020

| | Note | 2020 £ | 2019 £ |
|--|------|------------------|------------------|
| Current assets | | | |
| Debtors | | - | - |
| Cash at bank and in hand | | - | - |
| | | <u>-</u> | <u>-</u> |
| Creditors: amounts falling due within one year | 6 | <u>(295,102)</u> | <u>(295,106)</u> |
| Net current liabilities | | <u>(295,102)</u> | <u>(295,106)</u> |
| Total assets less current liabilities | | <u>(295,102)</u> | <u>(295,106)</u> |
| Total net assets | | <u>(295,102)</u> | <u>(295,106)</u> |
| Capital and reserves | | | |
| Called up share capital | 7 | 65,000 | 65,000 |
| Share premium account | | 194,994 | 194,994 |
| Profit and loss account | | <u>(555,096)</u> | <u>(555,100)</u> |
| Shareholders' funds | | <u>(295,102)</u> | <u>(295,106)</u> |

- For the year ended 30 September 2020 the company was entitled to exemption under section 479A of the Companies Act 2006 relating to subsidiary companies.
- The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting period and the preparation of the accounts.

These financial statements were approved by the Board on 02 June 2021 and signed on its behalf by:



Stephen Sanderson
Director

Registered number: 05000092

The notes on pages 8 to 12 form part of these financial statements

UKOG SOLENT LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 SEPTEMBER 2020

| | Share capital £ | Share premium £ | Profit and loss account £ | Total £ |
|----------------------------|-----------------------|-----------------------|---------------------------------|------------------|
| At 1 October 2018 | 65,000 | 194,994 | (555,000) | (295,006) |
| Loss for the year | - | - | (100) | (100) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss | - | - | (100) | (100) |
| At 30 September 2019 | <u>65,000</u> | <u>194,994</u> | <u>(555,100)</u> | <u>(295,106)</u> |

| | Share capital £ | Share premium £ | Profit and loss account £ | Total £ |
|----------------------------|-----------------------|-----------------------|---------------------------------|------------------|
| At 1 October 2019 | 65,000 | 194,994 | (555,100) | (295,106) |
| Loss for the year | - | - | 4 | 4 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss | - | - | 4 | 4 |
| At 30 September 2020 | <u>65,000</u> | <u>194,994</u> | <u>(555,096)</u> | <u>(295,102)</u> |

The notes on pages 8 to 12 form part of these financial statements

UKOG SOLENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2020

1 General information

UKOG Solent Limited has held interests in onshore Petroleum, Exploration and Development Licences in the United Kingdom. The company is a private company and is incorporated and domiciled in England and Wales. The address of its registered office is The Broadgate Tower 8th Floor, 20 Primrose Street, London, EC2A 2EW.

2 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of UKOG Solent Limited (the "company") for the year ended 30 September 2020 were authorised for issue by the board of directors on 02 June 2021 and the balance sheet was signed on the board's behalf by Stephen Sanderson.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and in accordance with applicable accounting standards.

3 Accounting policies

The following accounting policies have been consistently applied in deciding the items which are considered material in relation to the financial statements.

Basis of preparation

The company has been determined to meet the criteria of a 'qualifying entity' under the definition in FRS 101. The financial statements in which the company is consolidated are available from the ultimate parent company as detailed in note 9.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 September 2020.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;
- the requirements of IFRS 7 Financial Instruments: Disclosures,
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- 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 a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

UKOG SOLENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2020

3 Accounting policies (continued)

New standards, amendments and IFRIC interpretations adopted by the Company

IFRS16 Leases became effective for annual reporting periods beginning on or after 1 January 19. The adoption of this has not had a material effect on the financial statements.

New standards, amendments and IFRIC interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards, amendments and IFRIC interpretations become effective for accounting periods beginning on or after 1 January 2020. These have not been early adopted by the company, however assessment as to their impact is ongoing:

IAS 1 and IAS 8 Definition of Material;
IFRS 3 Definition of a Business – Amendments to IFRS2
The Conceptual Framework for Financial Reporting

Going concern

The directors have noted the net liability position of the company. The company is reliant on the continued financial support of its parent company UK Oil and Gas plc ("UKOG") for its working capital. UKOG has provided the company with an undertaking that for at least 12 month from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company, and in particular will not seek repayment of the amounts already provided. The directors are satisfied with the ability of UKOG to meet this undertaking.

The cost structure of the Group comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Group to operate within its available funding. Forecasts prepared by the Group for the period ending 30 September 2020 demonstrate that the Group has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Taxation

The tax charge includes both current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be paid to or received from the tax authorities, calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profits or losses differ from the reported profit or loss before taxation in the Income Statement as it excludes items that are taxable or deductible in different periods, as well as items that are never deductible or taxable.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

UKOG SOLENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2020

3 Accounting policies (continued)

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

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

Financial Assets

Financial assets are divided into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired, and are recognised when the Group becomes party to contractual arrangements. Both loans and receivables and available for sale financial assets are initially recorded at fair value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, most other receivables and cash and cash equivalents fall into this category of financial assets. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Cash and cash equivalents comprise cash on hand and short term deposits. Any interest earned is classified as interest income within finance income.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred, and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

A financial asset that is transferred qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the asset, or if the company neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Derivative instruments are recorded at cost and adjust for their market value as applicable. They are assessed for any equity and debt component which is subsequently accounted for in accordance with IFRS's.

Financial Liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the company becomes a party to the contractual provisions of the instrument.

All financial liabilities initially recognised at fair value less transaction costs and thereafter carried at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Derivative financial instruments

Derivative instruments are recorded at cost and adjust for their market value as applicable. They are assessed for any equity and debt component which is subsequently accounted for in accordance with IFRS's.

UKOG SOLENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2020

3 Accounting policies (continued)

Impairment of financial assets

At the end of each reporting period, a provision is made if there is sufficient evidence that a financial asset or group of financial assets has been impaired. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Currencies

The company's functional currency and presentational currency is Sterling.

Significant accounting judgements, estimates and assumptions

The preparation of the company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4 Directors' remuneration

The director did not receive any fees or remunerations for services as a director of the company during the financial year (2019: Nil).

The remuneration of the director is paid by the parent company, which makes no recharges to the company. The director acts in a group capacity only and do not allocate specific time to the company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the company.

5 Taxation

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| (a) Analysis of tax charged / (credited) | | |
| Current taxation | | |
| UK corporation tax | - | - |
| Total current income tax | - | - |
| Deferred taxation | | |
| Current year (credit) / charge | - | - |
| Total deferred taxation | - | - |

UKOG SOLENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2020

5 Taxation (cont'd)

(b) Factors affecting current tax charge / (credit)

The tax on loss before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are reconciled below:

| | 2020 | 2019 |
|--|----------|----------|
| | £ | £ |
| Profit / (Loss) before tax | 4 | (100) |
| Corporation tax at standard rate | - | (19) |
| Tax impact of non-deductible expenditure | - | - |
| Tax losses carried forward | - | 19 |
| Total tax charge / (credit) | - | - |

6 Creditors

| | 2020 | 2019 |
|---|----------------|----------------|
| | £ | £ |
| Trade creditors | - | - |
| Amounts payable to ultimate parent | 218,402 | 218,406 |
| Amounts payable to other group undertakings | 76,700 | 76,700 |
| | <u>295,102</u> | <u>295,106</u> |

7 Share Capital

| | 2020 | | 2019 | |
|--|---------------|---------------|---------------|---------------|
| | Number | £ | Number | £ |
| Allotted, called up and fully paid shares | | | | |
| Ordinary shares of £1 each | <u>65,000</u> | <u>65,000</u> | <u>65,000</u> | <u>65,000</u> |

8 Related party transactions

As a wholly owned subsidiary of UK Oil and Gas plc the company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with other wholly owned group companies. There were no other related party transactions.

9 Ultimate parent undertaking

The company's immediate, ultimate and controlling parent undertaking UK Oil and Gas plc, a company incorporated in the United Kingdom.

The smallest and largest group in which the results of the company are consolidated is that headed by UK Oil and Gas plc. These financial statements are available upon request from UK Oil and Gas plc, The Broadgate Tower, 8th Floor, 20 Primrose Street, London, EC2A 2EW.