COMPANY REGISTRATION NUMBER: 08808553

HORSE HILL DEVELOPMENTS LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 30 September 2020

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HORSE HILL DEVELOPMENTS LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
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Directors

Stephen Paul Sanderson
George Frangeskides
Kiran Morzaria

Registered office

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

Registered number

08808553

HORSE HILL DEVELOPMENTS LTD
STRATEGIC REPORT

The directors present the strategic report for the year ended 30 September 2020.

Review of the business

The principal activity of Horse Hill Developments Ltd ("the company") is the investment in and operation of 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 loss for the year after taxation is £17,887,978 (2019: £1,155,205). The directors do not recommend payment of a dividend (2019: £0).

The reporting period has seen an unprecedented level of operational activity at Horse Hill including drilling, continuous test production and several well intervention operations, including during the Covid-19 restrictions. It is testament to the team that these operational activities have been planned and executed successfully on budget and without compromises in terms of health, safety, environmental impact and quality. In addition to these operational activities, key regulatory approvals have been obtained for long term production.

At the beginning of the reporting period, drilling operations for the new Horse Hill-2/2z ("HH-2/2z") Portland well commenced with the British Drilling & Freezing 28 drilling rig spudding HH-2 on 29th September 2019. HH-2/2z, in the field's Portland oil pool, was designed to take Portland core and then be retained as a future horizontal production well. Planning consent for long term oil production over 25 years was granted by Surrey County Council on 27th September 2019.

We continued with a significant amount of activity leading up to Christmas 2019. October 2019 saw simultaneous drilling and test production operations at Horse Hill with continuous Kimmeridge oil production from HH-1 maintained during the HH-2/2z horizontal drilling campaign.

In order to optimise the placement of the HH-2z horizontal section, the near vertical HH-2 borehole successfully acquired 241ft of Portland core and electric logs. Following completion of HH-2 operations the well was successfully sidetracked and a 2,433ft long 6" horizontal section was drilled within the Portland reservoir.

The horizontal drilling of the Portland HH-2z was completed in November 2019, with the length of the horizontal curtailed by the intersection with natural fractures in the reservoir and the onset of drilling mud losses at the toe of the well. All technical well construction, operational and HSEQ objectives of the HH2/2z drilling campaign were successfully achieved.

Clean up and flow testing of HH-2z was conducted from December 2019 through to October 2020. Initial flow tests were encouraging with established rates up to 1087 bpd and oil cuts up to 60%. Unfortunately, as the test progressed the formation water cut significantly increased to over 70% rendering production of the well technically and commercially challenging. A decision was made to undertake a water shut-off at the toe of the horizontal section.

In early March 2020, following the identification of the water ingress source via production logging, a plug was set over a zone of open natural fractures clustered at the deepest part or "toe" of the wellbore. Initial testing of HH-2z demonstrated a continuous flow of dry oil to surface, confirming that the plug had eliminated underlying formation water ingress into HH-2z. Testing continued but over time HH-2z oil production rates continued to be lower than expectations coinciding with rapidly increasing water cuts, thought to be from natural fractures along the wellbore.

UKOG has now determined that the most commercial future usage for HH-2z is to utilise it as a water injector in the field rather than as a producer. This will both remove the need for expensive off-site water disposal via tanker and also help maximise oil reserves recovery by supporting reservoir pressure

Operations continued at Horse Hill under Covid-19 restrictions with essential personnel only. No cases of Covid-19 have been reported within the company's operations.

Also in March 2020, the Oil and Gas Authority ("OGA") approved the revised Horse Hill Field Development Plan and consented to the start of long-term production from the field, a significant milestone for Horse Hill. An addendum to the Field Development Plan for the conversion of HH-2z to a water injector has been submitted. Other regulatory consents for water injection are underway, with permissions currently forecast for some time in Q2 2021, subject to any pandemic related delays.

In July 2020, agreement was reached to purchase key surface facilities deployed at the Horse Hill site from facility owner PW Well Test. This acquisition allowed the rental contract to be terminated and operating costs per barrel to be significantly reduced by up to $4/bbl. Whilst some further facility addition and automation will be required over a period of time for long term production in line with Control Of Major Accident Hazards regulations, the acquisition allows Horse Hill to control this process, own and operate its equipment, manage maintenance and procedures and direct hire field personnel. In addition, the acquisition provides production continuity and negates having to shut down the field for an extended period to design, build and commission new facilities.

A well intervention on the Horse Hill-1 well ("HH-1") was safely completed, optimising oil flow by isolating the Kimmeridge perforations, reperforating the full Portland oil producing section, inserting a new simplified production tubing string and setting the downhole pump at a deeper level to increase pumping efficiency. These improvements set HH-1 up for long term continuous and optimised oil production from the Portland.

A Field Development Plan addendum was submitted to the Oil and Gas Authority (OGA) for the conversion of the HH-2z well into a water injector. Water injection plus further infill development of both Portland (HH-3 well) and Kimmeridge (HH-4 well) offer upside for the Horse Hill field.

The intervention was immediately followed by a series of multi-week production optimisation trials to achieve an optimum balance between oil revenues and water handling and other operational costs. The trials included well cycling (i.e., shutting in the well for a set period each day to reduce water inflow) and pump fill optimisation. Optimised costs and stable water influx levels have now been achieved.

As of 31 May 2021, 146,900 bbl of Brent quality crude had been produced and exported from the Kimmeridge and Portland pools.

Significant efforts are ongoing to manage and reducing operational costs. From January 2020 to January 2021 our total operating costs were reduced by 66%. Brent crude prices have recovered strongly to over $70/bbl.

It is expected that further HH-3 Portland and HH-4 Kimmeridge infill wells will be planned in detail and drilled at Horse Hill.

During the period an energy efficiency study was completed on Horse Hill, which has confirmed energy and operating cost savings over the life of the project by the installation of 250kW of photovoltaic solar panels and 67kWh Li-Ion batteries. Installation of the technology is now being factored into future field development plans.

In May 2021 a study was commenced with Ceraphi Energy Ltd to review the geothermal energy potential of the Horse Hill site and surrounding area. The results of the work are expected during Summer 2021.

Principal risks and uncertainties of the company

The principal risks and uncertainties facing the company 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 company's principal financial instruments are trade receivables, trade payables and cash at bank, and borrowings. The main purpose of these financial instruments is to fund the company's operations.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken. The main risk arising from the company's financial instruments is liquidity risk.

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. The company's objective is to maintain a balance between continuity of funding from shareholders and Joint Operating Agreement partners and flexibility of operations in the use of its cash resources.

Exploration risk is the risk that the company fails to locate and explore hydrocarbon bearing prospects that have the potential to deliver commercially, e.g. key wells are dry or less successful than anticipated. This is managed through the analysis of available technical information to determine work programme. Risk-sharing arrangements are entered into to reduce downside risk.

Permitting risk is the risk that the company encounters issues and delays related to planning, environmental, licensing and other permitting activities which delay investee operations, particularly with exploration drilling operations.

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:

....
Kiran Morzaria

Director

31 August 2021

HORSE HILL DEVELOPMENTS LTD
DIRECTORS REPORT

The directors present their report and the financial statements for the year ended 30 September 2020.

Business review and future developments

A review of the business and future developments are outlined in the Strategic Report.

Principal activity and business review

The principal activity of the Company is exploring for, appraising and developing oil and gas assets.

Results and dividends

The loss for the year after taxation is £17,887,978 (2019 £1,155,205). The directors do not recommend payment of a dividend (2019: £nil).

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.

Principal risks and uncertainties

Information of the principal risks and uncertainties facing the company is included in the Principal Risks and Uncertainties section of the Strategic Report.

Financial risk management objectives and policies

The company's principal financial instruments are trade receivables, trade payables and cash at bank, and borrowings. The main purpose of these financial instruments is to fund the company's operations.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken. The main risk arising from the company's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this risk which are summarised in the strategic report.

Going Concern

The Directors note the substantial losses that the company has made for the year ended 30 September 2020. The Directors have prepared cash flow forecasts for the period ending 30 September 2021, which take account of the current cost and operational structure of the company.

The cost structure of the company 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 company to operate within its available funding. In order to continue the company's work programme, it relies on the funding from its shareholders, including its majority parent company UK Oil and Gas plc ("UKOG") for its working capital. The company has received signed confirmation from UKOG that it intends to provide funding based on the company and its shareholders agreeing on a budget for the coming 12 months from the date of approval of these financial statements.

These forecasts demonstrate that the company has sufficient cash funds available or access to cash funds 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.

Suppliers' payment policy

The company's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. Suppliers are typically paid within 30 days of issue of invoice.

Events after the Reporting Period

There are no events after the Reporting Period.

Employees
Only the directors of the company are direct employees

Directors of the company
The directors who held office during the year were:

George Frangeskides
Stephen Paul Sanderson
Kiran Morzaria

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

Independent Auditor
PKF Littlejohn LLP replaced Chapman Davis LLP as auditors. PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are 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 directors 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 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 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 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.

Statement as to disclosure of information to the auditor

As at the date of this report the serving directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- They have taken all the steps that they ought to have taken as Directors' in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Signed on behalf of the Board by:

....

Kiran Morzaria
Director

31 August 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORSE HILL DEVELOPMENTS LTD

OPINION

We have audited the financial statements of Horse Hill Developments Ltd (the 'Company') for the year ended 30 September 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of the Company's profits for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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. 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. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORSE HILL DEVELOPMENTS LTD

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, 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.

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) or ISA IAASB 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORSE HILL DEVELOPMENTS LTD

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.

Alistair Dominic Roberts (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

31 August 2021

HORSE HILL DEVELOPMENTS LTD
STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 September 2020

	Note	2020	2019
		£	£
Turnover	5	751,534	-
Cost of Sales		(1,905,170)	-
Gross profit / (loss)		(1,153,636)	-
Administrative expenses		(9,551,769)	(241,925)
Operating (loss)	6	(10,705,405)	(241,925)
Interest expense	7	(584,918)	(913,280)
Exploration Write Off		(6,597,655)	-
(Loss) before taxation		(17,887,978)	(1,155,205)
Taxation	9	-	-
(Loss) for the year		(17,887,978)	(1,155,205)
Other comprehensive income		-	-
Total comprehensive (loss)		(17,887,978)	(1,155,205)

The company's results are derived from continuing operations

The notes on page 13 to 23 form part of these financial statements

HORSE HILL DEVELOPMENTS LTD
STATEMENT OF FINANCIAL POSITION
30 September 2020

	Note	30 September 2020	30 September 2019
		£	£
Non-current assets			
Intangible assets	10	1,025,700	16,544,919
Tangible assets	11	5,015,671	11,903
		6,041,371	16,556,012
Current assets			
Trade & other receivables	12	219,141	666,323
Cash and cash equivalents		185,937	667,809
		405,078	1,334,132
Creditors: amounts falling due within one year	13	(3,883,867)	(1,928,214)
Net current assets (liabilities)		(3,478,789)	(594,082)
Total assets less current liabilities		2,562,582	15,961,930
Creditors: amounts falling due after more than one year	14	(19,109,222)	(14,636,896)
Provisions for liabilities	15	(160,645)	(144,341)
Net assets		(16,707,285)	1,180,693
Equity			
Ordinary shares	16	1,000	1,000
Share premium		3,599,400	3,599,400
Retained earnings		(20,307,685)	(2,419,707)
Total Shareholders' funds		(16,707,285)	1,180,693

The notes on pages 13 to 23 form part of these financial statements. These financial statements were approved by the Board on 31 August 2021, and signed on its behalf by:

....
Kiran Morzaria
Director

....
Stephen Sanderson
Director

Registered number: 08808553

HORSE HILL DEVELOPMENTS LTD
STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
At 1 January 2019	1,000	3,599,400	(1,264,502)	2,335,898
Loss for the period	-	-	(1,155,205)	(1,155,205)
Other comprehensive income			-	-
Total comprehensive income	-	-	(1,155,205)	(1,155,205)
At 30 September 2019	1,000	3,599,400	(2,419,707)	1,180,693
At 1 October 2019	1,000	3,599,400	(2,419,707)	1,180,693
Loss for the year	-	-	(17,887,978)	(17,887,978)
Other comprehensive income			-	-
Total comprehensive losses	-	-	(17,887,978)	(17,887,978)
At 30 September 2020	1,000	3,599,400	(20,307,685)	(16,707,285)

The notes on pages 13 to 23 form part of these financial statements

HORSE HILL DEVELOPMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2020

1 General information

Horse Hill Developments Ltd holds 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 Horse Hill Developments Ltd (the "company") for the year ended 30 September 2020 were authorised for issue by the board of directors on 31 August 2021 and the balance sheet was signed on the board's behalf by Kiran Morzaria and Stephen Sanderson.

These financial statements were prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

3 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 periods presented, unless otherwise stated.

Basis of preparation

The financial statements of UK GAAP Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

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 16.

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 following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with 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;

3 Accounting policies *(continued)*

• 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.

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 note the substantial losses that the Company has made for the year ended 30 September 2020. The Directors have prepared cash flow forecasts for the period ending 30 September 2021, which take account of the current cost and operational structure of the Company.

The cost structure of the company 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 company to operate within its available funding. In order to continue the company's work programme, it relies on the funding from its shareholders, including its parent company UK Oil and Gas plc ("UKOG") for its working capital. The company has received signed confirmation from UKOG that it intends to provide funding based on the company and its shareholders agreeing a budget for the coming 12 months from the date of approval of these financial statements.

These forecasts demonstrate that the company has sufficient cash funds available or access to cash funds 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.

Revenue
Revenue comprises the invoiced value of goods and services supplied by the Group, excluding value added tax and trade discounts.

Revenue from the sale of oil and petroleum products is recognised when control passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

3 Accounting policies *(continued)*

Revenue from the production of oil, from fields in which the company has an interest with other producers, is recognised based on the company working interest and the terms of the relevant production sharing contracts. Differences between oil lifted and sold and the company share of production are not significant.

Revenues from the sale of oil produced as a by-product of the evaluation or "testing" phase of a well are offset against the cost of the intangible asset that is being created.

Intangible Exploration & Evaluation assets

The Group accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral resources as follows:

- Pre-licence costs (costs incurred prior to obtaining the legal rights to explore an area) are expensed immediately to the Income Statement
- Exploration licence and leasehold land and property acquisition costs are capitalised in intangible assets.
- Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.
- Costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and consumables, drilling (including coring and sampling), evaluation of technical feasibility and commercial viability (including appraisal drilling and production testing).
  Revenues generated from the sale of hydrocarbons during this phase are offset against the cost of the intangible asset.

Exploration and evaluation assets are assessed for impairment at each reporting date, before reclassification and whenever facts and circumstances suggest that they may be impaired. If no future activity is planned, the licence has been relinquished or has expired, or where development is likely to proceed but there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale, the carrying value of the asset is written off to the Income Statement.

Property, plant and equipment - Oil and gas properties

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of any associated finance lease is also included within property, plant and equipment.

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

3 Accounting policies *(continued)*

The Company's interests in oil and gas properties are assessed for indication for impairment including events or changes in circumstances which indicate that the carrying value of an asset may not be recoverable. Any impairment in value is charged to the Income Statement.

Other property, plant and equipment
Other property, plant and equipment is stated at cost to the Company less accumulated depreciation. These assets are generally depreciated on a straight-line basis over their estimated useful lives, which is between 2 and 10 years depending on the type of asset

Decommissioning

A provision for decommissioning is recognised where a liability for the removal of production facilities or site restoration exists. A corresponding asset is included in the appropriate category of the Group's non-current assets (intangible exploration and evaluation assets and property, plant and equipment) depending on the underlying accounting treatment for the operations or asset leading to the decommissioning provision. The asset is assessed for impairment and depleted as necessary.

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.

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 categorised as loans and receivables. 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 company becomes party to contractual arrangements. Loans and receivables are initially recorded at fair value.

3 Accounting policies *(continued)*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade, 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.

Provision against trade receivables is made when there is objective evidence that the company 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.

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 company 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.

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.

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.

Foreign Currencies
The financial statements are presented in UK pound sterling, the functional currency of the Company. Transactions in other currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

3 Accounting policies *(continued)*

Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to other comprehensive income, otherwise such gains and losses are recognised in the income statement.

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

4 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses during the reporting period, and reported amounts of assets and liabilities, 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. However, actual outcomes can differ from these estimates.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required, and where if actual results were to differ, this could materially affect the financial position for financial results reported in a future period. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

Judgements

(i) Contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Estimates and assumptions

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Hydrocarbon reserve and resource estimates

The Company estimates hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change.

4 Significant accounting judgements, estimates and assumptions *(continued)*
The volume of proved and probable oil and gas reserves is an estimate that affects the unit of production depreciation of producing oil and gas property, plant and equipment as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil and gas properties in business combinations.

Contingent resources affect the valuation of exploration and exploration assets acquired in business combinations and the estimation of the recoverable value of those assets in impairment tests. Proved and probable reserves and contingent resources are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

The current long-term Brent oil price assumption used in the estimation of reserves is US$69/bbl. The carrying amount of oil and gas development and production assets at 30 September 2020 is shown in Note 10.

(ii) Recoverable value of property, plant and equipment
Management reviews the Company's reported property, plant and equipment each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which requires the use of key assumptions and judgements. such as long-term oil prices, foreign exchange rates, discount rates, reserves, production profiles and capital expenditure, all of which are subject to risk and uncertainty.

Details of the Company's property, plant and equipment are disclosed in note 10 to the financial statements.

(iii) Decommissioning costs
The estimated cost of decommissioning at the end of the producing lives of fields is periodically reviewed and is based on forecast prices and technology at the balance sheet date. Provision is made for the estimated cost using a discounted cash flow method and a risk free rate of return.

Details of the Company's decommissioning provisions are disclosed in note 14 to the financial statements

(iv) Deferred tax asset recognition
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Estimates of future taxable profits are based on cash flows expected to be generated from internal estimates of projected production and costs.

Fair value measurement
The company measures financial instruments, such as derivatives, at fair value at each balance sheet date. From time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash-generating unit (CGU) at FVLCD.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

4 Significant accounting judgements, estimates and assumptions *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. From time to time external valuers are used to assess FVLCD of the company's non-financial assets. Involvement of external valuers is decided upon by the valuation committee after discussion with and approval by the company's director. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the company's external valuers, which valuation techniques and inputs to use for each case.

Changes in estimates and assumptions about these inputs could affect the reported fair value.

5 Revenue

The Company derives revenue solely within the United Kingdom from the transfer og goods and services to external customers which is recognised at a point when the performance obligations has been satisfied by the transfer of goods. All the Company's revenue is derived from the sale of crude oil. Revenues for the year were £751,534 (2019: Nil) and were derived from one customer.

6 Operating loss	**2020**	**2019**
	£	**£**
Arrived at after charging / (crediting):		
Licence fee amortisation	22,878	12,791
Foreign exchange (gains) / losses	18,468	16,190
Auditors' remuneration	8,500	9,000
Depreciation	4,093	5,241

7 Interest Expense	**2020**	**2019**
	£	**£**
Interest on loans from shareholders	584,918	913,280

Shareholder loans accrue interest at Bank of England base rate plus 1%, Bank of England base rate plus 10% and at Bank of England base rate.

8 Directors' remuneration	**2020**	**2019**
	£	**£**
Wages & Salaries		
G Roberts	-	10,500
G Frangeskides	12,000	12,000
	12,000	22,500

George Frangeskides provides his services as a Non-Executive Director to the Company through Alba Mineral Resources plc ("Alba"), who are a shareholder of the company and so a related party. George Frangeskides is a director of Alba Mineral Resources plc. Alba have not issued any invoices and so £12,000 (2019: £12,000) was accrued for the period.

There were no employees other than the Directors (2019: Nil).

9 Taxation	**2020**	**2019**
	£	**£**
(a) Analysis of tax charged / (credited)		
Current taxation		
UK corporation tax	-	-
Total current income tax	-	-
Deferred taxation		
Current year (credit) / charge	-	-
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	-	-
Total deferred taxation	-	-

(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**
	£	**£**
(Loss) before tax	(17,887,978)	(1,155,205)
Corporation tax at standard rate	(3,398,716)	(219,489)
Pre-trading expenditure carried forward	3,042,514	42,540
Trading expenditure carried forward	239,686	-
Non-trade loan expenditure carried forward	111,134	173,523
Non-deductible costs	5,382	3,426
Total tax charge / (credit)	-	-

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2020

10 Intangible assets

Cost	Exploration and evaluation assets £	Decommi-ssioning Asset £	£ Total £
At 1 October 2018	13,521,890	148,170	13,670,060
Additions	5,306,988	-	5,306,988
Offset by income from sales of oil from long term testing	(2,410,945)		(2,410,945)
Adjustments due to changes in estimates		(16,951)	(16,951)
Amortisation in the year		(4,233)	(4,233)
At 30 September 2019	16,417,933	126,986	16,544,919
Additions	7,829,708	-	7,829,708
Offset by income from sales of oil from long term testing	(1,751,369)	-	(1,751,369)
Exploration write off & Impairment	(14,443,078)	-	(14,443,078)
Transfer to tangible fixed assets	(7,027,494)	(126,986)	(7,154,480)
At 30 September 2020	1,025,700	-	1,025,700

11 Tangible fixed assets	Oil & Gas properties £	Decommissi -oning asset £	Property Plant & Equipment £	Total £
Cost				
As at 1 October2019	-	-	12,101	12,101
Transfers from intangible assets	7,027,494	126,986	-	7,154,480
Additions	-	-	81,602	81,602
Adjustments due to changes in estimates	(1,507 944)	35,776	-	(1,472,168)
As at 30 September 2020	5,519,550	162,762	93,703	5,576,015
Depreciation & impairment				
As at 1 October 2019	-	-	1,008	1,008
Depreciation charge for the year	735,772	2,116	21,448	759,336
As at 30 September 2020	735,772	2,116	22,456	760,344
Carrying value				
As at 30 September 2019	**-**	**-**	**11,093**	**11,093**
As at 30 September 2020	**4,783,778**	**160,646**	**71,247**	**5,015,671**

12 Trade & other receivables	2020 £	2019 £
Trade debtors	-	289,482
Accrued Income	131,538	134,081
Other debtors and prepayments	87,603	242,670
	219,141	666,323

13 Creditors: amounts falling due within one year	2020	2019
	£	£
Trade creditors	130,030	550,960
Accruals and other payables	411,663	1,341,559
Amounts payable to group companies	3,342,174	35,695
	3,883,867	1,928,214

At the year end, included within "Accruals and other payables" is a total of £57,000 accrued for Directors fees due to Alba Mineral Resources Plc, a related party.

13 Borrowings	2020	2019
	£	£
The company had loan balances outstanding to shareholders (related parties) as detailed below.		
UK Oil & Gas Plc	16,025,078	11,664,123
Doriemus Plc	566,830	546,372
Alba Mineral Resources Plc	2,517,314	2,426,401
	19,109,222	14,636,896

The loans are payable on determination by the Board of HHDL. The loans currently attract an interest rate of 0.1% above Bank of England base Rate.

14 Decommissioning Provision

	2020	2019
	£	£
Brought forward	144,341	(148,170)
Adjustments due to change in estimates	16,304	16,951
Unwind of discount in the year	-	(13,122)
Provision carried forward at 30 September	160,645	144,341

A decommissioning provision, and related decommissioning asset, was recognised for the first time in 2019.

The company makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties.

These provisions have been created based on the company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

15 Share Capital

	2020		2019	
Allotted, called up and fully paid shares	**Number**	**£**	**Number**	**£**
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

16 Ultimate parent undertaking

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

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

17 Commitments & Contingent Liabilities

As at 30 September 2020, the company had the following material commitments;

Ongoing exploration expenditure is required to maintain title to the company's exploration permits. No provision has been made in the financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the company.

There were no contingent liabilities at 30 September 2020.

18 Related parties

Refer to Note 7 and Note 13 which provides detail in respect of the related party transactions in the year.