# Siccar Point Energy Finance Limited

Registered No: 9102885

## Annual Report and Financial Statements

**31 December 2019**

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# Company information

## Directors of the company

Jonathan Leslie Roger

Douglas Weir Fleming

Dr Iain Bartholomew

Christopher Geoffrey Finlayson

Dr Nicholas John Cooper

David Ignatius Foley

Khashayarsha Ali Mohajerani

Mustafa Mohsin Siddiqui (Resigned 12 March 2020)

Graeme David Sword

Adam Maxwell Jenkins (Appointed 12 March 2020)

## Registered Number

9102885

## Secretary

David Alexander Sheach

## Registered Office

1 Park Row
Leeds
LS1 5AB

## Bankers

DNB
70 Queens Road
Aberdeen
AB15 4YE

## Solicitors

Pinsent Masons
13 Queens Road
Aberdeen
AB15 4YD

## Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

# Strategic report

The directors present their strategic report of Siccar Point Energy Finance Limited (the “company”) for the year ended 31 December 2019.

The registered office address of the company is 1 Park Row, Leeds, LS1 5AB.

## Principal activities

The company is part of the Siccar Point Energy Group (the “group”) that was established on 25 June 2014, to build a full cycle, operated North Sea exploration, development and production business. Following the successful completion of two material acquisitions in 2016 and 2017, the group has now established a high-quality portfolio of long life, low unit cost, production, development and exploration assets in the UK Continental Shelf.

The principal activity of the company is financing the group. The company holds an investment in Siccar Point Energy Limited. The company has received loans from Siccar Point Energy Luxemburg S.C.A, by way of the loan notes listed on The International Stock Exchange in 2017. The company has also issued shares to Siccar Point Energy (Holdings) Limited, which has funded the investment.

## Group review of the business

### Operated Assets

### Cambo

The group made excellent progress on its operated Cambo project in 2019. The FPSO concept selection was finalised earlier in the year and in H2 Front End Engineering Design (FEED) was completed on the FPSO and competitive market bids were received for eighteen major vendor packages enabling firm commercial pricing by the main contractor, Sembcorp Marine. FEED on the subsea aspects neared completion with Baker Hughes (supplier of majority of equipment) enabling early receipt of mature commercial pricing on these components also. Market competitive bids were received for the drilling rig and well planning was progressed sufficiently to start procuring long-lead equipment. The Environmental Statement and final working draft of the Field Development Plan were submitted following receipt of concept acceptance by the Oil & Gas Authority.

At the end of 2019 the project was on-track for sanction in 2020. However, as a result of the Covid-19 pandemic on 30 March 2020 the Cambo partners announced that, following discussions with the UK regulator the Oil and Gas Authority the project would not be sanctioned in 2020. This will now be targeted for the second half of 2021, subject to approval of the necessary licence extension, a request for which has been submitted to the Oil and Gas Authority. The group plans to continue to work with existing key supply chain partners over the coming period to ready the project for FID next year.

### Exploration and Appraisal

The group’s three well West of Shetland programme concluded successfully in July 2019 with all three activities under cost and ahead of schedule. The Blackrock discovery is being evaluated with the expectation of a number of follow-up exploration and appraisal wells to be drilled in the next few years.

Good progress has been made on development studies for Suilven and Tornado with first project decision gate on track to be achieved in Q2 2020.

No exploration drilling is planned for 2020 and the group has no exploration drilling commitments. Additional seismic is proposed to be acquired over the Blackrock area as the next stage in delineating this discovery.

# Strategic report (continued)

**Non-Operated Assets**

**Schiehallion**

After an excellent start to the year the field saw lower than expected production in H2 as a function of reduced operating efficiency. This was through a combination of one-off events and ongoing work on sand management within the produced water handling and injection system. Very substantial progress was made on this at the end of Q4 and full two pump water injection was restored in February and improved OE is anticipated in 2020.

On the back of successful infill drilling on the field the operator (BP) has remodeled the field and as a result increased its estimate of oil in place from 1.85bn bbls to 2.25bn bbls.

During 2019 there was a pre-tax impairment of US$99.9 million to property, plant and equipment relating to the Schiehallion field. This was largely driven by a reduction in the group's assumption of future commodity prices.

**Mariner**

First oil was achieved from the Mariner field on 15 August 2019 giving the group a third producing field. Announcing first production the operator Equinor also announced that it had increased its estimate of in place oil to up to three billion barrels, a 50% increase since project sanction. This creates a very substantial reserves upside in the asset. Production ramp up has been slower than budgeted due primarily to slower delivery of early wells (now addressed with substantial improvements in drilling time already evident) and performance of two wells in the north of the Maureen reservoir (the smaller of the two Mariner reservoirs). Work is ongoing with Equinor to understand this area of the Maureen reservoir better and in the meantime wells in other areas of the Maureen reservoir are being prioritized.

**Jade**

A strong year from Jade with production above budget. Planning and procurement on two new production wells, Jade JM and Jade South, is progressing on schedule in anticipation of drilling starting late 2020 or early 2021. These wells are expected to increase production rates substantially when they come onstream in 2021 or 2022.

**Rosebank**

New operator Equinor is currently reviewing development concepts for Rosebank and passed its first Decision Gate milestone in Q1 2020. Development cost estimates have now reduced significantly, as anticipated when Equinor became licence operator in Q1 2019, with further reduction targeted in the next phase of work. The project remains on track for a Final Investment Decision in early 2022.

**Reserves and Resources**

At the end of 2019, the group had 2P reserves of 190mmboe (2018: 156mmboe) and 2C Contingent Resources of 385mmboe (2018: 323mmboe) for combined discovered resources of 575mmboe (2018: 479mboe). These increases have been substantially driven by the final field modelling on Cambo and increased recovery anticipated on Mariner in line with the operator's major uplift in its in place oil estimates.

**Financing**

- On 19 March 2019, the group issued a further US$100 million under its existing five year, senior, unsecured bond with a fixed coupon of 9.0% p.a. The issue was well received and oversubscribed and as a result issued at a 0.75% premium to par value.
- With cash at the end of 2019 of US$276 million and undrawn, available Reserve Based Lending (RBL) at 1 January 2020 of US$182 million, the group is well capitalised for the period ahead with total liquidity at the start of 2020 of US$458 million (cash and undrawn, available RBL).

# Strategic report (continued)

Average daily reported production in 2019 came from the group's interests in the Jade, Schiehallion and Mariner fields. Production for 2019 was 9,931 boepd (2018: 11,152 boepd).
The group loss for the year was US$ 26 million (2018: profit US$104 million).

**Future developments**

2020 will be another very important year for the group with several significant milestones including:

- Mariner field production ramp up with a further eight production wells planned in 2020.
- Schiehallion restoration of full water injection capability (achieved in February).
- Rosebank Decision Gate 1 (JV approved March).
- Sanctioning the Jade JM and South wells.
- Decision Gate 1 for the Suilven and Tornado development.

**Principal risks, uncertainties and mitigation strategies**

The key risks facing the group are:

Hydrocarbon Prices: the group's portfolio is exposed to oil and gas prices. The group is engaged in a programme of hedging its exposure to Brent oil and UK NBP gas prices. The group also engaged in hedging its US LIBOR and US Dollar/ Sterling exposures at this time. Several further tranches of oil and gas hedging were placed over the course of 2019.

Project Schedule and Cost: the group is exposed to risks associated with the project schedules and costs of its major developments.

With a cash balance at 31 December 2019 of US$276 million and a strong hedging book, the group is very well placed for the year ahead.

**Key performance indicators**

During 2019, the group's current KPIs focus was on production and cash.

Average Daily Reported Production: 9,931 boepd (2018: 11,152 boepd)

Cash at 31 December 2019:US$276 million (2018: US$148 million)

There are no company-specific KPIs.

**Health, Safety and Environment**

The group continues to recognise and act on its responsibilities towards Health, Safety and the Environment (HSE) with a key focus on ensuring that joint venture activities are undertaken in a safe and environmentally responsible manner. This is carried out by actively engaging with joint venture partners and carrying out appropriate due diligence activities. In addition, HSE is embedded in all operational readiness assurance planning activities and the group works in conjunction with its contractors to ensure that all HSE risks are identified and managed appropriately. HSE performance of both contractors and joint venture partners is continuously monitored to assure the group that acceptable standards with respect to HSE are maintained at all times.

On behalf of the Board

Douglas Fleming
Director
24th April 2020

# Directors' report

Registered No: 9102885

The directors present their report and the audited financial statements of Siccar Point Energy Finance Limited (the "company") for the year ended 31 December 2019.

### Results and dividends

The company loss for the year amounts to US$65.7 million (2018: loss of US$57.5 million). No dividends have been paid or declared in the period.

### Going concern

The group's business activities, together with the factors likely to affect its future development and position are set out above in the strategic report including the actions taken to mitigate the potential impact of Covid-19.

The company participates in a centralised treasury arrangement and so shares banking arrangements with fellow group companies. The group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. Forecasts are produced regularly along with any related sensitivity analysis to allow proactive management of any business risks including liquidity risk.

Using these forecasts and sensitivities along with additional stress testing and the actions outlined in response to Covid-19, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the group to continue as a going concern or its ability to continue with the current banking arrangements.

Based on their assessment of the group's financial position, the company's directors believe that the group will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Post balance sheet events

Effective 9 January 2020 the Lyon exploration acreage north of the Shetland Islands was relinquished.

In Q1 2020 the Covid-19 pandemic resulted in a sharp fall in global crude prices in addition to significant commodity market volatility relating to the global supply of oil. The group is fully hedged for 2020 with 3.9 million barrels hedged at an average hedge price of $67.31/bbl and 1.7 million barrels for 2021 at average price of $62.89/bbl. This substantially mitigates our exposure in this regard.

As a result of the Covid-19 pandemic on 30 March the Cambo partners announced that, following discussions with the UK regulator the Oil and Gas Authority the project would not be sanctioned in 2020. This will now be targeted for the second half of 2021, subject to approval of the necessary licence extension, a request for which has been submitted to the Oil and Gas Authority. Cambo remains a very strong project with excellent economics and the group plans to continue to work with existing key supply chain partners over the coming period to ready the project for FID next year.

The Covid-19 pandemic has not had any impact on the group's current production operations. As a precaution, on the Mariner platform drilling was temporarily suspended in order to reduce the number of personnel and flights. This in turn reduces the risk of a widespread outbreak offshore interrupting production operations. As at 15th April 2020, Equinor has restarted drilling operations on the Noble Lloyd Noble jack-up rig at Mariner, with the platform rig expected to restart in July 2020.

# Directors' report (continued)

Registered No: 9102885

The group considers the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event as there was no disruption to the market, customers, employees or supply chain prior to the year end. Given the inherent uncertainties, it is not practicable at this time to determine the full impact of Covid-19 on the group or to provide a quantitative estimate of this impact.

**Disclosure information to auditor**

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditors**

Pursuant to Section 489 of the Companies Act 2006, Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Board meeting.

By order of the Board

Douglas Fleming
Director
24th April 2020

# Directors' responsibilities statement

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

Company Law requires the directors to prepare the company financial statements for each financial year. Under that law, they have elected to prepare the company's financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

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 the company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SICCAR POINT ENERGY FINANCE LIMITED**

## Opinion

We have audited the financial statements of Siccar Point Energy Finance Limited (the 'company') for the year ended 31 December 2019 which comprise statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 below. 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 as applied to listed entities, 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.

## Overview of our audit approach

| | |
|---|---|
| Key audit matter | • Management's consideration of the potential impact of Covid-19 on Going Concern and the other disclosures in the financial statements.<br>• Carrying value of investments |
| Materiality | • Overall materiality of $6.8m which represents 1% of total assets. |

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Management's consideration of the potential impact of Covid-19 on Going Concern and the other disclosures in the financial statements.**<br><br>The company has $679m of listed loan notes held by Siccar Point Energy Luxembourg S.C.A. The ability of the company to repay the loan note is dependent upon cash generated by fellow group companies and as such has obtained a letter of support from Siccar Point Energy (Holdings) Limited.<br><br>To conclude on going concern for the company, the directors therefore need to consider the liquidity and solvency of Siccar Point Energy (Holdings) Limited and have considered going concern at the group level.<br><br>The ability of the parent to provide this support is dependent on a number of factors, including the Group's financial performance, the Group's continued access to bank borrowing facilities and the Group's ability to continue to operate within its facility limits and financial covenants.<br><br>They have concluded that the Going Concern assumption remains appropriate as even under their most severe stress test the parent has sufficient funds to provide the financial support as necessary.<br><br>There is a risk that the parent is unable to provide any financial support that is required and the Going Concern assumption is inappropriate. | We have obtained the group cashflow models that support management's assessment that Siccar Point Energy (Holdings) Limited has the ability to provide support. We have also obtained the letter of support.<br><br>We discussed with management the key assumptions applied in their group cashflow model so we could understand and challenge the rationale for the factors incorporated into these financial models and the sensitivities applied as a result of Covid-19.<br><br>We inspected the group cashflow models provided to assess their consistency with our understanding of the operations of the group.<br><br>We also agreed the following key assumptions to underlying supporting information:<br>- oil price<br>- production profiles<br>- operating expenditure<br>- capital expenditure<br>- abandonment expenditure<br><br>We subjected the cashflow models to additional stress testing to consider any severe yet plausible scenarios.<br><br>We considered the appropriateness of the disclosures made by the Group in respect to the potential impact of Covid-19 on the current and future operations of the group as a non-adjusting post balance sheet event. We draw attention to note 12 which describes the impact of this post balance sheet event. | We conclude that the disclosures including the Going Concern basis of preparation (note 2) and post balance sheet event (note 12) appropriately reflect the Board's assessment of the potential effects of Covid-19. |

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SICCAR POINT ENERGY FINANCE LIMITED (CONTINUED)**

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Carrying value of investments (2019 - $678m, 2018 - $678m)**<br><br>Refer to Accounting policies (page 21); and Note 7 of the Financial Statements (page 25)<br><br>The carrying value of investments in subsidiaries are held at historic cost and are subject to impairment assessments under IAS 36. Annually management are required to assess for impairment indicators to determine whether a full impairment test is required to be performed.<br><br>There is a risk that management fail to identify a relevant indicator and therefore do not perform an impairment test. There is also a risk that management use inappropriate assumptions in the full impairment test resulting in an overstatement of investments. | We have obtained an understanding of the process and confirmed the key controls in place to identify impairment triggers and assumptions used if an impairment calculation is required.<br><br>We have audited management's assessment and determined whether they have sufficiently evaluated the existence of impairment indicators.<br><br>We discussed with management the key assumptions applied in their group cashflow model based on the assumptions as at 31 December 2019.<br><br>We inspected the group cashflow models provided to assess their consistency with our understanding of the operations of the group.<br><br>We also agreed the following key assumptions to underlying supporting information:<br>- oil price<br>- production profiles<br>- operating expenditure<br>- capital expenditure<br>- abandonment expenditure<br><br>In addition, we have audited management's assessment of going concern, as described above, which underpins the viability of the group and its subsidiaries, and ultimately the ability of Siccar Point Energy Finance Limited to recover its investment in subsidiary.<br><br>We considered the appropriateness of the related disclosures in the Financial Statements. | We have concluded that the carrying value of investments is materially correct and that management's assumptions in identifying indicators of impairment were appropriate. |

In the prior year, our auditor's report included a key audit matter in relation to carrying value of investments. Due to the potential impact of Covid-19 we have included a key audit matter to consider this.

## An overview of the scope of our audit

**Tailoring the scope**
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be $6.8 million (2018: $5.1 million), which is 1% (2018: 0.75%) of total assets. We believe that total assets provides us a base for materiality which relates to the balances which the stakeholders are most concerned with for Siccar Point Energy Finance Limited.

**Performance materiality**
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely $5m (2018: $4m). We have set performance materiality at this percentage due to our expectations that the audit differences will be below 25% of TE, and we have not assessed the engagement as close monitoring in our client continuance procedures.

**Reporting threshold**
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $350k (2018: $254k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Other information

The other information comprises the information included in the annual report set out on pages 3-7, 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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## 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 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 directors' report.

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

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

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SICCAR POINT ENERGY FINANCE LIMITED (CONTINUED)**

### Responsibilities of directors

As explained more fully in the directors’ responsibilities statement set out on page 8, 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 Financial Reporting Council’s website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

## Use of our report

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

Ernst & Young LLP

Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
24th April 2020

# Statement of comprehensive income

**for the year ended 31 December 2019**

| | *Note* | *2019 US $'000* | *2018 US $'000* |
|---|---|---|---|
| Administrative expenses | | (8) | (42) |
| ***Operating loss*** | 3 | (8) | (42) |
| Finance expense | 4 | (65,667) | (57,436) |
| ***Loss before tax*** | | (65,675) | (57,478) |
| Taxation | 6 | - | - |
| ***Loss for the year*** | | (65,675) | (57,478) |

All the above results are derived from continuing operations.

There is no comprehensive income other than the loss for the year.

Total comprehensive income for the year is attributable to the owners of the company, as there is no non-controlling interest.

# Statement of financial position

**as at 31 December 2019**

Registered No: 9102885

| | *Note* | *2019 US $'000* | *2018 US $'000* |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Investment | 7 | 677,850 | 677,850 |
| ***Current assets*** | | | |
| Cash and cash equivalents | 8 | 14 | 5 |
| ***Total assets*** | | 677,864 | 677,855 |
| ***Current liabilities*** | | | |
| Trade payables and accrued liabilities | | (128) | (86) |
| ***Net current liabilities*** | | (114) | (81) |
| ***Non-current liabilities*** | | | |
| Interest-bearing loans and borrowings | 9 | (866,157) | (800,515) |
| ***Total liabilities*** | | (866,285) | (800,601) |
| ***Net liabilities*** | | (188,421) | (122,746) |
| ***Equity*** | | | |
| Share capital | 10 | 13,385 | 13,385 |
| Retained deficit | | (201,806) | (136,131) |
| ***Total deficit*** | | (188,421) | (122,746) |

The financial statements were approved by the Board of Directors on 24th April 2020 and were signed on its behalf by

Douglas Fleming
Director

# Statement of changes in equity

**for the year ended 31 December 2019**

| | Share capital | Retained deficit | Total deficit |
|---|---|---|---|
| | *US $'000* | *US $'000* | US $'000 |
| At 1 January 2018 | 13,385 | (78,653) | (65,268) |
| Total comprehensive loss for the year | - | (57,478) | (57,478) |
| **At 31 December 2018** | 13,385 | (136,131) | (122,746) |
| At 1 January 2019 | 13,385 | (136,131) | (122,746) |
| Total comprehensive loss for the year | - | (65,675) | (65,675) |
| **At 31 December 2019** | 13,385 | (201,806) | (188,421) |

# Cash flow statement

**for the year ended 31 December 2019**

| | *2019* *US $'000* | *2018* *US $'000* |
|---|---|---|
| ***Net cash generated from operating activities*** | | |
| Loss before tax from continuing operations | (65,675) | (57,478) |
| Adjustments to reconcile loss before tax to net cash flows: | | |
| Finance costs (interest listed loan notes) | 65,642 | 57,416 |
| Unrealised net foreign exchange loss/(gain) | 4 | (4) |
| Working capital adjustments: | | |
| Increase in trade and accrued liabilities | 37 | 65 |
| ***Net cash flows from/(used in) operating activities*** | 8 | (1) |
| Cash and cash equivalents at 1 January 2019 | 5 | 6 |
| Unrealised net foreign exchange differences on cash and cash equivalents | 1 | - |
| Net increase in cash and cash equivalents | 8 | (1) |
| ***Cash and cash equivalents at 31 December 2019*** | 14 | 5 |

# Notes to the financial statements

**at 31 December 2019**

## 1. Corporate information

The financial statements of Siccar Point Energy Finance Limited (the "company") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 24th April 2020. The company is a private limited company by shares, incorporated and domiciled in the UK. The registered office address of the company is 1 Park Row, Leeds, LS1 5AB.

The company is part of a Siccar Point Energy Group (the "group") established in 2014 to build a full cycle, North Sea exploration, development and production business. Information on the group's structure is provided in note 7. Information on other related party relationships of the group is provided in note 11.

## 2. Accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the company for the year ended 31 December 2019 and applied in accordance with the practices of the Companies Act 2006. The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

### Consolidation

The company's financial statements are individual entity financial statements. The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Siccar Point Energy (Holdings) Limited. The results of the company and associated undertakings are included in the consolidated financial statements Siccar Point Energy (Holdings) Limited which are available from Siccar Point Energy (Holdings) Limited, 1 Park Row, Leeds, LS1 5AB.

### Going concern

The group's business activities, together with the factors likely to affect its future development and position are set out above in the strategic report including the actions taken to mitigate the potential impact of Covid-19.

The company has $679m of listed loan notes held by Siccar Point Energy Luxembourg S.C.A. The ability of the company to repay the loan note is dependent upon cash generated by fellow group companies and as such has obtained a letter of support from the Siccar Point Energy (Holdings) Limited.

To conclude on going concern for the company, the directors have considered the liquidity and solvency of Siccar Point Energy (Holdings) Limited and have considered going concern at the group level.

The company participates in a centralised treasury arrangement and so shares banking arrangements with fellow group companies. The group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations.

Forecasts are produced regularly along with any related sensitivity analysis to allow proactive management of any business risks including liquidity risk. Using these forecasts and sensitivities along with additional stress testing including a sustained low oil price and interruption to production, the directors are satisfied that they have a reasonable basis upon which to conclude that the group is able to continue as a going concern.

# Notes to the financial statements (continued)

**at 31 December 2019**

## 2. Accounting policies (continued)

**Going concern (continued)**

The key factors supporting this are:

- The group is fully hedged for 2020 with 3.9 million barrels hedged at an average hedge price of $67.31/bbl and 1.7 million barrels for 2021 at average price of $62.89/bbl. This substantially mitigates our exposure in this regard.
- With cash at the end of 2019 of US$276 million and undrawn, available Reserve Based Lending (RBL) at 1 January 2020 of US$182 million, the group is well capitalised for the period ahead with total liquidity at the start of 2020 of US$458 million (cash and undrawn, available RBL).

Based on their assessment of the group's financial position, the company's directors believe that the company will be able to continue in operational existence for the foreseeable future given the support provided by Siccar Point (Holdings) Limited. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**(a) New standards, amendments and interpretations issued and effective during the financial year beginning 1 January 2019:**

The company, has considered all new and amended IFRSs issued by the International Accounting Standards Board (IASB) as adopted by the EU that are mandatorily effective for the year ending 31 December 2019. Where the changes affect the company, the relevant application and disclosure has been made during the year to 31 December 2019. The new and amended IFRSs during the year are as detailed below:

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRS 16: Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

The application of the above standards and amendments did not have an impact on the company's financial statements.

**(b) Standards issued but not yet effective:**

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the company's accounting period beginning on or after 1 January 2020 or later periods, but the company had not early adopted them:

- References to Conceptual Framework in IFRS Standards (1 January 2020)
- IFRS 7 Financial Instruments: Disclosures. Interest rate benchmark reform (1 January 2020)
- IFRS 9 Financial Instruments. Interest Rate Benchmark Reform
- IAS 1 Presentation of Financial Statements. Definition of material (1 January 2020), References to Conceptual Framework in IFRS Standards and classification of liabilities as current or non-current (1 January 2022)
- IAS 8 Accounting policies, changes in accounting estimates and errors. Definition of material and References to Conceptual Framework in IFRS Standards (1 January 2020)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement. Interest rate benchmark reform (1 January 2020).

It is not anticipated that the application of the above standards and amendments will have any material impact on the company's financial statements.

# Notes to the financial statements (continued)

**at 31 December 2019**

## 2. Accounting policies (continued)

### (c) 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, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Judgements**

In the process of applying the company's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Impairment of non-financial assets – Indicators of impairment

Management applies judgement at each reporting date whether there are any indicators of impairment relating to the company's investment in subsidiary. A broad range of internal and external factors are considered as part of the indicator review process. Key factors that are considered relate to commodity prices, discount rates, cost profiles and commercial reserves.

### (d) Summary of significant accounting policies

**Investments in subsidiaries**

The company's investment in subsidiaries is accounted for under the cost method of accounting. A subsidiary is an entity over which the company has control. Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income from the investment is recognised only to the extent that the investor receives distributions from accumulated profits of the subsidiary arising after the date of the acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognised as a reduction of the cost of investment.

The carrying values of investments in subsidiaries are reviewed for impairment in accordance with IAS 36 Impairment of Assets. If events or changes in circumstances indicate a carrying value may not be recoverable, an investment carrying value is written down immediately to its recoverable amount. A previously recognised impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount. If this is the case, the carrying amount of the investment is increased to its recoverable amount, except insofar as the reversal of an impairment loss shall not exceed the original cost of the investment.

**Functional currency**

The company's investment and a significant proportion of its expenses are denominated in US Dollars, which is the company's functional currency. The company's financial statements are prepared and presented in US Dollars.

**Foreign currencies**

Transactions in other currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Foreign exchange gains and losses are recognised within finance expenses in the statement of comprehensive income.

# Notes to the financial statements (continued)

**at 31 December 2019**

## 2. Accounting policies (continued)

### (d) Summary of significant accounting policies (continued)

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

**Interest bearing loan and borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified between current liabilities and non-current liabilities.

**Current and deferred income tax**

The tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

Current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

# Notes to the financial statements (continued)

**at 31 December 2019**

## 2. Accounting policies (continued)

**(d) Summary of significant accounting policies (continued)**

**Financial risk management**

**Financial risk factors**

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, non-derivative financial instruments and investment of excess liquidity.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the company's liquidity and cash and cash equivalents on the basis of expected cash flow.

**Capital risk management**

In order to maintain or adjust the capital structure, the company may return capital to shareholders or issue new shares.

**Fair value estimation**

The carrying value of trade and other payables are assumed to approximate their fair values because the effect of discounting liabilities is negligible. For the assets carrying amount is a reasonable approximation of the fair value.

## 3. Operating loss

This is stated after charging:

| | *2019* *US $'000* | *2018* *US $'000* |
|---|---|---|
| Auditors' remuneration | 15 | 18 |

## 4. Finance expense

| | *2019* *US $'000* | *2018* *US $'000* |
|---|---|---|
| Interest on listed loan notes (note 11) | 65,642 | 57,416 |
| Other expenses | 21 | 24 |
| Foreign exchange loss/(gain) | 4 | (4) |
| | 65,667 | 57,436 |

# Notes to the financial statements (continued)

**at 31 December 2019**

## 5. Directors' remuneration

The directors are executives of Siccar Point Energy Limited, and Siccar Point Energy (Holdings) Limited. The directors received a total remuneration of $1,614k from Siccar Point Energy Limited, but it is not practicable to allocate this between their services as directors of Siccar Point Energy Limited and their services as directors of fellow subsidiaries.

## 6. Tax

The charge for the year can be reconciled to the loss per the income statement as follows:

| | *2019* *US $'000* | *2018* *US $'000* |
|---|---|---|
| Loss for the year from continuing operations | (65,675) | (57,478) |
| Tax at UK standard rate of tax (2019: 19% / 2018: 19%) | (12,478) | (10,921) |
| Effects of: | | |
| Expenses not deductible | 12,472 | 10,909 |
| Amounts not recognised | 6 | 12 |
| Income tax charge for the year | - | - |

A deferred tax asset amounting to US$1.40 million (2018: US$1.30 million) has not been recognised in respect of tax losses carried forward as there is insufficient evidence that the asset will be recovered.

# Notes to the financial statements (continued)

**at 31 December 2019**

## 7. Investment in subsidiaries

| | *US $'000* |
|---|---|
| **Cost** | |
| At 1 January 2018 | 692,607 |
| **At 31 December 2018** | 692,607 |
| At 1 January 2019 | 692,607 |
| **At 31 December 2019** | 692,607 |
| **Impairment** | |
| At 1 January 2018 | (14,757) |
| **At 31 December 2018** | (14,757) |
| At 1 January 2019 | (14,757) |
| **At 31 December 2019** | (14,757) |
| **Net investment** | |
| At 31 December 2018 | 677,850 |
| At 31 December 2019 | 677,850 |

The company did not acquire additional shares in the year ended 31 December 2019 (2018: nil).

No indicators of impairment were identified as at 31 December 2019 (2018: none). The company's direct & indirect subsidiary undertakings at 31 December 2019 are as follows:

| *Name of undertaking* | *Country of registration* | *Proportion of voting rights and shares held* | *Nature of business* |
|---|---|---|---|
| Siccar Point Energy Limited - direct subsidiary | England | 100% | Holding company |
| Siccar Point Energy U.K. Limited - indirect subsidiary | England | 100% | Oil & Gas Exploration, Development & Production |
| Siccar Point Energy E&P Limited - indirect subsidiary | England | 100% | Oil & Gas Exploration, Development & Production |
| Siccar Point Energy Bonds PLC - indirect subsidiary | England | 100% | Financing vehicle |

The subsidiaries listed above are registered to 1 Park Row, Leeds, LS1 5AB.

# Notes to the financial statements (continued)

**at 31 December 2019**

## 8. Cash and cash equivalents

| | *2019* *US $'000* | *2018* *US $'000* |
|---|---|---|
| Cash at bank | 14 | 5 |

The Directors consider that the carrying amount of cash and cash equivalents approximate their fair value.

## 9. Interest-bearing loans and borrowings:

| | *2019* | *2018* |
|---|---|---|
| Non-current borrowings (note 11): | *US $'000* | *US $'000* |
| Listed loan notes | 679,222 | 679,222 |
| Accrued loan interest | 186,935 | 121,293 |
| | 866,157 | 800,515 |

The listed loan notes are held by Siccar Point Energy Luxembourg S.C.A and have a fixed 8.2% interest rate, the following amounts are issued and listed on The International Stock Exchange:

The listed loan notes are issued by the company ("the Issuer") to Siccar Point Energy Luxembourg S.C.A, and as at 31 December 2019, the principal amount of those notes was US$679.2 million (2018: US$679.2 million) with accumulated interest of US$186.9 million (2018: U$121.3 million).

| Face Value (USD $'000) | Issue and Listed | Maturity date | Carrying value 31 December 2019 (USD $'000) |
|---|---|---|---|
| 4,915 | July 2014 | July 2044 | 7,521 |
| 5,040 | January 2015 | January 2045 | 7,419 |
| 4,254 | November 2015 | November 2045 | 5,901 |
| 4,164 | January 2016 | January 2046 | 5,645 |
| 198,300 | August 2016 | August 2046 | 258,577 |
| 301,700 | January 2017 | August 2046 | 379,022 |
| 160,849 | January 2017 | January 2047 | 202,072 |
| **679,222** | | | **866,157** |

# Notes to the financial statements (continued)

**at 31 December 2019**

## 10. Share capital

The company has two classes of ordinary shares:

| | *2019* | *2018* |
|---|---|---|
| | *US $000* | *US $000* |
| *Authorised* | | |
| 13,385,051 ordinary shares of $1 each | 13,385 | 13,385 |
| 1 ordinary share of £1 each | - | - |
| *Allotted, called up and fully paid* | | |
| 13,385,051 ordinary shares of $1 each | 13,385 | 13,385 |
| 1 ordinary share of £1 each | - | - |
| | 13,385 | 13,385 |

## 11. Related party transactions

Loans from Siccar Point Energy Luxembourg S.C.A to the company as at 31 December 2019 totalled US$866.2 million (2018: US$800.5 million) including accumulated interest of US$186.9 million (2018: US$121.3 million) – see note 9.

The listed loan notes were issued in six tranches over the period 2014 to 2017 (the "Notes") and, together with accrued interest, are due for repayment either 30 years after the date of the relevant Notes or at the option of the Issuer any time after an initial 3 year period has lapsed from the date of issue of the relevant Notes. Interest is calculated at 8.20% per annum and is accrued on a twelve month period in arrears. Interest is accrued on the Notes for each Accrual Period (being the period from the date of issue of the relevant Notes until the 31 December in the next following calendar year and thereafter each calendar year) and may be paid by the Issuer on the last day of each Accrual Period, or at its option, accrued and compounded until the principal is repaid. On the occurrence of an insolvency event, the obligations of the Issuer in respect of the Notes rank behind the obligations of the Company as guarantor of (a) the US$200,000,000 9.00 per cent senior unsecured callable bonds 2018/2023 issued by Siccar Point Energy Bonds plc (ISIN No. 0010815053) and (b) the obligations of certain affiliates of the Issuer under the Amended and Restated US$800,000,000 Borrowing Base Facility Agreement, restated on 11 December 2018.

Interest expense on the above loan recognised in the statement of comprehensive income is US$65.6 million (2018: US$57.4 million) – see note 4.

There have been no other transactions with the Board of Directors, Executive Board, Executive Officers, significant shareholders or other related parties during the period.

Key management personnel are directors of the company and their remuneration was borne by Siccar Point Energy Limited and has not been recharged to the company.

# Notes to the financial statements (continued)

**at 31 December 2019**

## 12. Post Balance Sheet events

The group considers the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event as there was no disruption to the market, customers, employees or supply chain prior to the year end. Given the inherent uncertainties, it is not practicable at this time to determine the full impact of Covid-19 on the group or to provide a quantitative estimate of this impact on the recoverability of the company's investment.

## 13. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Siccar Point Energy (Holdings) Limited, a company incorporated in the United Kingdom.

The company's ultimate parent undertaking is Siccar Point Energy Luxembourg S.C.A. a company registered in Luxembourg.

The consolidated accounts of Siccar Point Energy Luxembourg S.C.A are those of the largest group of which the company is a member and for which group accounts are prepared.

Copies of these accounts can be obtained from Siccar Point Energy (Holdings) Limited, 1 Park Row, Leeds, LS1 5AB.