



Annual Report **2016**

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## OFFICERS AND ADVISORS

<b>Directors</b>	Jonathan Tidswell-Pretorius ( <i>Executive Chairman</i> ) Paul Vonk ( <i>Managing Director</i> ) – appointed 1st December 2015 Chris De Goey ( <i>Non-Executive Director</i> ) – appointed 18th October 2016 Rob Shepherd ( <i>Non-Executive Director</i> ) – appointed 18th October 2016 Cameron Buchanan ( <i>Non-Executive Director</i> ) – appointed 18th October 2016
<b>Secretary</b>	Carlos Dos Santos Fernandes – appointed 25th November 2016
<b>Registered Office</b>	Building 3, 566 Chiswick Park Chiswick High Road London W4 5YA
<b>Nominated Advisor</b>	Beaumont Cornish Limited 2nd Floor Bowman House 29 Wilson Street London EC2M 2SJ
<b>Brokers</b>	Optiva Securities Limited 2 Mill Street London W1S 2AT
<b>Auditor</b>	Crowe Clark Whitehill LLP St. Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Solicitor</b>	Fladgate LLP 16 Great Queen Street London WC2B 5DG
<b>Principal Bankers</b>	Metro Bank Plc One Southampton Row London WC1B 5HA
<b>Registrars</b>	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR

## CHAIRMAN'S STATEMENT

Dear shareholders,

It is with great pleasure to share with you Angus Energy's first annual report as a public company. 2016 has been an important year for Angus Energy with key milestones culminating on 14 November 2016 with the Group's £3.5m raise through the placing of new shares and its admission to AIM under TIDM: ANGS. This capital raise allows the Group to pay its share of the costs of the planned works at the Brockham oil field in which the Group now has a 65 per cent. interest and a new production well at its Lidsey oil field in which the Group has a 50 per cent. interest.

The Group (Angus Energy plc and its subsidiaries) is an independent onshore oil and gas development Group focused on advancing its portfolio of licensed UK assets. We are a team of petroleum industry specialists with a proven track record of operational excellence and fiscal discipline.

The Group's operated production fields provide conventional, low-risk exploration and incremental production opportunities that are cash flow efficient. The conversion to a production well of an existing well at the Brockham oil field and the drilling of a new horizontal well at the Lidsey oil field should provide a stable platform for the Group with strong cash flow generation to fund further growth. The work that has now commenced at Brockham will provide a first step in exploiting the opportunities within its existing licence portfolio. In addition to targeting an increase in production from the Portland production reservoir, the conversion will also assess the hydrocarbon potential in the Kimmeridge layers that were tested successfully in the adjacent Horse Hill Licence in the first quarter of 2016.

In order to position for further growth and delivering shareholder value, the Group implemented significant structural changes during the financial year ended 30 September 2016. It successfully made the transition from a private to a public company with robust internal processes and procedures. We expanded the Board with a second executive Director in November 2015 and at Admission to AIM with three non-executive directors. The improved structure will assist in delivering the Group's strategy of increasing production and recovery from its existing asset portfolio, growing the asset portfolio through select onshore development and appraisal projects and to continually manage costs and risks.

### **Financial and Statutory Information**

Revenue from oil and gas production during the year was down 83.6 per cent. to £0.073m (2015 £0.446m) on production of 2,936 barrels, a decrease of 78 per cent. over 2015. This decrease was the result of the shutting in of both the Lidsey and Brockham oil fields on 31 January 2016 in preparation for the site surface upgrades to be fully compliant with the upcoming license renewals and prepare for the drilling of the new wells.

The Group recorded a profit of £0.119m (2015 a loss of £2.038m), driven primarily by the successful divestment of the Group's remaining interest in Horse Hill Developments Ltd following the successful well test results in early 2016.

Following the admission to AIM and the raise of £3.5m through the issue of new shares the Group has a strong cash position and is fully funded to pay its shares of the coming work program at Brockham and at Lidsey.

### **Outlook**

Following the conversion of the Brockham well and drilling of the Lidsey-2 horizontal producer the Group expects to have a net production by the end of the next financial reporting year of approximately 150bopd, in line with the P50 production guidance as given by Xodus in their CPR.

Our main operational focus during the coming period will be:

- Continue and improve production from the Portland reservoir at Brockham and assessing the hydrocarbon potential of the Kimmeridge layers and Upper Coralian

- Drilling a new horizontal production well at Lidsey

We will continue to manage our cash resources and exposure to risk carefully and will continue the process of increasing production and recovery from its existing asset portfolio. We will also continue to review opportunities that match our strategy and add shareholder value.

Lastly, I would like to thank our shareholders for their support and the continuing efforts of our small, dedicated and professional team.

**Jonathan Tidswell-Pretorius**

*Chairman*

29 December 2016

## STRATEGIC REPORT

I am pleased to update shareholders with a more detailed review of our assets, operations and plans with a focus on strategy, key priorities, risks and potential growth drivers. Our website provides details of all our assets and operations ([www.angusenergy.co.uk](http://www.angusenergy.co.uk))

Following the admission to AIM and the £3.5m raise on 14 November 2016, the Group is in a strong position to fund its share of the costs of the conversion to a production well of an existing well at the Brockham oil field and the drilling of a new horizontal producer at the Lidsey oil field. The primary purpose of this work, at both production fields, is to increase production from the existing production reservoirs. The lower capital and operating costs associated with onshore UK developments means that these development projects remain commercially attractive even under lower commodity price assumptions.

### **Business Review**

The principal activity of the Group during the year continued to be production and development of hydrocarbons in the UK.

### **Review of activities**

The Horse Hill well test in February and March 2016 proved transformational to the Group. As the founder of the Operator of the Horse Hill license, Horse Hill Developments Ltd. (HHDL) we were satisfied with the outcome of the successful well test of Horse Hill-1. The Horse Hill well, drilled on time and on budget by the Group was the first well in history that successfully produced flowing hydrocarbons from the Kimmeridge limestones layers in the Weald basin.

At the time of the well test, the Angus Group had a remaining shareholding of 17 per cent. in HHDL. Even though the well test was a great success, the Board recognized the fact it would take several years and a considerable amount of additional investments before the Horse Hill exploration license would start producing commercial hydrocarbons. As the Group's existing assets were only operationally break-even at the time the Group lacked the funds to maintain a meaningful economic interest in HHDL until commercial production. The Board therefore decided to divest its remaining interest in HHDL and focus on the further development of its Brockham and Lidsey licenses where the Group is the Operator and majority owner.

On 28 October 2014, as part of the 14th Landward Licence Round the Group applied for an approximately 200 km<sup>2</sup> onshore Isle of Wight licence (Angus 5 per cent.), adjacent to the offshore Isle of Wight licence (P1916), proposing a firm exploration well and seismic. In December 2015, OGA offered this onshore Isle of Wight licence (PEDL331) to the Group. On 10 August 2016, the Group sold its 5 per cent. interest in PEDL331 on the Isle of Wight to Doriemus for a consideration of £200,000 satisfied by the issue and allotment of 500,000,000 ordinary shares in the share capital of Doriemus.

### **Strategy**

The Directors' objective is to create long term value for shareholders by building the Group into one of the leading UK onshore oil production companies. The Directors' strategy to deliver that is to focus on three areas:

- Increase production and recovery from its existing asset portfolio.
- Grow the asset portfolio through select onshore development and appraisal projects.
- Actively manage costs and risks through operational and management control of the entire process of exploring, appraising and developing its assets.

The Directors plan to focus operational activity over the next 12 months on its existing properties at Brockham and Lidsey. The work, if successful, will provide a strong financial basis for further growth of the Group, whilst also allowing for the assessment of the hydrocarbon potential of the Kimmeridge Limestones at Brockham which could prove transformational for the Group. As assessed by independent

competent person, Xodus, the Group expects that it can bring gross production at its Lidsey oil field to over 250 bopd and average gross production from the Brockham oil site Portland reservoir close to 140 bopd in its first year of production.

The Directors continue to review a range of such new projects both onshore UK and internationally in economically and politically stable economies, that fit the Group's investment and operating criteria. The current oil price also provides the potential for a listed Group that is an OGA-qualified operator, has an in-house management team with technical knowledge and operational and commercial skills to identify and acquire new projects.

## **Financial Review**

The Group began the period with the following interests: 60 per cent. of Brockham (PL235), 50 per cent. of Lidsey (PL241) and 22 per cent. of HHDL (PL137). Prior to being shut-in in January 2016, the Brockham and Lidseys fields were producing at a net 20bopd to Angus. Following the successful well test results from Horse Hill-1 in early 2016, the Directors decided to sell the Group's remaining 22 per cent in three separate transactions. The first via the sale of a 5 per cent. interest to Alba Mineral Resources Plc. (ALBA) for a total consideration of £777,890 on 18 October 2016. The consideration consisted of a cash payment of £265,000 and 137,729,178 new shares in ALBA and 45,909,726 warrants. The second via the sale of a 5 per cent. interest to Regency Mines Plc. (RGM) for a total consideration of £400,000 on 22 February 2016. The consideration consisted of a cash payment of £223,730 and 54,236,919 new shares in RGM and 17,898,183 options. The third transaction was via the sale of the Group's remaining interest in HHDL (representing 12 per cent.) to UKOG for a total consideration of £1,800,000, being £1,000,000 in cash and 43,886,116 new shares in UKOG. This transaction closed on 15 April 2016 and greatly enhanced the Group's financial position. It allowed the Group to reduce its creditors and other liabilities while moving the preparation forward for the abandonment of the existing open hole side-tracks and conversion to a production well, of the existing non-producing well at Brockham and drilling the new Lidsey horizontal production well, Lidsey-2. The decision to divest its interest in HHDL also allowed the Group to exit a non-operated minority interest and focus its endeavours on the further development of the Portland and Kimmeridge potential on its adjacent, majority owned and operated Brockham oilfield, while simultaneously removing any exposure to current and future cash calls associated with the long term assessment of HH-1 and moving it from exploration to production. The operating costs increased compared to 2015, primarily driven by costs relating to the restructuring of the Group in preparation for the admission to AIM, amounting to £747,000 (2015: £358,000).

In preparation for the surface upgrades at Brockham, the Brockham oil field was shut in on 31 January 2016. This also closed the water injection well requiring the simultaneous shut-in of the Lidsey oil field. The Group held the OCM/TCM and yearly budget meetings for Brockham and Lidsey in May 2016 where the plans to upgrade the sites and execute its proposed drilling plans were unanimously supported by the respective licence partners.

During 2016, the Group sold an option to Alba to acquire a 5 per cent. stake in the Brockham Licence; this option was exercised on 9 August 2016 bringing the Group's effective net interest to 55 per cent. On 10 August 2016, the Group sold its 5 per cent. interest in PEDL331 in the Isle of Wight to Doriemus for a consideration of £200,000 satisfied by the issue and allotment of 500,000,000 ordinary shares in the share capital of Doriemus. As with previous transactions where the Group has received shares as part of a consideration, the Group strategy is to focus on its core assets and hence is not a long term holder of equity investments in other companies and will therefore look to monetize its interest through the sale where possible of such shares.

Following the sale of its remaining 12 per cent. interest in HHDL, cash of £800,000 was received (after deduction of a HHDL cash call) and all the UKOG shares have now been disposed of resulting in £713,462 of additional cash proceeds. In accordance with the policy set out above, the Group has realized further cash from the sales of its investments in Alba and Regency via the sale of its shares in Regency and Alba. As at 30 September 2016 the Group had cash reserves of £0.025m and retained 500,000,000 shares in Doriemus.

## **Principal risks and uncertainties**

### ***Currency risks***

The Group intends to recommence sales of oil; oil is priced in US dollars whilst the bulk of its costs are in GBP and therefore the Group's financial position and performance will be affected by fluctuations in the US dollar, sterling exchange rate along with fluctuations in the oil price. In addition the Group may make investments in currencies other than Sterling and the Group does not currently intend to hedge against exchange rate fluctuations. Accordingly, the value of such investments may be adversely affected by changes in currency exchange rates notwithstanding the performance of the investments themselves, which may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

### ***Market risk***

The demand for, and price of, oil and gas is highly dependent on a variety of factors beyond the Group's control. The continued marketing of the Group's oil will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to roads, train lines and any other relevant options at economic tariff rates over which the Group may have limited or no control. Transport links (including roads and pipelines) may be inadequately maintained and subject to capacity constraints and economic tariff rates may be increased with little or no notice and without taking into account producer concerns. Producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. The marketability and prices of oil that may be discovered or acquired by the Group will be affected by numerous factors beyond its control.

### **Reserve and resource estimates**

No assurance can be given that hydrocarbon reserves and resources reported by the Group in the future are present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. Hydrocarbon reserve and resource estimates may require revisions and/or changes (either up or down) based on actual production experience and in light of the prevailing market price of oil and gas. A decline in the market price for oil and gas could render reserves uneconomic to recover and may ultimately result in a reclassification of reserves as resources. Unless stated otherwise, the hydrocarbon resources data contained in this document are taken from the Competent Person's Report. The reserves and resources data contained in this document have been certified by Xodus unless stated otherwise.

There are uncertainties inherent in estimating the quantity of reserves and resources and in projecting future rates of production, including factors beyond the Group's control. Estimating the amount of hydrocarbon reserves and resources is an interpretive process and, in addition, results of drilling, testing and production subsequent to the date of an estimate may result in material revisions to original estimates.

The hydrocarbon resources data contained in this document and in the Competent Person's Report are estimates only and should not be construed as representing exact quantities. The nature of reserve quantification studies means that there can be no guarantee that estimates of quantities and quality of the resources disclosed will be available for extraction. Therefore, actual production, revenues, cash flows, royalties and development and operating expenditures may vary from these estimates. Such variances may be material. Reserves estimates contained in this document are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Group (which it may not necessarily have produced).

The estimates may prove to be incorrect and potential investors should not place reliance on the forward looking statements contained in this document (including data included in the Competent Person's Report or taken from the Competent Person's Report and whether expressed to have been certified by the Competent Person or otherwise) concerning the Group's reserves and resources or production levels. Hydrocarbon reserves and resources estimates are expressions of judgment based on knowledge, experience and industry practice. They are therefore imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Estimates that were reasonable when made may change significantly when new information from additional analysis and drilling becomes available.



This may result in alterations to development and production plans which may, in turn, adversely affect operations. If the assumptions upon which the estimates of the Group's hydrocarbon resources have been based prove to be incorrect, the Group (or the operator of an asset in which the Group has an interest) may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this document and the Group's business, prospects, financial condition or results of operations could be materially and adversely affected.

### **Environment**

As a responsible OGA approved and EA permitted UK operator, Angus Energy is committed to utilising industry best practices and achieving the highest standards of environmental management and safety. Our operations:

- Continuously assess and monitor environmental impact
- Promote internally and across our industry best practices for environmental management and safety
- Constant attention to maintaining our exemplary track record of safe oil and gas production

There were no reportable health and safety incident during the year.

### **Community**

Angus Energy seeks and maintains positive relationships with its local communities. As such, Angus Energy is dedicated to ensuring:

- Open and honest dialogue
- Engagement with stakeholders at all stages of development
- Proactively address local concerns
- Actively minimise impact on our neighbours
- Adherence to a strict health and safety code of conduct

### **Events after the reporting period**

Following the above significant cash movements since 31 March 2016, the Group had a cash balance of £0.025m as at 30 September 2016 which were complemented by the £3.5m raise at the AIM admission which resulted in unaudited net proceeds to the Group of £3.050m on 14 November 2016.

Since 30 September 2016 we are pleased to have received the required approvals from the UK Government to perform the new work. We have commenced with the abandonment of the required redundant wells in the upper Portland formation before re-entering the original Brockham-X1 well that BP drilled in 1987 down through the Portland, Kimmeridge.

On the 16 December 2016 the Group signed a sale agreement with Terrain Energy Ltd. to acquire a 10 per cent. interest in the Brockham oil field increasing the Group's interest in the License from 55 per cent. to 65 per cent. in exchange for a cash payment of £100,000, relinquishment of Terrain's existing debt to the Group at completion and the carry of Terrain's remaining 10 per cent. interest share of the upcoming well costs at Brockham. The transfer of this interest in the Licence is subject to approval by the licence parties and the OGA, such approval being expected early 2017.

The Group has simultaneously entered into an option with Terrain for £1 to acquire a 10 per cent. interest in the Lidsey oil field which would increase the Group's interest in the Lidsey production license to 60 per cent. in exchange for the carry of Terrain's remaining 10 per cent. interest share of the upcoming Lidsey-2 horizontal well and a cash payment of £20,000 on exercise of the option.

**Outlook**

2016 was an important year for Angus Energy as we re-structured the Group from a private entity to a public company and secured funding to improve production from our existing production fields to provide a strong and stable platform for continued growth.

2017 will be another important year for the Group with a continued focus on delivering safe and successful operations, on time and on budget. The drilling of the Lidsey-2 horizontal well and the further assessment of the hydrocarbon production potential at Brockham will be the key responsibility of management in the coming year while we will continue to assess inorganic growth opportunities that match our investment criteria and help accelerate our Strategy and deliver sustainable shareholder value.

I would like to record my thanks for the continued efforts of the small but professional and committed team at Angus Energy who continue to work hard on behalf of shareholders.

Approved by the Board of Directors and signed on behalf of the Board.

**Paul Vonk**

*Director*

29 December 2016

## CORPORATE GOVERNANCE STATEMENT

The Directors recognise the importance of sound corporate governance. Following Admission, the Group has sought to apply best practice in corporate governance insofar as it is appropriate given the Group's size and stage of development. In doing so, the directors have considered the QCA Guidelines as a model of best practice.

### **The Board and its committees**

During the financial year ended 30 September 2016 the Board of the Group consisted of two Executive Directors, which following Admission has been expanded to include three non-Executive Directors.

From Admission the Group has established an audit committee, a remuneration committee, a nomination committee and an AIM Rules compliance committee with formally delegated duties and responsibilities. The audit committee comprises Rob Shepherd, Paul Vonk and Cameron Buchanan, with Cameron Buchanan as chairman, and the remuneration committee comprises Rob Shepherd, Chris de Goey and Cameron Buchanan, with Rob Shepherd as chairman. The AIM Rules compliance committee comprises Rob Shepherd, Cameron Buchanan and Paul Vonk with Rob Shepherd as chairman. The nominations committee comprises Rob Shepherd, Jonathan Tidswell and Cameron Buchanan with Cameron Buchanan as chairman. The composition of these committees may change over time as the composition of the board changes.

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual and half-year financial statements, other financial information and internal Group reporting. The Audit Committee meets with the external auditors prior to the publication of the annual and half-year financial statements. It also assists by reviewing and monitoring the extent of non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and financial statements and the half-yearly reports remains with the Board.

The Remuneration Committee will determine the scale and structure of the executive directors' and senior employees' remuneration and the terms of their respective service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors of the Group will be set by the Chairman and executive members of the board.

The Nominations Committee will determine the composition of the board of the Group and appointment of senior employees. It will develop succession plans as necessary and report to the Directors.

The AIM Rules Compliance Committee will ensure that procedures, resources and controls are in place to ensure that AIM Rules compliance by the Group is operating effectively at all times and that the executive directors are communicating effectively with the Group's nominated adviser regarding the Group's ongoing compliance with the AIM Rules and in relation to all announcements and notifications and potential transactions.

The Board will keep the Group's compliance with the new Market Abuse Regulation (MAR) regime under review, and will adopt such policies and practices as the Board consider necessary to ensure such compliance from time to time. This includes compliance with requirements regarding directors' dealings.

### **Relations with shareholders**

At Angus Energy, we strive to deliver shareholder value through financial discipline and efficient growth of our asset base. Our capital allocation is driven by rigorous analysis of risk and return scenarios whilst being highly selective on financing. We constantly seek to reduce operational complexity and promote a culture of integrity and safety.

Angus Energy welcomes any enquiries from individual shareholders in relation to their shareholding and the business as a whole.

## BOARD OF DIRECTORS'

### **Jonathan Tidswell-Pretorius**

*Executive Chairman*

Founder of Angus Energy. An experienced drilling and production engineer who built Angus Energy into a qualified and recognised UK operator by the DECC/OGA and EA. He drilled various wells onshore UK, on time and on budget, including the Horse Hill-1 well next to Gatwick.

### **Paul Vonk**

*Managing Director*

Experienced Oil & Gas professional with strong financial skills, sector knowledge and relevant transaction track record. Before joining Angus Paul was an Oil & Gas Investment Banker at Nomura and RBS and also worked directly with junior E&P companies on farm-out transactions.

### **Chris de Goey**

*Non-Executive Director*

Experienced energy professional with broad commercial background. Advised decision makers in IOCs, smaller operators, financial institutions and utilities on strategy, valuations, risk and operational matters. Headed up the Advisory business at Xodus, before that the Asset Evaluation group at Senergy.

### **Cameron Buchanan**

*Non-Executive Director*

Cameron Buchanan is a former Scottish politician who served as a Scottish Conservative Party Member of the Scottish Parliament for the Lothian region from 2013 to 2016. After a career in the Scottish textile industry he also served as vice-chairman of the Scottish Conservatives. Buchanan was educated at St Edward's School & Sorbonne University.

### **Rob Shepherd**

*Non-Executive Director*

Rob Shepherd is a qualified Mechanical Engineer by background who started his career at Shell before taking a number of financial positions in the oil and gas industry. He is currently a non-executive director and consultant to various private companies in the oil & gas sector and a non-executive director at AIM listed President Energy plc.

## DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of Angus Energy plc for the year ended 30 September 2016.

### Results and Dividends

The Group recorded a profit after tax of £0.119 million for the year (2015: loss of £2.038 million). The Directors do not currently recommend the payment of a dividend.

### Business review and future developments

A summary of the Group's main business developments for the year ended 30 September 2016 and potential future developments is contained within the Chairman's Statement and Strategic Report.

### Research and development

There is no research and development activity during the year under review.

### Share Capital

At the date of this report 214,980,287 ordinary shares are issued and fully paid. Details of movements in share capital during the year and at Admission are given in note 19 to the financial statements.

### Substantial Shareholders

As of the date of this report the Group had been notified of the following interests of 3 per cent. or more in the Group's ordinary share capital:

	<i>Percentage of shareholding</i>
Knowe Properties Limited	21.16%
Jonathan Tidswell-Pretorius*	18.37%
JDA Consulting Limited	13.95%
Paul Vonk*	6.98%

\* Both the Executive Directors Jonathan Tidswell-Pretorius and Paul Vonk hold 3 per cent. or more in the Group's share capital. The Non-Executive Directors do not hold any equity in the company.

### Share options

Subsequent to the year end, the Company has granted the following share options.

	<i>Number of options</i>	<i>Percentage of total options available</i>
Jonathan Tidswell-Pretorius	4,299,606	20%
Paul Vonk	4,299,606	20%
Carlos Fernandes	4,299,606	20%
Other staff (excluding consultants and non-executive directors)	1,289,883	6%
Chris De Goey	1,074,901	5%
Cameron Buchanan	1,074,901	5%
Rob Shepherd	1,074,901	5%
Consultants and other service providers	4,084,625	19%
	<u>21,498,029</u>	

## **Directors**

The Directors of the Group at the date of this report, and their biographical summaries, are given on page 14. Jonathan Tidswell-Pretorius served throughout the year, Paul Vonk joined as an Executive Director in December 2015 while the three non-Executive Directors, Rob Shepherd, Cameron Buchanan and Chris de Goey all joined after the reporting period at Admission to AIM on 18th of October 2016.

The Directors' remuneration is detailed in note 11 to the financial statements. All Directors benefit from the provision of Directors' and Officers' indemnity insurance policies. Premiums payable to third parties were £16,000.

## **Financial Instruments**

The financial risk management objectives and policies of the Group in relation to the use of financial instruments and the exposure of the Group and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 26 to the financial statements.

## **Employees**

The Group had 5 employees as at 30 September 2016 (2015: 5). Employees are encouraged to directly participate in the business through a share option scheme. As at 30 Sept 2016 there was no option scheme in place. Going Concern Note 3.3 to the financial statements refers to the assumptions made by the Directors when concluding that it remains appropriate to prepare the financial statements on the going concern basis.

## **Events after the reporting period**

Events after the reporting period have been disclosed in note 30 to the financial statements.

## **Disclosure of Information to the Auditor**

In the case of each person who was a Director at the time this report was approved:

- so far as the Director was aware there was no relevant audit information of which the Company's auditor was unaware; and
- the Director has taken all 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 was aware of that information.

## **Auditor**

A resolution to reappoint the auditor, Crowe Clark Whitehill LLP, will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

## **Paul Vonk**

*Director*

29 December 2016

## STATEMENTS OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected under the company law to prepare the Company statements in accordance with UK accounting standards.

The financial statements are required by law and applicable accounting standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Angus Energy PLC website [www.angusenergy.co.uk](http://www.angusenergy.co.uk).

Legislation in the United Kingdom governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGUS ENERGY PLC**

We have audited the financial statements of Angus Energy PLC for the year ended 30 September 2016 which comprise the Consolidated Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statement of Changes in Equity and the related notes to the consolidated financial statements numbered 1 to 30 and numbered 1 to 10 for the Parent Company.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Chairman's Statement, Strategic Report, Corporate Governance Statement, Directors' Report and any surround information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and



- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

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

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

### **Leo Malkin**

*Senior Statutory Auditor*

For and on behalf of

**Crowe Clark Whitehill LLP**

*Statutory Auditor*

St Bride's House

10 Salisbury Square

London EC4Y 8EH

29 December 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS AT 30 SEPTEMBER 2016

	<i>Note</i>	<i>2016</i> £'000	<i>Proforma</i> <i>2015</i> £'000
<b>Revenue</b>	5	73	446
Cost of sales		(90)	(254)
<b>Gross (loss)/profit</b>		(17)	192
Other income	7	175	112
Listing and reorganisation costs		(747)	(358)
Administrative expenses		(1,349)	(991)
<b>Operating loss</b>	6	(1,938)	(1,045)
Finance income	8	14	27
Finance cost	9	(11)	—
Gain on disposal of oil production assets	10	165	141
Loss on disposal of AFS financial investments	15	(115)	—
Write off amount due from directors	17	(70)	(631)
Write off amount due from HHDL	17	(200)	(970)
Gain on disposal of other investments	24	195	—
Gain on disposal of investment in HHDL	24	2,069	431
<b>Profit/(loss) before taxation</b>		109	(2,047)
Taxation	12	10	9
<b>Profit/(loss) for the year</b>		119	(2,038)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
<b>Other comprehensive income</b>			
AFS financial investment – change in fair value	15	(98)	—
Less: amount reclassified to profit or loss	15	115	—
<b>Total comprehensive profit/(loss) for the year</b>		136	(2,038)
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the parent		152	(1,993)
Non-controlling interest		(33)	(45)
		119	(2,038)
<b>Total comprehensive profit/(loss) attributable to:</b>			
Owners of the company		169	(1,993)
Non-controlling interest		(33)	(45)
		136	(2,038)
<b>Earnings per share (EPS) attributable to owners of the parent: 21</b>			
Basic EPS (in pence)		0.10	(1.33)
Diluted EPS (in pence)		0.10	(1.33)

The note on page 22 to 43 form part of these of financial statements

All amounts are derived from continuing operations.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	<i>Note</i>	<i>2016</i> £'000	<i>Proforma</i> <i>2015</i> £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	8	12
Oil production assets	14	553	542
<b>Total non-current assets</b>		561	554
<b>Current assets</b>			
Trade and other receivables	17	630	341
AFS financial investments	15	241	—
Cash and cash equivalents	18	25	13
		896	354
Asset held for sale	24	—	792
<b>Total current assets</b>		896	1,146
<b>TOTAL ASSETS</b>		1,457	1,700
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent:</b>			
Share capital	19	300	—
Share premium	19	45	—
Merger reserve	20	(200)	—
Other reserve	20	17	—
Accumulated profits		(10)	25
Total shareholders' equity		152	25
<b>Non-controlling interest</b>	22	—	(140)
<b>TOTAL EQUITY</b>		152	(115)
<b>Current liabilities</b>			
Trade and other payables	23	805	1,315
<b>Total current liabilities</b>		805	1,315
<b>Non-current Liabilities</b>			
Provisions	25	500	500
<b>Total non-current liabilities</b>		500	500
<b>TOTAL LIABILITIES</b>		1,305	1,815
<b>TOTAL EQUITY AND LIABILITIES</b>		1,457	1,700

The note on page 22 to 43 form part of these of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 29 December 2016 and were signed on its behalf by:

**Paul Vonk**  
*Director*

Company number: 09616076

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 SEPTEMBER 2016

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Merger reserve £'000</i>	<i>Other reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Non- controlling interests £'000</i>	<i>Total equity £'000</i>
<b>Proforma balance at 1 October 2014</b>	—	—	—	—	2,018	(95)	1,923
Loss for the year	—	—	—	—	(1,993)	(45)	(2,038)
<b>Total comprehensive income for the year</b>	—	—	—	—	(1,993)	(45)	(2,038)
<b>Transaction with owners</b>							
Shares issued on incorporation	—	—	—	—	—	—	—
<b>Balance at 30 September 2015</b>	—	—	—	—	25	(140)	(115)
Profit/(loss) for the year	—	—	—	—	152	(33)	119
AFS financial investment – change in fair value	—	—	—	(98)	—	—	(98)
Less: amount reclassified to profit or loss	—	—	—	115	—	—	115
<b>Total comprehensive income for the year</b>	—	—	—	17	152	(33)	136
<b>Transaction with owners</b>							
Issue of shares on group reconstruction	300	45	(200)	—	—	—	145
Acquisition of non-controlling interest without a change in control	—	—	—	—	(187)	173	(14)
<b>Balance at 30 September 2016</b>	300	45	(200)	17	(10)	—	152

The note on page 22 to 43 form part of these of financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

	2016 £'000	<i>(Proforma)</i> 2015 £'000
<b>Cash flow from operating activities</b>		
Profit/(loss) for the period before taxation	109	(2,047)
<b>Adjustment for:</b>		
Loss on disposal of AFS financial assets	115	—
Loss on disposal of equipment	—	3
Gain on disposal of oil production assets	(165)	(141)
Gain on disposal of HHDL interest	(2,069)	(432)
Gain on disposal of IOW interest	(195)	—
Write off of amount due from director	70	631
Write off of amount due from HHDL	200	970
Interest receivables	(14)	(27)
Interest payable	11	—
Depreciation of owned assets	7	9
	(1,931)	(1,034)
<b>Cash used in operating activities before changes in working capital</b>		
Change in trade and other receivables	(158)	20
Change in other payables and accruals	(533)	582
	(2,622)	(432)
Cash used in operating activities	(2,622)	(432)
Income tax paid	(95)	—
	(2,717)	(432)
<b>Net cash flow used in operations</b>		
<b>Cash flow from investing activities</b>		
Proceeds from disposal of production assets	10	187
Proceeds from disposal of HHDL interest	24	1,489
Proceeds from disposal of AFS financial investments		1,350
Loan (advance)/repaid to director	27	(56)
Loan advance to HHDL	17	(200)
Acquisition of IOW interest	24	(5)
Acquisition of oil production assets	14	(36)
	2,729	403
<b>Net cash flow from investing activities</b>		
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	12	(29)
Cash and equivalent at beginning of period	13	42
	25	13
<b>Cash and equivalent at end of period</b>	25	13

The note on page 22 to 43 form part of these of financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

Angus Energy Plc (the “Company”) is incorporated and domiciled in the United Kingdom. The address of the registered office is Building 3 Chiswick Park, 566 Chiswick High Road, London, W4 5YA.

The principal activity of the Company is that of investment holding. The principal activity of the Group is that of an oil extraction for distribution to third parties. The principal activities of the various operating subsidiaries are disclosed in note 16.

On 14 October 2015, the Company entered into agreements with all of the shareholders of the Angus Energy Holdings UK Limited (“AEHL”) for a share for share exchange regarding the ordinary shares in Angus Energy Plc and ordinary shares in the AEHL. As a result of this transaction, the ultimate shareholders in the Company received shares in Angus Energy Plc in direct proportion to their original shareholdings in the AEHL.

The Group entered into farm out arrangements with a third party to divest part of the Group’s interest in the oil production assets at Brockham. Further details in relation to these arrangements are disclosed in note 14.

### 2. Presentation of financial statements

The financial statements have been presented in Pounds Sterling (£) as this is the currency of the primary economic environment that the group operates in. The amount are rounded to the nearest thousand (£’000), unless otherwise stated.

### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### 3.1 *Basis of preparation*

These financial statements have been prepared in accordance with International financial Reporting standards (IFRSs) as adopted by the European Union and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for certain assets which are stated at their fair value.

#### 3.2 *New standards, amendments to and interpretations to published standards not yet effect*

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the treatment of an operating leases and its presentation. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 as their detailed review of these standards is still ongoing.

#### 3.3 *Going concern*

The consolidated financial statements have been prepared on a going concern basis.

In considering the appropriateness of this basis of preparation, the Directors have reviewed the Group’s working capital forecasts for a minimum of 12 months from the date of the approval of this financial statements. As at 01 December 2016, the Group had £2.8m of available cash. Based on the current management plan, management believes that these funds are sufficient for the expenditure to date as well as the planned forecast expenditure for the forthcoming twelve months. As a result of that review the Directors consider that it is appropriate to adopt the going concern basis of preparation.

### 3.4 *Basis of consolidation*

The consolidated financial statements comprise the financial information of the Company and its subsidiaries (the “Group”) made up to the end of the reporting period. Control is achieved when the Group 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.

The consolidated financial statements present the results of the Company and its subsidiaries and joint arrangements as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full. The financial information of subsidiaries is included in the Group’s financial statements from the date that control commences until the date that control ceases.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI). When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

As described in note 1, the Company entered into agreements with all of the holders of ordinary shares in AHL at such time, for a share for share exchange regarding the ordinary shares in Angus Energy Holdings UK Limited and Ordinary Shares in the Company. Under the terms of the agreement, the sellers sold in AHL the ordinary shares with full title guarantee and limited warranties in consideration for an equal percentage of the shareholding at such time in the Company

The Directors considered IFRS 3 “Business Combinations” (Revised 2008) as the appropriate accounting treatment. However, they concluded that the Group fell outside of the scope of IFRS 3 (revised 2008) since the Group represents a combination of entities under common control.

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, in developing an appropriate accounting policy, the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles generally accepted in the United Kingdom (“UK GAAP”) for guidance (FRS 102) which does not conflict with IFRS and reflects the economic substance of the transaction.

Under UK GAAP, the assets and liabilities of both entities are recorded at book value, not fair value. Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer in accordance within applicable IFRS. No goodwill is recognised, any expenses of the combination are written off immediately to the income statement and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting period presented.

Therefore, although the Group reconstruction completed in October 2015, the consolidated financial statements are presented as if the Group structure has always been in place, including the activity from incorporation of the Group’s principal subsidiaries. All entities had the same management as well as controlling shareholders. Accordingly, the comparative amounts for the year ended 30 September 2015 are presented on a proforma basis.

On this basis, the Directors have decided that it is appropriate to reflect the combination using merger accounting principles as a group reconstruction under FRS 102 in order to give a true and fair view. No fair value adjustments have been made as a result of the combination.

### 3.5 ***Property, plant and equipment***

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	–	25% straight line
Plant and machinery	–	20% straight line
Motor vehicles	–	20% straight line

### 3.6 ***Oil and natural gas exploration, evaluation and development expenditure***

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

#### (a) *Licence and property acquisition costs*

Licence and property leasehold acquisition costs are capitalised within intangible fixed assets and amortised on a straight-line basis over the estimated period of exploration. Upon determination of economically recoverable reserves amortisation ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting determination within intangible fixed assets. When development is sanctioned, the relevant expenditure is transferred to tangible production assets.

#### (b) *Exploration expenditure*

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found, and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to regular technical, commercial management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proven and probable reserves of oil and gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets.

#### (c) *Development expenditure*

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within tangible production assets.

#### (d) *Maintenance expenditure*

Expenditure on major maintenance, refits or repairs is capitalised where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.

### 3.7 ***Financial instruments***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (a) *Financial assets*

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.



#### Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant stock exchange's quoted market bid prices at the close of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

#### (b) *Financial liabilities and equity instruments*

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

##### Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

##### Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

### 3.8 ***Impairment of assets***

#### (a) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

#### (b) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a *pro rata* basis.

### 3.9 ***Oil and gas production assets***

Oil and gas production assets are depreciated using a unit of production method. The cost of producing wells is amortised over total proved and undeveloped oil and gas reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

In accounting for a farm-out arrangement outside the exploration and evaluation phase, the Group:

- Derecognises the proportion of the asset that it has sold to the farmee
- Recognises the consideration received or receivable from the farmee, which represents the cash received and/or the farmee’s obligation to fund the capital expenditure in relation to the interest retained by the farmor
- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is recognised only when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets
- Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue. Any part of the consideration that is receivable in the form of cash is treated as a financial asset and is accounted for at amortised cost.

### 3.10 ***Income tax***

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported comprehensive 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 not taxable or tax deductible. The Group’s liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Group and its subsidiaries operate by the end of the financial period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 3.11 *Contingent liabilities and contingent assets*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### 3.12 *Operating lease agreements*

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### 3.13 *Foreign currencies*

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

### 3.14 *Decommissioning*

Provision for decommissioning is recognised in full on the installation of oil and gas production facilities. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected in an adjustment to the provision and fixed asset.

### 3.15 *Revenue*

Revenue comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue from the sale of oil and petroleum products is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the

customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue from provision of consultancy services is recognised as services are rendered generally based on the negotiated hourly rate in the consulting arrangement and the number of hours worked during the period.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

### 3.16 *Asset held for sale*

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification held-for-sale and subsequent gains and losses on re-measurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and machinery are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

Additional disclosures are provided in note 24. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

## 4. **Critical accounting estimates and sources of estimation uncertainty**

In applying the accounting policies, the directors may at times require to make critical accounting judgements and estimates about the carrying amount of assets and liabilities. These estimates and assumptions, when made, are based on historical experience and other factors that the directors consider are relevant.

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

### ***Key accounting judgements***

#### (a) *Farm-out arrangements*

Farm out arrangements result in the recognition by the farmee of exploration and evaluation ("E&E") activities and a disposal of E&E asset by the farmor. If there are proven reserves associated with the property, the farm-in should be accounted for in accordance with the principles of IAS 16. The Group viewed the farm out arrangement of its oil proven reserves as an economic event, as the farmor has relinquished its interest in part of the asset in return for the farmee delivering a developed asset in the future. There is sufficient information for there to be a reliable estimate of fair value of both the asset surrendered and the commitment given to pay cash in the future.

The farmor should de-recognise the carrying value of the asset attributable to the proportion given up for any consideration received as part of the transaction, a gain or loss is recognised in the income statement.

Further details in relation to the farm-out arrangements are disclosed in note 14.

### ***Key accounting estimates***

#### (b) *Units of production (UOP) depreciation of oil and gas assets*

Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change. Changes to proved reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

(c) *Decommissioning costs*

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure may also change — for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

External valuers may be used to assist with the assessment of future decommissioning costs. The involvement of external valuers is determined on a case by case basis, taking into account factors such as the expected gross cost or timing of abandonment, and is approved by the directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

(d) *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.

## 5. Revenue and segment information

Currently, the Group's principal revenue is derived from the sale of oil. All revenue arose from continuing operations within the United Kingdom. Therefore management considers no detail of operating and geographical segments information is to be reported. Nonetheless, the Group's revenue can be classified into the following streams:

	<i>2016</i> £'000	<i>2015</i> £'000
Sale of oil	73	446

All the non-current assets of the Group are located in the United Kingdom.

All revenue arising from sale of oil is derived from a single customer.

## 6. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	<i>2016</i> £'000	<i>2015</i> £'000
Depreciation of owned assets	7	9
(Gain)/loss on disposal of equipment	—	3
Net loss/(gain) on foreign currency translation	(1)	9
Operating lease payments	94	91
Employee benefit expense	438	214
Auditor's remuneration		
Fees payable to company's auditor in respect to the audit of the Parent Company and consolidated financial statements	30	32
Non audit fees payable to company's auditor relating to the transaction services	76	100
	<u>106</u>	<u>132</u>

## 7. Other income

	<i>2016</i> £'000	<i>2015</i> £'000
Management income	—	10
Non-refundable deposit	75	100
Other income	100	2
	<u>175</u>	<u>112</u>

Non-refundable deposit arising from the unsuccessful attempt to complete certain assets disposal program during the reporting period.

## 8. Finance income

	<i>2016</i> £'000	<i>2015</i> £'000
Interest received on directors' loan	14	27

## 9. Finance cost

	<i>2016</i> £'000	<i>2015</i> £'000
Other interest payable	11	—

## 10. Gain on disposal of oil production assets

The gain or loss on disposal of oil production assets can be analysed at the respective farm out agreement as follow:

	<i>2016</i> £'000	<i>2015</i> £'000
Consideration	187	191
Allocated cost on farm out	(22)	(50)
Gain on disposal	<u>165</u>	<u>141</u>

All consideration received was satisfied in cash.

## 11. Employee benefit expense

	2016 £'000	2015 £'000
Wages and salaries	408	191
Social security costs	30	23
	<u>438</u>	<u>214</u>

The directors received salary from the group totalling £235,286 (2015: £75,000). No other emoluments received by the directors. Details of each director's emoluments are disclosed below

	2016 £'000	2015 £'000
Jonathan Tidswell-Pretorius	88	75
Paul Vonk	147	—
	<u>235</u>	<u>75</u>

	2016 Number	2015 Number
The average number of employees during the year was:		
Director	2	1
Management	3	4
	<u>3</u>	<u>4</u>

Key management are considered to be the directors.

## 12. Taxation on ordinary activities

### *Recognised in the income statement*

	2016 £'000	2015 £'000
UK Corporation tax		
– Current year	—	—
– Adjustment in respect of previous year	10	9
Deferred tax	—	—
	<u>10</u>	<u>9</u>

### *Reconciliation of effective tax rate*

	2016 £'000	2015 £'000
Profit/(loss) before tax	241	(2,047)
Tax at the UK Corporation tax rate of 20% (2015: 20%)	48	(409)
Expenses not deductible for tax purposes	80	374
Income not taxable for corporation tax	(453)	(86)
Unrelieved tax losses	343	136
Unrecognised deferred tax	—	—
Others	(8)	(6)
	<u>10</u>	<u>9</u>

## Deferred tax

	2016 £'000	2015 £'000
<b>Deferred tax liability</b>		
Accelerated capital allowance	—	—

The Group has incurred indefinitely available tax losses of £8,899,000 (2015: £7,174,000) to carry forward against future taxable income of the subsidiaries in which the losses arose and they cannot be used to offset taxable profits elsewhere in the Group.

No deferred tax asset was recognised in respect to these accumulated tax losses and the decommissioning provisions as there is insufficient evidence that the amount will be recovered in future years.

## 13. Property, plant and equipment

	<i>Plant and machinery</i> £'000	<i>Motor vehicles</i> £'000	<i>Fixtures and fittings</i> £'000	<i>Total</i> £'000
<b>Cost or valuation</b>				
At 1 October 2014	5	27	8	40
Disposal	—	(4)	—	(4)
At 30 September 2015	5	23	8	36
At 30 September 2016	5	23	8	36
<b>Depreciation and impairment</b>				
At 1 October 2014	5	7	7	19
Charge for the year	—	5	1	6
Depreciation on disposal	—	(1)	—	(1)
At 30 September 2015	5	11	8	24
Charge for the year	—	4	—	4
At 30 September 2016	5	15	8	28
<b>Net book value</b>				
At 30 September 2015	—	12	—	12
At 30 September 2016	—	8	—	8

Depreciation of property, plant and equipment is included in administrative expenses in the consolidated statement of comprehensive income



## 14. Oil production assets

	<i>Total</i> £'000
<b>Cost or valuation</b>	
At 1 October 2014	591
Additions	8
Disposal	(50)
At 30 September 2015	549
Additions	36
Disposals	(22)
At 30 September 2016	563
<b>Depreciation and impairment</b>	
At 1 October 2014	4
Charge for the year	3
Depreciation on disposal	—
At 30 September 2015	7
Charge for the year	3
Depreciation on disposal	—
At 30 September 2016	10
<b>Net book value</b>	
At 30 September 2015	542
At 30 September 2016	553

Depreciation of oil production assets is included in cost of sales in the consolidated statement of comprehensive income.

### ***Farm-out arrangement***

During 2015, the Group farmed out to Terrain Energy Limited a total of 20 per cent. of its interest in the Lidsey field for a consideration of £191,315. The farmee will be contributing on the same *pro rata* of operating costs and capital expenditure going forward.

During 2016, the Group sold an option to Alba Mineral resources plc, to acquire a 5 per cent. stake in the Brockham field, this option was exercised on 9 August 2016. The total consideration payable is 10 per cent. of the total costs of the upcoming well conversion work at Brockham capped to a maximum of £187,500 and then 5 per cent. of any additional costs. The fair value of the current consideration outstanding of £130,900 is included within trade and other receivables.

As at 30 September 2016, the Group retained a 50 per cent. interest in Lidsey field and 55 per cent. in Brockham field, and is still the operator of both fields.

In assessing whether an impairment is required, the carrying value of the asset or cash generating unit (“CGU”) is compared with its recoverable amount. The recoverable amount is the higher of the asset’s/CGU’s fair value less costs to sell and value in use. Given the nature of the Group’s activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. The directors consider the recent fair value considerations made in farm-out agreements for impairment assessment. Consequently, the directors are satisfied that carrying value of these oil production assets are below the fair value less costs to sell hence no impairment is required.

## 15. Available for sale financial investments

	2016 £'000	2015 £'000
At 1 October	—	—
Addition	1,689	—
Gain arising in the year	17	—
Disposal	(1,465)	—
At 30 September	<u>241</u>	<u>—</u>

In 2016, as disclosed in note 24, the Group disposed of the 22 per cent. interest held in Horse Hill Developments Limited (HHDL) in exchange the Group received 137,729,178 ordinary shares and 45,909,726 warrants issued by Alba Mineral Resources Plc (“Alba Mineral”), 54,236,919 ordinary shares and 17,898,183 options issued by Regency Mines plc (“Regency”) and 43,886,116 ordinary shares issued by UK Oil & Gas Investments Plc (“UKOG”).

In the same year, as disclosed in note 24, the Group disposed of its 5 per cent. interest in Isle of Wight licence to Doriemus Plc (“Doriemus”) for a consideration of £200,000 which was satisfied by the issue and allotment of 500,000,000 ordinary shares in Doriemus.

In the same period of 2016, the Group disposed of 137,729,178 ordinary shares and 45,909,726 warrants of Alba Mineral for a loss of £104,705. Also in the same period, the Group disposed of 46,736,919 ordinary shares of Regency, for a profit of £86,981. Also in the same period, the Group disposed of 43,886,116 ordinary shares of UKOG, for a loss of £86,538.

The fair value of the warrants is determined using the Black Scholes model by reference to the issuer’s share price, the exercise price, volatility of issuer’s share price and the expiring period of the warrants.

As at 30 September 2016, the Group retained 7,500,000 ordinary shares and 17,898,183 warrants of Regency and 500,000,000 shares of Doriemus.

## 16. Subsidiaries

The details of the subsidiary are as follows:

<i>Name of subsidiary/place of incorporation</i>	<i>Principal activity</i>	<i>Effective equity interest held by the Group</i>	
		2016	2015
Angus Energy Holdings UK Limited	Investment holding company	100%	100%
Angus Energy Weald Basin No. 1 Limited	Investment holding company	100%	100%
Angus Energy Weald Basin No. 2 Limited	Investment holding company	100%	95%
Angus Energy Weald Basin No. 3 Limited*	Oil extraction for distribution to third parties	100%	95%
Angus Energy North America Limited	Investment holding company	80%	—

\* indirect wholly owned by Angus Energy Weald Basin No.2 Limited (AEWB2).

On 1 September 2016, Angus Energy North America Limited was incorporated for the purpose of acquiring assets in North America but the company remains dormant.

## 17. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	75	2
Amounts due from farmees	131	—
VAT recoverable	93	126
Other receivables	331	213
	<u>630</u>	<u>341</u>

The carrying amount of trade and other receivables approximates to their fair value.

Included within other receivables is the amount recoverable from the UK tax authority (under Section 455 Corporation Tax Act 2010) of £178,486 (2015: £178,505). This recoverable amount is discharged on the pro-rata basis when the repayment of the director's loan would be received.

During the year, the Group resolved the settlement of the amount outstanding from a director of a group company amounting to approximately £714,000. The resolution of this settlement results in removing obligations arising under s 455 currently disclosed and recognised above and in note 23 as well as crystallising a liability, included in "other taxation" as at 30 September 2016.

	2016 £'000	2015 £'000
Trade and other receivables	630	1,941
Less: Impairment allowance	—	(1,600)
	<u>630</u>	<u>341</u>
Impairment allowance		
At 1 October	1,600	—
Movement for the year	(1,600)	1,600
Amount write off for the year	1,870	
At 30 September	<u>1,870</u>	<u>1,600</u>

During the year under review, the Group contributed a shareholder loan of £200,000 (2015: £970,000) in response to a cash call required by the investment agreement. At the time of making the loan, the Group was committed to a plan to sell its interest in HHDL and this would lose its right to receive repayment of the shareholder loan. On that basis, the directors have considered the loan would be irrecoverable and the loan has been fully impaired.

## 18. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and bank balance	<u>25</u>	<u>13</u>

## 19. Share capital

### *Allotted, called up and fully paid:*

	<i>Number of shares</i>	<i>Ordinary share capital £'000</i>	<i>Share premium £'000</i>
On incorporation as at 1 June 2015	1	—	—
Subdivision shares on 14 October 2015	99	—	—
Issue of shares on 14 October 2015	19,999,900	200	—
Issue of shares on 22 April 2016	10,000,000	100	204
At 30 September 2016	<u>30,000,000</u>	<u>300</u>	<u>204</u>

On incorporation, the Company issued one ordinary share at the nominal value of £1 per share.

On 14 October 2015 by way of a special resolution, the Company's existing 1 ordinary share of £1 was subdivided into 100 ordinary shares, with a nominal value of £0.01 each. On the same day, the Company issued 19,999,900 ordinary shares pursuant to the share for share exchange agreement as described in note 1.

On 22 April 2016, the Company issued 9,000,000 ordinary shares in lieu of fees to consultants, amounted to £130,000 and further issued 1,000,000 ordinary shares as consideration to acquire the non-controlling interest in Angus Energy Weald Basin No.2 Limited amounted to £14,444.

Subsequent to the year end, the Company had subdivide its existing 30,000,000 ordinary shares into 15,000,000 ordinary shares. On 14 November 2016, the Company's shares had been admitted to trading on the AIM market of the London Stock Exchange. The Company had further issued 58,333,333 placing shares and 6,646,954 ordinary shares in lieu of professional fees.

At admission, the total issued ordinary shares of the Company were 214,980,287.

## 20. Reserves

	2016 £'000	<i>Proforma</i> 2015 £'000
Merger reserve	(200)	—
Other reserve	17	—
At 30 September 2016	<u>(183)</u>	<u>—</u>

### *Merger reserve*

The accounting treatment for group reorganisations is scoped out of IFRS 3. Accordingly, as required under IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors the Group has referred to current UK GAAP to assist its judgement in identifying a suitable accounting policy. The introduction of the new holding company has been accounted for as a capital reorganisation using merger accounting principles prescribed under current UK GAAP. Therefore the consolidated financial statement of Angus Energy plc is presented as if the Company has always been the holding company for the Group.

The use of merger accounting principles has resulted in a balance on Group capital and reserves that have been classified as a merger reserve and included in the Group's shareholders' funds. The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date.

### *Other reserve*

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

## 21. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period

Diluted EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

On 13 October 2016, the Company subdivided its existing 30,000,000 ordinary shares into 150,000,000 ordinary shares. The earnings per share information based upon the 150,000,000 ordinary shares as follow:

	2016 £'000	2015 £'000
Net profit/(loss) attributable to equity holders of the parent company	<u>152</u>	<u>(1,993)</u>
Weighted average number of ordinary shares	<u>150,000,000</u>	<u>150,000,000</u>
Basic EPS (in pence)	0.10	(1.33)
Diluted EPS (in pence)	<u>0.10</u>	<u>(1.33)</u>

The diluted loss per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

## 22. Non-controlling interest

	2016 £'000	2015 £'000
At 1 October	(140)	(95)
(Loss)/profit for the year	(33)	(45)
Carrying amount of non-controlling interests acquired	173	—
	<u>—</u>	<u>(140)</u>

On 22 April 2016, the Company acquired the remaining 5 per cent. interest in AEWB2 for £14,444 which was satisfied by issuing 1,000,000 ordinary share of the Company. The Group recognised an increase in non-controlling interests of £173,482 and a decrease in equity attributable to owners of the parent of £187,926.

## 23. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	355	835
Loan from shareholders	—	65
Amount owed to related parties	132	92
Other taxation	138	175
Other payables	180	148
	<u>805</u>	<u>1,315</u>

The carrying amount of trade and other payables approximates to their fair value.

Included within other taxation is tax liability arising from the loan advance to a director (under Section 455 Corporation Tax Act 2010) of £nil (2015: £105,196).

## 24. Horse Hill Development Limited (“HHDL”) and Isle of Wight (“IOW”)

	2016 £'000	2015 £'000
Asset held for sale		
At 1 October	792	1,440
Disposal	(792)	(648)
	<u>—</u>	<u>792</u>

In 2015, the Group sold 18 per cent. of the entire interest in HHDL for a total cash consideration of £1,080,000, of which 8 per cent. of that interest sold to UK Oil and Gas plc, for a consideration of £580,000. Details of the carrying value of identifiable assets and liabilities disposed of and sales consideration is, as follow:

	£'000
Consideration	1,080
Investment value of 18% disposal	<u>(648)</u>
<b>Gain on disposal</b>	<u>432</u>

In 2016, the Group sold 22 per cent. of the entire interest in HHDL for a total consideration of £2,861,032, which was satisfied in gross cash proceed of £1,488,730, share and warrant considerations of £1,489,160.

	£'000	£'000
Cash consideration	1,489	
Share consideration	1,389	
Warrant consideration	100	
Less: transaction costs	(117)	
	<hr/>	<hr/>
Investment value of 22% disposal		2,861
		(792)
<b>Gain on disposal</b>		<hr/> <b>2,069</b> <hr/>

During the year, the Group acquired a 5 per cent. interest in the Isle of Wright licence for approximately £5,000. In the same period, the Group sold it to Doriemus for a consideration of £200,000 settled by way of 500,000,000 Doriemus shares. Details of the carrying value of identifiable assets and liabilities disposed of and sales consideration is, as follow:

	£'000
Share consideration	200
Cost of 5% disposal	(5)
<b>Gain on disposal</b>	<hr/> <b>195</b> <hr/>

## 25. Provisions for other liabilities and charges

	2016 £'000	2015 £'000
<b>Abandonment costs</b>	<hr/> <b>500</b> <hr/>	<hr/> <b>500</b> <hr/>

The Group makes full provision for the future costs of decommissioning oil production facilities and pipelines on the installation of those facilities. The amount provision is expected to be incurred up to 2029 when the producing oil and gas properties are expected to cease operations.

These provisions have been created based on the Group's internal estimates and expectation of the decommissioning costs likely to incur in the future. For the period under review, the directors have assessed that the discount rate and inflation rate to be applied to the current cost of decommissioning to be similar. On this basis, the current cost is considered to be similar to the discounted net present value.

## 26. Financial instruments

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payable. The Group's accounting policies and method adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial assets, financial liability and equity instrument are set out in Note 3. The Group do not use financial instruments for speculative purposes.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

	2016 £'000	2015 £'000
<b>Financial assets</b>		
AFS financial investment	241	—
<b>Loans and receivables</b>		
Trade and other receivables	630	341
Cash and cash equivalents	25	13
<b>Total financial assets</b>	<hr/> <b>896</b> <hr/>	<hr/> <b>354</b> <hr/>

**Financial liabilities measured at amortised cost**

Loan from shareholders	—	65
Amount due from related parties	—	91
Trade and other payables	805	984
Total financial liabilities	<u>805</u>	<u>1,140</u>

Available for sale financial assets that are invested in equity shares of a listed company which the Group considers it as a short term investment in nature. There are no fair value adjustments to assets or liabilities through profit and loss. There are no financial assets that are either past due or impaired.

**Capital management**

The Group manages its capital to ensure that it will be able to continue as a going concern while attempting to maximise the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of issued capital and related party loans.

The Group's financial instruments, which are recognised in the statement of financial position, comprise cash and cash equivalents, receivables and payables and ordinary shares. The accounting policies and methods adopted, including the basis of measurement applied are disclosed above, where relevant. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes above, where applicable.

The Group does not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the year, the Group's policy that no trading in financial derivative instruments shall be undertaken.

**Credit risk**

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligations to the Group. The Group manages its exposure to this risk by applying limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

**Fair values**

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

**Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities

**Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

**Level 3:** Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those whose carrying amounts are a reasonable approximation of fair value:

	<i>Type</i>	<i>2016</i> £'000	<i>2015</i> £'000
<b>Carrying value</b>			
<b>Financial assets</b>			
AFS financial investments	Level 1	241	—
<b>Fair value</b>			
<b>Financial assets</b>			
AFS financial investments	Level 1	241	—

As disclosed in note 15, the AFS financial investment comprise of 17,898,183 warrants of Regency. The resultant fair value of the Regency warrants were determined to be approximately £20,000, which was not recognised in the financial statement as their fair value was not considered material.

The directors' assessment of the asset held for sale at fair value less cost to sell, are disclosed in note 24.

#### ***Interest rate risk***

The Group and company's policy is to fund its operations through the use of retained earnings and equity.

The Group exposure to changes in interest rates relates primarily to cash at bank. Cash is held either on current or short term deposits at a floating rate of interest determined by the relevant bank's prevailing base rate.

#### ***Market risk***

Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and AFS investments.

#### ***Foreign currency exchange risks***

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of the changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency and the Group's net investments in foreign subsidiaries).

The Group does not hedge its foreign currencies. Transactions with customers are mainly denominated in US Dollars. The Group has bank accounts in US Dollars to mitigate against the exchange risks.

#### ***Liquidity risks***

The principal risk to the Group is liquidity, which arises from the Group's management of working capital. It is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. This aspect is kept under review by the directors and in this respect management carries out rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. It is the Group's policy as regards liquidity to ensure sufficient cash resources are maintained to meet short-term liabilities.

The maturity profile of the Group's financial liabilities at the reporting dates based on contractual undiscounted payments are summarised below:

	<i>2016</i> £'000	<i>2015</i> £'000
<b>Trade and other payable</b>		
Due on demand	450	480
Within one month	355	835
	<u>805</u>	<u>1,315</u>



### **Commodity price risk**

The Group is exposed to the risk of fluctuations in prevailing market commodity prices of oil products it produces. The table below summarises the impact on profit before tax for changes in commodity prices

### **Commodity price sensitivity**

The analysis is based on the assumption that the crude oil price moves 10 per cent. resulting in a change of US\$4.05/bbl in 2016 (2015: US\$6.06/bbl), with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the average spot prices at each reporting periods.

<i>Increase/decrease in crude oil prices</i>	<i>Increase/(decrease) in profit before tax for the year ended 30 September</i>	
	<i>2016 £'000</i>	<i>2015 £'000</i>
Average spot price increased by 10%	3	(67)
Average spot price decreased by 10%	(9)	(149)

## **27. Related party transactions**

Prior to admission date, the group was under the joint control of Knowe Properties Limited and Mr Jonathan Tidswell, the majority shareholders, throughout the year. The day to day running of the group was the responsibility of the Directors, Mr Jonathan Tidswell and Mr Paul Vonk.

Key management personnel compensation has been disclosed in note 11.

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions during the year under review and at terms and rates agreed between the parties:

	<i>2016 £'000</i>	<i>2015 £'000</i>
<b>Amount due from/(due to)</b>		
Knowe Properties Limited	(20)	(65)
Ventureforth 2000 Limited	(112)	(92)

Ventureforth 2000 Limited is a company incorporated in UK where one of the group's shareholders is a director of that company. During the year, the Group received an advance loan of £20,000 (2015: £nil) from Ventureforth. Subsequent to the year end, the total loan amount of £111,500 was then forgiven by Ventureforth.

During the year, the Group sold 15m shares of Alba Mineral Resources Plc to Knowe Properties Limited for £45,000 at no gain or loss on the disposals. The outstanding amount owing of £19,789 was then forgiven by Knowe Properties Limited.

UK Oil and Gas Investment Plc ("UKOG") is a UK public listed company trading on AIM of London Stock Exchange, where the company is a corporate shareholder of the Group. In 2015, the Group disposed 8 per cent. of the entire interest in HHDL to UKOG for a total consideration of £580,000. In 2016, the Group disposed 12 per cent. of the entire interest in HHDL to UKOG for a total consideration of £1,800,000. Except with separately disclosed, all the amounts due to the related parties are unsecured interest free loans and they are repayable on demand.

### **Transaction with directors**

The advance loan made to Mr Jonathan Tidswell was unsecured with no fixed terms of repayment. During the year under review, the Group charged approximately 3 per cent. interest annually on the advance loan to the director of £13,539 (2015: £27,033). As disclosed in Note 17, the Group resolved the settlement of the amount due from the director and a full impairment was recognised in these financial statements.

The transaction with director can be analysed at below table:

	<i>2016</i> <i>£'000</i>	<i>2015</i> <i>£'000</i>
<b>Jonathan Tidswell</b>		
Opening balance	—	714
– Amount advanced	56	—
– Amount repaid	—	(110)
– Accrued interest on loan	14	27
– Impairment allowance	(70)	(631)
Closing balance	<u>—</u>	<u>—</u>

The Group also charge management fees of £nil (2015: £9,600) to Horse Hill Development Limited (“HHDL”), where the Group was the corporate investor of that company and Mr Jonathan Tidswell held the common directorship. As disclosed in note 17, the amount due from HHDL has been fully impaired.

On the 24 April 2016, Paul Vonk received 3,000,000 ordinary shares in Angus Energy Limited in lieu of £30,000 consultancy work.

## 28. Contingencies

During the period under review, there is an interest that the Group held in the UK that was regarded uncommercial. The directors have assessed the likelihood of any amount allegedly owed to the third party operator and considers that the potential litigation claim against the Group is remote. No provision has been made in this financial statements.

Except for the above issues, the Group had no significant contingent assets or liabilities at any of the financial position dates.

## 29. Commitments

The Group had not entered into any material capital commitments as at 30 September 2016.

The Group’s future minimum lease payments under non-cancellable operating leases are as follows:

	<i>As at 30 September</i>	
	<i>2016</i> <i>£'000</i>	<i>2015</i> <i>£'000</i>
<b>Leases which expire:</b>		
Not later than one year	79	82
Later than one year and not later than five years	278	328
More than five years	105	215
<b>Total</b>	<u>462</u>	<u>625</u>

## 30. Subsequent events

On 27 October 2016, the Company’s shares were sub-divided to £0.002 per share.

On 14 November 2016 214,980,287 ordinary shares of the Company were admitted to trading on the AIM Stock Exchange. The company raised a gross amount of £3,500,000 through the issue of 58,333,333 new ordinary shares at £0.06 per share.

Subsequent to the year, the Company has granted 21,498,029 share options to directors, employees and other professional consultants.

On 16 December 2016 the Company signed a sale agreement with Terrain Energy Ltd to acquire a 10 per cent. interest in the Brockham oil field (PL 235) increasing the Group’s interest in the License from 55 per cent. to 65 per cent. in exchange for a cash payment of £100,000, relinquishment of Terrain’s existing

debt to Angus Energy at completion and the carry of Terrain's remaining 10 per cent. interest of the upcoming well costs at Brockham. The transfer of this interest in the Licence is subject to approval by the licence parties and the OGA, such approval being expected early 2017.

Also on 16 December 2016 the Company entered into an option with Terrain for £1 to acquire a 10 per cent. interest in the Lidsey oil field (PL 241), increasing the Group's interest in the Lidsey production license to 60 per cent. in exchange for the carry of Terrain's remaining 10 per cent. interest of the upcoming Lidsey-2 horizontal well and a cash payment of £20,000 at exercising the Lidsey Option.

## COMPANY STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<i>2016</i> <i>£'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment	6	1,816
<b>Total non-current assets</b>		1,816
<b>Current assets</b>		
Trade and other receivables	7	130
Cash and cash equivalents		—
<b>Total current assets</b>		130
<b>TOTAL ASSETS</b>		1,946
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent:</b>		
Share capital	8	300
Share premium	8	45
Merger relief reserve	8	1,500
Accumulated profits		—
<b>TOTAL EQUITY</b>		1,845
<b>Current liabilities</b>		
Trade and other payables	8	101
<b>Total current liabilities</b>		101
<b>TOTAL LIABILITIES</b>		101
<b>TOTAL EQUITY AND LIABILITIES</b>		1,946

The note on page 46 to 48 form part of these of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 29 December 2016 and were signed on its behalf by:

**Paul Vonk**  
*Director*

Company number: 09616076

## COMPANY STATEMENT OF CHANGES IN EQUITY

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Merger relief reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
<b>Balance at 1 June 2015</b>	—	—	—	—	—
Profit for the year	—	—	—	—	—
<b>Total comprehensive income for the year</b>	—	—	—	—	—
<b>Transaction with owners</b>					
Issue of shares	300	45	1,500	—	1,845
<b>Balance at 30 September 2016</b>	300	45	1,500	—	1,845

Share capital comprises the ordinary issued share capital of the company.

Share premium comprises of the excess above the nominal value of the new ordinary shares issued during the period.

The merger relief reserve represents the difference between the cost of the investment in Angus Energy Holding UK Limited (initially measured at fair value) and the nominal value of the shares transferred as consideration.

Retained earnings represent the aggregate retained earnings of the company.

The note on page 46 to 48 form part of these of financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1. General information

The company was incorporated in England and Wales on 1 June 2015 as a private limited company. Its registered office is located at Building 3, Chiswick Park, 566 Chiswick High Street, London, W4, 5YA.

The financial information of the company is presented in British Pounds Sterling (“£”).

### 2. Accounting policies

#### *Basis of preparation*

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The financial statements have been prepared in accordance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006. The principal accounting policies are described below. They have all been applied consistently throughout the period.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### *Comparative figures*

No comparative figures have been presented as the financial information covers the period from incorporation on 1 June 2015 to 30 September 2016.

#### *Investment*

Investments in subsidiaries are stated at cost less provision for impairment. Where merger relief is applicable, the cost of the investment is recorded at the fair value on the date of the transaction. The difference between the fair value of the investment and the nominal value of the shares (plus the fair value of any other consideration given) is shown as a merger relief reserve and no share premium is recognised.

#### *Cash and cash equivalents*

Cash in the statement of financial position and the statement of cash flows is cash held on call with banks

#### *Financial assets*

The directors classify the company’s financial assets held at amortised cost less provisions for impairment. The directors determine the classification of its financial assets at initial recognition.

#### *Creditors*

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### *Taxation*

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company’s taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Taxation arising on disposal of a revalued asset is split between the profit and loss account and the statement of total recognised gains and losses on the basis of the tax attributable to the gain or loss recognised in each statement.

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 4. Profit for the financial period

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented. The Company's loss for the financial period was £nil.

### 5. Staff costs

There is no employees employed by the company other than the directors. The directors are regarded as the key management and their remunerations are disclosed in note 11 to the consolidated financial statements.

### 6. Investment

	2016 £'000
At 1 June 2015	—
Additions	1,816
	<u>1,816</u>

The details of the subsidiary are as follows:

<i>Name of subsidiary/ place of incorporation</i>	<i>Principal activity</i>	<i>Effective equity interest held by the Company 2016</i>
Angus Energy Holdings UK Limited	Investment holding company	100%
Angus Energy Weald Basin No.1 Limited	Investment holding company	100%
Angus Energy Weald Basin No.2 Limited	Investment holding company	100%
Angus Energy Weald Basin No.3 Limited*	Oil extraction for distribution to third parties	100%
Angus Energy North America Limited	Investment holding company	80%

\* indirect wholly owned by Angus Energy Weald Basin No.2 Limited (AEWB2).

On 24 November 2015, the Company entered into an agreement with Angus Energy Weald Basin No.1 Limited (AEWB1), pursuant to which AEWB1 transferred its 95 per cent. of the entire share capital in Angus Energy Weald Basin No.2 Limited to the Company in consideration for £100,664, which was charged to amount due to group undertakings.

On 1 September 2016, Angus Energy North America Limited was incorporated for the purpose of acquiring assets in North America.

## 7. Trade and other receivables

	<i>2016</i>
	<i>£'000</i>
Amounts due from group undertakings	130
	<u>130</u>

## 8. Trade and other payables

	<i>2016</i>
	<i>£'000</i>
Amounts due to group undertakings	101
	<u>101</u>

## 9. Share capital

### *Allotted, called up and fully paid:*

	<i>Ordinary share capital £'000</i>	<i>Share premium £'000</i>	<i>Merger relief reserve £'000</i>	<i>Total £'000</i>
On incorporation as at 1 June 2015	—	—	—	—
Subdivision shares on 14 October 2015	—	—	—	—
Issue of shares on 14 October 2015	200	—	1,500	1,700
Issue of shares on 22 April 2016	100	45	—	145
At 30 September 2016	<u>300</u>	<u>45</u>	<u>1,500</u>	<u>1,845</u>

On incorporation, the Company issued one ordinary share at the nominal value of £1 per share.

On 14 October 2015 by way of a special resolution, the Company's existing 1 ordinary share of £1 was subdivided into 100 ordinary shares, with a nominal value of £0.01 each. On the same day, the Company issued 19,999,900 ordinary shares pursuant to the share for share exchange agreement as described in note 1 to the consolidated financial statements.

On 22 April 2016, the Company issued 9,000,000 ordinary shares in lieu of fees to consultants, amounted to £130,000 and further issued 1,000,000 ordinary shares as consideration to acquire the non-controlling interest in Angus Energy Weald Basin No.2 Limited amounted to £14,444.

## 10. Subsequent events

On 27 October 2016, the Company's shares were sub-divided to £0.002 per share.

On 14 November 2016 214,980,287 ordinary shares of the Company were admitted to trading on the AIM Stock Exchange. The company raised a gross amount of £3,500,000 through the issue of 58,333,333 new ordinary shares at £0.06 per share.







## Contact

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