Europa Oil & Gas (Holdings) plc / Index: AIM / Epic: EOG / Sector: Oil & Gas

14 November 2022

Europa Oil & Gas (Holdings) plc

("Europa" or the "Company")

Final results for the year to 31 July 2022

Europa Oil & Gas (Holdings) plc, the AIM traded UK, Ireland and Morocco focused oil and gas exploration, development, and production company, announces its audited final results for the 12 month period ended 31 July 2022.

The full Annual Report and Accounts will be available shortly on the Company's website at www.europaoil.com and will be mailed to those shareholders who have requested a paper copy today.

Financial performance

- Revenue more than quadrupled to £6.6 million (2021: £1.4 million)
- Pre-tax profit of £1.4 million (2021: pre-tax loss £0.85 million)
- Net cash generated in operating activities £2.5 million (2021: used in operations £0.5 million)
- Cash balance (including restricted cash): £8.3 million (2021: £0.9 million)

Operational highlights – building a balanced portfolio of exploration and production assets

Onshore UK – net production increases 163% to 245 bopd following excellent Wressle performance (2021: 93 bopd)

- First oil at Wressle achieved in January 2021
    - Post proppant squeeze gross production rates of 500 bopd increased throughout the period to over 750 bopd
    - Net share of Wressle production at 597 bopd equates to 179 bopd (Europa 30% interest)
    - With an estimated break-even oil price (excluding Europa's corporate overheads) of US$16.1 per barrel, Wressle production is highly profitable at current oil prices
    - Further resources in the Wingfield Flags and Penistone Flags reservoirs are being planned for development and have the potential to materially increase net reserves
    - Gas monetisation project under development with potential for significant oil production gains as a result
- Total net production of 245 boepd was produced from Europa's UK onshore fields during the year with Wressle contributing roughly three quarters of this and the remainder coming from the three older fields

- CausewayGT and geothermal project partner Baker Hughes identified Europa's West Firsby oil field in the East Midlands as a potential candidate for developing a closed-loop geothermal system
- Future potential for West Firsby to continue delivering revenue and for additional well stock to be repurposed to generate emission-free geothermal energy, directly in line with the Company's ESG strategy

Offshore UK – acquisition of a 25% interest in the Serenity discovery in the North Sea

- In March 2022, we announced the proposed farm-in to the Serenity appraisal well from i3 Energy plc which involved acquiring a 25% interest by paying 46.25% of the cost of the well
- This was accompanied by a successful equity raise of £7 million at a price of 1.8 pence per share
- This fulfilled the Company's promised goal of adding an appraisal asset to the Europa portfolio and is in line with our long-term strategy to create a balanced portfolio of high-quality assets

Offshore Morocco – farm-out of Inezgane Licence in the Agadir Basin

- Europa has a 75% interest in Inezgane and operatorship of the Licence covering an area of 11,228 km^2
- Inezgane represents a high-impact exploration opportunity in a highly underexplored area of the world – complementing Europa's strategy of building a balanced portfolio of assets
- Recent evaluation identified a significant volume of unrisked recoverable resources, in excess of 1 billion barrels (oil equivalent), in the top five ranked prospects alone
- Morocco offers an attractive investment opportunity with excellent fiscal terms. Several major and mid-cap companies already hold acreage there, including ENI, Hunt and Genel
- One year extension to initial phase of the licence to November 2022 granted to allow for time lost as a result of Covid-19
- Farm-out exercise has continued throughout the year

Offshore Ireland – lower risk / very high reward infrastructure-led exploration in proven gas play in the Slyne Basin

- Farm-out initiative is continuing on 100%-owned Licence FEL 4/19 which holds the flagship 1.5 tcf Inishkea prospect adjacent to existing infrastructure at the producing Corrib gas field
- Completed all work commitments for the first phase of the licence.

Board

- Appointment of Will Holland as CFO and Executive Director in June 2022

Post reporting period events

- The Serenity appraisal well commenced drilling in September and was completed in early October. The well did not encounter any oil-bearing sands but has provided valuable technical data and furthered our understanding of the field. The Company, in conjunction with Operator i3 Energy plc, is currently assessing development options for the field

- The net cost to Europa of the Serenity well is forecast to be £4.8 million (£2 million below budget net to Europa), which is expected to provide tax relief against the Energy Profits Levy (Windfall Tax) on the Company's profits generated from its ongoing onshore production
- Consent granted by the Irish authorities to extend the first phase of licence FEL 4/19 to 31 January 2024
- The extension will enable further technical work and allow more time to secure a partner to advance development of the licence.
- On 8 September 2022 the Company entered into a loan agreement with Union Jack Oil plc ("UJO"). The key features of the loan were: £1 million loan amount, 18-month term, interest rate of 11% per annum, repayable at any point during the term without penalty and secured against 10% interest in the Wressle field (PEDL180, and PEDL182). The loan was to provide additional liquidity during the drilling of the Serenity appraisal well. The loan was repaid in full on 18 October 2022.

Simon Oddie, CEO of Europa, said:

"The 2021/2022 period has seen significant change at Europa and this is clearly demonstrated in our numbers. Revenue from operating activities has quadrupled and net cash generated for the period is £2.5 million, resulting in a healthy balance sheet on which to continue to execute on our stated strategy of building a more balance portfolio of assets.

Wressle continues to perform above expectations and further development activities to increase production through implementing a gas solution and drilling the Penistone horizon within the Wressle field are planned over the next 12-18 months. In addition, we plan to drill the Broughton North prospect, which is a Wressle lookalike and can be produced through the existing infrastructure at Wressle.

We will also continue to seek new appraisal opportunities to add to our portfolio. The Serenity appraisal well was disappointing, but the data that we have acquired will help optimise the development of the field and the funds spent on the appraisal well will now go to offset our exposure to the Energy Profits Levy.

Our assets all supply (or will supply when in production) local markets and as such help to satisfy local demand for hydrocarbons with minimal total emissions. This is epitomised by our Inishkea exploration prospect offshore Ireland, which could be tied into the existing infrastructure at Corrib and has the potential to meet Ireland's domestic retail demand for the next 17 years. This would displace imported gas and significantly reduce the emissions associated with Ireland's gas consumption.

These are exciting times for Europa with plenty of operational activities that can all deliver additional shareholder value whilst we continue to build on our existing asset base."

For further information, please visit www.europaoil.com or contact:

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Chairman's Statement

The financial year 2021/22 has been an exceptionally busy period for Europa and positions the Company very strongly for the future. Despite the ongoing Covid-19 pandemic, the onset of war between Russia and Ukraine, and continuing global economic volatility, the period delivered outstanding operational results for Europa. Our onshore UK Wressle oilfield came onstream in January 2021 and has continued to outperform expectations, it has been the backbone of our production where our total average net rate for the period is 245 bopd, boosting revenues and strengthening our balance sheet.

As well as our onshore operational success at Wressle, we also farmed into the Serenity field offshore UK, taking a 25% interest in the Serenity oil discovery operated by i3 Energy ("i3E"). The appraisal well was disappointing and did not encounter oil-bearing sands; however, together with our partner i3E, we are assessing the various development options to bring the field into production.

Looking forward, we are excited about undertaking further development on the Wressle field with a planned gas project unlocking further upside potential for oil production rates and gas sales from the field. This could add an additional 50% to oil production rates, further boosting Europa's revenues. We continue to investigate the potential of the West Firsby field as a geothermal production site, providing a future role for our mature oil fields. Within our offshore Ireland acreage, the Inishkea prospect alone has potential to entirely satisfy the Irish domestic retail gas requirements for the next 17 years, and I am delighted that our application to extend the first phase of the licence to 31 January 2024 has been granted. This will enable us to continue with our technical studies and provide more time to find a project partner for FEL 4/19.

Onshore UK

The past year has seen Europa's net oil production increase materially thanks to the proppant squeeze operation at our fourth onshore field, Wressle, in the West Midlands. Following the successful execution of the field development plan in 2020/21, which included the safe completion of operations to recomplete the Wressle-1 well, followed by the reperforation of the Ashover Grit reservoir interval and the proppant squeeze, Wressle hit an initial gross production rate in August 2021 of over 500 bopd, exceeding the pre-operations target. Following upgrades to the production facilities, these initial gross flow rates continued to grow, reaching the current rate of 700-750 bopd, or net 210-225 bopd to Europa. At current oil prices, this is having a materially positive impact on our balance sheet.

At the moment, oil production is constrained by the limits imposed on the incineration of gas from the field of ten tonnes per day. However, alongside our partners we plan to market the gas contained within the reservoir, with various monetisation options being considered including gas to power and a short pipeline (approximately 600 metres) into the local gas distribution network. Once a gas monetisation solution is in place, the well will be able to produce at unrestricted oil rates which will materially impact the cash flows associated with the field. This will also allow the field to be further developed by targeting the contingent resources located in the Penistone Flags reservoir and the Broughton North prospect which is a Wressle lookalike.

We continue to develop our strategy of contributing to the clean energy transition in the UK following the Memorandum of Understanding ("MOU") we signed with Causeway Geothermal in June 2021. The collaboration will explore utilising existing infrastructure and wells for geothermal applications at West Firsby to deliver clean, reliable, and cheap sources of heat. Studies will determine if commercial deployment of geothermal technologies are viable at the site. We have the potential to convert onshore legacy oilfields into sources of clean and reliable energy forms as part of our ESG strategy and Europa's stated desire to participate in the national energy transition. A successful project would deliver long term benefits to our shareholders, the UK's national energy grid and the local community in West Firsby.

Offshore UK

Europa moved into the UK offshore arena by farming into the Serenity field in the Central North Sea. In March 2022, we announced that we were acquiring a 25% interest in the Serenity oil discovery, operated by i3E, which was funded by a highly successful equity raise of £7 million. Unfortunately, the appraisal well encountered water-wet sands but that data from the well has significantly improved our understanding of the field as a whole and we are now working with i3E to optimise the development of the field, which may include a tie-back to existing infrastructure.

Offshore Morocco

We continue to work on the proposed farm-out of the Inezgane offshore permit located in the Agadir Basin in Morocco. Europa has a 75% interest in Inezgane and operatorship of the Licence covering an area of 11,228 km^2. Inezgane represents a high-impact exploration opportunity in an underexplored area of the world and our recent evaluation identified a significant volume of unrisked recoverable resources.

Offshore Ireland

Offshore Ireland, the Company's focus remains on its gas interests in the Irish Atlantic located in close proximity to the already producing Corrib gas field. The Company has completed all work commitments for the first phase of its 100%-owned FEL 4/19 licence, and in March 2022 applied to the Department of the Environment, Climate and Communications ("DECC") for an extension to the first phase in order to carry out further technical studies and allow more time to secure a farm-out of the licence. The application to extend the licence to 31 January 2024 was granted on 2 November 2022.

FEL 4/19 contains the large, low risk, Inishkea gas prospect and is a strategic asset that can potentially provide a reliable source of low emission energy for Ireland and play a key role in the transition to renewable green power. A successful discovery at Inishkea could satisfy the Irish domestic retail gas demand for the next 17 years. Gas from the Corrib field, adjacent to the Inishkea prospect, is one of the lowest carbon-intensity gases in Europe, much lower than long distance pipeline gas from Norway, the UK or the Russian gas previously piped to Europe. Given that Ireland will continue to require gas into the foreseeable future, having recently agreed plans to build new gas-powered electricity plants, it makes sense to keep this potentially valuable source of indigenous gas available. We are therefore delighted that the requested licence extension was granted, which will allow the Company to carry out further technical studies and seek a project partner.

Board Changes

This past year we have seen one major change at senior management and board level with the appointment of Will Holland as permanent CFO in June 2022. Will brings a wealth of corporate, financial and M&A experience in the upstream sector that will be of crucial importance as we continue to grow the business, and I look forward to working with him at this very exciting time for the Company.

Conclusion and Outlook

The Company has been very active during this financial year and we are starting to reap the rewards of executing on our strategic vision. We have strong cash flows from our onshore production, further development opportunities at Wressle and Serenity as well as material upside potential with our exploration assets. The oil price has remained strong and traded above $100/bbl for much of the period resulting in record cash flow for Europa.

Our stated goal to add further appraisal assets to the portfolio resulted in the Serenity farm-in announced in March. Although the subsequent appraisal well was disappointing it has provided us with valuable sub-surface data that will be incorporated into our reservoir model and we look forward to working with i3E on how best to develop the existing discovery. The Board continues to believe that the Company would benefit from further appraisal and early development assets in our portfolio and supported by our strong cash flows we will continue to seek opportunities to acquire these types of assets. Our aim remains to engage in potentially high reward activity without putting the Company's balance sheet at risk.

Having come through the Covid-19 restrictions we have opened a new London office from where we will continue to develop our existing assets and grow the portfolio. The hydrocarbons that we produce and new fields that we develop all contribute to supplying the domestic demand of their local regions and as such displace imported hydrocarbons and reduce the emissions associated with hydrocarbon consumption. This strategy to supply local demand will continue to drive our activities as we focus on growing our existing portfolio both organically and via acquisitions which may add to our existing assets to create a more balanced portfolio.

Finally, on behalf of the Board, I would like to thank the management, employees and consultants for their hard work on behalf of our shareholders and stakeholders during the past year. We have achieved a lot and will continue to build on the solid foundations that we now have in place.

Qualified Person Review

This release has been reviewed by Alastair Stuart, engineering advisor to Europa, who is a petroleum engineer with over 35 years' experience and a member of the Society of Petroleum Engineers and has consented to the inclusion of the technical information in this release in the form and context in which it appears.

The financial information set out below does not constitute the company's statutory accounts for 2022 or 2021. The financial information has been prepared in accordance with UK adopted international accounting standards on a basis that is consistent with the accounting policies applied by the group in its audited consolidated financial statements for the year ended 31 July 2022. Statutory accounts for the years ended 31 July 2021 and 31 July 2020 have been reported on by the Independent Auditors.

The Independent Auditors' Report on the Annual Report and Financial Statements for 2022 and 2021 were unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 July 2021 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 July 2022 will be delivered to the Registrar in due course.

Consolidated statement of comprehensive income

For the year ended 31 July	Note	**2022 £000**	2021 £000
Revenue	2	**6,584**	1,372
Cost of sales	2	***(3,806)***	*(1,249)*
Impairment of producing fields	12	***(570)***	-
Total cost of sales		**(4,376)**	(1,249)
Gross profit		**2,208**	123
Exploration write-off	11	**-**	(12)
Administrative expenses		**(821)**	(717)
Finance income	6	**239**	3
Finance expense	7	**(238)**	(242)
Profit/(loss) before taxation	3	**1,388**	(845)
Taxation (expense)/credit	8	**(32)**	127
Profit/(loss) for the year from continuing operations		**1,356**	(718)
Other comprehensive loss			
Items which will not be reclassified to profit /(loss)			
Loss on investment revaluation	9	**(18)**	(2)
Total other comprehensive loss		**(18)**	(2)
Total comprehensive income/(loss) for the year attributable to the equity shareholders of the parent		**1,338**	(720)

Earnings per share (EPS) attributable to the equity shareholders of the parent from continuing operations	Note	**Pence per share**	Pence per share
Basic EPS	10	**0.19p**	(0.15)p
Diluted EPS		**0.18p**	(0.15)p

Consolidated statement of financial position

As at 31 July	Note	**2022 £000**	2021 £000
Assets			
Non-current assets			
Intangible assets	11	**3,785**	6,438
Property, plant and equipment	12	**3,021**	369
Total non-current assets		**6,806**	6,807
Current assets			
Investments	13	**24**	42
Inventories	14	**36**	23
Trade and other receivables	15	**1,866**	522
Restricted cash	16	**6,884**	230
Cash and cash equivalents		**1,394**	641
Total current assets		**10,204**	1,458
Total assets		**17,010**	8,265
Liabilities			
Current liabilities			
Loans	18	**(40)**	(10)
Trade and other payables	17	**(1,573)**	(1,556)
Total current liabilities		**(1,613)**	(1,566)
Non-current liabilities			
Loans	18	**-**	(40)
Trade and other payables	17	**(4)**	(17)
Long-term provisions	21	**(4,164)**	(3,393)
Total non-current liabilities		**(4,168)**	(3,450)
Total liabilities		**(5,781)**	(5,016)
Net assets		**11,229**	3,249
Capital and reserves attributable to equity holders of the parent			
Share capital	22	**9,565**	5,665
Share premium	22	**23,660**	21,157
Merger reserve	22	**2,868**	2,868
Retained deficit		**(24,864)**	(26,441)
Total equity		**11,229**	3,249

These financial statements were approved by the Board of Directors and authorised for issue on 9th November 2022 and signed on its behalf by:

William Holland, CFO
Company registration number 05217946

Consolidated statement of changes in equity

Attributable to the equity holders of the parent

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2020	**4,447**	**21,010**	**2,868**	**(25,838)**	**2,487**
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	-	-	-	(718)	(718)
Other comprehensive loss attributable to the equity shareholders of the parent	-	-	-	(2)	(2)
Total comprehensive loss for the year	**-**	**-**	**-**	**(720)**	**(720)**
Contributions by and distributions to owners					
Issue of share capital (net of issue costs)	1,218	225	-	-	1,443
Issue of share warrants(note 23)	-	(78)	-	78	-
Share-based payments (note 23)	-	-	-	39	39
Total contributions by and distributions to owners	**1,218**	**147**	**-**	**117**	**1,482**
Balance at 31 July 2021	**5,665**	**21,157**	**2,868**	**(26,441)**	**3,249**

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2021	**5,665**	**21,157**	**2,868**	**(26,441)**	**3,249**
Comprehensive profit for the year					
Profit for the year attributable to the equity shareholders of the parent	-	-	-	1,356	1,356
Other comprehensive loss attributable to the equity shareholders of the parent	-	-	-	(18)	(18)
Total comprehensive profit for the year	**-**	**-**	**-**	**1,338**	**1,338**
Contributions by and distributions to owners					
Issue of share capital (net of issue costs)	3,900	2,722	-	-	6,622
Issue of share warrants(note 23)	-	(219)	-	219	-
Share-based payments (note 23)	-	-	-	20	20
Total contributions by and distributions to owners	**3,900**	**2,503**	**-**	**239**	**6,642**
Balance at 31 July 2022	**9,565**	**23,660**	**2,868**	**(24,864)**	**11,229**

Company statement of financial position

As at 31 July	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**26**	23
Investments	13	**2,343**	2,343
Amounts due from Group companies	15,24	**13,270**	588
Total non-current assets		**15,639**	2,954
Current assets			
Other receivables	15	**163**	69
Cash and cash equivalents		**249**	272
Total current assets		**412**	341
Total assets		**16,051**	3,295
Liabilities			
Current liabilities			
Loans	18	**(40)**	(10)
Trade and other payables	17	**(546)**	(652)
Total current liabilities		**(586)**	(662)
Loans	18	-	(40)
Trade and other payables	17	(3)	(11)
Total non-current liabilities		**(3)**	(51)
Total liabilities		**(589)**	(713)
Net assets		**15,462**	2,582
Capital and reserves attributable to equity holders of the parent			
Share capital	22	**9,565**	5,665
Share premium	22	**23,660**	21,157
Merger reserve	22	**2,868**	2,868
Retained deficit		**(20,631)**	(27,108)
Total equity		**15,462**	2,582

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The profit dealt with in the financial statements of the parent Company is £6,238,000 (2021: loss of £1,485,000).

These financial statements were approved by the Board of Directors and authorised for issue on 9th November 2022, and signed on its behalf by:

William Holland
CFO
Company registration number 05217946

Company statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2020 originally stated	**4,447**	**21,010**	**2,868**	**(25,740)**	**2,585**
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	-	-	-	(1,485)	(1,485)
Total comprehensive loss for the year	**-**	**-**	**-**	**(1,485)**	**(1,485)**
Contributions by and distributions to owners					
Issue of share capital (net of issue costs)	1,218	225	-	-	1,443
Issue of share warrants(note 23)	-	(78)	-	78	-
Share-based payments (note 23)	-	-	-	39	39
Total contributions by and distributions to owners	**1,218**	**147**	**-**	**117**	**1,482**
Balance at 31 July 2021	**5,665**	**21,157**	**2,868**	**(27,108)**	**2,582**

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2021 originally stated	**5,665**	**21,157**	**2,868**	**(27,108)**	**2,582**
Comprehensive profit for the year					
Profit for the year attributable to the equity shareholders of the parent	-	-	-	6,238	6,238
Total comprehensive profit for the year	**-**	**-**	**-**	**6,238**	**6,238**
Contributions by and distributions to owners					
Issue of share capital (net of issue costs)	3,900	2,722	-	-	6,622
Issue of share warrants(note 23)	-	(219)	-	219	-
Share-based payments (note 23)	-	-	-	20	20
Total contributions by and distributions to owners	**3,900**	**2,503**	**-**	**239**	**6,642**
Balance at 31 July 2022	**9,565**	**23,660**	**2,868**	**(20,631)**	**15,462**

Consolidated statement of cash flows

For the year ended 31 July	Note	**2022** **£000**	2021 £000
Cash flows from / (used in) operating activities			
Profit/(loss) after tax from continuing operations		**1,356**	(718)
Adjustments for:			
Share-based payments	23	**20**	39
Depreciation	12	**1,618**	107
Impairment of producing field	12	**570**	-
Exploration write off	11	**-**	12
Finance income	6	**-**	(3)
Finance expense	7	**238**	242
Taxation credit recognised in profit and loss	8	**32**	(127)
Increase in trade and other receivables		**(1,344)**	(288)
Increase in inventories		**(13)**	(11)
Increase in trade and other payables		**18**	85
Net cash generated by/(used) in operations		**2,495**	(662)
Income taxes (paid)/ repayment received		**(32)**	127
Net cash generated by/(used) in operating activities		**2,463**	(535)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(403)**	-
Purchase of intangible assets		**(1,246)**	(985)
Cash guarantee re Morocco	16	**-**	(4)
Cash escrow deposit re Serenity	16	**(6,621)**	-
Interest received		**-**	3
Net cash used in investing activities		**(8,270)**	(986)
Cash flows from financing activities			
Gross proceeds from issue of share capital	22	**7,020**	1,583
Costs incurred on issue of share capital		**(398)**	(140)
Proceeds from borrowings		**-**	225
Repayment of borrowings		**(10)**	(225)
Lease liability payments		**(14)**	(35)
Lease liability interest payments		**(2)**	(2)
Finance costs		**(3)**	(7)
Net cash from financing activities		**6,593**	1,399
Net increase/(decrease) in cash and cash equivalents		**786**	(122)
Exchange gain/(loss) on cash and cash equivalents		**(33)**	(5)
Cash and cash equivalents at beginning of year		**641**	768
Cash and cash equivalents at end of year		**1,394**	641

Company statement of cash flows

For the year ended 31 July	Note	**2022**	2021
		£000	£000
Cash flows from / (used in) operating activities			
Profit / (loss) after tax from continuing operations		**6,238**	(1,485)
Adjustments for:			
Share-based payments	23	**20**	39
Depreciation	12	**10**	32
Movement in intercompany loan provision	24	**(5,720)**	1,921
Finance income		**(810)**	(654)
Finance expense		**2**	5
Increase in trade and other receivables		**(93)**	(16)
(Decrease)/increase in trade and other payables		**(106)**	36
Net cash used in operating activities		**(459)**	(122)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(13)**	-
Movement on loans to Group companies		**(6,152)**	(1,306)
Net cash used in investing activities		**(6,165)**	(1,306)
Cash flows from/(used in) financing activities			
Gross proceeds from issue of share capital	22	**7,020**	1,583
Costs incurred on issue of share capital		**(398)**	(140)
Proceeds from borrowings		**-**	225
Repayment of borrowings		**(10)**	(225)
Lease liability principal payment		**(8)**	(26)
Lease liability interest payment		**(1)**	(1)
Finance costs		**(2)**	(4)
Net cash from financing activities		**6,601**	1,412
Net decrease in cash and cash equivalents		**(23)**	(16)
Cash and cash equivalents at beginning of year		**272**	288
Cash and cash equivalents at end of year		**249**	272

Notes to the financial statements

1 Accounting Policies

General information

Europa Oil & Gas (Holdings) plc is a Company incorporated and domiciled in England and Wales with registered number 05217946. The address of the registered office is 30 Newman Street, London, W1T 1PT.

The functional and presentational currency of the Company is Sterling (UK£).

Basis of accounting

The consolidated and individual Company financial statements have been prepared in accordance with applicable UK adopted International Accounting Standards.

The accounting policies that have been applied in the opening statement of financial position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 July 2022.

Going concern

The Directors have prepared a cash flow forecast for the period ending 31December 2023, which considers the continuing and forecast cash inflow from the Group's producing assets, the cash held by the Group at October 2022, less administrative expenses and planned capital expenditure.

The Directors performed sensitivities on the cashflow allowing for a 30% fall in the expected oil price from a base case price of $85 per barrel 5 year average and, separately, a 15% fall in the expected overall production across all field from a base case of 225 barrels per day during the 2023 fiscal year net to Europa. Oil price estimates are based upon industry analyst expectations, whilst production estimates are sourced from the Group's internal modelling for Wressle and recent actual production.

These sensitivities have been modelled as a reverse stress test, and the Directors consider the likelihood of such movements to be very low. The Directors have also run sensitivities allowing for reasonably possible simultaneous falls in oil price and in Wressle production, and the Group and Company had sufficient cash resources to meet their obligations.

The Directors have concluded, as at the date of approval of these financial statements, that there is a reasonable expectation that the Group and Company will still have sufficient cash resources to be able to continue as a going concern and meet its obligations as and when they fall due over the going concern period.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Intra Group balances are eliminated on consolidation. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group is engaged in oil and gas exploration, development and production through unincorporated joint operations.

Joint arrangements

Joint arrangements are those arrangements in which the Group holds an interest on a long-term basis which are jointly controlled by the Group and one or more venturers under a contractual arrangement. When these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests in accordance with IFRS 11. The Group's exploration, development and production activities are presently conducted jointly with other companies in this way.

For the licences where the Group does not hold 100% equity (refer to the licence interests table on page 7) a joint arrangement exists. The equity and voting interest of the Group is disclosed in the table, activities are typical for activities in the oil and gas sector and are strategic to the Group's activities. The principal place of business for all the joint arrangements is the UK.

Revenue recognition

The Group follows IFRS 15. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue when control passes on the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Contracts with customers are presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. The Group's accounting policy under IFRS 15 is that revenue is recognised when the Group satisfies a performance obligation by transferring oil to a customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied.

Revenue is measured based on the consideration to which the Group expects to be entitled under the terms of a contract with a customer. The consideration is determined by the quantity and price of oil and gas delivered to the customer at the end of each month.

Non-current assets

Oil and gas interests

The financial statements with regard to oil and gas exploration and appraisal expenditure have been prepared under the full cost basis. This accords with IFRS 6 which permits the continued application of a previously adopted accounting policy. The unit of account for exploration and evaluation assets is the individual licence.

Pre-production assets

Pre-production assets are categorised as intangible assets on the statement of financial position. Pre-licence expenditure is expensed as directed by IFRS 6. Expenditure on licence acquisition costs, geological and geophysical costs, costs of drilling exploration, appraisal and development wells, and an appropriate share of overheads (including Directors' costs) are capitalised and accumulated on a licence-by-licence basis. These costs which relate to the exploration, appraisal and development of oil and gas interests are initially held as intangible non-current assets pending determination of technical feasibility and commercial viability. On commencement of production these costs are tested for impairment prior to transfer to production assets. If licences are relinquished, or assets are not deemed technically feasible or commercially viable, accumulated costs are written off to cost of sales.

Production assets

Production assets are categorised within property, plant and equipment on the statement of financial position. With the determination of commercial viability and approval of an oil and gas project the related pre-production assets are transferred from intangible non-current assets to tangible non-current assets and depreciated upon commencement of production within the appropriate cash generating unit.

Impairment tests

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) as disclosed in notes 11 and 12. As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Impairment tests are performed when indicators as described in IAS 36 are identified. In addition, indicators such as a lack of funding or farmout options for a licence which is approaching termination or the implied value of a farm-out transaction are considered as indicators of impairment.

An impairment loss is recognised and charged to cost of sales for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation

All expenditure within tangible non-current assets is depreciated from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proven plus probable commercial reserves at the end of the period, plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Furniture and computers are depreciated on a 25% per annum straight line basis.

Reserves

Proven and probable oil and gas reserves are estimated quantities of commercially producible hydrocarbons which the existing geological, geophysical and engineering data shows to be recoverable in future years. The proven reserves included herein conform to the definition approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). The probable and possible reserves conform to definitions of probable and possible approved by the SPE/WPC using the deterministic methodology. Reserves used in accounting estimates for depreciation are updated periodically to reflect management's view of reserves in conjunction with third party formal reports. Reserves are reviewed at the time of formal updates or as a consequence of operational performance, plans and the business environment at that time.

Reserves are adjusted in the year that formal updates are undertaken or as a consequence of operational performance and plans, and the business environment at that time, with any resulting changes not applied retrospectively.

Future decommissioning costs

A provision for decommissioning is recognised in full at the point that the Group has an obligation to decommission an appraisal, development or producing well. A corresponding non-current asset (included within producing fields in note 12) of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. The discount rate used is the risk free rate, adjusted for risks that are not already included in the forecast cash flows. For producing wells, the asset is subsequently depreciated as part of the capital costs of production facilities within tangible non-current assets, on a unit of production basis. Any decommissioning obligation in respect of a pre-production asset is carried forward as part of its cost and tested annually for impairment in accordance with the above policy.

Changes in the estimates of commercial reserves or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset. The unwinding of the discount on the decommissioning provision is included within finance expense.

Acquisitions of exploration licences

Acquisitions of exploration licences through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset. Related future consideration that is contingent is not recognised as an asset or liability until the contingent event has occurred.

Taxation

Current tax is the tax payable based on taxable profit/(loss) for the year.

Deferred income taxes are calculated using the balance sheet liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

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

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

Foreign currency

The Group and Company prepare their financial statements in Sterling.

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

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

Europa Oil & Gas (Holdings) plc is domiciled in the UK, which is its primary economic environment and the Company's functional currency is Sterling. The Group's current operations are based in the UK and Ireland and the functional currencies of the Group's entities are the prevailing local currencies in each jurisdiction. Given that the functional currency of the Company is Sterling, management has elected to continue to present the consolidated financial statements of the Group and Company in Sterling.

Investments

Investments, which are only investments in subsidiaries, are carried at cost less any impairment. Additions include the net value of share options issued to employees of subsidiary companies less any lapsed, unvested options.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ('FVTOCI') or at fair value through profit or loss ('FVPL') depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVPL, at the end of each reporting period. The Group applies a simplified approach to measure the credit loss allowance for trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The group applies a general approach on all other receivables classified as financial assets. The general approach recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired.

Fair value through other comprehensive income

The Group has a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investment's carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

Amortised cost

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The losses arising from impairment are recognised in a separate line in the income statement. This category generally applies to trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents are carried at cost and include all highly liquid investments with a maturity of three months or less.

Restricted cash are those amounts held by third parties on behalf of the Group and are not available for the Group's use; these are recognised separately from cash and cash equivalents on the balance sheet.

Financial Liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values. The Group's financial liabilities consist of financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently carried at amortised cost.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

Treatment of finance costs

All finance costs are expensed through the income statement. The Group does not incur any finance costs that qualify for capitalisation.

Defined contribution pension schemes

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Inventories

Inventories comprise oil in tanks stated at the lower of cost and net realisable value. Cost is determined by reference to the actual cost of production in the period.

Share-based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to reserves. Where options over the parent Company's shares are granted to employees of subsidiaries of the parent, the charge is recognised in the statement of comprehensive income of the subsidiary. In the parent Company accounts there is an increase in the cost of the investment in the subsidiary receiving the benefit.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if the number of share options ultimately exercised is different to that initially estimated.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital, and where appropriate share premium.

Critical accounting judgements and key sources of estimation uncertainty

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

- Carrying value of intangible assets (note 11) – carrying values are justified with reference to indicators of impairment as set out in IFRS 6. Based on judgements at 31 July 2022 there was £nil write off (2021: £12k write off of costs on the PEDL 299 licence). The licence in Morocco expires in November 2022 and its renewal is dependent on finding a farm-in partner. These financial statements do not include the adjustments that would result if the licence was not renewed.
- Carrying value of property, plant and equipment (note 12) – carrying values are justified by reference to future estimates of cash flows, discounted at appropriate rates. At 31 July 2022 there was £570k write off related to West Firsby and Crosby Warren, which predominantly related to the impairment of the additional decommissioning assets created by a commensurate increase in the decommissioning liability for these producing assets.
- Deferred taxation (note 20) – assumptions regarding the future profitability of the Group and whether the deferred tax assets will be recovered.
- Decommissioning provision (note 21) – inflation and discount rate estimates (3% and 10% respectively) are used in calculating the provision, along with third party estimates of remediation costs.
- Share based payments (note 23) – measurement of the fair value of options granted uses valuation techniques where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.
- Reserves and resources (note 12) – reserves and resources are estimated based on management's view and third party formal reports and these estimates directly impact the recoverability of asset carrying values that are reported in the financial statements.

2 Operating segment analysis

In the opinion of the Directors the Group has four reportable segments as reported to the Chief Executive Officer, being the UK, Ireland, Morocco and new ventures.

The reporting on these segments to management focuses on revenue, operating costs and capital expenditure. The impact of such criteria is discussed further in the Chairman's statement and strategic report of this annual report.

Income statement for the year ended 31 July 2022

	UK £000	Ireland £000	Morocco £'000	New ventures £000	Total £000
Revenue	6,584	-	-	-	6,584
Cost of sales	*(3,806)*	-	-	-	*(3,806)*
Impairment of producing fields	*(570)*	-	-	-	*(570)*
Cost of sales	(4,376)	-	-	-	(4,376)
Gross profit	**2,208**	**-**	**-**	**-**	**2,208**
Exploration write-off	-	-	-	-	-
Administrative expenses	(1,082)	268	-	(7)	(821)
Finance income	205	1	33	-	239
Finance costs	(238)	-	-	-	(238)
Profit before tax	**1,093**	**269**	**33**	**(7)**	**1,388**
Taxation	(32)	-	-	-	(32)
Profit for the year	**1,061**	**269**	**33**	**(7)**	**1,356**

Segmental assets and liabilities as at 31 July 2022

	UK £000	Ireland £000	Morocco £000	New Ventures £'000	Total £000
Non-current assets	3,624	1,796	1,386	-	6,806
Current assets	9,941	-	263	-	10,204
Total assets	**13,565**	**1,796**	**1,649**	**-**	**17,010**
Non-current liabilities	(4,168)	-	-	-	(4,168)
Current liabilities	(1,594)	(19)	-	-	(1,613)
Total liabilities	**(5,762)**	**(19)**	**-**	**-**	**(5,781)**
Other segment items					
Capital expenditure - cashflow	795	129	725	-	1,649
Depreciation	1,618	-	-	-	1,618
Share-based payments	20	-	-	-	20

Income statement for the year ended 31 July 2021

	UK £000	Ireland £000	Morocco £'000	New ventures £000	Total £000
Revenue	1,372	-	-	-	1,372
Cost of sales	*(1,249)*	-	-	-	*(1,249)*
Impairment of producing fields	-	-	-	-	-
Cost of sales	(1,249)	-	-	-	(1,249)
Gross profit	**123**	**-**	**-**	**-**	**123**
Exploration write-off	(12)	-	-	-	(12)
Administrative expenses	(545)	(109)	(1)	(62)	(717)
Finance income	3	-	-	-	3
Finance costs	(242)	-	-	-	(242)
Loss before tax	**(673)**	**(109)**	**(1)**	**(62)**	**(845)**
Taxation	-	127	-	-	127
Loss for the year	**(673)**	**18**	**(1)**	**(62)**	**(718)**

Segmental assets and liabilities as at 31 July 2021

	UK £000	Ireland £000	Morocco £000	New Ventures £'000	Total £000
Non-current assets	4,489	1,661	657	-	6,807
Current assets	1,228	-	230	-	1,458
Total assets	**5,717**	**1,661**	**887**	**-**	**8,265**
Non-current liabilities	(3,450)	-	-	-	(3,450)
Current liabilities	(1,203)	(363)	-	-	(1,566)
Total liabilities	**(4,653)**	**(363)**	**-**	**-**	**(5,016)**
Other segment items					
Capital expenditure	644	105	236	-	985
Depreciation	107	-	-	-	107
Share-based payments	117	-	-	-	117

100% of the total revenue (2021: 100%) relates to UK based customers. Of this figure, one end customer (2021: one) commands more than 99% of the total, including sales made through operators to the end customer. UK revenue by site was as follows: West Firsby £353,000 (2021: £321,000); Crosby Warren £651,000 (2021: £390,000); Whisby £696,000 (2021: £487,000); and Wressle £4,884,000 (2021: £174,000).

3 Profit / loss before taxation

Profit / loss before taxation is stated after charging/ (crediting):

		2022 £000	2021 £000
Depreciation and amortisation on property, plant & equipment	12	**1,618**	107
Staff costs including Directors	5	**806**	652
Diesel		**163**	104
Business rates		**43**	52
Site safety and security		**89**	68
Exploration write-off	11	**-**	12
Impairment	12	**570**	-
Fees payable to the auditor for the audit		**70**	55
Operating leases – land and buildings		**43**	42
Foreign exchange (gain)/loss		**(239)**	3

4 Directors' emoluments

Directors' salaries and fees – Company and Group	2022 £000	2021 £000
CW Ahlefeldt-Laurvig	**26**	18
P Greenhalgh (to 14 October 2020)	**-**	32
BJ O'Cathain	**41**	28
SG Oddie	**258**	146
S Williams	**31**	21
W Holland (appointed 1 June 2022)	**27**	-
	383	245

Directors' pensions	2022 £000	2021 £000
P Greenhalgh (to 14 October 2020)	**-**	3
W Holland (appointed 1 June 2022)	**3**	-
	3	3

The above charge represents premiums paid to money purchase pension plans during the year.

Directors' share-based payments	2022 £000	2021 £000
SG Oddie	**9**	20
BJ O'Cathain	**2**	4
S Williams	**2**	4
W Holland	**6**	-
	19	28

The above represents the accounting charge in respect of share options. No share options were exercised during the period (2021: none).

Directors' total emoluments	**2022**	2021
	£000	£000
Salaries and fees	**383**	245
Social security costs	**50**	28
Pensions	**3**	3
Share-based payments	**19**	28
	455	304

5 Employee information

Average monthly number of employees including Directors - Group	**2022**	2021
	Number	Number
Management and technical	**6**	7
Field exploration and production	**4**	4
	10	11

Staff costs - Group	**2022**	2021
	£000	£000
Wages and salaries (including Directors' emoluments)	**676**	528
Social security	**83**	62
Pensions	**27**	27
Share-based payments (note 23)	**20**	35
	806	652

Average monthly number of employees including Directors - Company	**2022**	2021
	Number	Number
Management and technical	**6**	7
	6	7

Staff costs - Company	**2022**	2021
	£000	£000
Wages and salaries (including Directors' emoluments)	**463**	345
Social security	**60**	39
Pensions	**12**	12
Share-based payment	**20**	33
	555	429

6 Finance income

	2022	2021
	£000	£000
Bank interest received	**-**	3
Foreign exchange gains	**239**	-
	239	3

7 Finance expense

	2022	2021
	£000	£000
Unwinding of discount on decommissioning provision (note 21)	**233**	230
Other finance expense	**5**	12
	238	242

8 Taxation

	2022	2021
	£000	£000
Movement in deferred tax asset (note 20)	**318**	(176)
Movement in deferred tax liability (note 20)	**(318)**	176
Current tax - UK	**(32)**	-
R&D tax credits – Ireland	**-**	127
Tax (expense)credit	**(32)**	127

UK corporation tax is calculated at 40% (2021: 40%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade including the Supplementary Charge of 10%. From 24 May 2022 a new U.K. tax, the Excess Profits Levy ("EPL") applies to the Group, and it is levied at 25% of assessable EPL profits. The current tax expense for the year ending 31 July 2022 related exclusively to EPL.

	2022	2021
	£000	£000
Profit/(loss) before tax	**1,388**	(845)
Tax reconciliation		
Profit / (loss) multiplied by the standard rate of corporation tax in the UK including Supplementary Charge of 40% (2021: 40%)	**555**	(338)
Expenses not deductible for tax purposes	**430**	94
Deferred tax asset not recognised	**235**	99
R&D tax credit received re prior years	**-**	127
Previously unrecognised tax losses utilised	**(1,187)**	-
Other reconciling items	**(1)**	(109)
Total tax expense/(credit)	**32**	(127)

Future changes to tax rates

The Finance Act 2021 increased the UK corporation tax rate from 19% to 25% effective 1 April 2023 for companies with profits in excess of GBP 250,000. The impact of this rate change on the Group is limited to the increase in the potential value of non-ring-fence UK trading losses which are currently not recognised (note 20).

9 Other comprehensive income

	2022	2021
	£000	£000
Loss on investment revaluation	**(18)**	(2)

On 8 May 2019, the Group disposed of its interest in PEDL143 to UK Oil & Gas Plc ('UKOG') for consideration of 25,951,557 UKOG shares, which it still holds. At the time of the sale the shares were worth 1.156p each, resulting in a total value of £300,000. The investment was revalued at the year end to £24,000 (0.09p per share (2021: £42,000 (0.163p per share)). An irrevocable election has been made to record gains and losses arising on the shares as Other Comprehensive Income.

10 Earnings per share

Basic earnings per share ('EPS') has been calculated on the loss after taxation divided by the weighted average number of shares in issue during the period. Diluted EPS uses an average number of shares adjusted to allow for the issue of shares on the assumed conversion of all in-the-money options.

As the Group made a loss from continuing operations in the prior year, any potentially dilutive instruments were considered to be anti-dilutive for that year. Therefore, the diluted EPS is equal to the basic EPS for the prior year. As at 31 July 2022 there were 37,607,821(2021: 26,029,154) potentially dilutive instruments in issue.

The calculation of the basic and diluted earnings per share is based on the following:

	2022	2021
	£000	£000
Profit/(Loss) for the year attributable to the equity shareholders of the parent	**1,356**	(718)
Weighted average number of shares		
For the purposes of basic EPS	**700,028,629**	494,420,476
For the purpose of diluted EPS	**737,636,450**	494,420,476

11 Intangible assets

Intangible assets – Group	**2022**	2021
	£000	£000
At 1 August	**6,438**	4,965
Additions	**1,246**	1,485
Transferred to property, plant and equipment (note 12)	**(3,899)**	-
Exploration write-off	**-**	(12)
At 31 July	**3,785**	6,438

Intangible assets comprise the Group's pre-production expenditure on licence interests as follows:

	2022	2021
	£000	£000
Ireland FEL 4/19 (Inishkea)	**1,789**	1,662
UK PEDL180 (Wressle – transferred to tangible assets)	**-**	3,893
UK PEDL181	**81**	113
UK PEDL182 (Broughton North)	**34**	34
UK PEDL343 (Cloughton)	**92**	79
Morocco (Inezgane)	**1,379**	657
Serenity	**410**	-
Total	**3,785**	6,438

Exploration write-off	**2022**	2021
	£000	£000
UK PEDL299 (Hardstoft)	-	12
Total	**-**	12

In July 2022 the Group completed a farm-in agreement with i3 Energy plc in relation to UK offshore licence P.2358, Block 13/23c ("Serenity"). Under the farm-in agreement the Group will earn a participating interest of 25% by paying 46.25% of the cost of a single appraisal well (see note 28).

If the Group elects not to continue in any other licence, then the impact on the financial statements will be the impairment of some or all of the intangible assets disclosed above. Details of commitments are included in note 25.

Property, plant & equipment - Group

	Furniture & computers £000	Producing fields £000	Right of use assets £000	Total £000
Cost				
At 31 July 2020	6	10,887	147	11,040
Additions	-	-	-	-
Disposals	(1)	-	(80)	(81)
At 31 July 2021	5	10,887	67	10,959
Additions	13	928	-	941
Transferred from intangible assets (note 11)	-	3,899	-	3,899
At 31 July 2022	**18**	**15,714**	**67**	**15,799**
Depreciation, depletion and impairment				
At 31 July 2020	3	10,488	73	10,564
Charge for year	1	64	42	107
Disposal	(1)	-	(80)	(81)
At 31 July 2021	3	10,552	35	10,590
Charge for year	1	1,601	16	1,618
Disposal	-	-	-	-
Impairment in year	-	570	-	570
At 31 July 2022	**4**	**12,723**	**51**	**12,778**
Net Book Value				
At 31 July 2020	3	399	74	476
At 31 July 2021	2	335	32	369
At 31 July 2022	**14**	**2,991**	**16**	**3,021**

The producing fields referred to in the table above are the production assets of the Group, namely the oilfields at Wressle, Crosby Warren and West Firsby, and the Group's interest in the Whisby W4 well.

The carrying value of each producing field was tested for impairment by comparing the carrying value with the value-in-use. The value-in-use was calculated using a discounted cash flow model with production decline rates based on engineering estimates and recent production experience. Brent crude prices was based on the average of forecasts by 4 international firms of specialist oil and gas reserves auditors and a Big 4 accounting firm and ranged from:

2023: US$94 per barrel

2024: US$86 per barrel

2025: US$80 per barrel

2026 onwards: US$82 to $90 per barrel

The post-tax discount rate of 10% is high because of the applicable rates of tax in the UK. Cash flows were projected over the expected life of the fields which is expected to be longer than five years.

Based on the assumptions set out above, an impairment of £570,000 was required in relation to the West Firsby and Crosby Warren fields (2021: no impairment was required). The recoverable amount was calculated at a discount rate of 10% (2021: 10%).

Sensitivity to key assumption changes

Variations to the key assumptions used in the value-in-use calculation, as outlined above, would cause impairment of the producing fields as follows:

	Impairment of producing fields £000
Production decline rate	
+10%	-
-10%	-
Brent crude price per barrel	
$75 flat	-
$65 flat	-
Pre-tax discount rate	
20%	-
25%	-

Property, plant & equipment - Company

	Furniture & computers £000	Right of use assets £000	Total £000
Cost			
At 31 July 2020	6	117	123
Disposals	(1)	(80)	(81)
At 31 July 2021	5	37	42
Additions	13	-	13
At 31 July 2022	**18**	**37**	**55**
Depreciation			
At 31 July 2020	3	65	68
Charge for year	1	31	32
Disposals	(1)	(80)	(81)
At 31 July 2021	**3**	**16**	**19**
Charge for year	1	9	10
At 31 July 2022	**4**	**25**	**29**
Net Book Value			
At 31 July 2020	3	52	55
At 31 July 2021	2	21	23
At 31 July 2022	**14**	**12**	**26**

13 Investments - Group

Investment in shares	**2022**	2021
	£000	£000
At 1 August	**42**	44
Current year additions	**-**	-
Write off on revaluation	**(18)**	(2)
At 31 July	**24**	42

On 8 May 2019, the Group disposed of its interest in PEDL143 to UK Oil & Gas Plc ('UKOG') for consideration of 25,951,557 UKOG shares, which it still holds. At the time of the sale the shares were worth 1.156p each, resulting in a total value of £300,000. The investment was revalued at the year end to the value of £24,000 (0.09p per share) (2021: £42,000 (0.163p per share) with the loss being recorded in Other Comprehensive Income (note 9).

Investments - Company

Investment in subsidiaries	**2022**	2021
	£000	£000
At 1 August	**2,343**	2,341
Current year additions	**-**	2
At 31 July	**2,343**	2,343

The Company's investments at the reporting date include 100% of the share capital in the following unlisted companies:

- Europa Oil & Gas Limited, which undertakes oil and gas exploration, development and production in the UK.
- Europa Oil & Gas (West Firsby) Limited, which is non-trading.
- Europa Oil & Gas (Ireland West) Limited, which held the interest in the FEL 2/13 licence.
- Europa Oil & Gas (Ireland East) Limited, which held the interest in the FEL 3/13 and FEL 1/17 licences.
- Europa Oil & Gas (Inishkea) Limited, which holds the interest in the FEL 4/19 and held the interest in FEL 3/19 licences.
- Europa Oil & Gas (New Ventures) Limited, which holds the interest in the Moroccan licence.

All six companies are registered in England and Wales, all having their registered office at 30 Newman Street, London W1T 1PT.

The results of the six companies have been included in the consolidated accounts.

Europa Oil & Gas Limited owns 100% of the ordinary share capital of Europa Oil & Gas (UK) Limited (registered in England and Wales with registered office at 30 Newman Street, London W1T 1PT and is non-trading).

14 Inventories - Group

	2022	2021
	£000	£000
Oil in tanks	**36**	23

15 Trade and other receivables

	Group		**Company**	
	2022	2021	**2022**	2021
Current trade and other receivables	**£000**	£000	**£000**	£000
Trade receivables	**1,476**	330	**-**	-
Other receivables	**185**	67	**43**	11
Prepayments	**205**	125	**120**	58
	1,866	522	**163**	69
Non-current other receivables				
Owed by Group undertakings (note 24)	**-**	-	**13,270**	588

16 Restricted cash

	Group		**Company**	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Cash guarantee	**263**	230	**-**	-
Security escrow funds	**6,621**	-	**-**	-
	6,884	230	**-**	-

Pursuant to the requirements of the farm-in agreement with i3 Energy plc in relation to UK offshore licence P.2358, Block 13/23c ("Serenity"), the Group deposited into an escrow account the full remaining committed funding requirement for its paying share of the 2022 appraisal well. i3 Energy plc is able to draw funds actually incurred on the Serenity well from the escrow account and the account cannot be used for any other purpose. The escrow account is treated as restricted cash.

A requirement of the petroleum agreement with the National Office of Hydrocarbons and Mines ('ONHYM'), was the setting up of a guarantee for $315,000 (£263,000) (2021: $315,000 (£230,000)). This is treated as restricted cash.

17 Trade and other payables

	Group		**Company**	
Current trade and other payables	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade payables	**1,234**	963	**480**	503
Lease liabilities	**13**	31	**8**	19
Corporation tax payable	**32**	-	**-**	-
Other payables	**294**	562	**58**	130
	1,573	1,556	**546**	652
Non-current trade and other payables				
Lease liabilities	**4**	17	**3**	11

18 Borrowings

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Loans repayable in less than 1 year				
Bounce Back Loan	40	10	40	10
Total short-term borrowing	**40**	10	**40**	10
Loans repayable in 1 to 2 years				
Bounce Back Loan	-	10	-	10
Loans repayable in 2 to 5 years				
Bounce Back Loan	-	30	-	30
Loans repayable in over 5 years				
Bounce Back Loan	-	-	-	-
Total long-term borrowing	**-**	40	**-**	40

In June 2020 the Group drew down on a Bounce Back loan for £50,000 under the Government's Covid 19 policies. The loan is repayable within 6 years of drawdown but with a 12-month holiday and repayments started in July 2021. The annual rate of interest is 2.5%. The loan was repaid in full in August 2022.

On 19th January 2021 the Group entered into a related party loan agreement with CW Ahlefeldt-Laurvig (a Group Non-Executive director and shareholder). Under this agreement, Europa Oil & Gas drew funds of £225,000 on 20th January 2021 for a term of 4 months (with the option of early repayment). The loan was unsecured and interest accrued on a daily basis at an effective interest rate of 12.57% per annum. The loan and accrued interest was fully repaid in March 2021.

19 Leases

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Amounts recognised in the statement of comprehensive income:				
Interest on right of use liabilities	**(2)**	(2)	**(1)**	(1)
Amounts recognised in the statement of cash flows:				
Repayment of lease liabilities – principal	**(14)**	(35)	**(8)**	(8)
Repayment of lease liabilities – interest	**(2)**	(2)	**(1)**	(1)
Maturity analysis (undiscounted):				
Amounts due within one year	**(14)**	(6)	**(8)**	(9)
Amounts due after more than 1 year & less than 5 years	**(2)**	(6)	**(2)**	(11)
Amounts due after more than 5 years	**-**	-	**-**	-

The Group's right of use asset comprises the lease of 4 vehicles (note 12). The corresponding lease liability for the right to use leased assets are included within trade and other payables in the statement of financial position (note 17).

20 Deferred Tax – Group

	2022	2021

Recognised deferred tax asset:	**£000**	£000
As at 1 August	**-**	-
(Charged)/credited to statement of comprehensive income	**-**	-
At 31 July	**-**	-

The Group has a deferred tax liability of £1,433,000 (2021: £1,290,000) arising from accelerated capital allowances and a deferred tax asset of £1,433,000 (2021: £1,290,000) arising from trading losses which will be utilised against future taxable profits. These were offset against each other resulting in a £nil net asset/liability (2021: £nil net asset/liability). This offsetting was required because the Group settles current tax assets and liabilities on a net basis.

Non-recognised long-term deferred tax asset

The Group has a non-recognised deferred tax asset of £5,222,000 (2021: £4,259,000), which arises in relation to ring-fence UK trading losses of £8.9 million (2021: £4.8 million), non-ring-fence UK trading losses of £12.2 million (2021: £11.7 million) and subsidiary losses and carried forward capital expenditure of £6.7 million (2021: subsidiary losses of £1.8 million) that have not been recognised in the accounts as the timing of the utilisation of the losses is considered uncertain.

No deferred tax assets or liabilities are recognised in the Company.

21 Provisions – Group

Decommissioning provisions are based on third party estimates of work which will be required and the judgement of Directors. By their nature, the detailed scope of work required and timing are uncertain.

Long-term provisions	**2022**	2021
	£000	£000
As at 1 August	**3,393**	3,163
Charged to statement of comprehensive income (note 7)	**233**	230
Change in estimated phasing of cash flows	**538**	-
At 31 July	**4,164**	3,393

The increase in the estimated decommissioning provision resulted mainly from a reassessment of the estimated timings of when such decommissioning activities are undertaken at the end of their economic lives.

Sensitivity to key assumption changes

Variations to the key assumptions used in the decommissioning provision estimates would cause increases / (reductions) to the provision as follows:

	Further decommissioning provision £000
Inflation rate (current assumption 3%)	
2%	(134)
5%	215
Discount rate (current assumption 10%)	
5%	776
15%	(550)

No provisions have been recognised in the Company.

22 Called up share capital

	2022 £000	2021 £000
Allotted, called up and fully paid ordinary shares of 1p		
At 1 August 2021: 566,466,985 shares (1 August 2020: 444,691,599)	**5,665**	4,447
Issued in the year: 390,000,000 shares (2021: 121,775,386 shares)	**3,900**	1,218
At 31 July: 956,466,985 shares (2021: 566,466,985)	**9,565**	5,665

Ordinary shares issued

Date	Type of Issue	Number of shares	Issue price	Raised gross £000	Raised net of costs £000	Nominal value £000
28 March 2022	Placing	390,000,000	0.018	7,020	6,622	3,900
	Total	390,000,000		7,020	6,622	3,900

The costs of £398,000 incurred on the issue of share capital include £219,000 of non-cash expenses. All of the allotted shares are ordinary shares of the same class and rank pari passu. The following describes the purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Reserve created on issue of shares on acquisition of subsidiaries in prior years
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

23 Share-based payments

The Group operates an approved Enterprise Management Incentive ('EMI') share option scheme for employees and an unapproved scheme for grants in excess of EMI limits and for non-employees. Both schemes are equity-settled share-based payments as defined in IFRS 2 Share-based payments. A recognised valuation methodology is employed to determine the fair value of options granted as set out in the standard. The charge incurred relating to these options is recognised within operating costs.

Combined information for the two schemes operated by the Group is set out below.

There are 41,207,821 ordinary 1p share options/warrants outstanding (2021: 26,029,154).

These are held as follows:

Holder	31 July 2022	31 July 2021
BJ O'Cathain	**2,950,000**	2,950,000
SG Oddie	**9,200,000**	9,200,000
SA Williams	**2,500,000**	2,500,000
W Holland	**3,721,000**	-
Employees of the Group	**2,740,000**	3,425,000
Consultants and advisers	**20,096,821**	7,954,154
Total	**41,207,821**	26,029,154

The fair values of options were determined using a Black Scholes Merton model or, in the case of ones issued to advisors as part of the share issue, the fair value was deemed to be the share issue price. Volatility is based on the Company's share price volatility since flotation.

In the year 15,863,667 options/warrants were granted, nil expired, 685,000 were forfeited, and none were exercised (2021: 21,404,154 granted, 2,223,458 expired, 17,355,000 forfeited, none exercised).

	2022 Number of options	**2022 Average exercise price**	2021 Number of options	2021 Average exercise price
Outstanding at the start of the year	26,029,154	2.37p	24,203,458	8.15p
Granted - employees/directors	3,721,000	2.31p	13,450,000	1.23p
Granted - consultants	-	-	2,000,000	1.23p
Granted - advisors	12,142,667	1.80p	5,954,154	1.3p
Expired	-	-	(2,223,458)	2.8p
Forfeited	(685,000)	7.00p	(17,355,000)	12.85p
Outstanding at the end of the year	41,207,821	2.02p	26,029,154	2.37p
Exercisable at the end of the year	18,096,821	1.64p	9,814,154	2.84p

The 3,721,000 options granted in June 2022 vest 1,240,333 after each of 12, 24 and 36 months, are exercisable conditional upon the Europa Oil & Gas (Holdings) plc closing average mid-market share price being above 4.62p for 30 consecutive trading day and expire on the 6th anniversary of the grant date. The inputs used to determine their values are detailed in the table:

Grant date	**1 June 2022**
Number of options	3,721,000
Share price at grant	2.5p
Exercise price	2.31p
Volatility	62.8%
Dividend yield	Nil
Risk free investment rate	1.791%
Option life in years	6
Fair value per option	1.50p

The 12,142,667 warrants issued in March 2022 were issued to advisors as part of their compensation for services in relation to the share fund raise. The fair value to the options warrants was estimated to be 1.8p per warrant.

Based on the fair values above, the charge arising from employee share options was £20,000 (2021: £35,000). The charge relating to non-employee share options was £Nil (2021: £4,000). The charge allocated direct to equity, relating to the issue of options on the issue of share capital, was £219,000 (2021: £78,000).

Share options/warrants outstanding at the end of the period have exercise prices ranging from 1.23p to 10.0p and the weighted average remaining contractual life at the end of the period was 3.4 years (2021: 3.8 years).

24 Financial instruments

The Group's and Company's financial instruments comprise cash and cash equivalents, bank borrowings, loans, and items such as trade and other receivables and trade and other payables which arise directly from its operations. Europa's activities are subject to a range of financial risks, the main ones being credit; liquidity; interest rates; commodity prices; foreign exchange; and capital. These risks are managed through ongoing review considering the operational, business and economic circumstances at that time.

Financial assets

	Amortised cost	Amortised cost	Fair value through other comprehensive income	Fair value through other comprehensive income
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Investments	**-**	-	**24**	42
Trade and other receivables	**1,661**	397	**-**	-
Restricted cash	**6,884**	230	**-**	-
Cash and cash equivalents	**1,394**	641	**-**	-
Total financial assets	**9,939**	1,268	**24**	42

Financial liabilities

	Amortised cost	Amortised cost	**Fair value through other comprehensive income**	Fair value through other comprehensive income
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade and other payables	**(1,577)**	(1,573)	**-**	-
Loans	**(40)**	(50)	**-**	-
Total financial liabilities	**(1,617)**	(1,623)	**-**	-

Credit risk

The Group is exposed to credit risk as all crude oil production is effectively sold to one multinational oil company. The customer is invoiced monthly for the oil delivered to the refinery in the previous month and invoices are generally settled in full within the same month that invoices are issued. At 31 July 2022 trade receivables were £1,476,000 (2021: £330,000). The fair value of trade receivables and payables approximates to their carrying value because of their short maturity. Any surplus cash is held on short-term deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £1,433,000 comprising of mainly two months of Wressle sales, due the invoice for June deliveries only being received on 1 August 2022 (2021: £175,000). The Company exposure to third party credit risk is negligible. The intercompany balances with its subsidiaries have been appropriately provided for to account for potential impairments.

Liquidity risk

The Company currently has no overdraft or overdraft facility with its bankers.

The Group and Company monitor their levels of working capital to ensure they can meet liabilities as they fall due. The following table shows the contractual maturities (representing the undiscounted cash flows) of the Group's and Company's financial liabilities.

At 31 July	Group Trade and other payables 2022 £000	2021 £000	Company Trade and other payables 2022 £000	2021 £000
6 months or less	**1,573**	1,556	**546**	652
Total	**1,573**	1,556	**546**	652

At 31 July	Group Loans 2022 £000	2021 £000	Company Loans 2022 £000	2021 £000
6 to 12 months	**40**	5	**40**	5
1 to 2 years	**-**	5	**-**	5
2 to 5 years	**-**	10	**-**	10
Over 5 years	**-**	30	**-**	30
Total	**40**	50	**40**	50

Cash and cash equivalents in both Group and Company are all available at short notice.

Trade and other payables do not normally incur interest charges. There is no difference between the fair value of the trade and other payables and their carrying amounts.

Interest rate risk
The Group has immaterial interest-bearing liabilities (note 18) and leases (note 19). All loans and leases are at fixed rates of interest and the Group and Company is not exposed to changes in interest rates.

Commodity price risk
The selling price of the Group's production of crude oil is set at a small discount to Brent prices. The table below shows the range of prices achieved in the year and the sensitivity of the Group's loss before taxation ('LBT') or profit before tax ('PBT') to such movements in oil price. There would be a corresponding increase or decrease to net assets. There is no commodity price risk in the Company.

Oil price	Month	2022 Price US$/bbl	2022 PBT £000	2021 Price US$/bbl	2021 LBT £000
Highest	June 2022	**$122.40**	**1,723**	$73.60	(420)
Average		**$93.90**	**(208)**	$55.80	(845)
Lowest	August 2021	**$69.50**	**(1,864)**	$39.10	(1,262)

Foreign exchange risk
The Group's production of crude oil is invoiced in US$. Revenue is translated into Sterling using a monthly exchange rate set by reference to the market rate. The table below shows the range of average monthly US$ exchange rates used in the year and the sensitivity of the Group's PBT / LBT to similar movements in US$ exchange. There would be a corresponding increase or decrease in net assets.

US Dollar	Month	2022 Rate US$/£	2022 PBT £000	2021 Rate US$/£	2021 LBT £000
Highest	August 2021	**1.376**	**(373)**	1.418	(902)
Average		**1.313**	**(76)**	1.271	(845)
Lowest	July 2022	**1.216**	**443**	1.292	(775)

The table below shows the Group's currency exposures. Exposures comprise the net financial assets and liabilities of the Group that are not denominated in the functional currency.

		Group		Company	
		2022	2021	**2022**	2021
Currency	**Item**	**£000**	£000	**£000**	£000
Euro	Cash and cash equivalents	**92**	2	**3**	2
	Trade and other payables	**(13)**	(458)	**(13)**	(397)
US Dollar	Cash and cash equivalents	**1,322**	339	**3**	6
	Trade and other receivables	**1,435**	290	**-**	-
	Trade and other payables	**(5)**	-	**(5)**	-
Total		**2,831**	173	**(12)**	(389)

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being the consolidated shareholder equity (note 22) and third borrowings (£40,000 at 31 July 2022). The Board monitors the level of capital as compared to the Group's long-term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders. The Group has a £40k loan subject to an annual 2.5% interest charge and contractually repayable over 6 years with a 1-year holiday and no early repayment penalty. Repayments commenced in July 2021 and the loan was fully repaid in August 2022.

Intercompany loans
The loans to the subsidiaries are not classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the loan. As the subsidiary company does not have any liquid assets to sell to repay the loan, should it be recalled, the conclusion reached was that the loan should be categorised as stage 3.

As part of the assessment of expected credit losses of the intercompany loan receivable, the Directors have considered the published chance of success for Inishkea, and applying the same 33% general wildcat exploration success rate to Inezgane, the loans to Europa Oil & Gas Inishkea and Europa Oil & Gas New Ventures have thus been 67% provided.

The loan to Europa Oil & Gas (Ireland West) and Europa Oil & Gas (Ireland East) have been provided in full due to the relinquishment of the licence held by the subsidiaries.

During the year to 31 July 2022 there has been a marked increase in the expected recoverable reserves of the Group's Wressel producing asset which led to a partial reversal of previous provisions for impairment that had been made in relation to loans to Europa Oil Gas Ltd.

The movement in the provision was as follows:

	Europa Oil & Gas Limited	Europa Oil & Gas (Ireland West) Limited	Europa Oil & Gas (Ireland East) Limited	Europa Oil & Gas (Inishkea) Limited	Europa Oil & Gas (New Ventures) Limited	**Total**
	£000	£000	£000	£000	£000	£000
Gross loan balances						
Loan balance at 31 July 2020	18,585	763	1,480	796	504	22,128
Movement in loan	1,593	-	-	228	258	2,079
Loan balance at 31 July 2021	20,178	763	1,480	1,024	762	24,207
Movement in loan	6,357	18	15	144	428	6,962
Loan balance at 31 July 2022	**26,535**	**781**	**1,495**	**1,168**	**1,190**	**31,169**
Provisions						
Provision at 31 July 2020	(18,585)	(763)	(1,480)	(533)	(337)	(21,698)
Movement in provision	(1,593)	-	-	(154)	(174)	(1,921)
Provision at 31 July 2021	(20,178)	(763)	(1,480)	(687)	(511)	(23,619)
Movement in provision	6,135	(18)	(15)	(96)	(286)	5,720
Provision at 31 July 2022	(14,043)	(781)	(1,495)	(783)	(797)	(17,899)
Net loan balance at 1 August 2020	-	-	-	263	167	430
Net loan balance at 31 July 2021	-	-	-	337	251	588
Net loan balance at 31 July 2022	**12,492**	**-**	**-**	**385**	**393**	**13,270**

25 Capital commitments and guarantees

Following completion of the farm-in to Production Licence P.2358, Block 13/23c ("Serenity") £6.9m was transferred into an escrow account held under an agreement with Law Debentures to cover the commitment to pay 46.25% of the appraisal well costs.

As part of the 18-month licence extension for FEL 4/19 there is an outstanding commitment totalling €0.6m that relates primarily to seismic reprocessing.

To satisfy the terms of the Inezgane licence there is an outstanding commitment totalling £0.4m that relates to the completion of the initial phase work programme mainly comprising seismic inversion and basin modelling. In addition, there is a commitment to provide a $0.1m training contribution to ONHYM.

For PEDL181 there is a contingent commitment to drill two development wells into the Penistone formation, an exploration well for Broughton North and a gas to power project. These activities are contingent upon the budget being approved by the JV partnership. The total net cost to Europa for the work programme is estimated to be £1.35m in 2023 and £3.66m in 2024.

26 Operating lease commitments

Europa Oil & Gas Limited pays annual site rentals for the land upon which the West Firsby and Crosby Warren oil field facilities are located.

- The West Firsby lease runs until September 2022 and can be terminated on two months' notice. The annual cost is currently £22,000 (2021: £22,000) increasing annually in line with the retail price index.
- The Crosby Warren lease runs until December 2022 and can be terminated on three months' notice. The annual cost is currently £20,000 (2021: £20,000).

Future minimum lease payments are as follows:

	2022	2021
	£000	£000
Less than 1 year	**9**	9
2-5 years	**-**	-
Total	**9**	9

27 Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's and the Company's key management are the Directors of Europa Oil & Gas (Holdings) plc. Information regarding their compensation is given in note 4.

During the year, the Company provided services to subsidiary companies as follows:

	2022	2021
	£000	£000
Europa Oil & Gas Limited	**236**	1,208
Europa Oil & Gas (Inishkea) Limited	**42**	38
Europa Oil & Gas (New Ventures) Limited	**19**	25
Total	**297**	1,271

At the end of the year, after provisions, the Company was owed the following amounts by subsidiaries:

	2022	2021
	£000	£000
Europa Oil & Gas Limited	**12,492**	-
Europa Oil & Gas (Inishkea) Limited	**385**	337
Europa Oil & Gas (New Ventures) Limited	**393**	251
Total	**13,270**	588

On 19th January 2021, the Group entered into a related party loan agreement with CW Ahlefeldt-Laurvig (a Group Non-Executive director and shareholder). Under this agreement, Europa Oil & Gas drew funds of £225,000 on 20th January 2021 for a term of 4 months (with the option of early repayment). The loan was unsecured and interest accrued on a daily basis at an effective interest rate of 12.57% per annum. The loan and accrued interest was fully repaid in March 2021.

28 Post reporting date events

- The Serenity appraisal well did not find oil bearing sands and as such the well was plugged and abandoned for a forecast gross well cost of £10.4m resulting in an estimated total cost to Europa of £4.8m. The remaining £2m held in the escrow fund will be released to Europa and will no longer be restricted. The various development options of the Serenity field will now be assessed by the Company and i3E in order to maximise the value of the field.
- On 2 November 2022 the Company's application to the Department of the Environment, Climate and Communications ("DECC") for an extension to the first phase of its 100%-owned FEL 4/19 licence was granted and as such the licence is now live until 31 January 2024.
- On 8 September 2022 the Company entered into a loan agreement with Union Jack Oil plc ("UJO"). The key features of the loan were: £1 million loan amount, 18-month term, interest rate of 11% per annum, repayable at any point during the term without penalty and secured against 10% interest in the Wressle field (PEDL180, and PEDL182). The loan was to provide additional liquidity during the drilling of the Serenity appraisal well. The loan was repaid in full on 18 October 2022.

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