



TULIP OIL NETHERLANDS B.V.

# ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

# 2019

THE HAGUE, 27 FEBRUARY 2020

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## SUMMARY OF FINANCIAL RESULTS

€ '000	2019	2018	2017
Operating profit/(loss)	(465)	(831)	(13,773)
EBITDA (excluding share of interest in affiliates)	(424)	(511)	(433)
Profit/(loss) for the year	15,459	(2,174)	(12,233)
Cash flow from operations	(644)	(287)	(28)
Cash flow from investments	4	-	-
Total assets	54,314	39,069	39,436
Interest-bearing debt <sup>1</sup>	36,611	36,501	35,309
Cash and cash equivalents	52	249	576

## SUMMARY OF PRODUCTION

	Operated/ non-operated	Unit	2019	2018
DKK (60%)	Operated	boepd	-	11

<sup>1</sup>The Company uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include EBITDA, interest-bearing debt and net working capital. EBITDA is defined as profit/(loss) for the year before additions/deductions of tax credit/(charge), net finance costs, depreciation and amortization. Interest-bearing debt is defined as the sum of bond payable, intercompany loans and finance lease obligations. Net working capital is defined as current assets, excluding cash and cash equivalents less current liabilities

# REPORT OF THE BOARD

## **Company Profile**

In the Netherlands Tulip Oil Netherlands BV (“the Company” or “TON”) holds a 60% operated interest in the licenses of Donkerbroek Main, Donkerbroek West, Akkrum and Marknesse and M10-M11 and TEN. Additionally, the Company holds a 30% operated interest in Schagen. Joint arrangements in Netherlands have Energie Beheer Nederland B.V. (“EBN”) as a partner.

The Company, which is a 100% subsidiary of Tulip Oil Holding B.V. (“TOH”) has a direct subsidiary 100% owned and called Tulip Oil Netherlands Offshore BV (“TONO”). Together with the 90% owned Rhein Petroleum GmbH (“RP”) these companies form the Tulip Oil Holding Group, hereinafter referred to as “the Group”.

## **Overview**

The Board hereby submits to the shareholders the financial statements for the financial year 2019, as prepared by management and approved by the Board on 27 February 2020. KPMG Accountants N.V. audited the financial statements. Its report can be found on page 50. The Board recommends that shareholders, in accordance with the Articles of Association, adopt these financial statements and, as proposed by the Board, transfer the profit for the 2019 financial year of €15.5 million (loss of €2.2 million) to retained earnings.

## **Business review**

During 2019 there has been no significant activity in TON.

## **Financial position**

EBITDA, excluding the share of interest in affiliates, for the year amounted to a loss of €0.4 million similar to 2018 (loss of €0.5 million). Profit/(loss) for the year was a profit of €15.5 million (loss of €2.2 million) million principally as

a result of the profit generated by TONO. Interest-bearing debt amounted to €36.6 million (€36.5 million) at 31 December 2019 comprising of the intercompany loan from TOH.

## **Outlook**

In 2020, the Company will continue to mature further exploration and development potential as well as M&A opportunities.

*Figures in brackets apply to the corresponding period in the previous year (2018).*

# Finance Review

## INCOME STATEMENT

€ '000	2019	2018
Total revenue	1	291
EBITDA <sup>1</sup>	(424)	(511)
EBIT	(465)	(831)
Net finance costs	(2,481)	(2,276)
Profit/(loss) before taxes	20,572	(3,531)
Taxes	(5,113)	1,357
Profit/(loss) for the year	15,459	(2,174)

**Revenue.** During 2019 there was minimal activity in TON. Production from DKK ceased in April 2018 as expected following reservoir depletion and sporadic water inflow in DKK-4. Total income in 2018 includes a gain on the divestment of the F06 asset following a sale and purchase agreement being signed on 25 September 2018, effective 1 January 2018.

**Profit for the year.** The profit for the year includes the result of its subsidiary, TONO. If this was excluded TON made an overall loss similar to the prior year.

## STATEMENT OF FINANCIAL POSITION

€ '000	2019	2018
Deferred tax assets	16,081	21,194
PPE	-	4
Cash and cash equivalents	52	249
Net working capital <sup>1</sup>	(32)	(258)
Total assets	54,314	39,069
Equity	16,605	1,146
Interest bearing debt <sup>1</sup>	36,611	36,501

**Deferred tax assets.** Deferred tax assets decreased to €16.1 million (€21.2 million) as a result of losses being shared within the Netherlands tax group, tax provisions and the derecognition of certain tax losses.

**Equity.** The debt to equity ratio as measured by long term debt divided by shareholders' funds has improved to 2.2 (2018: 31.9) at year end following Q10a first revenues.

## CASHFLOW STATEMENT

€ '000	2019	2018
Cash flow from operations	(644)	(287)
Cash flow from investing	4	-
Cash flow from financing	443	(40)
Net change in cash and cash eq.	(197)	(327)
Cash and cash eq. end of year	52	249

**Cash flow.** Greater cash outflow in 2019 mainly as a result of working capital changes.

**Cash and cash equivalents.** The liquidity ratio as measured by cash, marketable securities and accounts receivable divided by current liabilities is 1.0 (2018: 0.6) following the cease in DKK production and minimal activity in TON.

During 2019 the Company does not have any derivative financial instruments. Risks related to price, credit, liquidity and cash are included in note 19.

### Research and development

The Company did not conduct material research and development.

### Information supply and computerisation

The Company's IT applications and systems are centralised in a single location at the head office in the Hague. The main servers are located in the Hague with back up servers in Heidelberg and the Cloud. The majority of the systems are running on standard desktop applications with some specialised software applications being used for sub surface modelling. A limited number of data exchanges / interfaces exist between the systems and applications.

### Going concern

When preparing the financial statements, management has assessed the Company's ability to continue as a going concern. In October 2017 a €87 million bond at 8.5% over 3M Euribor was secured by Tulip Oil Netherlands Offshore B.V. ("TONO"). The bond includes an allowance of upto €10 million of the bond proceeds to be used for general corporate purposes and intracompany funding. With this the company has sufficient available liquidity for the foreseeable future.

# Governance & Risk management

A culture of ethical behaviour aligned to our business integrity values and a robust management system with short lines of command are central to how we run the business. Through clear corporate governance policies, supported by robust risk, assurance and performance management processes, we manage the opportunities and risks in our operations and respond to the concerns of our shareholders and stakeholders.

## Board and Committees

The long-term success of the Company is the collective responsibility of the Board. The Board adopts an equal opportunities commitment including the recruitment of female directors. The Board currently has no female representation on the Board, but actively looks in all recruitment of executive and non-executive positions to include female talent with the necessary skills and competencies to help its compliance with regulations.

The current directors of Tulip Oil Holding B.V. are:

- Leo Koot, Independent Non-Executive Chairman;
- Imad Mohsen, Chief Executive Officer and Executive Director;
- Ruud Schrama, Independent Non-Executive Director – *resigned 20 December 2019*;
- Ruud Schrama, Chief Financial Officer and Executive Director – *appointed 20 December 2019*;
- David Ellis, Non-Executive Director;
- Richard Jennings, Non-Executive Director.

The Audit Committee members are:

- Ruud Schrama, Chair – *resigned 16 October 2019*;
- Leo Koot;
- David Ellis, Chair – *appointed 16 October 2019*;
- Richard Jennings – *appointed 4 November 2019*.

## The role of the Board

The Board is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term value. It meets these aims through setting the Group's strategy and ensuring that the necessary resources are available to achieve the agreed strategic goals. The Board also sets the Company's key policies and reviews management and financial performance. The Board operates within a framework of controls. Clear procedures, lines of responsibility and delegated authorities allow risk to be assessed and managed effectively. These are underpinned by the Board's work to set the Group's core values and standards of business conduct and ensure that these, together with the Group's obligations to its stakeholders, are widely understood across all its activities.

## Board meetings and visits

The Board deals with its core activities in planned meetings throughout the year. Matters which require decisions outside the scheduled meetings are dealt with through additional dedicated meetings and conference calls as required.

## Audit Committee meetings

The Audit Committee oversees the financial reporting process in order to ensure that the information provided to the shareholders is fair, balanced and understandable and allows accurate assessment of the Company's position, performance and systems of internal control.

The Audit Committee meets at least twice a year to oversee the half year and year end financial reporting. Meetings outside of this are organised as required.

## Internal controls

The Directors acknowledge their responsibility for the Company's systems of internal control, which are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication.

Overall control is ensured by a regular reporting process covering both technical progress of projects and the state of the Company's financial affairs. The Board has put in place procedures for identifying, evaluating and managing principal risks that face the Company. Principal risks are regularly reported to the Board. The Company recognises that any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. However, the Board's objective is to ensure that the Company has appropriate systems in place for the identification and management of risks.

## Business integrity policy

The Company operates under a Business Integrity Framework that applies to all staff and employees. The framework has been communicated to all staff and employees and is reinforced regularly. Each quarter the Group obtains confirmation of compliance with key aspects of this policy for all companies in the Group.

The framework encompasses the following elements:

1. Comply with Relevant Legislation and will not pay or knowingly cause to be paid any bribes or facilitation payments, and will report to the Chief Financial Officer any request from any person for a bribe or facilitation payment;
2. Comply with the occupational health, safety and environmental (HSE) laws, rules and regulations of the relevant territory in which the Company is operating or, in the absence of such laws, rules and regulations, adhere to local standards or industry standards of good oilfield practice in relation to any assets operated by the Company;
3. Report any HSE incidents to the Group Line Management who will seek to investigate and rectify as quickly and effectively as

4. practically possible;
4. Comply with the Manual of Authorities and where in doubt check with the Finance Director;
5. Comply with the EU Anti-Trust Regulations and not make any agreements with competitors regarding prices, dividing markets or specific customers;
6. Avoid conflicts of interest or report them if they have the potential to occur;
7. Ensure that records are kept accurately and retained in accordance with the Group's IT/data management Policy;
8. Follow the procedures on gifts and entertainment, and ensure all necessary approvals are obtained;
9. Not use company resources, time or name in political activities or to make any political contributions;
10. Behave in a manner that does not damage the reputation of the company and to refrain from any form of discrimination or harassment;
11. Report any breach or suspected breach of this Policy as soon as practicable to a member of the Company's Line Management.

## Health, Safety and Environment

The Group has a policy to conduct operations in a manner that protects the health, safety and well being of its staff, employees, contractors and the public. Significant efforts are undertaken to avoid impact to the environment and integrity of assets and damage.

The HSE Policy of the Group reflects the integrated way our staff work with contractors and service providers. All personnel working directly or indirectly for the Group must manage HSE in line with the policy. The Group is committed to:

- Pursue the goal of no harm to people, assets or the environment;
- Promote sustainability related to the avoidance of the unnecessary depletion of natural resources and to use material and energy efficiently;
- Respect our neighbours and to not have a negative social impact on the societies in which we operate;
- Support and promote a culture in which we all working for the Group share this

commitment.

## Risks and Risk management

Effective management of risk forms an integral part of how the Company operates as a business and is embedded in day-to-day operations.

Responsibility for identifying potential strategic, operational, reporting and compliance risks, and for implementing fit-for-purpose responses, lies primarily with executive management. Company-wide risk management priorities are defined by management and endorsed by the Board, who bears ultimate responsibility for managing the main risks faced by the Company and for reviewing the adequacy of the Company's internal control system.

Management is inherently risk averse and has put in place processes, procedures and controls for monitoring its risks and taking relevant actions to manage the risks going forward. The principal risks are set out below.

### **The Company's financial performance depends on its ability to locate and develop oil and gas reserves, to produce these reserves commercially and get paid for them**

Oil and gas exploration and production is capital intensive, inherently uncertain in its outcome and involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company's existing and future oil and gas projects may involve unprofitable efforts, either from dry wells or from wells that are productive but do not produce sufficient net revenues to return a profit after development, operating and other costs.

Completion of a well does not guarantee a profit on the investment or recovery of the costs associated with that well. In addition, drilling hazards or environmental damage could significantly affect operating costs, and production from successful wells may be adversely affected by conditions including delays in obtaining governmental approvals or

consents, shut-ins of connected wells resulting from extreme weather conditions, natural disasters, difficulties arising from environmental or other challenges, equipment or services shortages or failures, insufficient storage or transportation capacity or adverse geological conditions, procurement delays or difficulties arising from the political, environmental and other conditions in the areas where the hydrocarbons are located or through areas which the Company's products are transported, and those may also make it uneconomical to develop the hydrocarbons.

The Company continues to look at its asset portfolio for opportunities and / or commercial options.

*Development projects are associated with risks relating to delays and costs*

Development projects, including the development of the oil and gas fields, involve advanced engineering work, extensive procurement activities and complex construction work to be carried out under various contract packages at different locations offshore and onshore. Furthermore, the Company must carry out drilling operations, install, test and commission offshore and onshore installations and obtain governmental approval to take them into use, prior to commencement of production. The complexity of the development of the oil and gas fields makes them sensitive to various circumstances including weather conditions, which may affect the progress, costs or sequence of planned activities.

*Marketing and sale of hydrocarbons*

The marketability and price of hydrocarbons produced by the Company will be affected by numerous extraneous factors.

*Commodity price fluctuations*

The Company's revenue and earnings will depend upon prevailing local and international oil and gas prices. The Company's net production revenue could be reduced by materially lower oil

**Cautionary statement:** the operating and financial review and certain other sections of this document contain forward looking statements which are subject to risk factors associated with, amongst others, the economic and business circumstance occurring from time to time in the countries and markets in which the Company operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables, which could cause actual results to differ materially from those currently anticipated. By receiving, reading or downloading this report the recipient acknowledges that they will be solely responsible for forming their own view of the potential future performance

and gas prices, to the extent not addressed by meaningful hedging arrangements. Oil and gas are freely traded and, as a result, the Company, in common with its local and international competitors, does not control the prices it receives for its oil and gas. Historically, oil and gas prices have been volatile and subject to wide fluctuations for many reasons.

#### *Recovery, reserve and resource estimates*

Estimates of economically recoverable oil and gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, including but not limited to items such as geological projections of reserves and underground conditions, historical production, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, oil and gas quality, transportation tariffs and capacity, royalty and taxation rates, effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are, to some degree, speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary.

The Company's future actual production, revenues and development and operating expenditures with respect to its reserves may vary materially from current estimates thereof.

If the reserves or resources of the Company prove to be less than the current estimates or of lesser quality than expected, the Company may be unable to recover and produce the estimated levels or quality of oil or gas and, as a result, the Company may not recover its initial outlay of capital expenditures and operating costs of any such operation, which could cause a material adverse effect on the business, prospects, financial condition or results of operations of the Company.

#### *Risks related to bonds and the bond guarantees*

For specific risks related to the bond issued by Tulip Oil Netherlands Offshore B.V. please see the Oslo Bors Bond Listing Prospectus – Securities Note 1 August 2018 on the Tulip Oil website: [www.tulipoil.com/reporting](http://www.tulipoil.com/reporting).

The Hague, 27 February 2020

**Leo Koot**  
*Non-Executive Chairman*

**Imad Mohsen**  
*Chief Executive Officer*

**Ruud Schrama**  
*Chief Financial Officer*

# **AUDITED FINANCIAL STATEMENTS WITH NOTES**

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

€ '000	Note	Year ended 31 December 2019	Year ended 31 December 2018
Revenues	3	1	70
Other revenues		-	221
<b>Total Revenue</b>		<b>1</b>	<b>291</b>
Exploration expenses		(53)	-
Production costs		(174)	(505)
Depreciation	10	-	(3)
Impairments	4,10	(41)	(317)
Other operating expenses	5	(198)	(297)
<b>Total operating expenses</b>		<b>(466)</b>	<b>(1,122)</b>
<b>Operating profit/(loss)</b>		<b>(465)</b>	<b>(831)</b>
Interest income		492	669
Other financial income		-	-
Interest expenses		(2,953)	(2,907)
Other financial expenses		(20)	(38)
<b>Net finance costs</b>	6	<b>(2,481)</b>	<b>(2,276)</b>
<b>Share of interest in affiliates</b>		<b>23,518</b>	<b>(424)</b>
<b>Profit/(loss) before taxes</b>		<b>20,572</b>	<b>(3,531)</b>
Tax (charge)/credit	7	(5,113)	1,357
<b>Profit/(loss) for the year</b>		<b>15,459</b>	<b>(2,174)</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

€ '000	01.01-31.12	
	Year ended 31 December 2019	Year ended 31 December 2018
Profit/(loss) for the year	15,459	(2,174)
<b>Total comprehensive income in year</b>	<b>15,459</b>	<b>(2,174)</b>

The Company initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

The notes on pages 17 to 48 are an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

€ '000	Note	31 December 2019	31 December 2018
<b>ASSETS</b>			
<b>Investments</b>			
Investments in subsidiaries	8	33,960	10,442
<b>Tangible fixed assets</b>			
Property, plant and equipment	9	-	4
<b>Financial assets</b>			
Long-term loan to affiliates	11	4,200	7,000
Deferred tax assets	7	16,081	21,194
<b>Total non-current assets</b>		<b>54,241</b>	<b>38,640</b>
<b>Receivables</b>			
Trade receivables		-	-
Other short-term receivables	12	21	180
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	13	52	249
<b>Total current assets</b>		<b>73</b>	<b>429</b>
<b>TOTAL ASSETS</b>		<b>54,314</b>	<b>39,069</b>

The notes on pages 17 to 48 are an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

€ '000	Note	31 December 2019	31 December 2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	100	100
Share premium	15	28,354	28,354
Retained earnings		(11,849)	(27,308)
<b>Total equity</b>		<b>16,605</b>	<b>1,146</b>
<b>Non-current liabilities</b>			
Long-term abandonment provision	17	1,045	984
Interest-bearing loans from affiliates	18	36,611	36,501
Other non-current liabilities		-	-
<b>Current liabilities</b>			
Trade payables		3	294
Accrued expenses		30	15
Liabilities against affiliates		20	126
Other current liabilities		-	3
<b>Total liabilities</b>		<b>37,709</b>	<b>37,923</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54,314</b>	<b>39,069</b>

The Company initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

The notes on pages 17 to 48 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

€ '000	Share capital	Share premium	Retained earnings	Total equity
<b>Equity as of 31.12.2017</b>	<b>100</b>	<b>28,354</b>	<b>(25,134)</b>	<b>3,320</b>
Share premium injection	-	-	-	-
Profit/(loss) for the year	-	-	(2,174)	(2,174)
<b>Equity as of 31.12.2018</b>	<b>100</b>	<b>28,354</b>	<b>(27,308)</b>	<b>1,146</b>
Share premium injection	-	-	-	-
Profit/(loss) for the year	-	-	15,459	15,459
<b>Equity as of 31.12.2019</b>	<b>100</b>	<b>28,354</b>	<b>(11,849)</b>	<b>16,605</b>

The Company initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

The notes on pages 17 to 48 are an integral part of these financial statements.

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2019

€ '000	Note	Year ended 31 December 2019	Year ended 31 December 2018
<b>Cash flow from operating activities</b>			
<b>Profit/(loss) for the financial year</b>		<b>15,459</b>	<b>(2,174)</b>
Tax charge/(credit)		5,113	(1,357)
Net finance costs	6	2,481	2,276
Depreciation	10	-	3
Net impairment losses	4,10	41	317
Share of interest in affiliates		(23,518)	424
(Increase)/decrease in trade and other receivables		160	(30)
Increase/(decrease) in trade, other payables and provisions		(380)	254
(Increase)/decrease in inventories		-	-
<b>Net cash flow from operating activities</b>		<b>(644)</b>	<b>(287)</b>
<b>Cash flow from investment activities</b>			
Payments to acquire tangible fixed assets		-	-
Proceeds from sale of equipment		4	-
<b>Net cash flow from investment activities</b>		<b>4</b>	<b>-</b>
<b>Cash flow from financing activities</b>			
Repayment of loan to parent Company	18	(2,375)	(1,000)
Loan injection from parent Company	18,22	2,485	2,200
Repayments from subsidiary	11,22	2,800	1,000
Repayment of long term payables		(6)	(1)
<i>Net interest paid:</i>			
Total interest expenses	6	(2,953)	(2,907)
Interest income	6	492	669
<b>Net cash flow from financing activities</b>		<b>443</b>	<b>(40)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(197)</b>	<b>(327)</b>
Cash and cash equivalents at 1 January		249	576
<b>Cash and cash equivalents at 31 December</b>	<b>13</b>	<b>52</b>	<b>249</b>

The Company initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

The notes on pages 17 to 48 are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

#### a) General information

Tulip Oil Netherlands B.V. (the Company) is a private limited liability Company incorporated in The Netherlands. The address of its registered office and principal place of business is Alexanderstraat 18, 2514JM Den Haag, The Netherlands. The Company was founded in May 2005 and is registered in the Trade Register at the Chamber of Commerce under number 37117836.

The main focus of the Company is the upstream development and production company with a focus on the exploitation opportunities in undiscovered and undeveloped oil and gas fields in The Netherlands.

#### *Financial reporting period*

These financial statements cover the year 2019, which ended at the balance sheet date of 31 December 2019.

#### b) Going concern

The financial statements of the Company have been prepared on the basis of the going concern assumption.

#### c) Exemption for consolidation

The Company has prepared company financial statements only. The Company has applied the exemption for the preparation of consolidated financial statements in accordance with IFRS 10.4 and Article 408 Book 2 of the Dutch Civil Code. The ultimate parent of the Company, Tulip Oil Holding B.V., produces consolidated financial statements in which the Company is included.

### Note 2 Basis of preparation

#### a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Section 2:362(9) of the Netherlands Civil Code.

This is the first set of the Company's annual financial statements in which IFRS 16 Leases has been applied. Changes to significant accounting

policies are set out in note 2e. There is no material impact from the application of IFRS 16.

The financial statements were authorised for issue by the Board of Directors on 27 February 2020.

#### b) Basis of measurement

The financial statements financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

- derivative financial instruments are measured at fair value (comparative figures only);
- non-derivative financial instruments are measured at fair value through profit and loss account ('FVTPL'); and
- contingent consideration assumed in a business combination at fair value.

#### c) Functional and presentation currency

These financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest €1 thousands, unless otherwise stated.

#### d) Use of judgements and estimates

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### *Judgements*

There are no significant judgements made in applying the accounting policies to the Company's financial statements.

#### *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and

## Note 2 Basis of preparation (cont'd)

liabilities in the next financial year are included below.

- Carrying value of property, plant and equipment (note 9):

Management performs impairment reviews on the Company's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where indicators are present, and an impairment test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Key assumptions and estimates in the impairment models relate to: commodity prices and the long-term corporate economic assumptions thereafter, pre-tax discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.

- Commercial resources estimates used in the calculation of depreciation and impairment of property, plant and equipment (note 9):

P1 proven and P2 probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Company's oil and gas assets. The Company estimates its resources using standard recognised evaluation techniques. The estimate is reviewed at least annually by management and is reviewed as required by independent consultants.

P1 proven and P2 probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, these having an impact on the total amount of recoverable reserves. Future development costs are estimated taking into account the level of development required to produce the resources by reference to operators, where applicable, and internal engineers.

- Abandonment provision (note 17):

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected

timing, work scope, amount of expenditure and risk weighting may also change. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by internal experts and the results of this review are then assessed alongside estimates from Operators. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

- Deferred tax assets (note 7):

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised in income in the period in which the change occurs.

Current tax is calculated based on the best available information. Changes between the tax charge included in the financial statements and the subsequent tax filings are recognised prospectively as a prior year adjustment.

- Measurement of fair values (note 19):

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

## Note 2 Basis of preparation (cont'd)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

- Presumption of going concern:

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Company's producing assets. In the currently low commodity price environment, the Company has taken appropriate action to reduce its cost base and increase liquidity. The Company's forecasts show that the Company will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2019 Annual Report and Accounts.

### e) Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out in note 24 to all periods presented in these financial statements. The nature and effect of the changes are explained below.

The Company has initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards and amendments are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements. These new standards and amendments are as follows:

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed

below. Accordingly, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

#### A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease as included in IFRS 16.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

#### B. As a lessee

As a lessee, the Company leases many assets including property, production equipment and IT equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

## **Note 2 Basis of preparation (cont'd)**

i. Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

ii. Leases classified as finance leases under IAS 17

The Company leases a number of items of production and other equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying

amount of the lease asset and lease liability under IAS 17 immediately before that date.

## **f) Statement of cash flows**

The statement of cash flows is prepared in accordance with indirect method and constitutes an explanation of the change in net cash, defined as cash and cash equivalents. In the statement of cash flows, a differentiation is made between cash flows from operating, investing and financing activities.

Cash flows in currencies other than the euro, are translated at the exchange rates, prevailing at the date of the transaction. The Company uses periodically fixed average exchange rates that effectively approximate the exchange rates on transaction dates.

### Note 3 Revenues

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over the oil or gas sold to a customer.

€ '000	Year ended 31 December 2019	Year ended 31 December 2018
Recognised income liquids	1	7
Recognised income gas	-	63
<b>Total petroleum revenues</b>	<b>1</b>	<b>70</b>
<b>Breakdown of produced volumes</b> (thousand barrels of oil equivalent)		
Liquids	-	-
Gas	-	4
<b>Total produced volumes</b>	<b>-</b>	<b>4</b>

### Note 4 Impairments

#### *Tangible fixed assets*

Impairment tests of individual cash-generating units are performed when impairment triggers are identified. As the full asset base for the DKK assets was impaired in 2017 no net book value remains on these assets.

In 2019, the impairment relates to the write down of book value arising from a re-assessment of the associated abandonment liabilities and assets.

### Note 5 Other operating expenses

€ '000	Year ended 31 December 2019	Year ended 31 December 2018
Contractors	4	5
Travel and travel related costs	-	7
IT and communication	4	4
Professional services	139	52
Cost recharges	144	297
Other (including recovery of cost)	(93)	(68)
<b>Total other operating expenses</b>	<b>198</b>	<b>297</b>

There are no employees of the Company in 2019 (2018: Nil). The audit fee and other non-audit related fees have been disclosed in the financial statements of the parent company (TOH).

The directors of Tulip Oil Netherlands B.V. received no compensation for their services. All fees related to the duties of the directors are disclosed in the consolidated financial statements of the parent, Tulip Oil Holding B.V.

Other includes the recovery of cost from our joint venture partners.

## Note 6 Net finance costs

€ '000	Year ended 31 December 2019	Year ended 31 December 2018
Interest income	(492)	(669)
<b>Total financial income</b>	<b>(492)</b>	<b>(669)</b>
Interest on loans from affiliates	2,953	2,907
Capitalised interest cost, development projects	-	-
<b>Total interest expenses</b>	<b>2,953</b>	<b>2,907</b>
Other financial expenses	-	-
Accretion expenses	20	38
<b>Total other financial expenses</b>	<b>20</b>	<b>38</b>
<b>Net finance costs</b>	<b>2,481</b>	<b>2,276</b>

## Note 7 Taxes

	Year ended 31 December 2019	Year ended 31 December 2018
€ '000		
<b>Current tax expense</b>		
Current year	-	-
Other changes	-	-
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(1,750)	1,358
Adjustments to deferred tax relating to a change in tax rates	(356)	-
Derecognition of deferred tax previously recognised	(3,007)	-
<b>Tax (charge)/credit</b>	<b>(5,113)</b>	<b>1,358</b>

The income tax charge for the year can be reconciled to the accounting profit as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
€ '000		
<b>Profit/(loss) before taxes</b>	<b>20,572</b>	<b>(3,531)</b>
Add back share of interest in affiliates	(23,518)	424
<b>Profit/(loss) before taxes and share of interest in affiliates</b>	<b>(2,946)</b>	<b>(3,107)</b>
<b>Income tax benefit calculated at 50.0% (2018: 50.0%)</b>	<b>1,473</b>	<b>1,554</b>
Uplift	118	157
Other movements	(464)	98
Shared losses not compensated	(2,044)	(451)
Adjustment related to a change in tax rates	(356)	-
Changes in prior year tax estimates	(833)	-
Derecognition of tax losses previously recognised	(3,007)	-
<b>Tax (charge)/credit</b>	<b>(5,113)</b>	<b>1,358</b>
<i>Effective tax rate</i>	<i>173.6%</i>	<i>43.7%</i>

€ '000	Temporary differences			Total
	Tax losses	Provisions	Other	
<b>At 1 January 2018</b>	<b>19,590</b>	<b>220</b>	<b>26</b>	<b>19,836</b>
Profit and loss account	1,142	110	106	1,358
<b>At 31 December 2018</b>	<b>20,732</b>	<b>330</b>	<b>132</b>	<b>21,194</b>
Profit and loss account	(4,757)	(356)	-	(5,113)
<b>At 31 December 2019</b>	<b>15,975</b>	<b>(26)</b>	<b>132</b>	<b>16,081</b>

The tax losses are made up of Corporate Income Tax ("CIT") and State Profit Share ("SPS") losses. 'Provisions' relate to temporary differences on abandonment provisions and 'Other' relates to temporary differences on abandonment fixed assets and other provisions/liabilities.

## Note 7 Taxes (cont'd)

Deferred tax assets have not been recognized in respect of certain tax losses amounting to €3.0 million (€ nil) because it is not probable that future taxable profit will be available against which the Company can create offset.

For the remaining CIT and SPS losses management continues to recognise an asset based on development opportunities in M11 and DKK that can be matured thereby allowing utilisation of the related CIT and SPS losses. If for any reason some or all of these plans do not materialise then a write down of (a part of) the currently recognised CIT deferred tax asset will be needed. The remaining post fiscal unity losses in TONO can be utilised and recovered through the fiscal unity and the SPS losses can be carried forward indefinitely.

## Note 8 Investments in subsidiaries and joint arrangements

€ '000	2019	2018
<b>Balance at beginning of the year</b>	<b>10,442</b>	<b>10,866</b>
<i>Additions during the year:</i>		
TONO addition	-	-
Share of interest in TONO	23,518	(424)
<b>Balance at end of year</b>	<b>33,960</b>	<b>10,442</b>

### Subsidiaries

Details of the Company's direct subsidiary at the end of the reporting year is as follows.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company	
			31 December 2019	31 December 2018
Tulip Oil Netherlands Offshore B.V.	Offshore exploration and production of hydrocarbon volumes	The Hague, Netherlands	100%	100%

€ '000	31 December 2019	31 December 2018
<b>Carrying amounts of:</b>		
Subsidiary Tulip Oil Netherlands Offshore B.V.	<b>33,960</b>	10,442

The profit for the year 2019 of Tulip Oil Netherlands Offshore B.V. amounts €23.5 million (2018: loss €0.4 million).

## Note 8 Investments in subsidiaries and joint arrangements (cont'd)

### Joint arrangements

The Company and its subsidiary has the following interest in joint arrangements which classify as joint operations:

Joint arrangement	Partner	Status	31 December 2019	31 December 2018
Q7-Q10A (offshore block)	EBN	Operated	60%	60%
Q08 (offshore block)	EBN	Operated	60%	60%
Q10b (offshore block)	EBN	Operated	60%	60%
Q11 (offshore block)	EBN	Operated	60%	60%
M10-M11 (offshore block)	EBN	Operated	60%	60%
TEN	EBN	Operated	60%	60%
Donkerbroek Hemrik	EBN	Operated	60%	60%
Marknesse	EBN	Operated	60%	60%
Schagen	EBN - Petrogas	Operated	30%	30%

## Note 9 Property, plant and equipment

€ '000	Assets under construction	Production facilities including wells	Other	Total
<b>Acquisition cost 31.12.2017</b>	-	<b>19,232</b>	<b>14</b>	<b>19,246</b>
Additions	-	317	-	317
Other movements	-	-	-	-
<b>Acquisition cost 31.12.2018</b>	-	<b>19,549</b>	<b>14</b>	<b>19,563</b>
<b>Accumulated depreciation and impairments 31.12.2017</b>	-	<b>(19,232)</b>	<b>(7)</b>	<b>(19,239)</b>
Depreciation	-	-	(3)	(3)
Impairment	-	(317)	-	(317)
<b>Accumulated depreciation and impairments 31.12.2018</b>	-	<b>(19,549)</b>	<b>(10)</b>	<b>(19,559)</b>
<b>Book value 31.12.2018</b>	-	-	<b>4</b>	<b>4</b>
<b>Acquisition cost 31.12.2018</b>	-	<b>19,549</b>	<b>14</b>	<b>19,563</b>
Additions	-	41	-	41
Disposal	-	-	(4)	(4)
<b>Acquisition cost 31.12.2019</b>	-	<b>19,590</b>	<b>10</b>	<b>19,600</b>
<b>Accumulated depreciation and impairments 31.12.2018</b>	-	<b>(19,549)</b>	<b>(10)</b>	<b>(19,559)</b>
Depreciation	-	-	-	-
Impairment	-	(41)	-	(41)
<b>Accumulated depreciation and impairments 31.12.2019</b>	-	<b>(19,590)</b>	<b>(10)</b>	<b>(19,600)</b>
<b>Book value 31.12.2019</b>	-	-	-	-

### *Other*

Other mainly consists of fixtures, fittings and office equipment.

## Note 10 Depreciation

	Year ended 31 December 2019	Year ended 31 December 2018
<b>Depreciation in the Income statement € '000</b>		
Depreciation of tangible fixed assets	-	3
<b>Total depreciation in the Income statement</b>	<b>-</b>	<b>3</b>
<b>Impairment in the Income statement € '000</b>		
Impairment/(reversal) of tangible fixed assets	41	317
<b>Total impairment in the Income statement</b>	<b>41</b>	<b>317</b>

## Note 11 Long term loans with affiliate

€ '000	31 December 2019	31 December 2018
<b>Balance at the beginning of the year</b>	<b>7,000</b>	<b>8,000</b>
Additional loans issued	-	-
Repayments of loans	(2,800)	(1,000)
<b>Balance at the end of the year</b>	<b>4,200</b>	<b>7,000</b>

## Note 12 Other short-term receivables

€ '000	31 December 2019	31 December 2018
Joint venture receivables	10	99
Prepayments	5	19
VAT receivable	6	62
<b>Total other short-term receivables</b>	<b>21</b>	<b>180</b>

## Note 13 Cash and cash equivalents

The item 'Cash and cash equivalents' consists of bank accounts.

€ '000	31 December 2019	31 December 2018
Bank accounts	52	249
<b>Cash and cash equivalents</b>	<b>52</b>	<b>249</b>

#### Note 14 Share capital

€ '000	31 December 2019	31 December 2018
Share capital	100	100

The share capital of Tulip Oil Netherlands B.V. consists of 1,000 ordinary shares with a par value of €100. Tulip Oil Holding B.V. is the single shareholder of the Company.

#### Note 15 Share premium

€ '000	31 December 2019	31 December 2018
Share premium	28,354	28,354

#### Note 16 Proposed appropriation of result

The Company proposes to transfer the profit for the year of €15.5 million to retained earnings in accordance with Article 4.1 of Articles of Association. This article states that the profits are at the disposal of the shareholders.

#### Note 17 Abandonment provision

€ '000	2019	2018
<b>Abandonment provision at beginning of the year</b>	<b>984</b>	<b>630</b>
Accretion expense - present value calculation	20	38
Change in estimates and incurred liabilities*	41	316
<b>Total abandonment provision at year end</b>	<b>1,045</b>	<b>984</b>
<b>Break down of the abandonment provision to short-term and long-term liabilities</b>		
Short-term	-	-
Long-term	1,045	984
<b>Total abandonment provision</b>	<b>1,045</b>	<b>984</b>

\* The change in estimates are related to a re-assessment by management of the cost to decommission its assets based on actual experience, timing of the decommissioning and the discount rate applied.

The estimate is based on executing a concept for decommissioning in accordance with the Petroleum Activities Act and international regulations and guidelines. The calculations assume an inflation rate of 1.5% (2018: 1.5%) and a discount rate of 0.5% (2018: 2.0%).

## Note 18 Interest-bearing loans from affiliates

€ '000	2019	2018
<b>Balance at the beginning of the year</b>	<b>36,501</b>	<b>35,301</b>
Additions during the year	2,485	2,200
Repayments during the year	(2,375)	(1,000)
<b>Balance at the end of the year</b>	<b>36,611</b>	<b>36,501</b>

TON has entered into a loan agreement with TOH to finance the current and future activities until the company will generate its own cash flows. The loan is unsecured and bears an interest rate of 8.033% per annum. The loan agreement has been extended to 1<sup>st</sup> January 2025 on the 31 December 2019.

## Note 19 Financial instruments

### *Financial risk management objectives*

The Company is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The use of derivative financial instruments (derivatives) is governed by the Company's policies approved by the Board. Compliance with policies and exposure limits are monitored and reviewed internally on a regular basis. The Company does not enter into or trade financial instruments, including derivatives, for speculative purposes.

## Note 19 Financial instruments (cont'd)

### Fair values of financial assets and liabilities

The Company considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

€ '000	Financial assets at amortised cost	Other financial liabilities	Fair value hierarchy
<b>Financial assets</b>			
Other short-term receivables	21	-	Level 3
Cash and cash equivalents	52	-	Level 3
<b>Total financial assets</b>	<b>73</b>	<b>-</b>	
<b>Financial liabilities</b>			
Interest-bearing loans from affiliates	-	36,611	Level 3
Trade payables	-	3	Level 3
Other current liabilities and accruals	-	50	Level 3
<b>Total financial liabilities</b>	<b>-</b>	<b>36,664</b>	

The Company has no material financial assets that are past due. No financial assets are impaired at the balance sheet date.

### Risk management framework

The TOH Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The TOH Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed when needed to reflect changes in market conditions and the Company's activities.

The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The TOH Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

## Note 19 Financial instruments (cont'd)

### Commodity price (market) risk

Market risk is the risk that changes in market prices eg as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of material risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

The Company does not use derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues.

### Cash flow and interest rate risk

The Company's exposure to interest cost fluctuation is limited as funding is via an intragroup loan which carries a fixed interest rate of 8.033% until its expiry on 1 January 2025. No interest rate hedging has been taken out by the Company. The Company's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2019 and 2018 were all denominated in €. No other currencies of cash or debt are held.

The following table demonstrates the sensitivity of the Company's financial instruments to reasonably possible movements in interest rates:

		Effect on finance costs		Effect on equity	
		Year ended 31 December 2019	Year ended 31 December 2018	31 December 2019	31 December 2018
€ '000	Market movement				
<b>Interest rate</b>	10 basis points	32	30	(89)	(18)

Cash flow risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing cashflow is to develop its existing portfolio through oil and gas exploration, review commercial opportunities and also to seek funding from its parent company as needed.

### Credit risk

The Company has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The primary credit exposures for the Company are its amounts due from JV partners. These exposures are managed at the Group level. JV partners are predominantly international major oil and gas market participants. Material counterparty evaluations are conducted utilising international credit rating agency and financial assessments. Where considered appropriate, security in the form of trade finance instruments from financial institutions with appropriate credit ratings, such as letters of credit, guarantees and credit insurance, are obtained to mitigate the risks.

## **Note 19 Financial instruments (cont'd)**

### *Expected credit loss assessment*

The Company performs an expected credit loss assessment on an asset by asset basis due to the relatively small number of individual financial assets. The Company applies the lifetime method for assessing expected credit losses.

### *Cash and cash equivalents*

The Company held cash and cash equivalents of €52 thousand at 31 December 2019 (2018: €249 thousand). The cash and cash equivalents are held with bank and financial institution counterparties which are rated at least AA-.

Impairment on cash and cash equivalents has been measured on a 12 month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties.

The Company uses a similar approach for assessment of ECL's for cash and cash equivalents to those used for debt securities.

The Company has not recognised an allowance for credit losses over cash and cash equivalents in 2019 or 2018.

### *Foreign currency risk*

The Company conducts and manages its business predominately in euro's, the operating currency of the industry in which it operates. From time to time the Company undertakes certain transactions denominated in other currencies. There were no material foreign currency financial derivatives in place at 31 December 2019 (2018: €nil).

As at 31 December 2019, there were no material monetary assets or liabilities of the Company that were not denominated in the functional currency of the respective subsidiaries.

The Company does not see material movements arising from foreign currency fluctuations.

### *Liquidity risk*

The Company manages its liquidity risk using both short and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the TOH Board, which has established an appropriate liquidity risk management framework covering the Company's short, medium and long-term funding and liquidity management requirements.

Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Company's producing assets and delays to development projects. In addition to the Company's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Company.

The Company's forecast, taking into account the risks described above, show that the Company will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2019 Annual Report and Accounts.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

**Note 19 Financial instruments (cont'd)**

€ '000	Weighted average effective interest rate (%)	1-3 months	3 Months to 1 year	1-5 years	5- years	Total
<b>31 December 2019</b>						
Interest-bearing loans from affiliates	8.033	-	-	-	36,611	36,611
Other current liabilities and accrued expenses		-	-	-	-	-
Trade payables		3	-	-	-	3
<b>Total</b>		<b>3</b>	<b>-</b>	<b>-</b>	<b>36,611</b>	<b>36,614</b>
<b>31 December 2018</b>						
Interest-bearing loans from affiliates	8.033	-	-	36,501	-	36,501
Other current liabilities		3	-	-	-	3
Trade payables		294	-	-	-	294
<b>Total</b>		<b>297</b>	<b>-</b>	<b>36,501</b>	<b>-</b>	<b>36,798</b>

## Note 20 Related party transactions

Details of transactions between the Company and other related parties are disclosed below.

### *Intracompany financing*

Tulip Oil Netherlands B.V. has entered into a loan agreement with Tulip Oil Holding B.V. to finance the current and future activities until the company will generate its own cash flows. The loan is unsecured and bears an interest rate of 8.033% per annum.

Tulip Oil Netherlands Offshore B.V. has entered into a loan agreement with Tulip Oil Netherlands B.V. to finance the purchase of the license interest in Q7 and Q10a and for the funding of the further exploration of these licenses until the company will generate its own cash flows. The loan is unsecured and bears an interest rate of 8.4% per annum.

### *Compensation of key management and key management personnel*

The Directors of Tulip Oil Netherlands Offshore B.V. and management personnel are the only key management members as defined by IAS 24 – Related Party Disclosures. This function is provided by certain management companies and their personnel to Tulip Oil Holding B.V. as well as by personnel employed by Tulip Oil Holding B.V. from which recharges to the Company are conducted.

The Company is wholly and directly controlled by Tulip Oil Holding B.V. Management costs are paid by and recognised in Tulip Oil Holding B.V.

Transactions with other related parties are set out below:

€ '000	Transaction type	Year ended 31 December 2019	Year ended 31 December 2018
Cost recharges	Intercompany	(144)	(366)
Interest expense on TOH intercompany loan	Intercompany	(2,953)	(2,907)
Interest received on TONO intercompany loan	Intercompany	492	669
<i>Outstanding balances receivable (payable) at end of year:</i>		<b>31 December 2019</b>	<b>31 December 2018</b>
Tulip Oil Holding B.V.	Services provided	(20)	(125)
Rhein Petroleum	Services provided	-	-
Tulip Oil Holding BV	Intercompany loan	(36,611)	(36,501)
Tulip Oil Netherlands Offshore BV	Intercompany loan	4,200	7,000

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash. No expense has been recognised in the current year or prior year for bad and doubtful debts in respect of amounts owed by related parties.

## Note 21 Commitments and contingencies

€ '000	31 December 2019	31 December 2018
<b>Operating lease commitments</b>		
Due within one year	-	3
After one year but within five years	-	-
Due after five years	-	-
<b>Total operating lease commitments</b>	<b>-</b>	<b>3</b>

The future minimum lease payments under non-cancellable leases payable as at 31 December are shown in the table above. The following related amounts were recognised in the profit and loss account.

€ '000	Year ended 31 December 2019	Year ended 31 December 2018
Car lease expense	-	3

Tulip Oil Holding B.V., Tulip Oil Netherlands B.V. and Tulip Oil Netherlands Offshore B.V. are part of a fiscal unity for corporate income tax purposes where each entity is individually liable for the tax payments. Tulip Oil Holding B.V. is the head of the fiscal unity.

### Guarantees

On 25 October 2017 TONO has entered into a Senior Secured Callable Bond Issue (hereafter "Bond") agreement for the amount of € 87,000,000. TONO is the issuer of the Bond and TON is a Guarantor.

For the first Escrow Account Release the following securities are given by Tulip Oil Netherlands B.V.:

- A Dutch law pledge over the entire share capital of TONO (which, i.a., will contain an undertaking to pledge future shares);
- A Dutch law receivables pledge over all Subordinated Loans to TONO (which, i.a., will contain an undertaking to pledge future Subordinated Loans);
- A Norwegian law personal guarantee.

## Note 22 Reconciliation of financing cashflows

€ '000	Interest- bearing loans from affiliates	Long term loans with affiliates
<b>At 31.12.2017</b>	35,301	8,000
Financing cashflows	1,200	(1,000)
Non cash movements	-	-
<b>At 31.12.2018</b>	<b>36,501</b>	<b>7,000</b>
Repayments of loans	(2,375)	(2,800)
Additions to loans	2,485	-
Non cash movements	-	-
<b>At 31.12.2019</b>	<b>36,611</b>	<b>4,200</b>

## Note 23 Subsequent events

There have been no subsequent events after the balance sheet up to the signing of these financial statements which require either adjustment or disclosure.

## Note 24 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (also see note 2).

Certain comparative amounts in the statement of profit or loss and other comprehensive income have been restated, reclassified or re-presented, as a result of the change in the classification of costs.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

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## **Note 24 Significant accounting policies (cont'd)**

### **a) Foreign currencies**

The euro is the functional and presentation currency of the Company. Transactions in foreign currencies are translated to the respective functional currencies of Company entities at exchange rates at the dates of the transactions. Income and expense items are translated at the average exchange rates for the period.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within other operating expenses or finance costs.

### **b) Revenue**

Sales revenue represents the sales value, net of VAT, of the Company's share of liftings in the year. Revenue is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### **c) Operating profit**

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

### **d) Joint arrangements**

The Company is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are

classified as joint operations in accordance with IFRS 11. The Company accounts for its share of the results and net assets of these joint operations. In addition, where Tulip acts as Operator to the joint operation, the net liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Company's balance sheet.

### **e) Finance income and finance costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

### **f) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. For purposes of corporate income tax, Tulip Oil Holding B.V. formed a fiscal unity with its subsidiaries Tulip Oil Netherlands B.V. and Tulip Oil Netherlands Offshore B.V. as of 1 June 2016. The companies are separately liable for tax. For the calculation of corporate income tax horizontal compensation is applicable as of 1 June 2016.

Current and deferred tax are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

## **Note 24 Significant accounting policies (cont'd)**

### Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Company. Deferred

tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### **g) Leases**

The Company has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. The Company has disclosed accounting policies under both IFRS 16 (for the current period) and IAS 17 (for the comparative period presented) in order for users to understand the current period as well as comparative information and changes in significant accounting policies. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

## Note 24 Significant accounting policies (cont'd)

### *Policy applicable from 1 January 2019*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into or changed, on or after 1 January 2019.

#### (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## Note 24 Significant accounting policies (cont'd)

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

### *Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (less than €5,000) and short-term leases (period less than one year), including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### *Policy applicable before 1 January 2019*

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

### *As a lessee*

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of

ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

## **h) Exploration, evaluation and production assets**

The Company adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-license costs are expensed in the period in which they are incurred. All license acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is depreciated in accordance with the Company's depreciation accounting policy.

## **i) Commercial reserves**

P1 developed producing and P2 reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques. The estimate is reviewed at least annually by

## **Note 24 Significant accounting policies (cont'd)**

management and is reviewed as required by independent consultants.

### **j) Depreciation based on depletion**

All expenditure carried within each field 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 commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a Company of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Company calculates CGU-specific discount rates. The discount rates are based on an assessment of the Company's post-tax Weighted Average Cost of Capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

### **k) Provisions**

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the

liability. The unwinding of the discount is recognised as finance cost.

### Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

### Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

### Abandonment provision

An abandonment provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of abandonment, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements.

Changes in the estimated timing of abandonment or abandonment cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the abandonment provision is included as a finance cost.

### **l) Participating interests in group companies**

Group companies are all entities in which the Company has directly or indirectly control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the group company and has the ability to affect those returns through its power over the group company. Group companies are recognised from the date on which control is obtained by the Company and derecognised from the date that control by the Company over the group company ceases. Participating interests in group companies are accounted for in the company financial

## **Note 24 Significant accounting policies (cont'd)**

statements according to the net equity value, with separate presentation of the goodwill component under intangible assets, with the principles for the recognition and measurement of assets and liabilities and determination of results as set out in the notes to the financial statements.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

### **m) Property, plant and equipment**

#### *Recognition and measurement*

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2015, the Company's date of transition to EU-IFRS, was determined with reference to its fair value at that date.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separable items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the profit and loss account.

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

#### *Depreciation*

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the aforementioned depreciation based on depletion accounting policy for all assets related to oil and gas fields and straight-line method over the estimated useful lives for all other property, plant and equipment. Depreciation is recognised in the profit and loss account.

The estimated useful lives of property, plant and equipment depreciated using the straight-line method is 3 to 5 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### **n) Cash and cash equivalents**

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

### **o) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

## Note 24 Significant accounting policies (cont'd)

### p) Financial Instruments

#### **Recognition and Initial Measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### **Classification and Subsequent Measurement**

##### *Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting

contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### *Financial assets – Subsequent measurement and gains and losses:*

- **Financial assets at FVTPL** - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- **Financial assets at amortised cost** - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- **Debt investments at FVOCI** - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVOCI** - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

## **Note 24 Significant accounting policies (cont'd)**

Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### *Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### *Derecognition*

#### *Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all of substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

#### *Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including

any non-cash assets transferred or liabilities assumed) is recognised in the profit and loss account.

### *Share capital - Ordinary shares*

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS12.

### *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## Note 24 Significant accounting policies (cont'd)

### q) Impairment

#### Non-derivative financial assets

The Company recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

## Note 24 Significant accounting policies (cont'd)

### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

### Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the

amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Note 24 Significant accounting policies (cont'd)

### r) Fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the

valuation is wholly supported by observable market data or the transaction is closed out.

### s) Standards issued that are not effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- *IFRS 17 Insurance Contracts.*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*

**Note 24 Significant accounting policies (cont'd)**

**t) Operating segments**

As the Company currently has only one revenue stream it does not recognise any separate reportable segments.

**u) Geographical information**

As the Company currently only has activities located in the Netherlands it does not disclose any additional geographical information.

The Hague, 27 February 2020

**Imad Mohsen**  
*Chief Executive Officer*

**Ruud Schrama**  
*Chief Financial Officer*

## **OTHER INFORMATION**

### **Provisions in the Articles of Association governing the appropriation of profit**

Under article 4.1 of the Company's Articles of Association, the profit is at the disposal of the General Meeting, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

### **Independent auditor's report**

The independent auditor's report with respect to these financial statements is set out on the next pages.

# Independent auditor's report

To: the General Meeting of Shareholders and the Board of Tulip Oil Netherlands B.V.

## Report on the accompanying financial statements

### *Our opinion*

We have audited the financial statements 2019 of Tulip Oil Netherlands B.V., based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Tulip Oil Netherlands B.V. as at 31 December 2019 and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the statement of financial position as at 31 December 2019;
- 2 the following statements for 2019: the statement of profit and loss, the statements of comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

### *Basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Tulip Oil Netherlands B.V. in accordance with the Wet toezicht accountants-organisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report of the Board;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report of the Board, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

## **Description of the responsibilities for the financial statements**

### ***Responsibilities of management and the Board for the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board is responsible for overseeing the company's financial reporting process.

### ***Our responsibilities for the audit of the financial statements***

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

The Hague, February 27, 2020

KPMG Accountants N.V.

U.C. van Zessen RA