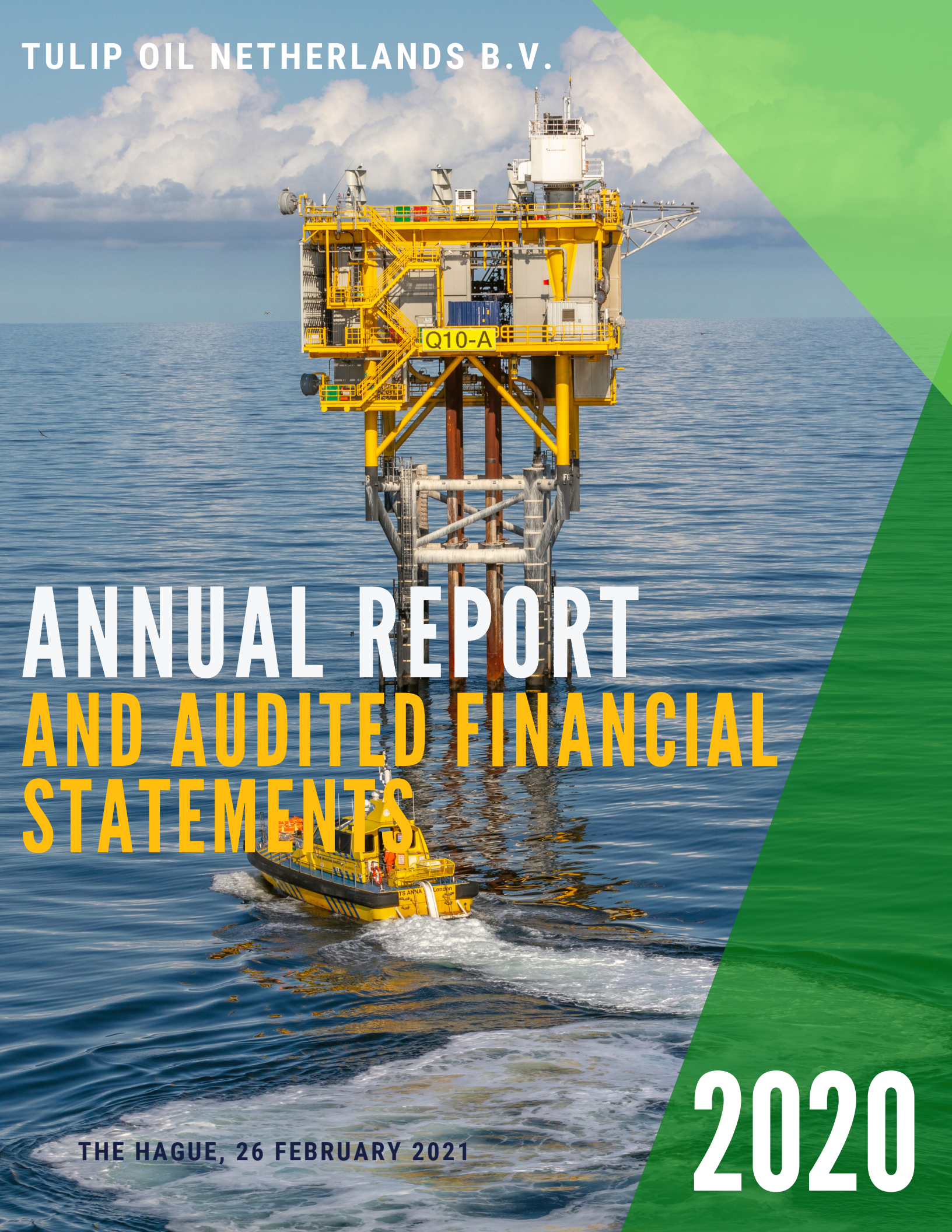
TULIP OIL NETHERLANDS B.V.



ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

THE HAGUE, 26 FEBRUARY 2021

2020

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SUMMARY OF FINANCIAL RESULTS

€ '000	2020	2019	2018
Operating profit/(loss)	7,558	(465)	(831)
EBITDA (excluding share of interest in affiliates)[1]	7,425	(424)	(511)
Profit/(loss) for the year	15,122	15,459	(2,174)
Cash flow from operations	3,815	(644)	(287)
Cash flow from investments	-	4	-
Total assets	67,575	54,314	39,069
Interest-bearing debt[1]	34,849	36,611	36,501
Cash and cash equivalents	24	52	249

[1]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, M10-M11 and TEN.

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".

The Company is wholly and directly controlled by its parent TOH.

Overview

The Board hereby submits to the shareholders the financial statements for the financial year 2020, as prepared by management and approved by the Board on 26 February 2021. KPMG Accountants N.V. audited the financial statements. Its report can be found on page 47. 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 2020 financial year of €15.1 million (profit of €15.5 million) to retained earnings.

Business review

During 2020 there has been no significant activity in TON. TON is in the process of divesting the licences related to Marknesse and Schagen with an effective date of 1 January 2021.

In 2020, the Company also agreed to a conditional transfer of the Donkerbroek facilities with a non refundable deposit of €200,000. At 31 December 2020, the conditions related to this sale have not yet been met and hence no sale has been recognised. Management expect that this transaction will conclude in 2021.

Financial position

EBITDA, excluding the share of interest in affiliates, for the year amounted to a profit of €7.4 million (loss of €0.4 million). Profit for the year of €15.1 million (profit of €15.5 million) principally arose from TONO and the newly established framework for fiscal union tax compensation. Interest-bearing debt amounted to €34.8 million (€36.6 million) at 31 December 2020 comprising of the intercompany loan from TOH.

Outlook

In 2021, 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 (2019).

Finance Review

PROFIT AND LOSS ACCOUNT

€ '000	**2020**	2019
Total revenue	-	1
EBITDA[1]	7,425	(424)
EBIT	7,558	(465)
Net finance costs	(2,586)	(2,481)
Profit/(loss) before taxes	10,137	20,572
Taxes	4,985	(5,113)
Profit/(loss) for the year	15,122	15,459

Revenue. During 2020 the Company entered into a Heads of Terms Agreement to sell the Donkerbroek facilities. A non-refundable deposit of €200,000 has been recognised. The remaining conditions to the sale have not been completed at the balance sheet date and hence the remaining consideration amount has not been recognised.

The Company is also progressing to complete the divestment of the Schagen and Marknesse licences with an effective date of 1 January 2021. At the balance sheet date completion conditions were not met.

Profit for the year. Profit for the year includes the recognition of a one-off adjustment to the Q10a licence sale transfer price consideration of €6.4 million from TON to TONO.

STATEMENT OF FINANCIAL POSITION

€ '000	**2020**	2019
Deferred tax assets	17,311	16,081
Cash and cash equivalents	24	52
Net working capital[1]	7,333	(32)
Total assets	67,575	54,314
Equity	31,727	16,605
Interest bearing debt[1]	34,849	36,611

Deferred tax assets. Deferred tax assets increased to €17.3 million (€16.1 million) as a result of State Profit Share losses partially offset by the utilisation of Corporate Income tax losses through fiscal union compensation..

Equity. The debt to equity ratio as measured by long term debt divided by shareholders' funds has improved to 1.1 (2019: 2.2) at year end following the additional operating income and tax compensation.

CASHFLOW STATEMENT

€ '000	**2020**	2019
Cash flow from operations	3,815	(644)
Cash flow from investing	-	4
Cash flow from financing	(3,843)	443
Net change in cash and cash eq.	(28)	(197)
Cash and cash eq. end of year	24	52

Cash flow. Greater cash inflow in 2020 arises mainly from tax compensation following the sharing of tax losses in the tax fiscal union.

Cash and cash equivalents. The liquidity ratio as measured by cash, marketable securities and accounts receivable divided by current liabilities is 0.3 (2019: 1.0).

During 2020 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 in the Netherlands. The main servers are in the Netherlands with back up servers in Germany and the Cloud on European servers. Most 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 above TONO. Given the minimal current activities within TON, the expectation of future sale proceeds from the sale of the Donkerbroek facilities and the current headroom available for funding from the bond, the Company has sufficient available liquidity for the foreseeable future.

The outbreak of COVID-19 and the measures adopted in the Netherlands has resulted in minimal impact to TON given the nature of its activities during 2020.

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 matters related to TON are covered by the TOH Board which addresses all matters related to the Group. The long-term success of the Company is the collective responsibility of the TOH Board. The TOH Board adopts an equal opportunities commitment.

The directors of TON are:

- Imad Mohsen, Chief Executive Officer and Executive Director – *resigned 5 December 2020*;
- Ruud Schrama, Chief Financial Officer and Executive Director – *appointed 1 December 2020*.

All TON Directors are also Directors of the TOH Board.

The role of the Board

The TOH 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 TOH 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 TOH 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 TOH Board deals with its core activities in monthly 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. Meetings are taking place virtually in observance of COVID-19 restrictions.

Audit Committee meetings

An Audit Committee has been established at the TOH level to oversee the financial reporting and controls of the Group, including TON. The TOH Audit Committee oversees the financial reporting process of the Group 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 TOH 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.

The TOH Audit Committee members are:

- David Ellis, Chair;
- Richard Jennings;
- Leo Koot – *resigned 27 January 2021*;
- Caspar Noothoven van Goor - *appointed 27 January 2021*.

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 technical progress of projects and production operations, ESG matters 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 and reviewed by 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 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 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.

The Hague, 26 February 2021

Ruud Schrama
Chief Financial Officer

AUDITED FINANCIAL STATEMENTS WITH NOTES

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

€ '000	*Note*	**Year ended 31 December 2020**	Year ended 31 December 2019
Revenue		**-**	1
Other operating income	*18*	**6,425**	-
Exploration expenses		(54)	(53)
Production costs		(169)	(174)
Depreciation	*8*	-	-
Impairments	*8*	133	(41)
Other operating expenses	*3*	1,223	(198)
Total operating expenses		**1,133**	(466)
Operating profit/(loss)		**7,558**	(465)
Interest income		316	492
Interest expenses		(2,897)	(2,953)
Other financial expenses		(5)	(20)
Net finance costs	*4*	**(2,586)**	(2,481)
Share of interest in affiliates	*6*	**5,165**	23,518
Profit before taxes		**10,137**	20,572
Tax credit/(charge)	*5*	4,985	(5,113)
Profit for the year		**15,122**	15,459

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

€ '000	**Year ended 31 December 2020**	Year ended 31 December 2019
Profit for the year	15,122	15,459
Total comprehensive income in year	**15,122**	15,459

The notes on pages 17 to 45 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

€ '000	*Note*	**31 December 2020**	31 December 2019
ASSETS			
Investments			
Investments in subsidiaries	*6*	39,125	33,960
Tangible fixed assets			
Property, plant and equipment	*7*	-	-
Financial assets			
Long-term loan to affiliates	*9*	3,700	4,200
Deferred tax assets	*5*	17,311	16,081
Total non-current assets		**60,136**	54,241
Receivables			
Other short-term receivables	*10*	7,415	21
Cash and cash equivalents			
Cash and cash equivalents	*11*	24	52
Total current assets		**7,439**	73
TOTAL ASSETS		**67,575**	54,314

The notes on pages 17 to 45 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

€ '000	*Note*	**31 December 2020**	31 December 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	*12*	100	100
Share premium	*13*	28,354	28,354
Retained earnings		3,273	(11,849)
Total equity		**31,727**	16,605
Non-current liabilities			
Long-term abandonment provision	*15*	917	1,045
Interest-bearing loans from affiliates	*16*	34,849	36,611
Current liabilities			
Trade payables		19	3
Accrued expenses		46	30
Liabilities against affiliates		17	20
Total liabilities		**35,848**	37,709
TOTAL EQUITY AND LIABILITIES		**67,575**	54,314

The notes on pages 17 to 45 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

€ '000	Share capital	Share premium	Retained earnings	Total equity
Equity as of 31.12.2018	**100**	**28,354**	**(27,308)**	**1,146**
Profit/(loss) for the year	-	-	15,459	15,459
Equity as of 31.12.2019	**100**	**28,354**	**(11,849)**	**16,605**
Profit/(loss) for the year	-	-	15,122	15,122
Equity as of 31.12.2020	**100**	**28,354**	**3,273**	**31,727**

The notes on pages 17 to 45 are an integral part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2020

€ '000	*Note*	**Year ended 31 December 2020**	Year ended 31 December 2019
Cash flow from operating activities			
Profit for the year		**15,122**	15,459
Tax charge/(credit)		(4,985)	5,113
Net finance costs	*4*	2,586	2,481
Depreciation	*8*	-	-
Net impairment losses	*8*	(133)	41
Tax received/(paid)		4,145	-
Share of interest in affiliates		(5,165)	(23,518)
(Increase)/decrease in trade and other receivables		(7,785)	160
Increase/(decrease) in trade, other payables and provisions		30	(380)
Net cash flow from operating activities		**3,815**	(644)
Cash flow from investment activities			
Payments to acquire tangible fixed assets		-	-
Proceeds from sale of equipment		-	4
Net cash flow from investment activities		**-**	4
Cash flow from financing activities			
Repayment of loan to parent Company	*16,20*	(3,052)	(2,375)
Loan injection from parent Company	*16,20*	1,290	2,485
Repayments from subsidiary	*9,20*	500	2,800
Repayment of long term payables		-	(6)
Net interest paid:			
Total interest expenses	*4*	(2,897)	(2,953)
Interest income	*4*	316	492
Net cash flow from financing activities		**(3,843)**	443
Increase/(decrease) in cash and cash equivalents		**(28)**	(197)
Cash and cash equivalents at 1 January		52	249
Cash and cash equivalents at 31 December	*11*	**24**	52

The notes on pages 17 to 45 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 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 2020, which ended at the balance sheet date of 31 December 2020.

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.

The financial statements were authorised for issue by the Board of Directors on 26 February 2021.

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 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are included below.

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

• Carrying value of property, plant and equipment (note 7):

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 7):

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 15):

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 5):

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.

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

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

• Measurement of fair values (note 17):

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).
– *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. During 2020, as a result of the low commodity price environment, the Company took 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 2020 Annual Report and Accounts.

e) Changes in accounting policies

The Company has consistently applied the accounting policies set out in note 22 to all periods presented in these financial statements.

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 Other operating expenses

€ '000	**Year ended 31 December 2020**	Year ended 31 December 2019
Contractors	39	4
Travel and travel related costs	1	-
IT and communication	4	4
Professional services	144	139
Cost recharges	130	144
Other (including recovery of cost)	(1,541)	(93)
Total other operating expenses	**(1,223)**	198

There are no employees of the Company in 2020 (2019: 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 and a one-off recovery of cost amounting to €1,341 thousand (2019: Nil) related to cost redistribution between TON and TONO.

Note 4 Net finance costs

€ '000	**Year ended 31 December 2020**	Year ended 31 December 2019
Interest income	(316)	(492)
Total financial income	**(316)**	(492)
Interest on loans from affiliates	2,896	2,953
Other interest charges	1	-
Total interest expenses	**2,897**	2,953
Accretion expenses	5	20
Total other financial expenses	**5**	20
Net finance costs	**2,586**	2,481

Note 5 Tax credit/(charge)

€ '000	**Year ended 31 December 2020**	Year ended 31 December 2019
Current tax expense		
Current year	3,755	-
Other changes		-
Deferred tax expense		
Origination and reversal of temporary differences	1,230	(1,750)
Adjustments to deferred tax relating to a change in tax rates	-	(356)
Derecognition of deferred tax previously recognised	-	(3,007)
Tax credit/(charge)	**4,985**	(5,113)

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

€ '000	**Year ended 31 December 2020**	Year ended 31 December 2019
Profit before taxes	**10,137**	20,572
less share of interest in affiliates	(5,165)	(23,518)
Profit/(loss) before taxes and share of interest in affiliates	**4,972**	(2,946)
Income tax benefit calculated at 50.0% (2019: 50.0%)	(2,486)	1,473
Uplift	168	118
Other movements	466	(464)
Shared losses not compensated	-	(2,044)
Tax compensation within fiscal union in respect of prior years	3,023	-
Reversal of adjustment/(adjustment) related to a change in tax rates	356	(356)
Changes in prior year tax estimates	1,942	(833)
Losses now utilised/derecognition of tax losses previously recognised	1,516	(3,007)
Tax (charge)/credit	**4,985**	(5,113)
Effective tax rate	*100.3%*	*173.6%*

		Temporary differences		
€ '000	**Tax losses**	**Provisions**	**Other**	**Total**
At 1 January 2019	**20,732**	**330**	**132**	**21,194**
Profit and loss account	(4,757)	(356)	-	(5,113)
At 31 December 2019	**15,975**	**(26)**	**132**	**16,081**
Profit and loss account	1,331	(101)	-	1,230
At 31 December 2020	**17,306**	**(127)**	**132**	**17,311**

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 5 Taxes *(cont'd)*

Deferred tax assets have not been recognised in respect of tax losses that are likely to expire amounting to €1.5 million (€ 3.0 million) because it is not probable that future taxable profit will be available within the timeframe required.

For the remaining CIT and SPS losses management continues to recognise an asset based on development opportunities in M10 and M11 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 TON can be utilised and recovered through the fiscal unity and the SPS losses can be carried forward indefinitely.

During 2020 a new framework for fiscal union compensation was established covering 2019 and future years. This results in an intercompany settlement of tax charges/(credits) where an offset against other available losses/(profits) within the fiscal union is possible.

Note 6 Investments in subsidiaries and joint arrangements

€ '000	**2020**	2019
Balance at beginning of the year	**33,960**	10,442
TONO addition	-	-
Share of interest in TONO	5,165	23,518
Balance at end of year	**39,125**	33,960

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 2020	31 December 2019
Tulip Oil Netherlands Offshore B.V.	Offshore exploration and production of hydrocarbon volumes	The Hague, Netherlands	100%	100%

€ '000	**31 December 2020**	31 December 2019
Carrying amounts of:		
Subsidiary Tulip Oil Netherlands Offshore B.V.	39,125	33,960

The profit for the year 2020 of Tulip Oil Netherlands Offshore B.V. amounts €5.2 million (2019: profit €23.5 million).

Note 6 Investments in subsidiaries and joint arrangements *(cont'd)*

Joint arrangements

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

Joint arrangement	Partner	Status	**31 December 2020**	31 December 2019
Q7-Q10a (offshore block)	EBN	Operated - TONO	60%	60%
Q08 (offshore block)	EBN	Operated - TONO	60%	60%
Q10b (offshore block)	EBN	Operated - TONO	60%	60%
Q11 (offshore block)	EBN	Operated - TONO	60%	60%
M10-M11 (offshore block)	EBN	Operated - TON	60%	60%
TEN	EBN	Operated - TON	60%	60%
Donkerbroek Hemrik	EBN	Operated - TON	60%	60%
Marknesse	EBN	Operated - TON	60%	60%
Schagen	EBN - Petrogas	Operated - TON	30%	30%

Note 7 Property, plant and equipment

€ '000	Assets under construction	Production facilities including wells	Other	Total
Acquisition cost 31.12.2018	**-**	**19,549**	**14**	**19,563**
Additions	-	41	-	41
Disposal	-	-	(4)	(4)
Acquisition cost 31.12.2019	**-**	**19,590**	**10**	**19,600**
Accumulated depreciation and impairments 31.12.2018	**-**	**(19,549)**	**(10)**	**(19,559)**
Depreciation	-	-	-	-
Impairment	-	(41)	-	(41)
Accumulated depreciation and impairments 31.12.2019	**-**	**(19,590)**	**(10)**	**(19,600)**
Book value 31.12.2019	**-**	**-**	**-**	**-**
Acquisition cost 31.12.2019	**-**	**19,590**	**10**	**19,600**
Additions/other movements	-	(133)	-	(133)
Disposal	-	-	-	-
Acquisition cost 31.12.2020	**-**	**19,457**	**10**	**19,467**
Accumulated depreciation and impairments 31.12.2019	**-**	**(19,590)**	**(10)**	**(19,600)**
Depreciation	-	-	-	-
Impairment	-	133	-	133
Accumulated depreciation and impairments 31.12.2020	**-**	**(19,457)**	**(10)**	**(19,467)**
Book value 31.12.2020	**-**	**-**	**-**	**-**

Other

Other mainly consists of fixtures, fittings, and office equipment.

Note 8 Depreciation

Depreciation in the profit and loss account € '000	**Year ended 31 December 2020**	Year ended 31 December 2019
Depreciation of tangible fixed assets	-	-
Total depreciation in the profit and loss account	**-**	-
Impairment in the profit and loss account € '000		
Impairment/(reversal) of tangible fixed assets	(133)	41
Total impairment in the profit and loss account	**(133)**	41

In 2020 the impairment reversal relates to the write back of book values arising from a re-assessment of the associated abandonment liabilities and assets. In 2019, the impairment charge arises from an adjustment of the abandonment related fixed asset values.

Note 9 Long term loans with affiliate

€ '000	**31 December 2020**	31 December 2019
Balance at the beginning of the year	**4,200**	7,000
Additional loans issued	-	-
Repayments of loans	(500)	(2,800)
Balance at the end of the year	**3,700**	4,200

Note 10 Other short-term receivables

€ '000	**31 December 2020**	31 December 2019
Joint venture receivables	13	10
Prepayments	12	5
Receivables from affiliates	7,383	-
VAT receivable	7	6
Total other short-term receivables	**7,415**	21

Note 11 Cash and cash equivalents

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

€ '000	**31 December 2020**	31 December 2019
Bank accounts	24	52
Cash and cash equivalents	**24**	52

Note 12 Share capital

€ '000	**31 December 2020**	31 December 2019
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 13 Share premium

€ '000	**31 December 2020**	31 December 2019
Share premium	**28,354**	28,354

Note 14 Proposed appropriation of result

The Company proposes to transfer the profit for the year of €15.1 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 15 Abandonment provision

€ '000	**2020**	2019
Abandonment provision at beginning of the year	**1,045**	984
Accretion expense - present value calculation	5	20
Change in estimates and incurred liabilities	(133)	41
Total abandonment provision at year end	**917**	1,045
Break down of the abandonment provision to short-term and long-term liabilities		
Short-term	-	-
Long-term	917	1,045
Total abandonment provision	**917**	1,045

Change in estimates and incurred liabilities arises from a change in the inflation rate assumption, date of abandonment and revision of cost estimates. The calculations assume an inflation rate of 1.0% (2019: 1.5%) and a discount rate of 0.5% (2019: 0.5%) based on publicly available economic forecasts.

Note 16 Interest-bearing loans from affiliates

€ '000	2020	2019
Balance at the beginning of the year	**36,611**	36,501
Additions during the year	1,290	2,485
Repayments during the year	(3,052)	(2,375)
Balance at the end of the year	**34,849**	36,611

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 matures on 1 January 2025.

Note 17 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.

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
Financial assets			
Other short-term receivables	7,415	-	Level 3
Cash and cash equivalents	24	-	Level 3
Total financial assets	**7,439**	**-**	
Financial liabilities			
Interest-bearing loans from affiliates	-	34,849	Level 3
Trade payables	-	19	Level 3
Liabilities against affiliates	-	17	Level 3
Other current liabilities and accruals	-	46	Level 3
Total financial liabilities	**-**	**34,931**	

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

Note 17 Financial instruments *(cont'd)*

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.

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 2020 and 2019 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**	
€ '000	Market movement	**Year ended 31 December 2020**	Year ended 31 December 2019	**31 December 2020**	31 December 2019
Interest rate	10 basis points	35	32	(35)	(89)

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.

Note 17 Financial instruments *(cont'd)*

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.

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 €24 thousand at 31 December 2020 (2019: €52 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 2020 or 2019.

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 2020 (2019: €nil).

As at 31 December 2020, 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.

Note 17 Financial instruments *(cont'd)*

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 2020 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.

€ '000	Weighted average effective interest rate (%)	1-3 months	3 Months to 1 year	1-5 years	5-years	Total
31 December 2020						
Interest-bearing loans from affiliates	8.033	-	-	34,849	-	34,849
Liabilities against affiliates		17	-	-	-	17
Trade payables		19	-	-	-	19
Total		**36**	**-**	**34,849**	**-**	**34,885**
31 December 2019						
Interest-bearing loans from affiliates	8.033	-	-	-	36,611	36,611
Liabilities against affiliates		20	-	-	-	20
Trade payables		3	-	-	-	3
Total		23	-	-	36,611	36,634

Note 18 Related party transactions

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

Intragroup 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.

Intra group tax fiscal union compensation
During 2020 a new framework for fiscal union compensation was established covering 2019 and future years. This results in an intercompany settlement of tax charges/(credits) where an offset against other available losses/(profits) within the fiscal union is possible.

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 2020**	Year ended 31 December 2019
Cost recharges	Intercompany	(133)	(144)
Tulip Oil Holding B.V.	Services provided	(130)	(20)
Rhein Petroleum	Services provided	-	-
Tulip Oil Netherlands Offshore B.V.	Services provided	1,341	-
Tulip Oil Netherlands Offshore B.V.	Licence transfer	6,425	-
Interest expense on TOH intercompany loan	Intercompany	(2,896)	(2,953)
Interest received on TONO intercompany loan	Intercompany	316	492
Tax compensation with TONO	Tax	2,458	-
Tax compensation with TOH	Tax	1,297	-
Outstanding balances receivable (payable) at end of year:		**31 December 2020**	31 December 2019
Tulip Oil Holding B.V.	Services provided	(11)	-
Tulip Oil Netherlands Offshore B.V.	Services provided	7,767	-
Tulip Oil Holding B.V.	Tax compensation	(95)	-
Tulip Oil Netherlands Offshore B.V.	Tax compensation	484	-
Tulip Oil Holding B.V.	Intercompany loan	(34,849)	(36,611)
Tulip Oil Netherlands Offshore B.V.	Intercompany loan	3,700	4,200

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 19 Commitments and contingencies

There are no commitments of the Company at either 31 December 2020 or 2019. There were also no lease payments recognised in the profit and loss account.

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 are 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 20 Reconciliation of financing cashflows

€ '000	Interest-bearing loans from affiliates	Long term loans with affiliates
At 31.12.2018	**36,501**	**7,000**
Repayments of loans	(2,375)	(2,800)
Additions to loans	2,485	-
Non cash movements	-	-
At 31.12.2019	**36,611**	**4,200**
Repayments of loans	(3,052)	(500)
Additions to loans	1,290	-
Non cash movements	-	-
At 31.12.2020	**34,849**	**3,700**

Note 21 Subsequent events

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

Note 22 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.

Note 22 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 22 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 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

At inception of a contract, the Group 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.

(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.

Note 22 Significant accounting policies *(cont'd)*

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.

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.

Note 22 Significant accounting policies *(cont'd)*

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 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.

Note 22 Significant accounting policies *(cont'd)*

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 which is determined based on incremental costs necessary to fulfil the obligation under 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 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.

Note 22 Significant accounting policies *(cont'd)*

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.

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.

Note 22 Significant accounting policies *(cont'd)*

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.

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 either:
    - 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.

Note 22 Significant accounting policies *(cont'd)*

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.

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.

Note 22 Significant accounting policies *(cont'd)*

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.

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 of disposal. 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.

Note 22 Significant accounting policies *(cont'd)*

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.

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 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

A. Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

(i) Change in the basis for determining cash flows

The amendments will require the Company to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At 31 December 2020, the Company does not have any loans or other contractual cashflows that fall within this amendment.

Note 22 Significant accounting policies *(cont'd)*

(ii) Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

At 31 December 2020, the Company does not have any hedges where this is relevant.

(iii) Disclosure

The amendments, if applicable, will require the Company to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

(iv) Transition

Application will not impact amounts reported for 2020 or prior periods.

B. Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. At 31 December 2020 the Company did not have any onerous contracts.

C. Other standards

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

- COVID-19-Related Rent Concessions (Amendment to IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

Note 22 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, 26 February 2021

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 Board of Tulip Oil Netherlands B.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2020 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 2020 and of its result and its cash flows for 2020 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 2020;

2 the following statements for 2020: the statement of profit and loss, the statement of comprehensive income, the statement changes in equity and the statements of 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 accountantsorganisaties (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 management 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 engagement 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, 26 February 2021

KPMG Accountants N.V.

U.C. van Zessen RA