

Pharis Energy Ltd

REGISTERED NUMBER 8954960

DIRECTOR'S REPORT AND
UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2018



Address of registered office and principal place of business:

70 Claremont Road,
Surbiton,
Surrey, KT6 4RH

Director's report

The directors present the directors' report and financial statements for the year to 30 June 2018.

Principal activities

Pharis Energy Limited ("the Company") evaluates and manages oil and gas assets and holds a 100% interest in, and is licence administrator for, UKCS Seaward Licences P2244, which contains the Pilot and Harbour heavy oil discoveries, and P2320, which contains the Blakeney, Feugh, Dandy & Crinan discoveries.

Business review

During the year ended 30 June 2018, the Company has continued to progress the preparation of a phased development plan for the Pilot Main and Pilot South steam flood, which will enable the verification of the performance of steam flooding in the offshore context.

The company is in discussions with various investors and contractors about providing support to Pharis as it progresses the Pilot phased development plan towards final investment decision.

During the year the Oil and Gas Authority (OGA) agreed a revised work programme for the Initial Term of P2244, to be completed by the end of October 2018, to enable the licence to proceed into the Second Term.

On the 21st June 2018 the company was renamed from "The Steam Oil Production Company Ltd" to "Pharis Energy Ltd. On the 28th June 2018 Mr. Joe Darby and Mr. Alan Hume were appointed as directors and the company issued 2,040,500 shares to the existing shareholders and a newly appointed director of the company and settled a substantial portion of the outstanding Directors' loans.

The functional currency of the Company is Pounds Sterling.

Results and dividend

The Company's loss for the period from 1st July 2017 until the period end on the 30th June 2018 was £(16,258). The directors do not recommend the payment of a dividend.

Balance Sheet

At 30 June 2018 the Company had a cash balance of £28,838 and total assets of £293,431. The company also owed the shareholders £5,471, which had been advanced on an interest free basis.

Financial Risk Management

The company has a limited cash balance, which is held at Barclays. Financial risk management policies will be prepared and implemented when material funds are raised.

Policy and practice on payment of creditors

It is the Company's policy to settle all amounts owing to creditors on a timely basis and in accordance with the terms of credit agreed with each supplier.

Risks and uncertainties

The Company's business is the development and production of oil and gas assets.

The Company is required to acquire 160 km² of 3D seismic over P2320 before the 14th May 2023 and to complete the approved work programme to design, build and test a high temperature downhole steam injection safety valve.

The principal risk to the Company is failure to raise the capital necessary to progress its projects towards final investment decision and ultimately towards first oil production.

Directors

The directors who held office during the period were as follows:

Stephen A. Brown
Gregory H. Harding
Prof. Jon G. Gluyas
Julia M. Cane-Honeysett
Joseph Darby
Alan D. Hume

As of the 30th June 2018 each director had an interest in the shares of the Company as noted below

Stephen A. Brown	3,973,000	26.4%
Gregory H. Harding	2,725,020	18.1%
Prof. Jon G. Gluyas	140,000	0.9%
Julia M. Cane-Honeysett	4,011,480	26.7%
Joseph Darby	130,000	0.9%
Alan D. Hume	869,000	5.8%

Going concern

The costs of maintaining the licences are small and within the financing capacity of the directors. All other costs are discretionary and the directors are content to prepare the accounts on a going concern basis on the basis that the shareholders will continue to support the company.

Post Balance Sheet Events

On the 21st of September the Board authorised the issuance of up to £500,000 of convertible loan notes.

On the 12th October a further 241,550 shares were issued to existing shareholders and a consultant to the company.

On the 18th October, OGA confirmed that the P2244 licence would continue into the second term and the appointment of the company as operator of the P2244 licence.

By order of the board


Stephen A. Brown
Director


Alan D. Hume
Director

18th October 2018
70 Claremont Road
Surbiton
Surrey
KT6 4RH

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the [Companies Act 2006](#). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

	Notes	Year ended 30-Jun-18 £ Sterling	Year ended 30-Jun-17 £ Sterling	Year ended 30-Jun-16 £ Sterling
Administrative expenses	4	£ 15,305	£ 24,830	£ 9,524
Depreciation		£ 867	£ 376	£ -
OPERATING LOSS		£ (16,172)	£ (25,207)	£ (9,524)
Finance income	3	£ -	£ -	£ -
Finance costs	3	£ 356	£ 469	£ 235
LOSS BEFORE TAXATION		£ (16,528)	£ (25,676)	£ (9,759)
Taxation		£ -	£ -	£ -
LOSS FOR THE YEAR	12	£ (16,528)	£ (25,676)	£ (9,759)
OTHER COMPREHENSIVE INCOME:				
Currency translation differences		£ -	£ -	£ -
OTHER COMPREHENSIVE INCOME		£ -	£ -	£ -
TOTAL COMPREHENSIVE INCOME		£ (16,528)	£ (25,676)	£ (9,759)

	Notes	30 June 2018 £ Sterling	30 June 2017 £ Sterling	30 June 2016 £ Sterling
NON-CURRENT ASSETS				
Intangible assets	5	£ 235,970	£ 197,653	£ 63,453
Property, plant and equipment	6	£ 1,480	£ 2,347	£ 272
		£ 237,450	£ 200,000	£ 63,725
CURRENT ASSETS				
Trade and other receivables	7	£ 27,143	£ 21,081	£ -
Cash and cash equivalents	8	£ 28,838	£ 1,584	£ 1,335
		£ 55,981	£ 22,665	£ 1,335
TOTAL ASSETS		£ 293,431	£ 222,665	£ 65,060
EQUITY AND LIABILITIES				
Ordinary share capital	10	£ 15,041	£ 13,000	£ 12,500
Share Premium Account	10	£ 264,010	£ 62,000	£ 12,500
Translation reserve		£ -	£ -	£ -
Retained earnings	11	£ (61,129)	£ (44,601)	£ (18,926)
TOTAL EQUITY		£ 217,921	£ 30,399	£ 6,074
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	9	£ 2,770	£ 1,800	£ 1,800
LONG TERM LIABILITIES				
Contingent Payables	9	£ 67,268	£ 86,101	
Loans from directors & officers	13	£ 5,471	£ 104,366	£ 57,186
TOTAL LIABILITIES		£ 75,510	£ 192,267	£ 58,986
TOTAL EQUITY AND LIABILITIES		£ 293,431	£ 222,665	£ 65,060

	Ordinary share capital	Share Premium	Retained earnings	Total equity
	£ Sterling	£ Sterling	£ Sterling	£ Sterling
BALANCE AT 30th JUNE 2015	£ 12,500	£ 12,500	£ (9,167)	£ 15,833
<i>Comprehensive income</i>				
Loss for the year			£ (9,759)	£ (9,759)
Total comprehensive income			£ (18,926)	£ 6,074
BALANCE AT 30th JUNE 2016	£ 12,500	£ 12,500	£ (18,926)	£ 6,074
<i>Comprehensive income</i>				
Loss for the year			£ (25,676)	£ (25,676)
Total comprehensive income			£ (44,602)	£ (19,602)
<i>Transactions with shareholders</i>				
Proceeds of shares issues (net of costs)	£ 500	£ 49,500		£ 50,000
	£ 500	£ 49,500		£ 30,398
BALANCE AT 30th JUNE 2017	£ 13,000	£ 62,000	£ (44,602)	£ 30,398
<i>Comprehensive income</i>				
Loss for the year			£ (16,528)	£ (16,528)
Total comprehensive income			£ (61,129)	£ 13,871
<i>Transactions with shareholders</i>				
Proceeds of shares issues (net of costs)	£ 2,041	£ 202,010		£ 204,050
	£ 2,041	£ 202,010		£ 217,921
BALANCE AT 30th JUNE 2018	£ 15,041	£ 264,010	£ (61,129)	£ 217,921

	Notes	Year ended 30-Jun-18 £ Sterling	Year ended 30-Jun-17 £ Sterling	Year ended 30-Jun-16 £ Sterling
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from (used in) operations	12	£ (39,584)	£ 39,720	£ (7,959)
Tax Paid		£ -	£ -	£ -
Net cash generated from (used in) operating activities		£ (39,584)	£ 39,720	£ (7,959)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		£ -	£ 2,451	£ 272
Purchases of exploration and evaluation assets		£ 38,317	£ 134,200	£ 49,096
Returns on finance assets		£ -	£ -	£ -
Net cash used in investing activities		£ 38,317	£ 136,651	£ 49,368
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings from directors and officers		£ (98,895)	£ 47,180	£ 55,209
Proceeds from issue of ordinary share capital		£ 204,050	£ 50,000	£ -
Net cash generated from financing activities		£ 105,155	£ 97,180	£ 55,209
Currency translation differences		£ -	£ -	£ -
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		£ 27,254	£ 249	£ (2,118)
Cash and cash equivalents at beginning of year	8	£ 1,584	£ 1,334	£ 3,452
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	£ 28,838	£ 1,584	£ 1,334

1 ACCOUNTING POLICIES

Basis of measurement and preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008)

Turnover policy

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of VAT and trade discounts. There was no revenue in the reporting period.

Tangible fixed assets depreciation policy

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected life.

Intangible fixed assets amortisation policy

The company accounts for oil and gas expenditure under the successful efforts method of accounting. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the profit and loss account. All licence acquisition, exploration and evaluation costs are capitalised, a share of administration costs are capitalised insofar as they relate to exploration, evaluation and development activities. These costs are written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. If a project is deemed commercial all of the attributable costs are transferred into Property, Plant and Equipment. These costs are then depreciated from the commencement of production on a unit of production basis.

2 STAFF NUMBERS AND COSTS

	Year ended 30-Jun-18 No	Year ended 30-Jun-17 No	Year ended 30-Jun-16 No
The average monthly number of persons (including directors) employed by the Group during the year was:			
Management and Administration	6	4	4
Staff costs for the above persons:			
	Year ended 30-Jun-18 £ Sterling	Year ended 30-Jun-17 £ Sterling	Year ended 30-Jun-16 £ Sterling
Wages and salaries	£ 10,500	£ -	£ -
Social security costs	£ -	£ -	£ -
	£ 10,500	£ -	£ -

3 FINANCE INCOME AND COSTS

	Year ended 30-Jun-18 £ Sterling	Year ended 30-Jun-17 £ Sterling	Year ended 30-Jun-16 £ Sterling
Interest expense:	£ -	£ -	£ -
Foreign exchange losses	£ -	£ -	£ -
Other	£ 356	£ 469	£ 235
Finance costs	£ 356	£ 469	£ 235
Finance income:			
Bank interest	£ -	£ -	£ -
Foreign exchange gains	£ -	£ -	£ -
Finance income	£ -	£ -	£ -
Net finance income	£ (356)	£ (469)	£ (235)

4 ADMINISTRATIVE EXPENSES

	Year ended 30-Jun-18 £ Sterling	Year ended 30-Jun-17 £ Sterling	Year ended 30-Jun-16 £ Sterling
Office costs, rates & services	£ 14,553	£ 7,061	£ 16,716
Wages and salaries	£ 10,500	£ -	£ -
Depreciation	£ 867	£ 376	£ -
Consultants and advisers	£ -	£ 8,250	£ 1,970
Overheads capitalised	£ (14,200)	£ (9,110)	£ (16,729)
Pre-award licence costs	£ -	£ 6,334	£ -
Insurances	£ 4,457	£ 4,406	£ 3,359
Other expenses	£ 3,197	£ 4,325	£ 4,209
Total administration costs	£ 19,374	£ 21,644	£ 9,525

5 INTANGIBLE ASSETS

	Oil and gas exploration assets
	£ Sterling
At 30 June 2015	<u>£ 14,358</u>
	Additions
At 30 June 2016	<u>£ 63,453</u>
	Additions
At 30 June 2017	<u>£ 197,653</u>
	Additions
At 30 June 2018	<u>£ 235,970</u>

6 PROPERTY, PLANT AND EQUIPMENT

	IT hardware & software	Office equipment	Total
	£ Sterling	£ Sterling	£ Sterling
Cost			
At 30 June 2015	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>
	Additions		
At 30 June 2016	<u>£ 272</u>	<u>£ -</u>	<u>£ 272</u>
	Additions		
At 30 June 2017	<u>£ 2,249</u>	<u>£ 202</u>	<u>£ 2,451</u>
	Additions		
At 30 June 2018	<u>£ 2,521</u>	<u>£ 202</u>	<u>£ 2,723</u>
Depreciation			
At 30 June 2015	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>
	Charged in the year		
At 30 June 2016	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>
	Charged in the year		
At 30 June 2017	<u>£ 359</u>	<u>£ 17</u>	<u>£ 376</u>
	Charged in the year		
At 30 June 2018	<u>£ 1,159</u>	<u>£ 84</u>	<u>£ 1,243</u>
Net book value			
At 30 June 2018	<u>£ 1,362</u>	<u>£ 118</u>	<u>£ 1,480</u>

7 TRADE AND OTHER RECEIVABLES

	30-Jun-18 £ Sterling	30-Jun-17 £ Sterling	30-Jun-16 £ Sterling
VAT Refund Due	£ 743	£ 804	£ -
Other receivables	£ -	£ -	£ -
Prepayments and accrued income	£ 26,400	£ 20,278	£ -
	£ 27,143	£ 21,081	£ -

8 CASH AND CASH EQUIVALENTS

	30-Jun-18 £ Sterling	30-Jun-17 £ Sterling	30-Jun-16 £ Sterling
Cash at bank and on hand	£ 8,838	£ 1,584	£ 1,335
Payments due from shareholders	£ 20,000	£ -	£ -
	£ 28,838	£ 1,584	£ 1,335

9 TRADE AND OTHER PAYABLES

	30-Jun-18 £ Sterling	30-Jun-17 £ Sterling	30-Jun-16 £ Sterling
Trade payables	£ 2,770	£ 1,800	£ 1,800
Other tax and social security	£ -	£ -	£ -
Corporation tax payable	£ -	£ -	£ -
Accruals and deferred income	£ -	£ -	£ -
Other payables	£ -	£ -	£ -
	£ 2,770	£ 1,800	£ 1,800

Contingent Liabilities subject to capital raising
Total Trade payables plus contingent liabilities

£ 67,268	£ 86,101
£ 70,039	£ 87,901

10 ORDINARY SHARE CAPITAL

	30-Jun-18 £ Sterling	30-Jun-17 £ Sterling	30-Jun-16 £ Sterling
Allotted, issued and fully paid:			
2,500 ordinary shares of £1 each, issued 17 th April 2014			2,500
10,000 ordinary shares of £1 each issued 17 th June 2015			10,000
Share premium on the above 10,000 shares			<u>12,500</u>
			<u>25,000</u>
Subdivision of ordinary shares of £1 each into 1,000 ordinary shares of £0.001 each, 3 Nov 2015	25,000	25,000	25,000
500,000 ordinary shares of £0.001 each issued 15 th Oct 2016	500	500	
Share premium on the above 500,000 shares	49,500	49,500	
2,040,500 ordinary shares of £0.001 each issued 19 th June 2018	2,041		
Share premium on the above 2,040,500 shares	202,010		
	<u>279,050</u>	<u>75,000</u>	<u>25,000</u>

11 RETAINED EARNINGS

	£ Sterling
At 30 June 2015	<u>£ (9,167)</u>
Loss for the year	<u>£ (9,759)</u>
At 30 June 2016	<u>£ (18,926)</u>
Loss for the year	<u>£ (25,676)</u>
At 30 June 2017	<u>£ (44,602)</u>
Loss for the year	<u>£ (16,528)</u>
At 30 June 2018	<u>£ (61,129)</u>

12 CASH USED FROM OPERATIONS

	Year ended 30-Jun-18 £ Sterling	Year ended 30-Jun-17 £ Sterling	Year ended 30-Jun-16 £ Sterling
Operating loss	£ (16,528)	£ (25,676)	£ (9,759)
Adjustments for:			
Depreciation	£ 867	£ 376	£ -
Changes in working capital			
Decrease / (increase) in operating debtors	£ (6,122)	£ (20,278)	£ -
Increase / (decrease) in operating creditors	£ (17,862)	£ 86,101	£ 1,800
(Decrease) / increase in tax creditor	£ 61	£ (804)	£ -
CASH USED IN OPERATIONS	£ (39,584)	£ 39,720	£ (7,959)

13 RELATED PARTIES

The company makes use of an office at 70 Claremont Road which is currently provided to the Company by Mrs Julia Cane-Honeysett and Mr Stephen Brown at a rental of £1,000 per calendar month. The company pays for the services and business rates associated with the property.

The shareholders have advanced the company loans on an interest free basis during the year at 30th June 2018 the balance of these loans was £5,471.