

REFERENCE & ADMINISTRATIVE DETAILS

REGISTERED COMPANY NUMBER

04128009 (England and Wales)

REGISTERED CHARITY NUMBER

1085619

REGISTERED OFFICE

ONE Croydon, 7th Floor
12-16 Addiscombe Road, Croydon
CR0 0XT

TRUSTEES

The following Trustees have held office since 1 January 2016:

Hamish Wilson (Appointed Jan 2014)
Colin Percival (Appointed Jan 2015)
Ricki Charles (Appointed Jan 2015)
Gavin Ward (Appointed Jan 2015)
John Sayer (Appointed Jan 2015)
Tracey Dancy (Appointed Jan 2015)
Nick Terrell (Appointed Jan 2016)
Shereen Nairne (Appointed Jan 2016)
Maurice Dicks (Appointed Jan 2016)
Andy Los (Appointed Jan 2016)
John Summers (Appointed Jan 2016)
Helen Taylor (Appointed Jan 2016)

EXECUTIVE DIRECTOR/TRUSTEE

Maria Iredale (Appointed Jan 2016)

SENIOR STATUTORY AUDITOR

Kingston Smith
Chartered Accountants
60 Goswell Road
London
EC1M 7AD

BANKERS

Royal Bank of Scotland
28 Cavendish Square
London
W1G 0DB

2016 In Review

FOR THE YEAR ENDED
31 DECEMBER 2016

The trustees, who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 December 2016.

The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

STRUCTURE, GOVERNANCE & MANAGEMENT

GOVERNING DOCUMENT

The charity is controlled by its governing document, its Memorandum and Articles of Association, and constitutes a limited Company, limited by guarantee, as defined by the Companies Act 2006.

INDUCTION AND TRAINING OF NEW TRUSTEES

Trustees are elected as described below. New trustees receive a comprehensive welcome pack and are familiarised with the background and activities of the Charity and its subsidiary company during induction. Trustees may already be familiar with many aspects as existing members. Trustees are provided with relevant background information including a copy of the Charity's statutory Accounts and Charity Commission guidance regarding the responsibilities of Charity Trustees. Trustees have the opportunity to access Governance Training during their term in office.

TRUSTEES' INTERESTS

The PESGB is an organisation limited by guarantee. As such the Trustees have no Share Capital interests in the organisation.

GENERAL

The Petroleum Exploration Society of Great Britain (PESGB) was founded in 1964 as a registered Charity with Limited Liability status and is a non-profit making organisation. It has a membership of approximately 5,000 individual members and over 60 sustaining company members. The Executive Council is elected from the membership and runs the Society on a voluntary basis as the Charity

Trustees. The term of office for a Trustee is two years, apart from the position of President which is three years. Each year, half of the Council positions become vacant and nominations are sought from the PESGB membership. A ballot takes place in November and the successful candidates take up their positions in January. All active members are allowed to vote and are encouraged to vote online. In 2011, following a review of the procedures for election of Council members, it was agreed that those wishing to stand for election should now be proposed and seconded by active members in order to be eligible, and that the Council could reserve the right to veto a candidate in exceptional circumstances.

The Society holds an AGM each year and the 2016 AGM was held on 14th June 2016.

RISK MANAGEMENT

The Trustees recognise that although the Society generally operates in a low risk environment, it does face certain governance, operational and financial risks. Every effort is made to quantify these risks and put in place controls and procedures that are designed to mitigate each identified risk. Management tools include the Risk Register and the Risk Management Plan. The risks include:

- ◆ Poor staff retention impairs event delivery.
- ◆ Protester attack at conference causing harm.
- ◆ Investigation by Charity Commission reveals major issues to address.
- ◆ Loss of computer data

impacts office efficiency.

- ◆ Loss of funds through fraud or mismanagement leads to financial stress.
- ◆ Fire or flood at the office impairs operations
- ◆ H&S breach at an event results in serious injury.

PUBLIC BENEFIT STATEMENT

The Trustees have reviewed the Charity Commission guidance regarding public benefit and are satisfied that the objects of the Charity meet those requirements. The objective of the PESGB is to promote, for the public benefit, education into the scientific and technical aspects of petroleum exploration and production. The 'public' are our members in this context, but the general public also have the potential to be involved with the PESGB and benefit from the association, thus on occasion our public can mean the general public. To achieve and further its objective the PESGB organises, sponsors and supports various projects, including educational lectures, meetings, seminars, conferences and exhibitions, field trips, training courses and workshops. It makes educational awards to selected universities and other organisations and provides opportunities for training. It produces a monthly educational magazine and supports other educational publications. Varied services included a membership directory, lecture programme, and a comprehensive website. The PESGB Trustees thank all the volunteers whose contributions throughout 2016 made all their events, field trips, courses and magazines such a success.

Objectives & Aims

The principal activity of the company continued to be that of a registered Charity to promote, for the public benefit, education in the scientific and technical aspects of petroleum exploration. The downturn in the oil price is the most significant blow to the industry for the last 20 years and the repercussions will be felt within the petroleum exploration and related fields for the foreseeable future. Our challenge is to continue to serve our members in these difficult times, offering opportunities through education and networking to secure current and future employment.

Membership has reduced to 5,100 members, with sustaining company membership reduced by 20% to 60, during the year due to the downsizing or closure of many oil companies. In 2016 the PESGB team focused on the recruitment of new members and worked very hard to bring in new memberships with special offers for students and new members. In addition, the team created materials and events pertinent to the current challenges faced by our members. 'Surviving the Downturn,' workshops in Aberdeen which have offered advice to members, by an Employment Psychologist began in 2016 as a trial. These are being repeated in London in 2017. As well as events we also produced a YP specific booklet called The Low Oil Price Survival guide which has been really well received.

The Membership Directory was overhauled in 2016 by contracting the production out to Publishing Events. The PESGB database made it difficult to transfer the data but perseverance got us there in the end and the members received a new style directory which was easier to navigate and pleasing to read. In addition the Directory was reduced in cost due to the smaller sizes, better use of page space and reduction in postage charges.

The PESGB greatly appreciates the volunteer support of the PESGB membership, those who contribute their industry knowledge regularly to the magazine, those who support the lecture and events programme in Aberdeen and London and those representatives within organisations, who assist the Society by displaying and distributing promotional material within their organisations.

Promo videos – It had long been the ambition of the marketing department to use video as a means of communicating with the membership. In 2016 this was made possible with a placement from a graduate from a BA Hons film course. Videos were created around the London evening lecture, the Croydon office and the elections for Council.

Student fairs – During 2016 the focus given by Council was the acquisition of new members. To achieve this, the PESGB team attended careers events for students all over the UK and encouraged them to join. This was a very successful initiative and one we may repeat soon.

Houston Africa Conference - The Africa conference that happens in alternate years between Houston Geological Society and the PESGB was held in Houston in 2016. Two members of the PESGB team attended the conference with the aim of exploring ways to increase the member benefits for the members in Houston as it is our third largest, group of members outside of England, (the second is Scotland). The result was a well- attended members event, a new Regional group for the Houston area and a new Sustaining Sponsor.



IT

With consolidation of the PESGB database, website and e-commerce sites into one entity, the site continues to be managed by the PESGB office and administered by SOMCOM. The website overhaul began in 2016 though it will not see completion until 2017. The new package will allow us to make many changes to the way that we run things at the PESGB, including efficiency of the office and reducing the admin workload of the staff. Following a commissioning exercise, CITE were chosen for both their value offer and their understanding of the brief.

The PESGB has also been advancing its presence in social networks and now has a very visible presence online. In particular, the Blog is proving a popular way to engage with the members and is driving traffic towards the website.

PUBLICATIONS

The PESGB continues to offer members a reduced subscription to the Journal of Petroleum Geology, the Petroleum Geoscience Journal and GeoExPro. This is a popular benefit for our members with approximately 350 taking advantage of this benefit. The PESGB is very appreciative to all involved in the production of the North Sea map and to all sponsors.

Magazine

In 2016 the magazine developed dramatically to become one of the most respected benefits of the society. This is through the development of the content which now informs the members about not only the technical aspects of what's happening in the oil industry but also giving members the opportunities to share their stories and experiences across the network. Editorial has been included from the Special Interest Groups and the Regional Groups on their activities and it also has hosted articles from members of the PESGB staff. It has become a conduit where information travels in all directions across the network.

The PESGB extends grateful thanks to its magazine editor and all volunteer news writers and other technical contributors, as well as the support received from advertisers.





EVENTS

The monthly lecture series continues to go from strength to strength with over 100 members attending every one of the 10 London lectures. Topics were diverse covering both the Petroleum Industry and Geophysics. These were filmed where possible and made available to the wider membership through the website. This is an area we intend to expand in 2017.

The Stoneley Lecture in 2016 was a watershed for the PESGB. The lecture was by the esteemed Professor Robert Winston and he gave an enlightening and interesting talk about the importance of general science knowledge for the public, enabling them to understand some of the questions and issues that are ever present. Following the talk, three highly regarded PESGB members joined Lord Winston to turn the talk towards petroleum. In spite of this high profile and well respected speaker and the interesting discussion that followed the event had difficulty attracting any interest from outside of the industry. This led us to change the format completely for 2017.

The Aberdeen Christmas Party was held at the Soul Bar in the centre of Aberdeen and proved challenging to organise as the Council member responsible had to resign due to relocation. Attended by approximately 80 guests this reduction in number on previous years is a reflection of the downturn and its huge impact on Aberdeen in particular.

The President's Evening was held at the Islington Town hall with over 230 members enjoying the event. The venue was chosen for its low cost and its proximity to PROSPEX. Due to a large loss on the event in the previous year the PESGB team were tasked with making the event cost neutral and this was done with a voucher system for drinks at the bar. Not a popular choice but one that was understood and supported by our members.

The courses and field trips organised by the PESGB included: Carbonate Reservoirs Course, Mitigating Bias, Blindness and Illusion in E&P decision making, Geophysics Seminar, Sedimentology - An Introduction To The Interpretation Of Depositional Environments From Cores, Seismic Reflection, Yorkshire and North East England Fieldtrip, Structural Geology Fieldtrip: Deformed Late Carboniferous Turbidites, North Cornwall Coast

We had two new **regional groups** form in 2016, Berks Bucks and Oxon was the first to start operating in the spring with a well organised programme for the year and the second group was based in Houston and came about because of our attendance at the HGS Africa conference. The Regional Groups and Special interest Groups can now benefit from a funding pot of £1000 per annum per group to pay for logistical support. These funds allow the groups to pay expenses for speakers and hire transport for fieldtrips etc.

ESTA conference – The PESGB have been involved with the Earth Science Teachers Association for many years with the primary focus on supporting their conference that inspires and informs teachers from all over the UK. In 2016, a member of the PESGB attended the conference and could experience first-hand the wonderful work of the organisation.





COMPLIANCE

In order to ensure the charity's organisational health, several areas of compliance were focused on in 2016 to ensure that the PESGB met all requirements for both organisations and charities where applicable.

Data Protection- the PESGB had a Data Protection Audit in Feb 2016 and this gave clarity to many aspects of the storage of data, both financial and member-related. We adopted new procedures and continued to develop them through 2016 as new initiatives raised data protection issues.

Health and Safety – The PESGB focused on the Health and Safety of both the staff and the external activities of the organisation in 2016. A team member successfully achieved IOSH which is a Managing Safely qualification and this allowed us to review all our safety procedures for events and activities both internally and externally.

Contracts – All contracts from suppliers were reviewed in 2016 and all quotes challenged for a better deal, this resulted in major savings on operational costs and a change in many of our long standing suppliers.

Investors in People – The PESGB achieved Investors in People Bronze award within the first 3 months of 2016 and this formed the basis of an overhaul of the HR procedures in the office and a way of offsetting one of the major risks around staff retention.

Accountants change – In 2016 the PESGB changed their accountants for a firm who were based locally to better engage with our accountants and as an exercise in good governance.

Strategy – To better establish the charity's priorities and inform its direction a new strategy document for the PESGB was produced and agreed by the committee. The strategy includes an operational plan and a series of measurable goals for the next 3 years and the document will be reviewed annually by the Council.

Governance Training – To equip the Council to better serve the membership it was felt important that the Council had professional training and a revised information and induction for the new council members. This emphasis on the legal implications and the importance of good governance has moved the charity forward in finance management and strategic direction.



OTHER EXPENDITURE

The Governance expenditure of the Charity listed under other expenditure includes general expenditure such as audit fees and Trustees' meetings, relating to the general running of the PESGB as a Charity, rather than expenditure on its charitable activities as described above. Administration expenditure on the charitable activities has been appropriately charged to each activity.

FURTHER CHARITABLE EXPENDITURE

Additionally, and following recommendation to the full Council by the SCID Committee, the PESGB supported several projects by donating over £ 134,000 as follows:

Geological Society (sponsorship) -	960
ESTA Conference	6,500
Stoneley Lecture (support for event March 2016)	24,000
Lyme Regis Development Trust (Fossil Festival)	5,000
London Pavement Geology	1,000
TecFest-SetPoint	2,378
Payments to support YPs	5,800
North West Highlands Geo Park	9,500

Sub-total **£59,138**

The PESGB Scholars Award Scheme was scaled back in 2016 due to the financial downturn but it continues to still be recognised as an important part of PESGB and we remain committed to continuing to support students where ever possible. The Universities supported were:

The University of Leeds (Scholar Awards)	9,250
Heriot Watt University (Scholars Award)	12,300
Imperial College London (Scholarship Awards)	15,000
Royal Holloway University (Scholars Awards)	9,800
University of Aberdeen (Scholars Awards)	10,000
The University of Manchester (Scholars Awards)	9,850
University of Birmingham (Scholars Award)	9,180

Sub-total **£75,380**

Total **£134,518**

The funding allowed one student per university to be supported by the PESGB and the responsibility for identifying the recipient of the sponsorship became the responsibility of the Universities.

In addition, the PESGB offered 3 Internships to graduates in 2016, these placements offer graduates the opportunity to see a different side to the industry and to build their much needed connections and the quality of their CVs. The PESGB also offered volunteering opportunities for graduates where internships are not available. The internships came through the STEP programme, Change 100 and Santander's scheme with UCL. The interns proved incredibly valuable to the PESGB and we will continue to offer these opportunities.

ACHIEVEMENT & PERFORMANCE CHARITABLE ACTIVITIES

2016 REVIEW

During 2016 a variety of activities were held in London and Aberdeen in order to promote the objectives of the Society.

The PESGB has established ties with other organisations and jointly organised a number of seminars/conferences, most significantly with the American Association of Petroleum Geologists (AAPG). Working together with the AAPG allowed the PESGB to offer a significant number of highly technical courses to members to a minimal fee of £10 per day. Members can continue to attend events organised by the Society of Petroleum Engineers (SPE), Geological Society of London, European Association of Geoscientists and Engineers (EAGE). In 2016 these relationships were formalised, strengthened and they will continue to develop for the benefit of the membership and the wider public.

SCID (Sub Committee for Investments and Disbursements)

The SCID funding in 2016 was much reduced (by 56%) from the previous year due to the downturn and every effort was made to ensure that the funds were directed where they would fulfil the PESGB's Charitable objectives and where the impact would be significant and measurable.

The SCID committee comprises; the President, Past President, President Elect, The Treasurer, Director Education and Training, Secretary and Executive Director.

Educational Scientific & Technical Conferences and Exhibitions, Seminars, Meetings, Lectures, Field Trips, Training Courses and Special Interest Groups:

DEVEX, 18-19 May: was the 13th DEVEX conference and exhibition which is jointly organised by PESGB/AFES/SPE and supported by the OGA. The event was attended by approximately 300 delegates and it was free for the first time in response to the industry downturn. This risky approach proved justified and the conference was a success and will continue in the free format in 2017.

PESGB/OGA 14th UK PROSPEX Fair, 14-15 December: held at the Business Design Centre, Islington. The event is becoming increasingly international and the feedback and ratings received in respect of reasons to attend, opportunities offered and the general organisation of the event, were positive even though the business situation was not. We had 603 paid attendees and 171 complimentary, giving a total turnout of 774. 52 of these were concession rates. 47 of these were one day bookings. The member to non-member ratio 60% / 40%.

We had 37 prospectors (5 of these were "posters") and 34 non-prospectors (3 of these were "posters"), together with the 3 "contra" booths gives us 80 exhibitors taking 746 sqm. Our income was down approximately £30k, mainly due to fewer attendees than we had budgeted for. Our expenditure was also down by approximately £30k, this was mainly due to substantially cutting down on catering.

PETEX 2016 TRADING SUBSIDIARY COMPANY

The Charity's wholly owned trading subsidiary PETEX Limited holds a biennial show, the profits of which are donated to the PESGB. PETEX 2016 was always going to be a challenge in the current industry climate. Instead of being able to make a sizeable and important financial contribution to the PESGB, the conference barely broke even and as such the financial situation for 2017/18 is severely impacted. There was some good news though and the members were very grateful for the unemployed rate which was an unprecedented, £40 for the 3 day event and we made a 30% saving on operational costs. In 2017 PETEX will have a business plan which will be prepared with all the learning from previous years but with a new and innovative approach which will ensure the show's future.

There were:

- 2303 attendees
- 234 students
- 186 concessions
- 36 countries represented
- 204 abstracts submitted
- 247 presentations
- 108 exhibitors





FINANCIAL REVIEW

Outreach

The PESGB is committed to facilitating the communication of the work of the Petroleum Exploration Industry through the conduit of the membership. With this in mind we have been the main sponsor in the development of the Exploration Game by Marc Bond. The Exploration Game has been played four times in schools in the South East Region, facilitated by our membership.

The cost of these educational, scientific and technical activities is shown together in the accounts, with income relating largely to delegate registrations, where an attendance fee was charged. Other expenditure relating to events included venue hire and production of written educational information such as abstract books, presentation material, manuals and field trip guides.

The PESGB thanks all its established Special Interest Groups and Regional Branches for organising and supporting the various activities and meetings they hold throughout the year. These self-directed, independent groups, form an opportunity to engage nationally with members, this has not been explored to its full potential so far but it forms part of the strategy for 2016 in order to expand the benefit offer outside of the London and Aberdeen areas.

The PESGB office and Trustees extend a special thank you to all individuals and companies who support these events and to those members who volunteer their time to help to organise them.

RESERVES POLICY

This continues to be applied in accordance with The Charities Act as follows:

Given the cyclical nature of the Oil Industry and therefore the potential threat to Society income sources, the PESGB Trustees intend to hold back sufficient funds from the reserves to ensure that the Society can function effectively over a two-year period of severely reduced income.

In addition, the Society will retain funds in the reserve that are designated for the specific purposes of pre-investing in its large exhibitions and in investment in the organisation for its continued growth and development as a benefit for the members.

The Trustees review the sum annually to ensure it is continually up to date. The sum estimated to cover both eventualities is set at £1,000,000.

INVESTMENT POLICY AND OBJECTIVES

This has been established and adopted in 2002 as follows:

A segment of the Charity's unrestricted funds, known as the Reserve, is to be invested with a view to maintaining and enhancing its value. Value is defined by a combination of capital growth and generated income but there is no intent to create an income sufficient for the Charity to carry out its objectives.

The Trustees employ the services of an Independent Financial Advisor to ensure that this money is invested in a manner appropriate to the policy and the written guidelines.

KEY MANAGEMENT PERSONNEL REMUNERATION

The trustees consider the board of trustees and the Executive Director as comprising the key management personnel of the charity in charge of directing and controlling the charity and running and operating the charity on a day to day basis. All Trustees give their time freely and no trustee remuneration other than expenses for meeting attendance was paid in the year. Details of trustee expenses and related party transactions are disclosed in the accounts.

Trustees are required to disclose all relevant interests and register them with the Executive Director and in accordance with the PESGB policy, withdraw from decisions where a conflict of interest arises.

The pay of the PESGB Executive Director is reviewed annually and normally increased in accordance with average earnings. In view of the nature of the charity, its role as a membership society and its funding from the public it serves, the trustees consider that a multiple of up to three times the median average salary for UK employees is appropriate for this role. The remuneration is also benchmarked with other membership societies within the Petroleum industry of a similar size and activity to ensure that the remuneration set is fair and not out of line with that generally paid for a similar role.



FUTURE DEVELOPMENTS

2017 Outlook

The PESGB plans to further promote education into the scientific and technical aspects of petroleum exploration during 2017 and to continue to provide and organise education activities and services. It will continue its external relationships with other societies and look for opportunities to work together. The health of the PESGB finances will underpin the operational activity for 2017 as we ensure that funds are spent in the areas where the most impact will be felt and where the objectives of the charity are best served.

We will develop a programme for 2017 which works collaboratively with other organisations and societies across the industry and it will engage with non-members and friends and family of the existing membership with the ambition of spreading the excitement and relevance of geology. The 'reach' and engagement opportunities within 2017 programme will 'go' further than any other year for the PESGB in the past.

The downturn in the oil industry began in 2014 and the industry experts expect the repercussions to have an impact for several years to come. A largescale and at times brutal economic upheaval, in any industry, produces changes at all levels, some permanent and others temporary. The PESGB is committed to continuing to serve the membership, with a focus on those who have lost their employment and those just entering the industry.

The Young Professionals Network is a successful SIG for those with less than 10 years industry experience. In 2017 we will explore the opportunities to work together with other organisations and their networks to create a YP focused event that is new and innovative.

The 2016 Strategy will direct the PESGB through 2017, in order to stay 'true' to the message and our charitable objectives we strive to achieve the milestones and continue to support the membership through the services we offer.



STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also the directors of PESGB for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charity SORP;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- ◆ there is no relevant audit information of which the charitable company's auditors are unaware; and
- ◆ the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

The auditors, Kingston Smith, will be proposed for re-appointment at the forthcoming Annual General Meeting.