REPSOL SINOPEC OIL TRADING LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2021

Registered number: 02307374

Repsol Sinopec Oil Trading Limited

Strategic report for the year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Results

The loss for the financial year was $21.5 million, which, when added to the accumulated losses brought forward at 1 January 2021 of $528.6 million, gives a total carried forward at 31 December 2021 of $550.1 million.

Principal activities and review of the business

The principal activity of the company is the development and production of oil and gas in the North Sea, from the Claymore and Scapa fields.

Key performance indicators:

The company's key financial and other performance indicators during the year were as follows:

	2021	2020
	$'000	$'000
Revenue	26,600	95,554
Operating expenses	(42,602)	(250,017)
Production (boe/day)	1,200	5,493
Operating cost per barrel	$72.94	$33.61
Capital expenditure	18,865	10,618

Production volumes decreased by 4,293 boe/day to 1,200 boe/day in 2021 from 5,493boe/day in 2020 due to cessation of production from the Tartan field and suspension of production from the Tartan satellite fields. Production from the Claymore and Scapa fields also reduced year on year.

Operating revenue decreased by $69.0 million to $26.6 million in 2021 from $95.6 million in 2020 as a result of lower production volumes partially offset by an increase in crude oil price.

Operating expenses decreased by $207.4 million to $42.6 million in 2021 from $250.0 million in 2020. This is mainly due to an impairment credit of $81.9 million in 2021 (2020: impairment charge of $108.8 million), lower depreciation charge of $65 million (2020: $71.6 million) and the impact of movements in inventory of $11.8 million, as well as a decrease in operating costs of $27.9 million. (2020: operating costs of $51.7 million)

Operating costs per barrel have increased to $72.94/barrel in 2021 from $33.61/barrel in 2020. This is largely driven by a decrease in production volumes in the year.

Capital expenditure of $18.9 million during the year mainly represents spend on wells and facilities for the Scapa and Claymore fields.

Strategic report for the year ended 31 December 2021 (continued)

Principal activities and review of the business (continued)

The tax credit of $2.8 million (2020: $57.6 million) reflects the expected tax credit at 40%, adjusted for the impact of tax losses and temporary differences not recognised, foreign exchange movements and amounts recoverable at a rate other than 40%.

Principal risks and uncertainties

Repsol Sinopec Oil Trading Limited is exposed to a number of risks inherent in developing and producing crude oil and natural gas.

Ability to find, develop or acquire additional reserves

The company's future success depends largely on its ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Exploration and development drilling may not result in commercially productive reserves. Successful acquisitions require an assessment of a number of factors, many of which are uncertain. These factors include recoverable reserves, exploration potential, future oil and gas prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and their accuracy is inherently uncertain.

Operational hazards and responsibilities

Oil and gas drilling and producing operations are subject to many risks, including the possibility of fire, explosions, mechanical failure, pipe failure, chemical spills, accidental flows of oil, natural gas or well fluids, sour gas releases, storms or other adverse weather conditions and other occurrences or accidents, which could result in personal injury or loss of life, damage or destruction of properties, environmental damage, interruption of business, regulatory investigations and penalties and liability to third parties. The company mitigates insurable risks to protect against significant losses by maintaining a comprehensive insurance program, while maintaining levels and amounts of risk within the company that management believes to be acceptable. The company believes its liability and property insurance is appropriate to its business and consistent with common industry practice, although such insurance will not provide coverage in all circumstances.

Project completion risks

The company manages a variety of development projects including the construction or expansion of facilities and pipelines. Project delays may delay expected revenues and project cost overruns could make projects uneconomic. The company's ability to complete projects depends upon numerous factors beyond the company's control. These factors include the availability of processing capacity; the availability and proximity of pipeline capacity; the availability of drilling and other equipment; the ability to access lands; weather; unexpected cost increases; accidents; the availability of skilled labour, including engineering and project planning personnel; and regulatory matters. Inflation assumptions are a key element of project appraisal and management. Cost escalation for materials and services may be unrelated to commodity prices changes and can have a significant impact on project planning and economics. Particularly in the current high-inflation environment a more granular focus is placed on the inflation assumptions underpinning the appraisal and management of prospective and existing projects.

Principal risks and uncertainties (continued)

Commodity price risk

The company's results are closely linked to fluctuations in the oil price which can be very volatile. The oil price is affected by numerous factors outside the group's control including economic conditions, levels of supply and demand, the presence of geopolitical tensions, and the policies and actions of Organization of the Petroleum Exporting Countries (OPEC). Decreases in the oil price are likely to reduce profitability by decreasing revenue without a proportional decrease in costs; they may necessitate impairment of asset values and may make projects uneconomic.

Brexit

On 1 January 2021 the agreement for the UK's withdrawal from the European Union became fully operational. During the transition period to 31 December 2020 the risk to the group was deemed to be low with no material risks arising and sufficient plans and procedures in place to mitigate future risks. While the Board of Directors and management continue to monitor developments no additional risks have been realised or identified and mitigations in place are considered adequate.

COVID-19

Following the outbreak of COVID-19 (Coronavirus) in 2020 the group experienced unprecedented macro-economic uncertainty which created numerous challenges for the group to address. The Board of Directors, with the support of the Executive Management Team and wider business, successfully steered the group through this extremely challenging period.

The development and distribution of several effective vaccines in most countries has led to a favourable change in the development of the outbreak. This, combined with the positive effect of public policies intended to rebuild the economy and protect public health have promoted a gradual recovery of the economy and national and international mobility. This, in addition to other less positive macroeconomic factors, has contributed to increased demand for hydrocarbons and associated products which has positively impacted the trading of the group. The emergence of new, virulent strains of the virus remains a risk and the Board of Directors and management continue to closely monitor the situation.

Principal risks and uncertainties (continued)

Section 172 (1) statement

From the perspective of the board, as a result of the group governance structure whereby the entity board is embedded within the parent company board, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the parent company board in relation both to the group and to this entity. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the parent company board has considered the matters set out in s172 (for the group and for the entity) is set out on page7 of Repsol Sinopec Resources UK Limited's annual report, which does not form part of this report.

By order of the board

Gemma Barbara

G. Barbara
Company Secretary
16 November 2022

Registered Office
Suite 1, 7th Floor
50 Broadway
London
SW1H 0BL

Repsol Sinopec Oil Trading Limited

Registered No. 02307374

Directors' report for the year ended 31 December 2021

The directors present their report together with the audited financial statements and auditors' report of Repsol Sinopec Oil Trading Limited ("the company") for the year ended 31 December 2021.

Results and dividends

The loss for the financial year amounted to $21.5 million (2020: loss of $109.3 million). The company has not declared any dividends during the year (2020: $nil). The directors do not propose the payment of a dividend (2020: $nil).

Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks including credit, liquidity and market risk. These risks are managed at a Group level.

Credit risk
Credit risk arises from credit exposures from outstanding receivables. The amounts presented in the statement of financial position are net of an allowance for impairment where there is an identified loss event. The credit risk on trade receivables is also managed through the monitoring of credit level and settlement periods.

The Group relies on letters of credit from the banking sector to ensure funds are available to meet commitments under Decommissioning Security Agreements.

The credit risk on liquid funds is considered limited because the counterparties are shareholders and banks with credit-ratings assigned by international credit-rating agencies.

Liquidity risk
The Group's liquidity risk arises from the possibility that it may not be in a position to meet its obligations as they fall due. The Group's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meets its liabilities as they fall due without incurring unacceptable losses or risking damage to the Group's reputation.

Cash flow forecasting is performed by the Group Treasury function to ensure that the Group has sufficient cash to meet operational requirements.

Market risk
Market risk is the risk that changes in market prices including foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holding of financial instruments. With the uncertainty of the global economy and volatility of the oil price there is a heightened risk of default by co-venturers. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.
The Group is exposed to currency risk on transactions that are denominated in a currency other than the functional currency (USD). The majority of expenditure is denominated in GBP whilst the majority of revenue is generated in USD creating a foreign currency exposure. The Group remained unhedged with respect to commodity price fluctuations at the year end.

Directors' report for the year ended 31 December 2021 (continued)

Future developments

While recent increases in hydrocarbon prices have positively impacted the company's results, the potential for a global economic slowdown, the effects of current geopolitical conflict and increasingly challenging macroeconomic conditions remain and represent risks to the trading conditions of the company. To continue to deliver the basis for successful and sustainable business the Repsol Sinopec Resources UK Limited group, of which the company is a member, is committed to delivering improved performance. The directors consider that with a tight focus on cost base, efficient delivery of planned activities and the successful pursuit of advantageous commercial arrangements, the group is in good position to take advantage of opportunities which may arise in the future.

Going concern

The company's business activities, performance and position are set out in the strategic report.

The company meets its day to day working capital requirements through cash generated from operations and cash resources available from the parent company. The parent company has cash resources at year-end of $1.6 billion (2020: $1.3 billion) which are available for its use if required. The directors have formed a judgement at the time of approving the financial statements that the group has appropriate resources to continue in existence for the foreseeable future. In forming this judgement, the directors have considered sensitivities to the group's approved business plan and latest forecast including a severe but plausible downside scenario using a future commodity price of $50/bbl throughout 2023. The company has received confirmation from the parent company of continued support for at least 12 months from the date of approval of these financial statements. Accordingly, the company continues to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

Details of post balance sheet events are set out in note 21 to the financial statements.

Streamlined Energy and Carbon Reporting (SECR)

As a fully owned subsidiary of Repsol Sinopec Resources UK Limited, the company has taken the exemption from the Streamlined Energy and Carbon reporting requirements. The equivalent disclosures can be found in group consolidated financial statements of Repsol Sinopec Resources UK Limited, page 20.

Repsol Sinopec Oil Trading Limited

Directors' report for the year ended 31 December 2021 (continued)

Directors

The directors who held office during the year and up to the date of signing of the statement of financial position were as follows:

M.T. Garcia Blanco (resigned 8 September 2022)
D. K. Moore
J. C. de Vicente Bravo
Q. Zhao
F.J. Gea Pascual del Riquelme (appointed 8 September 2022)

Disclosure of information to the auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Appointment of independent auditors

The company has passed an elective resolution to dispense with the obligation to reappoint the auditor on an annual basis.

Approved by the Board of Directors and signed by its order:

Gianna Barbara

G. Barbara
Company Secretary
16 November 2022

Registered Office
Suite 1, 7th Floor
50 Broadway
London
SW1H 0BL

Repsol Sinopec Oil Trading Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Independent auditors' report to the members of Repsol Sinopec Oil Trading Limited

Report on the audit of the financial statements

Opinion

In our opinion, Repsol Sinopec Oil Trading Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2021; the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the

Independent auditors' report to the members of Repsol Sinopec Oil Trading Limited (continued)

Reporting on other information (continued)

other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error 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 these financial statements.

Independent auditors' report to the members of Repsol Sinopec Oil Trading Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Petroleum Act 1998, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue or profitability and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates;
- Identifying and testing journal entries with specific focus on entries containing unusual account combinations relating to revenue and profitability in respect to the risk of management override of controls.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Repsol Sinopec Oil Trading Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Bruce Collins

Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
17 November 2022

Repsol Sinopec Oil Trading Limited

Income statement for the year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Revenue	3	26,600	95,554
Operating costs		(27,966)	(51,746)
Changes in inventory		(3,990)	(15,826)
Depreciation of property, plant and equipment	10	(65,045)	(71,570)
Net impairment reversal / (charge)	10	81,882	(97,626)
Abandonment support costs	10	(24,564)	(11,133)
Other operating expenses		(2,919)	(2,116)
Operating expenses		(42,602)	(250,017)
Operating loss		(16,002)	(154,463)
Finance income	7	-	2,163
Finance costs	8	(8,153)	(14,630)
Net exchange gain		(174)	13
Loss before taxation		(24,329)	(166,917)
Tax credit on loss	9	2,831	57,644
Loss for the financial year		(21,498)	(109,273)

The loss of $21.5 million (2020: loss of $109.3 million) for the financial year ended 31 December 2021 was derived in its entirety from continuing operations.

There is no other comprehensive income attributable to the shareholders of the company other than the loss for the financial year (2020: $nil).

Repsol Sinopec Oil Trading Limited

Statement of financial position as at 31 December 2021

	Note	2021 $'000	2020 $'000
Assets			
Non-current assets			
Property, plant and equipment	10	328,761	325,734
Deferred income tax asset	9	98,112	121,219
		426,873	446,953
Current assets			
Inventories	11	10,560	14,550
Trade and other receivables	12	2,767	81,655
		13,327	96,205
Total assets		440,200	543,158
Liabilities and equity			
Current liabilities			
Trade and other payables	13	411,947	439,538
Provisions for liabilities	15	11,986	16,241
		423,933	455,779
Non-current liabilities			
Provisions for liabilities	15	566,367	615,981
Total liabilities		990,300	1,071,760
Equity			
Called up share capital	16	-	-
Accumulated losses	17	(550,100)	(528,602)
Total equity		(550,100)	(528,602)
Total liabilities and equity		440,200	543,158

The financial statements on pages 13 to 36 of Repsol Sinopec Oil Trading Limited (registered number 2307374) were approved by the board of directors on 16 November 2022 and were signed on its behalf by:

D. K. Moore
Director

Repsol Sinopec Oil Trading Limited

Statement of changes in equity for the year ended 31 December 2021

	Called up share capital (Note 16) $'000	Accumulated losses (Note 17) $'000	Total equity $'000
Balance at 1 January 2020	-	(419,329)	(419,329)
Loss for the financial year and total comprehensive loss	-	(109,273)	(109,273)
Balance at 31 December 2020	-	(528,602)	(528,602)
Loss for the financial year and total comprehensive loss	-	(21,498)	(21,498)
Balance at 31 December 2021	-	(550,100)	(550,100)

Notes to the financial statements – 31 December 2021

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Repsol Sinopec Oil Trading Limited (the "company") for the year ended 31 December 2021 were authorised for issue by the board of directors on 16 November 2022 and the statement of financial position was signed on the board's behalf by D. K. Moore. Repsol Sinopec Oil Trading Limited is a private limited company incorporated and domiciled in England and Wales, United Kingdom. The company is limited by shares and not guarantee.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the provisions of the Companies Act 2006.

2. Accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' and with the Companies Act 2006 applicable to companies using FRS 101 and on a going concern basis. The financial statements have been prepared under the historical cost convention.

The accounting policies that follow have been consistently applied to all years presented, unless otherwise stated.

The company has taken advantage of the following disclosure exemptions under FRS101:

a) The requirements of paragraph 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64 (m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
b) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
c) The requirements of IFRS 7 Financial Instruments: Disclosure;
d) The requirements of paragraphs 10(d), 10(f), 40(a), 40(b), 40(c) and 134-136 of IAS 1 Presentation of Financial Statements;
e) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of;
   - Paragraph 79 (a)(iv) of IAS 1;
   - Paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
   - Paragraph 118(e) of IAS 38 Intangible Assets;
f) The requirements of paragraphs 134(d)-134(f) of IAS 36, Impairment of Assets;
g) The requirements of IAS 7 Statement of Cash Flows;
h) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
i) The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;

2. Accounting policies (continued)

(a) Basis of preparation (continued)

j) The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
k) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Where relevant, equivalent disclosures are given in the group financial statements of Repsol Sinopec Resources UK Limited. The Repsol Sinopec Resources UK Limited financial statements are available to the public and can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars ($'000), except where otherwise indicated. The year-end rate at 31 December 2021 was £1/$1.35 (2020: £1/ $1.37).

(b) Going Concern

The company meets its day to day working capital requirements through cash generated from operations and cash resources available from the parent company. The parent company has cash resources at year-end of $1.6 billion (2020: $1.3 billion) which are available for its use if required. The directors have formed a judgement at the time of approving the financial statements that the group has appropriate resources to continue in existence for the foreseeable future. In forming this judgement, the directors have considered sensitivities to the group's approved business plan and latest forecast including a severe but plausible downside scenario using a future commodity price of $50/bbl throughout 2023. The company has received confirmation from the parent company of continued support for at least 12 months from the date of approval of these financial statements. Accordingly, the company continues to adopt the going concern basis in preparing the financial statements.

(c) New standards, amendments and IFRS IC interpretations

Several amendments to accounting standards and IFRIC interpretations apply for the first time in 2021 but do not have an impact on the company's financial statements. The company has not early adopted any standards, interpretations or amendments that have been issued, but not yet effective.

(d) Critical accounting estimates and judgements

The preparation of the company's financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies, however,

2. Accounting policies (continued)

(d) Critical accounting estimates and judgements (continued)

no critical judgements have been made. The company has identified the following areas where significant estimates and assumptions are required.

Crude oil and gas reserves

The business of the company is the exploration for, development and production of oil and gas reserves. Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and decommissioning. Changes in estimates of oil and gas reserves resulting in different future production profiles will affect the discounted cash flows used in impairment testing, the anticipated date of decommissioning and the depletion charges in accordance with the unit-of production method.

Recoverable amount of assets

Determination of whether oil and gas assets or goodwill has suffered any impairment requires an estimation of the cash-generating units (CGU) recoverable amount. The recoverable amount of a CGU is the greater of its value in use and fair value less costs to dispose. The calculation of fair value less costs to dispose requires the entity to estimate the future cash flows expected to arise from the CGU using discounted cash flow models comprising asset-by-asset life of field projections using Level 3 inputs (based on IFRS 13 fair value hierarchy).

Key assumptions and estimates in the impairment models relate to:
- Commodity prices that are based on forward curve prices for the first four years and thereafter inflated at 2% per annum from 2022;
- Discount rates derived from the group's post-tax weighted average cost of capital of 7.2% (2020: 7%); and
- Commercial reserves and the related cost profiles.

As the production and related cash flows can be estimated, management believes that the estimated cash flows over the life of each field is the appropriate basis upon which to assess goodwill and individual assets for impairment.

Decommissioning provision

Amounts used in recording a provision for decommissioning are estimates based on the company's current view of legal and constructive requirements and technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. The dismantling provisions are updated regularly to reflect

2. Accounting policies (continued)

(d) Critical accounting estimates and judgements (continued)

Decommissioning provision (continued)

trends in estimated costs and the discount rates. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively.

In estimating decommissioning provisions, the company applies an annual inflation rate of 2.0% from 2021 onwards (2020: 2.0%) and a real annual discount rate of 0.68% (2020: 0.31% real).

Deferred tax assets

Deferred tax assets arising from the carry forward of tax losses require management to assess the probability that sufficient future taxable profits will be available against which the carry forward losses can be utilised. These assessments are based on management's estimates of forecast cash flows from operations which are impacted by production and sales volumes, oil prices, reserves, operating costs, capital and decommissioning expenditure. Deferred tax assets arising from future decommissioning expenditure require management to assess the likelihood that the company will be able to carry back such expenditure against the taxable profits of earlier accounting periods or offset such expenditure against future profits. Assumptions about the recovery of historic taxes paid depend on management's estimates of future decommissioning costs and forecast cash flows from operations as well as judgement about the application of existing tax laws.

Climate Change

The forecast impact of climate change represents an area of judgement which affects several key areas of the financial statements. Most significantly, these are the ARO provision, through the estimate of future costs of discharging the company's asset decommissioning obligations, and Impairment through the cashflows behind the asset recoverable values which inform the impairment assessment of those assets. In arriving at these estimates the company has considered factors including, but not limited to, future commodities prices, increases in the cost of carbon emissions and the implication of current legislation and policies.

There are significant uncertainties inherent in the estimates and judgements applied in this area. Large unanticipated shifts in future demand for hydrocarbons, evolving policies and legislation, the impact of advancing technology and changing consumer behaviours in response to climate change are possible. Actual results could differ significantly depending on the judgements taken on the any of the foregoing factors.

(e) Non-current assets, depreciation and impairment

Property, plant and equipment (PP&E) is included in the statement of financial position at cost less accumulated depreciation and any provisions for impairment. The initial

2. Accounting policies (continued)

(e) Non-current assets, depreciation and impairment (continued)

cost of an asset comprises its purchase price or construction costs and any costs directly attributable to bringing the asset into operation. The purchase price or construction costs is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Subsequent expenditure in respect of items of PP&E such as the replacement of major parts, major inspections or overhauls, are capitalised as part of the cost of the related asset where it is probable that future economic benefits will arise as a result of the expenditure and the cost can be reliably measured. All other subsequent expenditure, including repairs and maintenance, is expensed as incurred.

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable developed reserves. PP&E, with the exception of upstream assets, are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives.

The carrying values of non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment loss is measured by reference to the recoverable amount of a cash generating unit, with cash flows discounted at an appropriate rate. Prior years' impairments are reversed should there be a change in economic conditions from those in existence at the time the impairment was recognised. Interest incurred on the construction of oil and gas interests is capitalised as part of the cost of the asset.

(f) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (US dollar, 'the functional currency'). The financial statements are presented in US dollars, which is the company's presentation currency.

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are taken to the income statement in the period in which they arise. Non-monetary assets and liabilities, other than those measured at fair value are not retranslated subsequent to initial recognition.

2. Accounting policies (continued)

(g) Revenue

Revenue from contracts with customers is recognised when or as the company satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control of oil, natural gas, natural gas liquids and other items usually coincides with title passing to the customer and the customer taking physical possession. The company principally satisfies its performance obligations at a point in time; the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

When, or as, a performance obligation is satisfied, the group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

Contracts for the sale of commodities are typically priced by reference to quoted prices. Revenue from term commodity contracts is recognised based on the contractual pricing provisions for each delivery. Certain of these contracts have pricing terms based on prices at a point in time after delivery has been made. Revenue from such

contracts are initially recognised based on relevant prices at the time of delivery and subsequently adjusted as appropriate.

(h) Insurance recoveries

The insurance recovery proceeds are recognised in the statement of profit and loss as other operating income, in the period that these proceeds are virtually certain to be received.

(i) Joint operations

The operation of substantially all of the oil and gas exploration, development and production activity is conducted through joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The company has assessed the nature of its joint arrangements and determined them to be joint operations. The company's interests in its joint operations are accounted for by recognising its share of assets, liabilities, income and expenses.

(j) Over and underlifts

The quantities of oil and other hydrocarbons lifted by the company may differ from its equity share of production giving rise to over or underlifts which are accounted for as follows:

2. Accounting policies (continued)

(j) Over and underlifts (continued)

- An underlift is included in inventory and valued at the lower of cost of production and net realisable value.
- An overlift is included in deferred income and valued at market price.

(k) Abandonment

The company has oil and gas properties and associated facilities with the legal obligation to decommission and remove from service at the end of its economic life. The provision for abandonment has been developed using its current view of technology and pricing and is measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the end of the reporting period.

All decommissioning operations must comply with the terms of the relevant license, permits, accepted industry practice and any local, national or international laws and regulations.

In addition, the company has capitalised an amount equivalent to the provision as a non-current asset which is amortised over the life of the area on a unit-of-production basis.

Revisions to decommissioning liability are recognised in the statement of financial position under property, plant and equipment. If the property, plant and equipment balance is $nil, a revision to decommissioning liability is recognised within the statement of profit and loss.

(l) Taxation

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

2. Accounting policies (continued)

(l) Taxation (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax losses and the carry back of ring fence tax losses, to the extent that it is probable that taxable profit will be available against which the temporary differences and the carry forward or carry back of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future or historic taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Group relief
The company is a member of a group for the purposes of group relief under Part 5 of the Corporation Tax Act 2010. The company accounts for group relief as follows:

- Payment is received for group relief losses surrendered to other group companies.
- Payment is charged for group relief losses claimed from other group companies.

The value of the payment is determined by the amount of corporation tax saved by reason of the group relief being surrendered or claimed.

Petroleum Revenue Tax
Both current and deferred Petroleum Revenue Taxes are recognised on the same basis as corporate income taxes under IAS 12.

(m) Inventory

Held within inventories are the following:

- The company's share of purchased materials held under joint venture agreements for utilisation in conducting the affairs of the joint venture.
- The company's share of underlifted crude oil.

Underlift inventory is stated at the lower of cost of production and net realisable value. Materials inventory is valued at weighted average cost less provision for obsolescence.

2. Accounting policies (continued)

(n) Effect of changing estimates

The effects of changes in estimated costs, reserves or other factors affecting unit-of-production calculations for depreciation and abandonment are reflected in the year of change and thereafter over the estimated remaining reserves of each field.

(o) Financial assets and liabilities

Financial Assets
It is the company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in the statement of comprehensive income.

Classification and subsequent measurement is dependent on the company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the company may classify its financial instruments at amortised cost, fair value through statement of comprehensive income and at fair value through other comprehensive income.

All the company's financial assets as at 31 December 2021 satisfy the conditions for classification at amortised cost under IFRS 9.

The company's financial assets include trade receivables, receivables from the parent undertaking and receivables from group undertakings. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest

income from these assets is included in finance income using the effective interest rate method. The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised directly in the statement of other comprehensive income and presented in finance income/costs.

Financial Liabilities
Financial liabilities of the company are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs.

2. Accounting policies (continued)

(o) Financial assets and liabilities (continued)

The company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of comprehensive income.

Impairment of Financial Assets
Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables while the general approach is applied to receivables from the parent undertaking and receivables from group undertakings.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have the ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

2. Accounting policies (continued)

(o) Financial assets and liabilities (continued)

For intercompany balances that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower has sufficiently accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is considered immaterial.

If the borrower does not have sufficiently accessible highly liquid assets, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. For intercompany balances, the discounted cashflows of the lender are also considered in calculating the LGD. The EAD is the total amount of outstanding receivable at the reporting period.

These three components are multiplied together, and adjusted for forward looking information, such as crude oil prices and planned asset transfers to arrive at a summed ECL. Base, optimistic and downturn scenarios are also considered, that carry different probability weightings. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in the statement of comprehensive income.

3. Revenue

Revenue Streams

All of the company's revenue and operating profit arises from continuing activities in the North Sea.

The company derives revenue from the transfer of goods at a point in time in the following major product lines:

3. Revenue (continued)

Revenue Streams (continued)

2021	Oil	Natural Gas Liquids	Gas	Other	Total
	$'000	$'000	$'000	$'000	$'000
Revenue with external customers	26,792	(190)	-	(2)	26,600

2020	Oil	Natural Gas Liquids	Gas	Other	Total
	$'000	$'000	$'000	$'000	$'000
Revenue with external customers	95,554	-	-	-	95,554

No significant judgements have been made in determining the timing of satisfaction of performance obligations and the transaction price and the amounts allocated to performance obligations.

Negative revenue recorded in 2021 relates to current year sales offset by the impact of stock revaluation with opening stock being valued at $37/bbl and closing stock being valued at $58/bbl.

4. Auditors' remuneration

	2021	2020
	$'000	$'000
Fees for the audit of the company	45	37

The auditors' remuneration for audit services is paid by the parent company, Repsol Sinopec Resources UK Limited.

5. Directors' remuneration

The current year directors are representatives of the parent company shareholders (see note 20). They are senior executives of, and are remunerated by, the shareholder company (or another company in its group). They received no fees or remuneration for services as a director of Repsol Sinopec Oil Trading Limited during the financial year 2021 (2020: nil) and it is not possible to make an accurate apportionment of the directors emoluments in respect of each of the companies.

6. Staff costs

Repsol Sinopec Oil Trading Limited has no employees (2020: nil). Its parent company makes staff available as necessary and charges the company for this service.

7. Finance income

	2021 $'000	2020 $'000
Intercompany interest	-	2,163

8. Finance costs

	2021 $'000	2020 $'000
Intercompany interest	6,211	9,055
Unwinding of discount on abandonment provision (Note 15)	1,942	5,575
	8,153	14,630

9. Taxation

The taxation credit in the income statement is made up as follows:

	2021 $'000	2020 $'000
Current income tax:		
- UK corporation tax credit for the year	23,850	1,211
- adjustments for previous years	1,503	-
- group relief – current year	582	1,245
- group relief – adjustments to prior years	3	-
Total current income tax	25,938	2,456
UK deferred income tax		
- current year (charge) / credit	(25,814)	50,057
- adjustments for prior years	641	9,840
- foreign exchange on deferred tax asset	2,066	(4,709)
Total deferred income tax (charge) / credit	(23,107)	55,188
Total tax credit	2,831	57,644

9. Taxation (continued)

	2021 $'000	2020 $'000
Factors affecting tax credit for the year:		
Loss before taxation	(24,329)	(166,917)
Expected tax credit at 40%	9,732	66,767
Effects of:		
Tax losses and temporary differences not recognised	(10,169)	(10,949)
Income non-taxable/ (expenses not deductible)	-	(1,247)
Amounts recoverable at rate higher than 40%	(301)	8,537
Tax (losses)/gains recognised	-	(9,219)
Group relief - non ring fence	(644)	(1,376)
Foreign exchange on deferred tax assets	2,066	(4,709)
Adjustments for previous years	2,147	9,840
Total tax credit for the year	2,831	57,644

Ring fence corporation tax applies at a rate of 30% to companies engaged in UK oil extraction activities. The supplementary corporation tax charge (SCT) is 10%. SCT is payable on ring fence profits adjusted for finance costs and investment allowances. The combined rate of ring fence corporation tax and supplementary charge is 40%.

Petroleum revenue tax (PRT) applies to the company's share of profits arising from certain oil fields in the North Sea. PRT is applied at a rate of 0% for chargeable periods beginning on or after 1 January 2016.

Non-ring fence profits are subject to the main rate of corporation tax, being 19% for the year ended 31 December 2021.

9. Taxation (continued)

Deferred income tax

Deferred income tax included in the income statement and statement of financial position is as follows:

	Income statement		Statement of financial position	
Income tax related:	**2021**	**2020**	**2021**	**2020**
Deferred tax assets	**$'000**	**$'000**	**$'000**	**$'000**
Abandonment timing differences	(2,797)	(194)	226,884	229,681
Tax (losses)/gains recognised	-	(9,219)	-	-
			226,884	229,681
Deferred tax liabilities				
Accelerated capital allowances	(21,904)	62,221	(124,548)	(102,644)
Other temporary differences	1,594	2,380	(4,224)	(5,818)
			(128,772)	(108,462
Deferred tax credit	(23,107)	55,188		
Deferred tax asset (net)			98,112	121,219

The company's deferred tax asset at 31 December 2021 and 31 December 2020 has been recognised to the extent that future decommissioning expenditure can be carried back and set off against the taxable ring fence profits of the company for earlier accounting periods. In accordance with IAS 12 – Income Taxes, the company has assessed the recoverability of its deferred tax asset at 31 December 2021 with respect to the ring fence treatment of losses arising as a result of decommissioning. Future decommissioning expenditure, as reflected in the closing abandonment provision, has been matched to ring fence corporation tax paid in prior years to determine the amount of taxes recoverable. As at 31 December 2021, a deferred tax asset of $7.9 million has not been recognised in relation to future decommissioning expenditure.

In addition, the company has assessed the recoverability of its deferred tax asset, as at 31 December 2021 and 31 December 2020, with respect to the treatment of ring fence losses carried forward and available to set against future profits of the same trade. The company has recognised an asset of $nil (2020: $nil million) as it is not expected that sufficient taxable income will arise against which tax losses carried forward will be deducted.

A deferred tax asset of $194.3 million has not been recognised in relation to ring fence losses carried forward as at 31 December 2021 (2020: $162 million).

The company has non-ring fence losses of $33.6 million. No deferred tax asset has been recognised at the balance sheet date due to the uncertainty of the recovery of these losses (2020: $30.3 million).

10. Property, plant and equipment

	Oil and gas interests $'000
Cost:	
At 1 January 2020	1,402,828
Additions	10,618
Change in abandonment estimate	50,492
At 31 December 2020	1,463,938
Additions	18,865
Change in abandonment estimate (Note 15)	(32,675)
Abandonment support costs	24,564
At 31 December 2021	1,474,692
Accumulated depreciation and impairment:	
At 1 January 2020	(957,875)
Depreciation charge for the year	(71,570)
Abandonment support costs	(11,133)
Impairment charge for the year	(97,626)
At 31 December 2020	(1,138,204)
Depreciation charge for the year	(65,045)
Abandonment support costs	(24,564)
Impairment reversal for the year	81,882
At 31 December 2021	1,145,931
Net carrying amount:	
At 31 December 2021	328,761
At 31 December 2020	325,734

All assets are within the North Sea area.

Included within the accumulated depreciation and impairment movement for the year is a net reversal of $81.9 million related to impairment (2020: charge of $(97.6) million). The impairment reversal relates to Claymore ($60.1 million) and Tartan ($21.8 million).

The impairment reversal / (charge) is a result of changes in long-term cash flow assumptions including commodity prices, commercial reserves and the related cost profiles. The impairment charge was measured by reference to the fair value less costs to dispose of the cash generating unit (CGU) to which oil and gas assets have been allocated. The post-tax discount rate applied to cash flows was 7.2% nominal (2020: 7.0% nominal). The discount rate reflects the weighted average cost of capital of the shareholders of the parent company Repsol Sinopec Resources UK Limited.

11. Inventories

	2021 $'000	2020 $'000
Purchased materials	10,560	14,550
	10,560	14,550

The difference between the carrying value of inventories and their replacement cost is not material. Purchased materials are stated after provisions for obsolescence of $13.3 million (2020: $12.7 million).

12. Trade and other receivables

	2021 $'000	2020 $'000
Trade receivables	490	12
Amounts due from parent undertaking	-	77,360
Amounts due from group undertakings	-	1,140
Other debtors	445	682
Prepayments and other income	1,832	2,461
	2,767	81,655

Impairment of trade receivables
Having reviewed past payment performance combined with the credit rating of the company's customers in order to assess the potential for impairment, the company has concluded impairment of trade receivables to be insignificant as there has been no history of default or disputes arising on invoiced amounts since inception of the contracts and as such the expected credit loss percentage is assumed to be almost zero.

Amounts due from parent undertaking
Amounts due from parent undertaking represented promissory notes which bore interest at a rate of 3.5%. The promissory notes were settled during 2021.

13. Trade and other payables

	2021 $'000	2020 $'000
Trade creditors	335	1,521
Other creditors	5,687	-
Amounts due to related parties	83	-
Accruals and deferred income	19,426	17,479
Amounts due to parent undertaking	386,416	420,538
	411,947	439,538

Amounts due to parent undertaking are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged monthly at a rate of 1 month USD LIBOR plus a margin based on indicative short term, unsecured commercial borrowing margins.

Notes to the financial statements – 31 December 2021 (continued)

14. Loan

Loans repayable, included in creditors within amounts due to parent undertaking are analysed as follows:

	2021 $'000	2020 $'000
Wholly repayable within five years (Note 13)	-	154,426

Loans represented promissory notes which bore interest at a rate of 3.5%. The promissory notes were settled during 2021.

15. Provisions for liabilities

	Abandonment Provision $'000
Current	16,241
Non-current	615,981
At 31 December 2020 and 1 January 2020	632,222
Utilised	47,700
Change in abandonment estimate (Note 10)	32,675
Abandonment support costs	(24,564)
Unwinding of discount (Note 8)	(1,942)
At 31 December 2021	578,353
Analysed as:	
Current	11,986
Non-current	566,367

At 31 December 2021, the provision for the future estimated costs of abandonment at the statement of financial position date was $578.4 million (2020: $632.2 million). The provision for abandonment has been developed using the company's view of technology and pricing and discounted using a real risk free discount rate of 0.68% (2020: 0.31% real). The costs are expected to be incurred within the next 26 years.

The following table shows the timeline in which costs as at 31 December 2021, in relation to the abandonment provision are expected to become current:

	Current $'000	1-10 years $'000	11-20 years $'000	21-30 years $'000	Total $'000
Abandonment	11,986	413,878	151,589	900	578,353

16. Called up share capital

	2021 $	2020 $
Allotted, issued and fully paid		
100 (2020: 100) ordinary shares of £1 each	156	156

17. Accumulated losses

The balance held on this reserve is the accumulated losses of the company.

18. Capital commitments and contingencies

At 31 December 2021 the company has provided letters of credit in the amount of $239.8 million (2020: $247.0 million) as security for the costs of future dismantlement, site restoration and abandonment costs for certain North Sea fields. Estimated costs are subject to uncertainty associated with the method, timing and extent of future dismantlement, site restoration and abandonment.

19. Related parties transactions

The company has taken advantage of the disclosure exemptions under FRS101 as described in Note 2a and has not disclosed transactions entered into with wholly-owned group companies or key management personnel.

Sales during the year, entered into in the ordinary course of business, and balances outstanding at 31 December are as follows:

Related party	Sales		Amounts due (to)/ from related party	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Repsol Trading SA	-	20,772	-	-

Talisman Colombia Holdco Limited owns 51% of the shares in Repsol Sinopec Resources UK Limited. The ultimate parent company of Talisman Colombia Holdco Limited is Repsol S.A., which is registered in Spain. Repsol Trading S.A. is an indirect wholly owned subsidiary of Repsol S.A.

During the year the company paid guarantee fees of $0.2 million (2020: $0.9 million) to Repsol Oil & Gas Canada Inc. and $0.2 million (2020: $0.8 million) to Addax Petroleum Holdings Limited. Guarantee fees are payable every quarter in arrears.

19. Related parties transactions (continued)

Addax Petroleum UK Limited owns 49% of the shares in Repsol Sinopec Resources UK Limited. Addax Petroleum UK Limited is wholly-owned subsidiary of Addax Petroleum Holdings Limited. Repsol S.A. indirectly owns 100% of share capital of Repsol Oil & Gas Canada Inc.

20. Controlling party

The immediate parent undertaking of the company is Repsol Sinopec North Sea Limited, a company registered in England and Wales. The parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared is Repsol Sinopec Resources UK Limited.

Repsol Sinopec Resources UK Limited is jointly controlled by Talisman Colombia Holdco Limited and Addax Petroleum UK Limited.

The ultimate parent company of Talisman Colombia Holdco Limited is Repsol S.A., which is registered in Spain. Copies of the Repsol S.A. consolidated financial statements can be obtained from www.repsol.com

The ultimate beneficial owners of Addax Petroleum UK Limited are China Chengtong Holdings Group Limited, China Reform Holdings Corporation Limited and China Petrochemical Corporation, which are all state-owned entities of the People's Republic of China.

21. Post balance sheet events

Scapa Divestment
On 8 March 2022 the company signed a Sale and Purchase Agreement to transfer its entire 80.444% interest in the Scapa asset to Repsol Sinopec Delta Limited, a group company. The transaction was completed on 1 June 2022. The consideration transferred was equal to the market value at the completion date.

Claymore Divestment
On 6 July 2022 the company signed a Sale and Purchase Agreement to transfer a 10.3784% interest in the Claymore asset to Repsol Sinopec Delta Limited, a group company. The transaction was completed on 1 September 2022. The consideration transferred was equal to the market value at the completion date.

Capital Contribution Deed
On 29 July 2022 the company entered into a Capital Contribution Deed with Repsol Sinopec North Sea Limited, the immediate parent company. Under the capital contribution deed Repsol Sinopec North Sea Limited made a capital contribution of $300mm to the company, effective 1 August 2022.

21. Post balance sheet events (continued)

Energy Profits Levy

On 11th July 2022 the Energy (oil and gas) Profits Levy Act 2022 ("the EPL") was substantively enacted and shall operate in addition to ring fence corporation tax and supplementary charge. The EPL will apply at a rate of 25% on adjusted oil and gas profits arising from 26th May 2022 until 31 December 2025. As substantive enactment occurred after the balance sheet date, there has been no remeasurement in the financial statements however it is estimated that a $1.8 million liability in respect of 2022 will be payable in accordance with the required statutory instalments falling in December 2022 and January 2023 and an EPL deferred tax charge of $21 million will arise in respect of Repsol Sinopec Oil Trading limited. This estimated EPL deferred tax charge arises from the expected unwinding of relevant deferred tax assets and liabilities up until 31 December 2025.