REPSOL SINOPEC OIL TRADING LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2022

Registered number: 02307374

Repsol Sinopec Oil Trading Limited

Strategic report for the year ended 31 December 2022

The directors present their Strategic report for the year ended 31 December 2022.

Results

The loss for the financial year was $30.3 million, which, when added to the accumulated losses brought forward at 1 January 2022 of $550.1 million gives a total loss carried forward at 31 December 2022 of $580.4 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. The company disposed of interests in Scapa field (80.444%) on 1 June 2022 and Claymore field (10.4784%) on 1 September 2022 to fellow group undertakings.

Key performance indicators:

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

	2022	**2021**
	$'000	**$'000**
Revenue	33,517	26,600
Operating expenses	(41,392)	(42,602)
Production (boe/day)	968	1,200
Operating cost per barrel	$54.35	$72.94
Capital expenditure	988	18,865

Production volumes decreased by 232 boe/day to 968 boe/day in 2022 from 1,200 boe/day in 2021 due to disposal of interests in Scapa and Claymore during the year.

Operating revenue increased by $6.9 million to $33.5 million in 2022 from $26.6 million in 2021 as a result of an increase in crude oil price which was partially offset by a decrease in production volumes.

Operating expenses decreased by $1.2 million to $41.4 million in 2022 from $42.6 million in 2021. This is mainly due to an impairment credit of $51.4 million in 2022 (2021: impairment credit of $73.2 million), lower depreciation charge of $51.8 million (2021: $56.4 million) and the impact of movements in inventory of $9.0 million, as well as a decrease in operating costs to $10.2 million (2021: $27.9 million).

Operating costs per barrel have decreased to $54.35/barrel in 2022 from $72.94/barrel in 2021. This is largely driven by a decrease in production volumes and decrease in direct operating expenses.

Capital expenditure of $1.0 million during the year mainly represents spend on wells and facilities for the Scapa and Claymore fields.

Repsol Sinopec Oil Trading Limited

Strategic report for the year ended 31 December 2022 (continued)

Principal activities and review of the business (continued)

The tax charge of $11.9 million (2021: tax credit of $2.8 million) reflects the expected tax credit at 40.0% adjusted for the impact of tax losses and temporary difference not recognised, foreign exchange movements and amounts recoverable at a rate other than 40.0%. Following the introduction of the Energy Profits Levy ("EPL") in May 2022, the combined tax rate for E&P companies increased to 75.0%. However, given that EPL was only introduced part way through the period it was considered more appropriate to maintain the expected tax rate at 40.0% for the year ended 31 December 2022.

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 and gas 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.

Climate change and energy transition
The risks and opportunities associated with the energy transition and climate change are becoming increasingly important in the medium and long term. In light of this the company has incorporated the Net Zero goal into its corporate strategy in line with the life cycle of its assets. Furthermore, the company has a Greenhouse Gas emissions management policy and each of the company's operational sites have an Emission Reduction Action Plan (ERAP) which meet the requirements of the NSTA's Stewardship Expectation 11, the North Sea Transition Deal and OEUK's Methane Action Plan. The company is exploring the opportunities the energy transition might present, for instance through the possibility of producing green hydrogen at the Flotta Oil Terminal, which will aid the societal shift to low carbon power. See Section 172 statement on page 7 of the Repsol Sinopec Resources UK Limited annual report, which does not form part of this report.

Geopolitical risks
Last year was dominated by a shift in the global economic and geopolitical situation, most notably following Russia's invasion of Ukraine on February 24, 2022. The company has been affected by certain indirect risks arising from the new macroeconomic environment, which have pushed up commodity and product prices, the tightening of trade sanctions and monetary policy and the risk of regulatory changes affecting our business. One of the biggest indirect risks to have arisen from the new macroeconomic landscape is the prevailing uncertainty regarding the supply chain, which was already stretched in 2021 due to the lingering effects of the COVID-19 pandemic. This situation may impact the availability of certain materials and services and also push up procurement prices, thus negatively affecting the operating costs of the businesses and the cost and time objectives of ongoing investment projects. Meanwhile, the complex economic landscape, with rampant inflation and uncertainty over the future economic recovery, could prompt the authorities to introduce temporary measures in the energy markets, or push through new legislation affecting the tax framework of the businesses. In the United Kingdom an extraordinary tax on profits obtained from oil and gas production (Energy Profit Levy) was approved. It will be in force from May 26, 2022 to March 31, 2028 and the applicable rate will be 25.0% for the year 2022 and 35.0% for the years 2023 to 2028.

The evolution of the war and the financial and fiscal policies adopted by governments to mitigate the social and economic impacts of the crisis will influence the scope and duration of both the crisis and the subsequent recovery. The company is more closely monitoring its awards to mitigate possible logistical restrictions on key materials and equipment and to adjust their supply accordingly in response to prevailing market conditions affecting suppliers and contractors.

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 company's board has considered the matters set out in s172 (for the Group and for the entity) is set out on page 7 of Repsol Sinopec Resources UK Limited's annual report, which does not form part of this report.

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

Gemma Barbara

G. Barbara
Company Secretary
6 June 2023

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 2022

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 2022.

Results and dividends

The loss for the financial year amounted to $30.3 million (2021: $21.5 million). The company has not declared any dividends during the year (2021: $nil). The directors do not propose the payment of a dividend (2021: $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.

Future developments

While increases in hydrocarbon prices in the year 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 represent risks to the trading conditions in the energy sector. 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 commercial arrangements, the Group is in a good position to take advantage of opportunities which may arise in the future. The shareholders, Repsol and Sinopec, have announced in May 2023 that they have reached an agreement to settle the long running arbitration, subject to certain conditions, which they expect to meet by the end of 2023. On completion it is expected that Repsol will hold 100.0% of the company and its subsidiaries. No impact to key operations or going concern is expected. See post balance sheet events note 22.

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 $2.1 billion (2021: $1.6 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 2024. 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 22 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 21.

Repsol Sinopec Oil Trading Limited

Registered No. 02307374

Directors' report for the year ended 31 December 2022 (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.

The company has chosen in accordance with the Companies Act 2006, s. 414C(11) to set out in the company's Strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' report. It has done so in respect of principal risks and uncertainties and a review of the business.

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

Gemma Barbara

G. Barbara
Company Secretary
6 June 2023

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

Repsol Sinopec Oil Trading Limited

Registered No. 02307374

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 2022 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, including 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 2022; the Income statement and 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 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 2022 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.

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; and
- 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.

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
8th June 2023

Repsol Sinopec Oil Trading Limited

Income statement for the year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Revenue	**3**	33,517	26,600
Operating costs		(10,248)	(27,966)
Changes in inventory		(9,009)	(3,990)
Depreciation of property, plant and equipment*	**12**	(51,844)	(56,456)
Net impairment reversal*	**12**	51,372	73,293
Abandonment support costs	**12**	(16,604)	(24,564)
Exploration expenses		(488)	-
Other operating expenses	**7**	(4,571)	(2,919)
Operating expenses		(41,392)	(42,602)
Operating loss		(7,875)	(16,002)
Loss on disposal of non-current assets	**8**	(43)	-
Finance income	**9**	4	-
Finance costs	**10**	(10,716)	(8,153)
Net exchange gain / (loss)		164	(174)
Loss before taxation		(18,466)	(24,329)
Tax (charge) / credit on loss	**11**	(11,867)	2,831
Loss for the financial year		(30,333)	(21,498)

The loss of $30.3 million (2021: $21.5 million) for the financial year ended 31 December 2022 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 (2021: $nil).

*The 2021 comparatives have been correctly represented to reclassify amounts in respect of Depreciation of property, plant and equipment of $8.6m to offset the Net impairment credit of non-current assets in relation to the depreciation that would have been charged on Group's property, plant and equipment had the original impairments not been recognised.

Repsol Sinopec Oil Trading Limited

Statement of financial position as at 31 December 2022

	Note	2022 $'000	2021 $'000
Assets			
Non-current assets			
Property, plant and equipment	12	3,588	328,761
Deferred income tax	11	88,445	98,112
		92,033	426,873
Current assets			
Inventories	13	1,550	10,560
Trade and other receivables	14	2,989	2,767
		4,539	13,327
Total assets		96,572	440,200
Liabilities and equity			
Current liabilities			
Trade and other payables	15	10,069	411,947
Provisions for liabilities	16	35,999	11,986
		46,068	423,933
Non-current liabilities			
Provisions for liabilities	16	330,937	566,367
Total liabilities		377,005	990,300
Equity			
Called up share capital	17	-	-
Capital contribution	18	300,000	-
Accumulated losses	18	(580,433)	(550,100)
Total equity		(280,433)	(550,100)
Total liabilities and equity		96,572	440,200

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 6 June 2023 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 2022

	Called up share capital (Note 17) $'000	Capital contribution (Note 18) $'000	Accumulated losses (Note 18) $'000	Total equity $'000
Balance at 1 January 2021	-	-	(528,602)	(528,602)
Loss for the financial year and total comprehensive expense	-	-	(21,498)	(21,498)
Balance at 31 December 2021	-	-	(550,100)	(550,100)
Loss for the financial year and total comprehensive expense	-	-	(30,333)	(30,333)
Capital contribution (note 18)	-	300,000	-	300,000
Balance at 31 December 2022	-	300,000	(580,433)	(280,433)

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 2022 were authorised for issue by the Board of Directors on 6 June 2023 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 by 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 2022 was £1/$1.20 (2021: £1/$1.35).

(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 $2.1 billion (2021: $1.6 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 2024. 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 2022 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.

2. Accounting policies (continued)

(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, 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 have any impairment charges or in certain circumstances impairment reversals 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 three years and thereafter inflated at 2.0% per annum from 2026;
- discount rates derived from the Group's post-tax weighted average cost of capital of 9.3% (2021: 7.2%); 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 impairments, in relation to impairment charges and reversals.

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 decommissioning 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 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.

2. Accounting policies (continued)

(d) Critical accounting estimates and judgements (continued)

Decommissioning provision (continued)
In estimating decommissioning provisions, the company applies an annual inflation rate of 2.0% from 2024 onwards (2021: 2.0%) and an average risk-free discount rate of 3.89% (2021: 0.68% real).

Sensitivities
Sensitivities to assess the impact to changes in the assumptions used within the calculations (i) the recoverable amount of assets and (ii) the decommissioning provision can be found on page 43 in the consolidated financial statements of the immediate parent, Repsol Sinopec Resources UK Limited.

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.

Amendments to IAS12 in respect of decommissioning obligations will be effective for annual reporting periods beginning on or after 1 January 2023. The application of the amendments to IAS12 may impact the quantification of deferred taxes in future annual reporting periods.

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 decommissioning 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 any of the foregoing factors.

2. Accounting policies (continued)

(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 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 and 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, to the limit of the value that the asset would have been depreciated had the original impairment not been 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 statement of financial position 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) Finance costs

Finance costs are expensed in the period in which they are incurred.

(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:

- 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.

2. Accounting policies (continued)

(k) Decommissioning

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 decommissioning 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 income statement, through impairment.

(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 statement of financial position method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax losses and the carry back of decommissioning expenditure giving rise to 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.

2. Accounting policies (continued)

(l) Taxation (continued)

Deferred tax (continued)
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. Tax assets and 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 and Energy (Oil and Gas) Profits Levy
Both current and deferred Petroleum Revenue Taxes and the Energy (Oil and Gas) Profits Levy 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 operations agreements for utilisation in conducting the affairs of the joint operation.
- 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.

(n) Effect of changing estimates

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

2. Accounting policies (continued)

(o) Financial assets and liabilities

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provision of the instrument.

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 income statement.

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 profit or loss and at fair value through other comprehensive income.

All the company's financial assets as at 31 December 2022 satisfy the conditions for classification at amortised cost under IFRS 9, except for financial investments, which are measured at fair value through profit or loss.

The company's financial assets include trade receivables and prepayments. 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 income statement 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.

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 income statement.

2. Accounting policies (continued)

(o) Financial assets and liabilities (continued)

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.

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.

2. Accounting policies (continued)

(o) Financial assets and liabilities (continued)

Impairment of Financial Assets (continued)
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:

2022	**Oil**	**Natural gas liquids**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenue with external customers	33,307	210	-	33,517

2021	**Oil**	**Natural gas liquids**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenue with external customers	26,792	(190)	(2)	26,600

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.

4. Auditors' remuneration

	2022	**2021**
	$'000	**$'000**
Fees for the audit of the company	51	45

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 21). 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 current financial year (2021: 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 (2021: nil). Its parent company makes staff available as necessary and charges the company for this service.

7. Other operating expenses

	2022 $'000	2021 $'000
Guarantee fees	1,971	331
Intercompany rental recharges	2,089	1,789
Bank charges	730	739
Marketing fees	60	60
Other expenses	(279)	-
	4,571	2,919

Decrease in other expenses relates to $0.3 million of Wells DC Inventory provision made in current year (2021: $nil).

8. Loss on disposal of non-current assets

	2022 $'000	2021 $'000
Loss on disposal of non-current assets	43	-

During the year the company disposed of its equity interest in both Scapa (80.444%) and Claymore (10.4784%) fields to fellow group undertakings. These intra-group asset disposals form part of a wider Group initiative to align the business operations with the Group strategy.

8. Loss on disposal of non-current assets (continued)

The carrying value of the assets and liabilities disposed of are set out in the table below:

	Scapa As disposed $'000	Claymore As disposed $'000	Total As disposed $'000
Assets			
Property, plant and equipment (note 12)	(221,537)	(52,317)	(273,854)
Inventory	(2,376)	-	(2,376)
	(223,913)	(52,317)	(276,230)
Liabilities			
Underlift	3,945	147	4,092
Decommissioning liability (note 16)	121,124	41,306	162,430
Accruals	1,524	3,372	4,896
	126,593	44,825	171,418
Consideration	105,356	(587)	104,769
Gain / (loss) on sale	8,036	(8,079)	(43)

The net consideration of $104.7 million has been recognised through intercompany with Repsol Sinopec Delta Limited.

9. Finance income

	2022 $'000	2021 $'000
Interest on corporation tax receivable	4	-

10. Finance costs

	2022 $'000	2021 $'000
Intercompany interest	7,339	6,211
Unwinding of discount on decommissioning provision (note 16)	3,377	1,942
	10,716	8,153

11. Taxation

The taxation (charge) / credit in the income statement is made up as follows:

	2022 $'000	2021 $'000
Current income tax:		
- UK corporation tax credit for the year	-	23,850
- adjustments for previous years	232	1,503
- Group relief – current year	-	582
- Group relief – adjustments to prior years	77	3
Total current income tax credit	309	25,938
UK deferred income tax:		
- current year credit / (charge)	111	(25,814)
- adjustments for prior years	(343)	641
- foreign exchange (loss) / gain on deferred tax asset	(10,491)	2,066
Total deferred income tax charge	(10,723)	(23,107)
Energy Profits Levy:		
- current year charge	(2,510)	-
- deferred tax credit	1,057	-
Total Energy Profits Levy charge	(1,453)	-
Total tax (charge) / credit	(11,867)	2,831
Factors affecting tax (charge) / credit for the year:		
Loss before taxation	(18,466)	(24,329)
Expected tax credit at 40.0% (2021: 40.0%)	7,387	9,732
Effects of:		
Tax losses and temporary differences not recognised	(7,213)	(10,169)
Income non-taxable / (expenses not deductible)	(17)	-
Amounts recoverable at rate higher than 40.0%	(46)	(301)
Impact of different tax rates – Energy Profits Levy	(1,453)	-
Group relief - non ring fence	-	(644)
Foreign exchange on deferred tax assets	(10,491)	2,066
Adjustments for previous years	(34)	2,147
Total tax (charge) / credit for the year	(11,867)	2,831

11. Taxation (continued)

Ring fence corporation tax applies at a rate of 30.0% to companies engaged in UK oil extraction activities. The supplementary corporation tax charge (SCT) is 10.0%. 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 40.0%.

The Government introduced the Energy Profits Levy (EPL) during 2022. The EPL applies to taxable profits arising from 26th May 2022. EPL is applied at a rate of 25.0% up to 31 December 2022 and 35.0% from 1 January 2023 until 31 March 2028.

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 0.0% for chargeable periods beginning on or after 1 January 2016.

Non-ring fence profits are subject to the main rate of corporation tax, being 19.0% for the year ended 31 December 2022. The main rate of corporate tax will increase to 25.0% from 1 April 2023.

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	
	2022	2021	2022	2021
Income tax related:	**$'000**	**$'000**	**$'000**	**$'000**
Deferred tax assets				
Decommissioning timing differences	(139,495)	(2,797)	87,388	226,884
			87,388	226,884
Deferred tax liabilities				
Accelerated capital allowances	125,168	(21,904)	620	(124,548)
Other temporary differences	3,604	1,594	(620)	(4,224)
	128,772	(20,310)	-	(128,772)
Deferred tax charge	(10,723)	(23,107)		
Deferred tax asset (net)			87,388	98,112
Deferred Energy Profits Levy credit	1,057	-		
Deferred Energy Profits Levy asset			1,057	-

The company's deferred tax asset at 31 December 2022 and 31 December 2021 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 2022 with respect to the ring fence treatment of losses arising as a result of decommissioning.

11. Taxation (continued)

Deferred income tax (continued)
Future decommissioning expenditure, as reflected in the closing decommissioning provision, has been matched to ring fence corporation tax paid in prior years to determine the amount of taxes recoverable. As at 31 December 2022, a deferred tax asset of $52.3 million (2021: $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 2022 and 31 December 2021, 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 (2021: $nil) 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 $175.1 million has not been recognised in relation to ring fence losses carried forward as at 31 December 2022 (2021: $194.3 million).

The company has non-ring fence losses of $45.6 million. No deferred tax asset has been recognised at the statement of financial position date due to the uncertainty of the recovery of these losses (2021: $33.6 million).

A deferred tax asset of $1.3 million has not been recognised in relation to the tax timing differences as at 31 December 2022 (2021: $nil million).

The closing statement of financial position amount in respect of the Deferred Energy Profit Levy has been generated as a consequence of accelerated capital allowances.

12. Property, plant and equipment

	Oil and gas interests $'000
Cost:	
At 1 January 2021	1,463,938
Additions	18,865
Change in abandonment estimate	(32,675)
Abandonment support costs	24,564
At 31 December 2021	1,474,692
Additions	988
Change in abandonment estimate (note 16)	(51,835)
Abandonment support costs	16,604
Disposal (note 8)	(1,033,289)
At 31 December 2022	407,160
Accumulated depreciation and impairment:	
At 1 January 2021	(1,138,204)
Depreciation charge for the year*	(56,456)
Abandonment support costs	(24,564)
Impairment reversal for the year*	73,293
At 31 December 2021	(1,145,931)
Depreciation charge for the year	(51,844)
Abandonment support costs	(16,604)
Impairment reversal for the year	51,372
Disposal (note 8)	759,435
At 31 December 2022	(403,572)
Net carrying amount:	
At 31 December 2022	3,588
At 31 December 2021	328,761

*The 2021 comparatives have been correctly represented to reclassify amounts in respect of Depreciation of property, plant and equipment of $8.6 million to offset the Net impairment credit of non-current assets in relation to the depreciation that would have been charged on Group's property, plant and equipment had the original impairments not been recognised.

All assets are within the North Sea area.

Included within the accumulated depreciation and impairment movement for the year is a net reversal of $51.4 million (2021: $73.2 million). Impairment reversal for 2022 relates to Claymore ($0.3 million) and Tartan ($51.1 million).

The impairment reversal is a result of changes in long-term cash flow assumptions including commodity prices, commercial reserves and the related cost profiles. The impairment reversal 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 9.3% nominal (2021: 7.2% nominal). The discount rate used reflects management's estimate of a market participant's post-tax weighted average cost of capital.

12. Property, plant and equipment (continued)

The comparatives for the prior year net impairment credit have been represented to reflect the depreciation that would have been charged on Group's property, plant and equipment had the original impairments not been recognised. Previously this was reported under Depreciation. The total accumulated depreciation and impairment at 31 December 2021 has remained unchanged.

13. Inventories

	2022 $'000	2021 $'000
Purchased materials	1,550	10,560

The difference between the carrying value of inventories and their replacement cost is not material. Purchased materials are stated after provisions for obsolescence of $12.1 million (2021: $13.3 million).

14. Trade and other receivables

	2022 $'000	2021 $'000
Trade receivables	4	490
Amounts due from parent undertaking	1,536	-
Other taxes	470	445
Prepayments	979	1,832
	2,989	2,767

Amounts due from parent undertaking are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged monthly at a rate of 2.0%.

Impairment of trade receivables
Having reviewed past payment performance combined with the credit rating of the company's customers 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.

15. Trade and other payables

	2022 $'000	2021 $'000
Trade creditors	1,582	335
Other creditors	43	5,687
Amounts due to related parties	492	83
Accruals and deferred income	7,952	19,426
Amounts due to parent undertaking	-	386,416
	10,069	411,947

15. Trade and other payables (continued)

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 2.0%.

16. Provisions for liabilities

	Decommissioning provision $'000
Current	11,986
Non-current	566,367
At 31 December 2021 and 1 January 2021	578,353
Utilised	(17,135)
Change in abandonment estimate	(51,835)
Abandonment support costs	16,606
Unwinding of discount (note 10)	3,377
Disposal (note 8)	(162,430)
At 31 December 2022	366,936
Analysed as:	
Current	35,999
Non-current	330,937

During the year the company disposed of interest in the following fields: Scapa (80.444%) and Claymore (10.4784%). As a result, the associated decommissioning provisions were derecognised, amounting to $162.4 million.

At 31 December 2022, the provision for the future estimated costs of decommissioning at the statement of financial position date was $366.9 million (2021: $578.4 million). The provision for decommissioning has been developed using the company's view of technology and pricing and discounted using an average risk-free discount rate of 3.89% (2021: 0.68%).

The following table shows the timeline in which costs as at 31 December 2022, in relation to the decommissioning provision are expected to become current:

	Current $'000	1-10 years $'000	11-20 years $'000	21-30 years $'000	Total $'000
Decommissioning	35,999	328,122	2,815	-	366,936

17. Called up share capital

	2022	2021
	$	$
Allotted, issued and fully paid		
100 (2021: 100) ordinary shares of £1 each	156	156

18. Reserves

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

Capital contribution
The balance on the capital contribution reserve represents the capital contribution of $300.0 million made by the immediate parent undertaking Repsol Sinopec North Sea Limited in 2022 to improve the company's statement of financial position.

19. Capital commitments and contingencies

At 31 December 2022 the company has provided letters of credit in the amount of $214.0 million (2021: $239.8 million) as security for the costs of future dismantlement, site restoration and decommissioning 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 decommissioning.

20. 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.

During the year the company paid guarantee fees of $0.8 million (2021: $0.2 million) to Repsol S.A. and $0.8 million (2021: $0.2 million) to Addax Petroleum Holdings Limited. Guarantee fees are payable every quarter in arrears.

Addax Petroleum UK Limited owns 49.0% of the shares in Repsol Sinopec Resources UK Limited. Addax Petroleum UK Limited is wholly owned subsidiary of Addax Petroleum Holdings Limited.

Talisman Colombia Holdco Limited owns 51.0% 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.

21. 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 (Sinopec Group), which are all state-owned entities of the People's Republic of China.

22. Post balance sheet events

Shareholders Arbitration

On 28 April 2023 Repsol and Sinopec announced that, subject to the satisfaction of certain conditions, Repsol will acquire from Sinopec its 49.0% interest in the shares of the immediate parent of the company, Repsol Sinopec Resources UK Limited. Repsol and Sinopec have immediately suspended and at completion, will settle, the long-running arbitration proceedings in relation to Sinopec's acquisition of its stake in Repsol Sinopec Resources UK Limited from the Canadian group, Talisman (which was subsequently acquired by Repsol). At completion, Repsol will become the owner of 100.0% of Repsol Sinopec Resources UK Limited and its subsidiaries, including the company. Completion of the share transfer and the settlement of the arbitration is expected to occur before the end of 2023.