

Premier Oil Holdings Limited

Registered Company Number 03689620

Annual Report and Financial Statements

31 December 2021

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Premier Oil Holdings Limited

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Premier Oil Holdings Limited

Corporate information

Directors

Alexander Krane
Howard Landes
Stuart Wheaton

Secretary

Harbour Energy Secretaries Limited

Independent Auditors

Ernst & Young LLP
Statutory Auditor
1 More London Place
London
SE1 2AF

Registered Office

23 Lower Belgrave Street
London
England
SW1W 0NR

Company No. 03689620

Premier Oil Holdings Limited

Strategic Report

The directors present their strategic report on Premier Oil Holdings Limited (the “company”) for the year ended 31 December 2021.

Results

The company’s loss for the financial year was \$14.5 million (2020: loss of \$206.4 million).

At 31 December 2021, the company had total deficit of \$713.5 million (2020: \$698.9 million).

Principal Activities and Review of the Business

The company was incorporated on 29 December 1998 and is part of the Harbour Energy plc group of companies (formerly Premier Oil plc group prior to the completion of the merger with Chrysaor Holdings Limited on 31 March 2021). It is an immediate holding company of the companies listed in note 9 and a treasury company to part of the Harbour Energy plc group. As a result, it acts as lender to and borrower from the group’s subsidiaries, represented by intra-group balances.

The company also bears the risks and rewards of certain pre-licence exploration, new venture and hedging activities on behalf of other group companies. The pre-licence exploration, new venture costs of \$19.0 million (2020: \$36.6 million) was written off in the year, as part of administrative expenses, and principally related to expenditures incurred appraising potential projects for the company and other group companies and costs incurred as a result of the merger.

Key Performance Indicators (KPIs)

The Harbour Energy plc group (the “Group”) activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves. The company’s KPIs are aligned with those of the Group. Further information about KPIs in the context of the Group business can be found in the Harbour Energy’s plc Annual Report and Accounts for the year ended 31 December 2021 (the “Group Report”) and are reflected in the financial performance and position above.

Principal Risks and Uncertainties

The company is subject to a range of risks, these risks are identified and managed by the Group. Information about risks and uncertainties in the context of the Group business can be found in the Strategic Report within the Group Report.

Approved by the Board on 30 September 2022 and signed on its behalf by:

DocuSigned by:

CD20FB85420F481...
Alexander Krane (Director)

Premier Oil Holdings Limited

Directors' Report

The directors present their report and audited financial statements for the year ended 31 December 2021.

Directors

The following served as directors of the company during the year and up to the date of signing of the financial statements:

Andrew Gibb	resigned 15 April 2021
Richard Rose	resigned 15 April 2021
Philip Kirk	appointed 15 April 2021, resigned 28 February 2022
Alexander Krane	appointed 15 April 2021
Howard Landes	appointed 15 April 2021
Stuart Wheaton	appointed 9 November 2021

Results and Dividends

The loss for the financial year amounted to \$14.5 million (2020: loss of \$206.4 million). During the year the company did not declare or pay dividends. The directors do not recommend the payment of a final dividend (2020: \$ nil).

Financial Instruments

The company finances its activities with a combination of intercompany loans and cash. Other financial assets and liabilities, such as trade debtors, trade creditors and intercompany balances, arise directly from the company's operating activities.

Financial instruments can give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on these risks is set out in the Group Report.

Future Developments

The directors do not foresee any changes in the company's activities in the immediate future.

Directors' Liabilities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Going Concern

The Directors have adopted the going concern basis of accounting for the preparation of the financial statements as the company's ultimate parent company, Harbour Energy plc, has undertaken to directly provide the necessary financial support, to the company, as and when required, to meet all liabilities for a period of 12 months from the date of signing these financial statements.

Disclosure of Information to the Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Premier Oil Holdings Limited

Directors' Report (continued)

Approved by the Board on 30 September 2022 and signed on its behalf by:

DocuSigned by:

CD20FB85420F461...
Alexander Krane (Director)

Company Registered No. 03689620

Premier Oil Holdings Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the net income or loss of the company for that period.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They 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.

Independent Auditor's report to the members of Premier Oil Holdings Limited

Opinion

We have audited the financial statements of Premier Oil Holdings Limited for the year ended 31 December 2021 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent Auditor's report to the members of Premier Oil Holdings Limited (continued)

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Auditor's report to the members of Premier Oil Holdings Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (the Companies Act 2006 and FRS 101 "Reduced Disclosure Framework") and the relevant tax compliance regulations in the jurisdictions in which the company operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, including those relating to health and safety, employee matters, environmental, and bribery and corruption practices;
- We understood how the company is complying with those frameworks by making enquiries of management, legal counsel and the Company Secretary. We corroborated the results of our enquiries through our review of Board minutes and correspondence received from regulatory bodies and noted that there was no contradictory evidence;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the degree of incentive, opportunity and rationalisation that may exist to perform fraud. Where fraud risks were identified, we applied journal entry selection criteria to identify journals that were considered unusual or indicative of potential fraud before tracing such transactions back to source information in order to test their validity and appropriateness;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing of journal entries, with a focus on journals indicating large or unusual transactions or meeting our defined risk criteria based on our understanding of the business, enquiries of management and the directors and review of legal correspondence. For journals selected we understood the nature and purpose of the journal, traced adjustments back to source documentation and tested that the journal had been authorised in line with company policy. Based on the results of our audit procedures, there were no significant instances of non-compliance with laws and regulations identified.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

***Independent Auditor's report to the members of
Premier Oil Holdings Limited (continued)***

DocuSigned by:
Ernst & Young LLP
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Andrew Smyth (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London, United Kingdom

30 September 2022

Premier Oil Holdings Limited

Income Statement

For the year ended 31 December

		2021 \$'000	2020 \$'000
	Note		
Other operating income	14	-	28,255
Operating profit		-	28,255
Expected credit loss movement	10	58,589	(65,154)
Administrative expenses	3	(19,172)	(36,976)
Provision for write-back/ (write off) of amounts owed by group companies	10	31	(100)
Impairment of investments		-	(3,871)
Write back of investments	9	1,016	797
Net loss on derivative financial instruments		-	(17,219)
Foreign exchange gains/(losses)		7,983	(26,171)
Profit/(loss) before interest and taxation		48,447	(120,439)
Finance income	6	43,434	70,500
Finance expense	6	(111,964)	(156,502)
Loss before taxation		(20,083)	(206,441)
Tax credit	7	5,552	-
Loss for the financial year		(14,531)	(206,441)

There was no other items of comprehensive income or expense other than a loss of \$14,531,000 (2020: \$206,441,000). Accordingly, no statement of total comprehensive income has been presented.

Premier Oil Holdings Limited

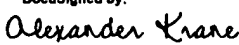
Balance Sheet

As at 31 December

		2021	2020
	Note	\$'000	\$'000
Non-current assets			
Intangible assets	8	122	243
Investments	9	12,140	11,124
Debtors: amounts falling due after one year	10	1,154,204	-
Total non-current assets		1,166,466	11,367
Current assets			
Debtors: amounts falling due within one year	10	1,019,726	1,956,055
Cash and cash equivalents		48,208	70,761
Total current assets		1,067,934	2,026,816
Total assets		2,234,400	2,038,183
Current Liabilities			
Creditors: amounts falling due within one year	11	(370,361)	(2,737,122)
Total current liabilities		(370,361)	(2,737,122)
Non-current liabilities			
Creditors: amounts falling due after more than one year	11	(2,577,509)	-
Total liabilities		(2,947,870)	(2,737,122)
Net liabilities		(713,470)	(698,939)
Capital and reserves			
Called up share capital	13	477,861	477,861
Accumulated losses		(1,191,331)	(1,176,800)
Total deficit		(713,470)	(698,939)

The notes on pages 14 to 27 form part of these financial statements.

The financial statements on pages 11 to 27 were approved by the Board of Directors on 30 September 2022 and signed on its behalf by:

DocuSigned by:

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Alexander Krane (Director)

Company Registration No: 03689620

Premier Oil Holdings Limited

Statement of Changes in Equity

For the year ended 31 December

	<i>Called Up Share capital \$'000</i>	<i>Accumulated losses \$'000</i>	<i>Total equity \$'000</i>
At 1 January 2020	477,861	(970,359)	(492,498)
Loss for the financial year	-	(206,441)	(206,441)
At 31 December 2020	477,861	(1,176,800)	(698,939)
Loss for the financial year	-	(14,531)	(14,531)
At 31 December 2021	477,861	(1,191,331)	(713,470)

Premier Oil Holdings Limited

Notes to the Financial Statements**For the year ended 31 December 2021****1. Authorisation of Financial Statements**

The financial statements of the company for the year ended 31 December 2021 were authorised for issue by the board of directors on the 30 September 2022 and the balance sheet was signed on the board's behalf by Alexander Krane.

The company is a private company limited by share capital, incorporated and domiciled in the United Kingdom. The company's principal place of business is London, United Kingdom and its registered office is 23 Lower Belgrave Street, London, SW1W 0NR. The principal activity of the company is to act as an intermediate holding company to certain companies in the Group.

These financial statements are separate financial statements. The company is a subsidiary of Harbour Energy plc (formerly Premier Oil plc). The group financial statements of Harbour Energy plc (formerly Premier Oil plc) for the year ended 31 December 2021 are available to the public and can be obtained from 23 Lower Belgrave Street, London, SW1W 0NR or on the company website www.harbourenergy.com. The registered office address of the parent company preparing consolidated financial statements is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN.

The principal accounting policies adopted by the company are set out in note 2.

2. Accounting Policies***Basis of Preparation***

The financial statements are prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) which have been measured at fair value, and are in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). The financial statements are presented in US Dollars.

The accounting policies which follow, set out those policies which apply in preparing the financial statements for the year ended 31 December 2021 under FRS 101. All accounting policies have been applied consistently, other than where new policies have been adopted. The Group accounting policies have been revised (following the merger between Premier Oil plc and Chrysaor Holdings Limited), this has had no material impact on the current or future financial periods. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Harbour Energy plc.

Going Concern

The Directors have adopted the going concern basis of accounting for the preparation of the financial statements as the company's ultimate parent company, Harbour Energy plc, has undertaken to directly provide the necessary financial support, to the company, as and when required, to meet all liabilities for a period of 12 months from the date of signing these financial statements.

Group Financial Statements

In accordance with section 400 of the Companies Act 2006, group financial statements have not been prepared for the company and its subsidiary undertakings because the company's financial statements have been included in the consolidated financial statements of the ultimate parent company.

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Foreign Currency Translation

The company's functional currency and presentation currency is US Dollars.

Transactions recorded in foreign currencies are initially recorded in the company's functional currency by applying an average rate of exchange. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the transaction and subsequently not retranslated.

Intangible Assets

Intangible assets are stated at cost, net of amortisation and provision for impairment.

Investments

Investments in subsidiaries are held at cost less accumulated impairment losses.

The company assesses, at each reporting date whether there is an indication that an investment may be impaired. Where an indicator of impairment exists, the company estimates the recoverable amount of the underlying net asset value of the relevant subsidiary, being the higher of the fair value costs of disposal and value in use. If the recoverable amount is less than the carrying amount of the investment, the carrying amount is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

Impairment of Non-current Assets

The company assess at each reporting date, whether there is an indication that the asset may be impaired. If an indication exists, the company assesses the recoverable amount of the associated asset or cash generating unit, being the higher of the fair value less costs of disposal and value in use. When the carrying amount, of an asset or cash generating unit, exceeds its recoverable amount, the difference is recognised in the income statement as an impairment charge.

Financial Instruments***a. Financial Assets***

The company uses two criteria to determine the classification of financial assets: The company's business model and contractual cash flow characteristics of the financial assets. Where appropriate the Company identifies three categories of financial assets: amortised cost, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVOCI).

Financial assets held at amortised cost

Financial assets held at amortised cost are initially measured at fair value except for trade debtors which are initially measured at cost. Both are subsequently carried at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is presented within finance income in the income statement.

Loans Receivable

Loans and receivables are initially measured at fair value and subsequently carried at amortised cost using the effective interest rate method (EIR), less impairment. The EIR amortisation is presented in within finance income in the income statement.

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Cash and Cash Equivalents

Cash at bank and in hand in the balance sheet comprise cash deposits with banks and in hand. Included in the amount is cash held as collateral for the letter of credits for the Group's Mexican exploration licences.

Impairment of Financial Assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

Default events could include:

- payment default i.e. the payment to principal or interest when it fall due for payment;
- prospective default, when a payment is not yet due but it is clear that it will not be capable of being paid when it falls due.

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Provision rates are calculated based on estimates including the probability of default by assessing counterparty credit ratings, as adjusted for forward-looking factors specific to the debtors and the economic environment and the Group's historical credit loss experience.

Credit Impaired Financial Assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as default or past due event
- the restructuring of a loan or advance by the company on terms that the company would otherwise not consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation, or
- the disappearance of an active market for a security because of financial difficulties

b. Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Borrowings and Loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

c. Derivative Financial Instruments

The company uses derivative financial instruments such as forward currency contracts, interest rate swaps, commodity option contracts and commodity swap arrangements, to hedge its foreign currency risks, interest rate risks and commodity price risks respectively. Derivative financial instruments are initially recognised and subsequently remeasured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with the Group's risk management policies. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instrument are recognised within the income statement.

Cash flow Hedges

The effective portion of gains and losses arising from the remeasurement of derivative financial instruments designated as cash flow hedges are deferred within other comprehensive income and subsequently transferred to the income statement in the period the hedged transaction is recognised in the income statement. When a hedging instrument is sold or expires, any cumulative gain or loss previously recognised in other comprehensive income remains deferred until the hedged item affects profit or loss or is no longer expected to occur. Any gain or loss relating to the ineffective portion of a cash flow hedge is immediately recognised in the income statement. Hedge ineffectiveness could arise if volumes of the hedging instruments are greater than the hedged item of production, or where the credit worthiness of the counterparty is significant and may dominate the transaction and lead to losses.

d Fair Values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Share Capital

Share capital includes the total net proceeds, both nominal and share premium, on the issue of ordinary shares of the company.

Taxes***i. 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 laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the company operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity not in the income statement.

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

ii. Deferred Tax

Deferred taxation is recognised in respect of all timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised.
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised, or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of the deferred income tax asset is reviewed at each balance sheet date.
- Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to be offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Company to make a single net payment.

Interest income

Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate method.

New Accounting Standards and Interpretations

In the current year the following new and revised Standards and Interpretations have been adopted, these have no material impact on the company's annual results.

The International Accounting Standards Board (IASB) issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The IASB identified two groups of accounting issues that could have financial reporting implications. Phase 2 addresses financial reporting when an existing interest rate benchmark is replaced with an alternative RFR, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).

Accounting Standards Issued But Not Yet Effective

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for de-recognition of financial liabilities

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Critical Accounting Judgements and Estimates

The preparation of the company's financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. In particular, the Company has identified the following areas where significant judgement, estimates and assumptions are required.

Details of the Company's significant accounting judgements and critical accounting estimates are set out in these financial statements and are considered to be:

Recoverability of investments and amounts owed by group companies

See notes 9 and 10

Fair value of derivative financial instruments

See note 14

Key sources of estimation uncertainty

Climate change

The Group monitors global climate change and energy transition developments and plans accordingly. Management recognises there is a general high level of uncertainty about the speed and scale of impacts which, together with limited historical information, provides significant challenges in the preparation of forecasts and plans with a range of possible future scenarios.

All new economic investment decisions include the cost of carbon and opportunities are assessed on their climate-impact potential and alignment with Harbour Energy's Net Zero goal, taking into consideration both GHG volumes and intensity. Emissions reduction incentives are part of staff remuneration and annual bonus schemes.

As a result, climate change and the energy transition have the potential to significantly impact the accounting estimates adopted by management and therefore the valuation of assets and liabilities reported on the balance sheet. On an ongoing basis management continues to assess the potential impacts on the significant judgements and estimates used in the financial statements. Estimates adopted in the preparation of the financial statements reflect management's best estimate of future market conditions where, in particular, commodity prices can be volatile.

3. Administrative Expenses

This is stated after charging:

	2021 \$'000	2020 \$'000
Amortisation of intangible assets	148	414
Pre-licence exploration costs	19,024	36,562

Pre-licence costs include costs incurred by the company in respect to new ventures and Corporate Activities.

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

4. Auditor's Remuneration

The audit fee was borne by the ultimate parent company in the current year without recharge. There have been no non-audit fees charged in the current year or prior period.

5. Staff Cost and Directors' Remuneration

The company employed no staff during the year (2020: none). All contracts of employment are held with the ultimate parent company or with other group companies.

The directors received no remuneration for their services to the company in the current or preceding year as salaries are paid by the ultimate parent company or other group companies. The company's directors believe that it is not practicable to apportion their remuneration between qualifying services for the company and other group companies in which they hold office.

6. Finance Income and Finance Expenses

	2021 \$'000	2020 \$'000
Finance income		
Bank interest received	28	387
Interest receivable on loans to subsidiary undertakings	43,406	70,113
	<u>43,434</u>	<u>70,500</u>
Finance expenses		
Interest expense on loans from subsidiary undertakings	111,858	152,704
Other Interest paid	65	-
Mark to market valuation on foreign exchange contracts	-	3,769
Bank charges	41	29
	<u>111,964</u>	<u>156,502</u>
Net Finance expense	<u>68,530</u>	<u>86,002</u>

7. Tax Credit

(a) Tax credited in the income statement

	2021 \$'000	2020 \$'000
Current income tax:		
UK corporation tax	(5,552)	-
Total current income tax	<u>(5,552)</u>	<u>-</u>
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax credit in the Income Statement	<u>(5,552)</u>	<u>-</u>

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Tax Credit (*continued*)**(b) Reconciliation of the total tax expense**

Reconciliation between tax expense and the accounting profit multiplied by the UK standard rate of corporation tax is as follows:

	2021 \$'000	2020 \$'000
Loss before taxation	(20,083)	(206,441)
Tax calculated at UK standard rate of corporation tax of 19% (2020: 19%)	(3,815)	(39,224)
<i>Effects of:</i>		
Expenses not taxable	(11,331)	12,982
Tax deduction not included in profit before tax	-	(99)
Group relief	-	11,257
Deferred tax asset not recognised	9,594	13,772
Other tax rate differences	-	1,312
Total tax credit reported in the income statement	(5,552)	-

Changes in tax rate

Legislation was introduced in Finance Act 2021 to increase the main rate of UK corporation tax for non-ring fence profits from 19 per cent to 25 per cent from 1 April 2023. On 23 September 2022 the UK government announced that the planned rate increase will not go ahead, instead maintaining the rate 19 per cent from 1 April 2023. Neither change had a material impact on the company.

8. Intangible Assets

	2021 \$'000	2020 \$'000
<i>Costs:</i>		
At 1 January	35,235	35,068
Additions	27	167
Disposals	(34,778)	-
At 31 December	484	35,235
<i>Amortisation:</i>		
At 1 January	34,992	34,578
Disposals	(34,778)	-
Charge	148	414
At 31 December	362	34,992
Net book value 31 December	122	243

The disposals are items which have been fully amortised.

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

9. Investments

<i>Cost:</i>	<i>\$'000</i>
At 1 January 2021	534,752
Additions	-
At 31 December 2021	<u>534,752</u>
<i>Provisions for impairment:</i>	
At 1 January 2021	523,628
Provision release	<u>(1,016)</u>
At 31 December 2021	<u>522,612</u>
<i>Net book value:</i>	
At 31 December 2021	12,140
At 31 December 2020	<u>11,124</u>

During the year based on the net assets of Premier Oil and Gas Services Limited part of the provision against this investment was released.

Subsequent to year end the company subscribed to a further 700,035,044 Ordinary shares of \$1 each for Premier Oil Exploration and Production Limited which settled the intergroup loan balance outstanding at 9 September 2022 in full. On 23 September 2022, the company completed the sale of Premier Oil Exploration and Production Limited to Navitas Petroleum LP.

At 31 December 2021, the company and its subsidiaries had investments in the following group companies:

<u>Name of company</u>	<u>Business and area of operation</u>	<u>Place of incorporation</u>	<u>Registered office</u>
<i>Subsidiaries of the company</i>			
Premier Oil Exploration and Production Limited ¹	Exploration, production and development, Falkland Islands	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration and Production (Iraq) Limited ¹	Exploration, production and development, Iraq	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Far East Limited ¹	Service company, Singapore	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil and Gas Services Limited ¹	Service company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil Limited ¹	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Mexico Holdings Limited ¹	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Investments (continued)

<u>Name of company</u>	<u>Business and area of operation</u>	<u>Place of incorporation</u>	<u>Registered office</u>
Premier Oil do Brasil Petróleo e Gás Ltda	Exploration, production and development, Brazil	Brazil	Rua Lauro Muller, 116-Sala 3201, Botafogo, CEP: 22 290-160, Rio de Janeiro, Brazil
Premier Oil Exploration (Mauritania) Limited ¹	Decommissioning activities, Mauritania	Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Mauritania B Limited ¹	Decommissioning activities, Mauritania	Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Mexico Investments Limited ¹	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Bukit Barat Limited ¹	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Vietnam 121 Limited ¹	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil CCS Limited ¹	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Congo (Marine IX) Limited ¹	Dormant	Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Investments Limited ¹	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Pacific Limited ¹	Dormant	Hong Kong	36/F, Tower Two, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong
Premier Overseas Holdings Ltd ¹	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ANS Holdings ¹ Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Ebury Gate Limited ¹	Risk Mitigation Services	Guernsey	Level 5, Mill Court, La Charroterie, St Peter port, GY1 1EJ

Companies held through subsidiary undertakings

FP Mauritania A BV	Decommissioning activities, Mauritania	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands
FP Mauritania B BV	Decommissioning activities, Mauritania	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Investments (continued)

<u>Name of company</u>	<u>Business and area of operation</u>	<u>Place of incorporation</u>	<u>Registered office</u>
Premier Oil Exploration and Production Mexico S.A	Exploration, production and development, Mexico	Mexico	Avenida Presidente Masaryk 111, Piso 1, Colonia Polanco V Sección, Del. Miguel Hidalgo, C.P. 11560, Ciudad de México
Premier Oil Mexico Recursos S.A de C.V	Exploration, production and development, Mexico	Mexico	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ANS Limited	Exploration, production and development, Alaska	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore (NNS) Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil (EnCore Petroleum) Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore (VOG) Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore CCS Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier oil Barakuda Limited	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Natural Resources Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil and Gas Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
XEO Exploration plc	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR

Associate company of subsidiary companies

Egdon Resources plc ²	Investment, UK	England & Wales	The WheatHouse, 98 High Street, Odiham, Hampshire, RG291LP
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¹ wholly owned subsidiaries of the company with the exception of Premier Oil do Brasil Petróleo e Gás Ltda as Premier Oil Group Limited holds the remaining 0.0000001 per cent of shares. All other companies are held through subsidiary undertaking unless stated otherwise.

² the investment in an Associate company is held by a wholly owned subsidiary company and its subsidiaries.

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

10. Debtors:

Amounts falling due within one year

	2021 \$'000	2020 \$'000
Other Debtors*	38,597	12,350
Tax	401	-
Amounts owed by subsidiaries**	980,728	1,943,705
	<u>1,019,726</u>	<u>1,956,055</u>

Amounts falling due after one year

	2021 \$'000	2020 \$'000
Amounts owed by subsidiaries**	1,154,204	-

The amounts owed by subsidiary undertakings in the year to 31 December 2021 comprised of loans bearing interest at the rate of LIBOR plus 6.45 (prior to the merger with Chrysaor Holdings Limited on 31 March 2021) and 3.65 for the remainder of the year to 31 December 2021 (2020: plus 6.45) per cent.

*Included within other debtors is an amount of \$nil (2020: \$9,579,000) relating to the fair value of oil hedges which is recoverable from group companies (note 14) and gas forward sales contracts receivable of US\$38,597,000 (2020: US\$1,786,000).

**During the year, the company made provisions totalling \$nil (2020: \$100,000) against amounts owed by group companies and released \$31,000 (2020: \$nil). The total provision against doubtful receivables from group companies at 31 December 2021 was therefore \$210,798,000 (2020: US\$210,829,000).

The above includes an impairment provision of \$13,189,000 (2020: \$71,778,000) as required under IFRS 9 and was calculated using 12 month expected credit loss (ECL). The movement in the ECL has resulted in a credit of \$58,589,000 (2020: \$65,154,000 charge) to the income statement.

Amounts owed by subsidiaries classified as current because no interest is payable on these intercompany loans which can be called for repayment at any time.

11. Creditors:

Amounts falling due within one year

	2021 \$'000	2020 \$'000
Amounts due to group companies*	331,017	770,602
Amounts owed to immediate and ultimate parent companies*	-	1,956,941
Mark to market valuation of derivative financial instruments:		
On commodity contracts	38,597	9,579
Tax	277	-
Accruals	470	-
	<u>370,361</u>	<u>2,737,122</u>

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Creditors (continued)

*Amounts owed to group, parent and immediate parent company are classified as current because no interest is charged, and the loan can be called for repayment at any time.

Amounts falling due after one year

	2021 \$'000	2020 \$'000
Amounts due to group companies	454,262	-
Amounts owed to immediate and ultimate parent companies	2,123,247	-
	<u>2,577,509</u>	<u>-</u>

The company acts as lender to and borrower from certain group's subsidiaries, represented by intra-group balances. Interest is charged on these loans at market rates linked to LIBOR.

In the preceding year, loans classified as non-current in the current year, were classified as current in the prior since these loans were expected to mature within a year.

12. Deferred Tax

	2021 \$'000	2020 \$'000
(Asset)/provision as at 31 December	-	-
	<u>2021 \$'000</u>	<u>2020 \$'000</u>
Fixed asset timing differences	(981)	(953)
Other timing differences	(51,258)	(47,495)
Interest restriction	(10,942)	(10,942)
Deferred tax asset not recognised	<u>63,181</u>	<u>59,390</u>

Deferred tax included in the balance sheet

The company had tax losses of \$240,555,366 at 31 December 2021 and other deductible temporary differences (related to fixed assets and carried forward interest restrictions) of \$62,753,773 (2020: \$249,975,263 and \$62,605,763 respectively). No deferred tax asset is recognised in respect of these as insufficient taxable profits are expected to arise in the future against which the deferred tax asset will reverse. These tax assets have no fixed expiry date.

13. Called Up Share Capital

	2021 No.	2020 No.	2021 \$'000	2020 \$'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £0.05 each	2,488,859	2,488,859	<u>477,861</u>	<u>477,861</u>

Premier Oil Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

14. Financial Instruments

Financial risk management objectives and policies

The group's activities expose it to financial risks of changes. The main risks that could adversely affect the group's financial assets, liabilities or future cash flows include commodity price risk, cash flow interest rate risk and foreign currency exchange risk. The group uses derivative financial instruments to hedge certain of these risk exposures. The group does not use derivative financial instruments for speculative purposes. These derivatives are held at fair value through profit and loss and hedge accounting is not applied.

Further detail on these risks and how they are managed can be found in the Strategic Report within the Group Report.

Derivative financial instruments

The group uses derivative financial instruments (derivatives) to manage its exposure to oil and gas price fluctuations and to changes in interest rates and foreign currencies.

Oil and gas hedging is undertaken using swaps, options and hedges embedded in long-term crude offtake agreements. Oil is hedged using Dated Brent oil price swaps and options and UK gas is hedged through UK NBP gas swaps and options.

Commodity price risk: Oil and gas

The company has an intra-group hedging arrangement with Premier Oil UK Limited under which the overall benefit and obligation of any hedging arrangements are transferred to Premier Oil UK Limited as a hedge against a proportion of its future oil and gas production. These instruments are accounted for as hedges in Premier Oil UK Limited.

At 31 December 2021, the fair value of these hedges was a payable of \$38,597,000 (2020: \$9,579,000).

The prior year income statement included realised gains (\$28.3 million) from HSFO forward commodity contracts. These were recorded within "other operating income" and had matured by the end of that year. No HSFO forward sales contracts were entered into during the current year.

15. Ultimate Parent Undertaking and Controlling Party

The company's immediate parent is Premier Oil Group Limited. The ultimate parent and controlling party is Harbour Energy Plc (formerly Premier Oil plc), a company incorporated in Great Britain and registered in Scotland. Harbour Energy plc is the parent undertaking of the largest and smallest group of which the company is a member and for which group financial statements are prepared. Copies of the group financial statements are available from Harbour Energy plc, 23 Lower Belgrave Street, London, SW1W 0NR

16. Post balance sheet events

During the year the Group announced its intention to cease operations and exit the Falklands Islands and Brazil. The company has two subsidiaries in these countries: Premier Oil Exploration and Production Limited (Falkland Islands) and Premier Oil do Brasil Petróleo e Gás Ltda (Brazil).

Subsequent to year end, the company subscribed to a further 700,035,044 Ordinary shares of \$1 each for Premier Oil Exploration and Production Limited which settled the intergroup loan balance outstanding at 9 September 2022 in full. On 23 September 2022, the company completed the sale of Premier Oil Exploration and Production Limited to Navitas Petroleum LP.

Post year end the company agreed to write off the intercompany receivable balance with Premier Oil do Brasil Petróleo e Gás Ltda of \$76.4 million.