Company Registration No. 05030838 (England and Wales)

WALDORF PRODUCTION UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

WALDORF PRODUCTION UK LIMITED

COMPANY INFORMATION

Directors	Erik Brodahl	
	Aaditya Chintalapati	
	Jon Skabo	
	Paul Tanner	(Appointed 7 September 2021)
	Derek Neilson	(Appointed 2 November 2021)
Company number	05030838	
Registered office	One St Peter's Square Manchester United Kingdom M2 3DE	
Auditor	Ernst & Young LLP Marischal Square 1 Broad Street ABERDEEN United Kingdom AB10 1BL	

WALDORF PRODUCTION UK LIMITED

CONTENTS

Quantities of natural gas are expressed in these Financial Statements in terms of thousand cubic feet ("mcf") or million cubic feet ("mmcf"). Oil, which includes natural gas liquids, is quantified in terms of barrels ("bbl") or thousand barrels ("mbbl"). Natural gas and oil are compared in terms of barrels of oil equivalent ("boe"). Daily volumes are expressed as barrels of oil equivalent per day ("boed"). One barrel of oil is the approximate energy equivalent of six mcf of natural gas. This is a physical correlation and does not reflect a value or price relationship between the commodities.

The directors present the strategic report for the year ended 31 December 2020.

Principal activity

As an independent oil and gas Company our principal activities are the exploration, development and production of crude oil, natural gas and natural gas liquids in the U.K. North Sea. Waldorf's business model aims to maximise cash flow and value from late-life producing assets in the North Sea, via opportunistic acquisitions of attractively priced asset portfolios (Buy and Build strategy). Our stakeholders view this region as particularly attractive for small-cap oil and gas producers such as ourselves, with highly tradable assets, stable fiscal regime and well-understood subsurface risk.

Review of the business

At 31 December 2020, the Company had net assets of $15.66 million (2019: restated net liabilities of $9.98 million). For the year ended 31 December 2020, the Company generated pre-tax profits of $21.37million (2019: restated loss of $242.11 million) and have a retained loss of $1,730.84 million as at 31 December 2020 (2019: restated loss of $1,756.48 million).

The Company note the capital contribution for 2019 includes a net $1,242 million (note 26) impact of the early extinguishment of debt and associated inter-company interest related to the acquisition of the Company. On 19 October 2019, Waldorf Production UK (previously known as Endeavour Energy UK) was acquired from Aspire LLC. As part of the sale of the company, interest on the loans to the previous intercompany were extinguished, and loans were written off as a capital contribution for the company.

Primary Producing Fields

During 2020, the Company had two primary producing fields in the UK North Sea – Alba and Bacchus.

Alba

The Company has a 25.68% working interest in Alba, a mature oil field, which began first production in 1994. As a mature field, Alba's operations are primarily focused on conducting infill drilling and operational activities. The field has 25 producing wells, supported by six water injection wells, with the production sold through oil tanker liftings.

Bacchus

The Company has a 30% working interest in the Bacchus field. The Bacchus field is an oil field that began production in April 2012. The field has one producing well that utilizes subsea tiebacks to offtake its production and gas lift from the Forties Alpha Platform.

Developing Field

The Company holds a 25% interest in the Columbus development asset. Columbus is a gas/condensate field in the Central Graben region of the North Sea. The field began producing on 24 November 2021.

Other Fields

The Company also has interests in two other producing fields – Bittern and Enoch – and a field in the decommissioning phase – Goldeneye.

Results and dividends

For the year 31 December 2020:

- Revenues were $45.94 million (2019: $86.8 million). Revenues have decreased due to the impact of a reduced oil price as a result of the COVID-19 pandemic.
- Comprehensive profit was $25.64 million (2019: restated losses $242.76 million)
- Profits have increased as a result of improved performance of oil and gas properties resulting in no impairment (impairment of $77.175k in 2019), and reduced finance costs as a result of the change in ownership and debt extinguishment as referred to above.

For the year ended 31 December 2020 and through to the date of this Strategic Report, no dividend was declared by the Directors. No dividend was declared in the year to 31 December 2019.

Key Performance Indicators

Operational

Waldorf seeks to maximise the value of its high quality non-operated portfolio, by assisting the operating partners with functional expertise and challenging them to ensure high operating efficiency at key assets.

Financial

Management aims to maximise cash flow from operations to maintain financial strength and meet its debt obligations and create long-term value for shareholders. The Board gained full operational control of WPUK in late-2019, and the team has focused on streamlining non-op and G&A costs, minimising cash flow leakage on the crude oil marketing contracts and ensuring accurate and timely disclosures to relevant stakeholders.

Principal risks and uncertainties

The Company's operations and ability to execute the business strategy will be subject to risks and uncertainties. These risks include but are not limited to the Company's ability to:

- Access capital markets when needed to help fund development projects and operations
- Obtain and maintain normal payment and other terms with customers, vendors and service providers
- Maintain licenses, leases and other contracts that are critical to our operations
- Attract, motivate and retain key employees
- Retain key vendors or secure alternative supply sources
- Fund and execute our business plan, operations and financial commitments
- Mitigate the operational and financial risks of the ongoing COVID-19 pandemic

Competitive Risks

The Company encounter competition from other oil and gas companies in all areas of our operations. Our competitors include major integrated oil and gas companies and numerous independent oil and gas companies. Many of our competitors are large and well-established companies with substantially larger operating staffs and greater capital resources and have been engaged in the oil and gas business for a much longer time than our company.

Petroleum and natural gas producers also compete with other suppliers of energy and fuel to industrial, commercial, and individual customers. Competitive conditions may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the governments and/or agencies thereof and other factors out of our control including, international political conditions, overall levels of supply and demand for oil and gas, and the markets for synthetic fuels and alternative energy sources.

Legislative Risks

Oil and gas exploration, development and production are subject to various types of regulation by governmental authorities. Regulations and laws affecting the oil and gas industry are comprehensive and under constant review for amendment and expansion. These regulations and laws carry substantial penalties for failure to comply. The regulatory burden on the oil and gas industry increases our cost of doing business and therefore could adversely affect its profitability.

Environmental Risks

The Company's operations are subject to a variety of laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Failure to comply with the law and regulations can result in the imposition of substantial fines and penalties as well as potential orders suspending or terminating the Company's operating rights. Also, the Company may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances.

Decommissioning risk

The Company expect to incur obligations to abandon and decommission certain structures associated with the company's producing properties. The Company is required to post collateral as security over certain decommissioning liabilities in the North Sea. If actual decommissioning or abandonment costs exceed the Company's estimates or reserves to satisfy such obligations, or if the Company is required to provide a significant amount of collateral in cash or other security for these future costs, the Company's financial condition, results of operations and prospects could be materially adversely affected. Moreover, applicable government authorities may increase the amount of collateral required as security for the Company's North Sea operations. The Company cannot guarantee that it will be able to post sufficient collateral to secure such costs in the event of an increase in offshore collateral security requirements.

Market risk

The energy markets have historically been very volatile and the Company has been severely impacted by significant declines in oil price. Brent Crude oil price declined from $70/bbl in early January 2020 to as low as $20/bbl in April 2020 before subsequently rallying to >$80/bbl through 2021. Our production is broadly sold at prevailing market prices, which may be volatile and subject to numerous factors which are outside of our control. Whilst the Company had hedged 100% of the Company's anticipated production volumes through 2020 and 2021, we note the hedge is only partially effective below $41/bbl averaged per quarter. Consequently, an extended period of depressed commodity prices could have a material adverse effect on the Company's financial position, results of operations, cash flows and our access to capital and on the quantities of oil and gas reserves that may be economically produced. We note that as part of the recent completion of the acquisition of minority interests in Greater Catcher Area and Kraken, the Company has restructured its hedge portfolio and now has 75% of its anticipated production hedged via put options at $55/bbl over the next 18 months.

COVID

The oil industry is currently facing unprecedented turmoil with operational challenges from the COVID-19 epidemic coupled with the associated fall in demand and a weak oil price environment. With all the Group's assets and production coming from offshore oil fields, the management has keenly focused on ensuring uninterrupted operations at key assets. The Group's operating partners have ensured adequate testing and quarantine procedures for staff and contractors before they are deployed on the platforms. In addition, measures have also been taken to reduce the People-on-Board and activity levels at the fields. Whilst the Group are encouraged by the likelihood of large-scale vaccine availability in the medium-term, the Group continue to stay operationally vigilant in the interim.

In April 2020, due to the reduced demand for oil caused by the COVID pandemic, oil prices dropped to $18/ barrel. Throughout the end of 2020 and within 2021 the world has started to open up again and national and international travel has increased. This saw the oil price rise to $83/barrel as at the end of October 2021, the highest level since the start of the pandemic. There is still a lot of uncertainty around the COVID pandemic at a global level and how this could impact the oil price, however with the increased vaccine roll out program it is considered unlikely that prices will reduce to as low a level as April 2020. The Group has also hedged its oil price at $55/barrel which will help cash flows if there is any further sharp reductions to price.

Financial and Liquidity Risks

The Company's development and production operations require substantial capital, and the Company may be unable to generate sufficient cash flow from operations or obtain needed capital or financing on satisfactory terms, which could lead to a loss of properties and a decline in the Company's oil and gas reserves.

Financial and Liquidity Risks (continued)
The oil and gas industry is capital intensive. The Company make and expect to continue to make substantial capital expenditures in the Company's business and operations for the development and production of oil and gas reserves. In the past, the Company has utilised cash flow from operations to fund capital requirements. However, the Company's cash flow from operations and any potential access to capital markets is subject to several variables, including –

- The level of natural gas and crude oil the Company is able to produce from existing wells and through infrastructure owned by others
- The Company's oil and gas reserves
- Uncertainties related to drilling and production operations
- The prices at which natural gas and crude oil are sold
- The timing and amount of capital expenditures
- The Company's ability to control the development efforts, cost and timing of our operations
- The Company's ability to acquire, locate and produce new reserves

If the Company's revenues decrease as a result of lower oil and gas prices, operating difficulties, declines in reserves or for any other reason or the Company's capital expenditures increase as a result of operating difficulties, higher drilling costs or for any other reason, the Company may have limited ability to generate sufficient cash flow from operations or obtain the capital necessary to sustain the Company's operations at current levels or to further develop and exploit current properties, or for exploratory activity. In order to fund capital expenditures, the Company may need to seek additional financing, which would require consent of the Company's existing lender.

Future developments
Following the events of the period, the Company completed the acquisition of a 100% interest in Capricorn North Sea Limited, a subsidiary of Cairn Energy PLC. This was on a cash-free and debt-free basis, with the effective date of 1 January 2020.This transaction resulted in the Group acquiring a 20% stake in the Greater Catcher Area and 29.5% stake in the Kraken fields, both of which are on the UK Continental Shelf. The Cairn deal has a headline price of $445m and completed on the 2nd November 2021. Adjusting for cash flows between the effective date and closing, the company paid a net consideration of c.$53m at closing.

The acquisition allows the Group to significantly increase its production and improve cashflow. Post completion, the Group has net production of c.20-22Kboe/day. To finance the Cairn deal, the Company issued a $300m senior secured bond in October 2021, with a 9.75% coupon. The bond has a 3 year term and is amortised quarterly in equal instalments.

The Company's Directors consider that the Company is in a position to take advantage of opportunities which may arise in the future, and plan to continue in the development and production of crude oil, natural gas and natural gas liquids.

Section 172 statement and stakeholder relationships
The Directors consider that in conducting the business of the Company over the course of the year they have complied with Section 172(1) of the Companies Act 2006 ("the Act") by fulfilling their duty to promote the success of the Company and act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

Issues, factors and stakeholders
The Board has direct engagement with the company's shareholders (90% of which are represented on the board / management) and seeks a rounded and balanced understanding of the broader impact of its decisions through regular engagement with all its stakeholders (detailed below) to understand their views. Stakeholder engagement also ensures the Board is kept aware of any significant changes in the market, including the identification of emerging trends and risks, which in turn can be factored into its strategy discussions.

Section 172 statement and stakeholder relationships (continued)

i. Likely consequences of any decisions in the long term

The business model and strategy of the Company is set out within the Strategic Report. Any deviation from or amendment to that strategy is subject to Board and shareholder approval.

At least annually, the Board considers a budget for the delivery of its strategic objective, based on a three-year forecast model. The management team also reports non-financial and financial key performance indicators to the Board monthly, which are used to assess the outcome of the decisions made.

The Board's commitment to keeping in mind the long-term consequences of its decision underlies its focus on risk, including risks to the long-term success of the business. The board gains an understanding of the views of the Company's key stakeholders from regular meetings with the management team, lenders and other employees on a monthly basis, and considers those stakeholders' interests and view in board discussions and long-term decision making.

ii. The interests of the Company's employees

Waldorf own a percentage in differing oil and gas fields but are not an operator. Therefore, Waldorf's non-operated nature of business encourages a lean team, with close coordination between the management team and staff. The Board holds at least annual meetings with all employees as part of the budgeting and annual review process to understand employee concerns and interests.

iii. The need to foster the Company's business relationships with suppliers, customers, and others

The management team is tasked with maintaining appropriate business relationships with suppliers, customers and other counterparties. Given Waldorf's non-operated business model, we have limited day-to-day interaction with suppliers at our assets. Instead, our key counterparties are the operating partners at these assets. Our operations team has held longstanding relationships with their counterparts at all the field partners. Elsewhere, other counterparts including off-takers, onshore contractors, accountants etc also have well-established relationships with the management team. Where material counterparties are new to the business, checks including anti money laundering etc are conducted to ensure that no reputational or legal issues would arise from engaging with them.

iv. The impact of the Company's operations on the community and the environment

The Board recognises the importance of supporting local communities where the Company's operations are located. Management have long-standing relationships in relevant industry organisations and local forums, with a view to understand stakeholder concerns. Whilst most of our operations and assets are offshore, the Board remains focused on implementing environmental, social and corporate governance (ESG) best practices with respect to host communities where relevant.

The Company is committed to preventing bribery, money laundering, slavery, and human trafficking, in line with its regulatory obligations, and appropriate policies are in place to ensure this.

v. The desirability of the Company maintaining a reputation for high standards of business conduct

The Board believes that the ability of the Company to conduct its business and deliver on its "Buy and Build" strategy depends in part on the reputation of the Board and Management team. The Company constantly strives to maintain high standards of professional business conduct in its interactions with partners, relevant authorities, and other stakeholders. The risk of falling short of the high standards expected and thereby risking its business reputation will form part of the Board's annual risk evaluation and mitigation process.

vi. The need to act fairly as between members of the Company

With >90% of our stakeholders (shareholders and lenders) represented via the Board and Management team, the Board's believes its decisions reflect all key stakeholder views. Elsewhere, other existing investors not on the board are engaged on an ad-hoc basis by the management team throughout the year, including where prompted by material announcements. Monthly management reports are circulated amongst all stakeholders as well. The Company has a single class of share in issue with all members of the Company having equal rights.

Section 172 statement and stakeholder relationships (continued)
Following completion of the initial acquisition in October 2019, key decisions by the WPUK board in the relevant period related to appointing accountants and auditors for the acquired entity, and approving AFEs associated with planned drilling at Alba.

There is nothing further to report in respect to Section 172.

Streamlined Energy and Carbon Reporting (SECR)

The Company is committed to reducing carbon emissions and is measuring its energy consumption and associated carbon emissions. In order to reduce the Company's consumption, we have engaged with specialist consultants in the field and are committed to meeting observed recommendations.

Reporting Boundary
The only site for which the Company pays for energy consumption is its office building in Aberdeen.

Energy Efficiency Action Taken in the Reporting Year
For much of the year, the COVID-19 lockdown prevented staff from using the office as usual and a number of energy-saving measures were taken during the period of unoccupancy to reduce energy consumption primarily in relation to heating and lighting usage.

The Company is reporting on the following metrics:

Total Energy consumption (kWh)	105,733
Total Scope 1 emissions - No gas combustion or transport (tCO2e)	-
Scope 2 emissions - Purchased electricity (tCO2e)	22.375
Scope 3 emissions (mandatory only) - Grey fleet (tCO2e)	0.087
Total CO2e emissions (tCO2e)	22.462
Intensity ratio - carbon emissions (tCO2e per £100,000 turnover)	0.063

Methodology - Climate Disclosure Standards Board & UK Government GHG Conversion Factors for Company Reporting 2021

On behalf of the board

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Erik Brodahl
Director
Date : 10-December-2021

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities
Waldorf Production UK Limited ("the Company") is a wholly-owned subsidiary of Waldorf Production Limited and both are part of the Waldorf Energy Partners Limited group ("the Group").

The principal activities are the exploration, development and production of crude oil, natural gas and natural gas liquids.

Results and dividends
The results for the year are set out on page 15.

No dividends were paid during the year (2019: $nil). No dividend has been proposed to the date of signing these financial statements.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Erik Brodahl	
Aaditya Chintalapati	
Jon Skabo	
Paul Tanner	(Appointed 7 September 2021)
Derek Neilson	(Appointed 2 November 2021)

Qualifying third party indemnity provisions
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 reporting date.

Going concern
The directors have a reasonable expectation that the company has sufficient resources to continue in operational existence for the foreseeable future and have received confirmation that Waldorf Energy Partners Limited will provide support should it be required. The financial support is guaranteed for a period up to 31 December 2023. As a result they have continued to adopt the going concern basis of accounting when preparing the annual financial statements.

The Company and its Directors have reviewed the forecast cash flows for the Group. The Group's view of the current situation is as follows:

The Group's founding philosophy is underpinned by a focus on cash flow generation and risk mitigation. Consequently, management constantly monitors its funding position and liquidity risk throughout the period and engages in active cash management to ensure it has sufficient funds to meet forecasted requirements.

Cash forecasts and sensitivities are regularly produced based on the company's latest estimates for life of field production and cost profiles, estimated future commodity prices. Sensitivities have been run to evaluate any potential funding gaps across various plausible downside scenarios. These scenarios are underperformance at our assets, delays or cost overruns at development projects, and the impact of unforeseen production outages. These analyses are used to identify risks in a timely manner so management can formulate appropriate risk mitigation strategies.

Going concern (continued)

Over the Going Concern assessment period, management's base case forecast is based on the current oil price forward curve, and management's assumptions for costs and timing for activity at existing fields broadly in-line with operator estimates. As the oil price is hedged at $55/bbl the stress tests to review going concern have kept the price constant at this rate. Reverse stress tests have been completed to review the effect of a significant production decrease and to consider the effect of cost increases over the going concern period. The results of these are as follows:

- Production could fall by 20% over all oil and gas fields and the Waldorf Group would still be in a positive cash flow position to 31 December 2023; and
- OPEX could increase by 40% over all fields and cash flow would still be positive until 31 December 2023.

The directors consider a drop in production over all fields by 20% and an increase in OPEX over all fields by 40% to be highly unlikely.

Under all plausible downside scenarios, the Directors do not anticipate any risk of default for the Group during the period to 31 December 2023, and the Group remains well with-in debt covenant thresholds.

Having reviewed the Group going concern assessment the Directors of the company have concluded that the Waldorf Energy Partners Limited Group retained sufficient liquidity and headroom on debt covenants to provide support to the company and that therefore the going concern basis remains appropriate for the company.

Auditor

Ernst & Young LLP were appointed as auditor to the Group and Company and a resolution proposing that they be re-appointed will be put to a General Meeting. Ernst & Young LLP have expressed their willingness to continue in office.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Subsequent events

Following the events of the period, the Company completed the acquisition of a 100% interest in Capricorn North Sea Limited, a subsidiary of Cairn Energy PLC. This was on a cash-free and debt-free basis, with the effective date of 1 January 2020. This transaction resulted in the Group acquiring a 20% stake in the Greater Catcher Area and 29.5% stake in the Kraken fields, both of which are on the UK Continental Shelf. The Cairn deal has a headline price of $445m and completed on the 2nd November 2021. Adjusting for cash flows between the effective date and closing, the company paid a net consideration of c.$53m at closing.

The acquisition allows the group to significantly increase its production and improve cashflow. Post completion, the Company has net production of c.20-22Kboe/day. To finance the Cairn deal, the Company issued a $300m senior secured bond in October 2021, with a 9.75% coupon. The bond has a 3 year term and is amortised quarterly in equal instalments.

On behalf of the board

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Erik Brodahl

Director

Date: 10-December-2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- properly select and apply accounting policies;
- make judgements and 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 International Accounting Standards in conformity with the Companies Act 2006 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WALDORF PRODUCTION UK LIMITED

Opinion

We have audited the financial statements of Waldorf Production UK Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 24 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 with the annual report.

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WALDORF PRODUCTION UK LIMITED

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our 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 the 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 and the directors' report.

We have nothing to report in respect of the following matters where 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, set out on page 10, 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.

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.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006; and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees, GDPR, anti-money laundering, petroleum resources management system guidelines, and decommissioning and relevant environment laws and regulations in the United Kingdom.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries with management, those charged with governance and other employees within the Company to understand the entity's policies and procedures. We also obtained documentation on the entity-level controls environment to determine whether it supports the prevention, detection and correction of material misstatements, including those that are due to fraud. We considered the risk of management override and determined that revenue recognition may present a fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiry with management and considering whether there are any events during the audit that might have indicated non-compliance with laws and regulations.

  Our procedures on journal entries testing included a focus on journals meeting our defined risk criteria, including those posted by those charged with governance, based on our understanding of the business and enquiry with management. Where instances of higher risk journals were identified, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information. We incorporated unpredictability into our testing of manual journals and into our testing of revenue recognition.

  Our procedures on judgements and estimates made in the financial statements included challenging the assumptions made and models used in determining estimates and sought to obtain both contradictory and corroborative evidence to challenge and/or support estimate inputs.

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.

Ernst & Young LLP
....

Gemma Noble (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

Date: 10 December 2021

WALDORF PRODUCTION UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $'000	2019 as restated note 33 $'000
Revenue	**4**	45,943	86,798
Cost of sales		(5,990)	(73,675)
Depreciation, depletion and amortization	**5**	(17,626)	(11,042)
Gross (loss)/profit		22,327	2,081
Oil and gas impairments	**13**	-	(77,175)
Administrative expenses		(5,925)	(6,209)
Operating profit/(loss)	**5**	16,402	(81,303)
Finance income		364	-
Finance costs	**8**	(503)	(140,542)
Other gains and losses	**9**	-	(17,465)
Transaction costs	**10**	-	(5,167)
Net foreign currency exchange gain		4,671	2,402
Other operating expenses		-	(13)
Revisions to decommissioning obligations for non-producing fields		434	(24)
Profit/(loss) before taxation		21,368	(242,112)
Taxation	**11**	4,270	(646)
Profit/(loss) for the year		25,638	(242,758)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

A statement of other comprehensive income has not been presented as no items of comprehensive income other than the profit for the financial year were incurred during the financial year. As such, comprehensive income for the year amounted to $25,638k (2019: loss of $242,758k).

WALDORF PRODUCTION UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	31 Dec 2020 $'000	31 Dec 2019 as restated $'000
Non-current assets			
Intangible assets	**12**	3,173	-
Property, plant and equipment	**13**	87,527	98,007
Right of use asset	**14**	40	263
Deferred tax asset	**11**	23,687	21,785
Derivative financial instruments	**23**	7,781	9,721
		122,208	129,776
Current assets			
Inventories	**17**	4,174	3,904
Other current assets		1,593	1,796
Intercompany receivables	**29**	-	92
Trade and other receivables	**18**	16,779	12,822
Restricted cash	**28**	73,515	72,312
Current tax recoverable		3,586	4,421
Cash and cash equivalents		4,194	5,379
Derivative financial instruments	**23**	7,224	3,203
		111,065	103,929
Total assets		233,273	233,705
Current liabilities			
Trade and other payables	**20**	17,539	24,066
Current tax liabilities		1,588	1,588
Intercompany payables	**29**	1,816	6,010
Lease liabilities	**21**	23	246
Provisions	**22**	1,268	1,167
Derivative financial instruments	**23**	2,455	9,024
		24,689	42,101
Net current assets		86,376	61,828

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WALDORF PRODUCTION UK LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

	Notes	31 Dec 2020 $'000	31 Dec 2019 as restated $'000
Non-current liabilities			
Lease liabilities	21	-	22
Long term provisions	22	175,105	180,349
Derivative financial instruments	23	17,818	21,210
		192,923	201,581
Total liabilities		217,612	243,682
Net assets/(liabilities)		15,661	(9,977)
Equity			
Share capital	25	-	-
Share premium account		342,846	342,846
Other reserves	26	1,403,652	1,403,652
Retained earnings		(1,730,837)	(1,756,475)
Total equity/(deficit)		15,661	(9,977)

The notes on pages 20 to 55 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 10-December-2021 and are signed on its behalf by:

....

Erik Brodahl

Director

Company Registration No. 05030838

WALDORF PRODUCTION UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Other reserves	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
As restated for the period ended 31 December 2019:					
Balance at 1 January 2019	-	342,846	161,666	(1,513,717)	(1,009,205)
Balance at 1 January 2019	-	342,846	161,666	(1,513,717)	(1,009,205)
Year ended 31 December 2019:					
Total comprehensive loss for the year as restated	-	-	-	(242,758)	(242,758)
Capital contribution	-	-	1,241,986	-	1,241,986
Balance at 31 December 2019 as restated	-	342,846	1,403,652	(1,756,475)	(9,977)
Year ended 31 December 2020:					
Total comprehensive income for the year	-	-	-	25,638	25,638
Balance at 31 December 2020	-	342,846	1,403,652	(1,730,837)	15,661

WALDORF PRODUCTION UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $'000	2020 $'000	2019 $'000	2019 $'000
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	**31**		13,267		(42,985)
Investing activities					
Purchase of property, plant and equipment		(11,014)		(18,508)	
Purchase of intangible assets		(3,173)			
Net cash used in investing activities			(14,187)		(18,508)
Financing activities					
Payment of lease liabilities		(265)		(260)	
Net cash used in financing activities			(265)		(260)
Net decrease in cash and cash equivalents			(1,185)		(61,753)
Cash and cash equivalents at beginning of year			5,379		67,132
Cash and cash equivalents at end of year			4,194		5,379

1 Accounting policies

Company information
Waldorf Production UK Limited ("the Company"), is a private company limited by shares incorporated in England and Wales. The registered office is One St Peter's Square, Manchester, United Kingdom, M2 3DE.

The principal activities of the Company are the production and development of oil and gas reserves in the U.K.

The Company had previously taken advantage of the exemption under the Companies Act 2006 s405 (2) not to consolidate its subsidiary as it was dormant. Information on our parent and other related party relationships is presented in Note 30 - Controlling Party.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

1.1 Accounting convention
The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act as they have apply to all financial statements of the company for the year ended 31 December 2020 and applied in accordance with the practices of the Companies Act 2006.

The financial statements are prepared in US dollars, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest $'000.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. One exception to the historical cost accounting method being applied is in the accounting for the derivatives. The Company hold the derivatives at fair value through the profit and loss.

1 Accounting policies **(Continued)**

1.2 Going concern

The directors have a reasonable expectation that the company has sufficient resources to continue in operational existence for the foreseeable future and have received confirmation that Waldorf Energy Partners Limited will provide support should it be required. The financial support is guaranteed for a period up to 31 December 2023. As a result they have continued to adopt the going concern basis of accounting when preparing the annual financial statements.

The Company and its Directors have reviewed the forecast cash flows for the Group. The Group's view of the current situation is as follows:

The Group's founding philosophy is underpinned by a focus on cash flow generation and risk mitigation. Consequently, management constantly monitors its funding position and liquidity risk throughout the period and engages in active cash management to ensure it has sufficient funds to meet forecasted requirements.

Cash forecasts and sensitivities are regularly produced based on the company's latest estimates for life of field production and cost profiles, estimated future commodity prices. Sensitivities have been run to evaluate any potential funding gaps across various plausible downside scenarios. These scenarios are underperformance at our assets, delays or cost overruns at development projects, and the impact of unforeseen production outages. These analyses are used to identify risks in a timely manner so management can formulate appropriate risk mitigation strategies.

Over the Going Concern assessment period, management's base case forecast is based on the current oil price forward curve, and management's assumptions for costs and timing for activity at existing fields broadly in-line with operator estimates. As the oil price is hedged at $55/bbl the stress tests to review going concern have kept the price constant at this rate. Reverse stress tests have been completed to review the effect of a significant production decrease and to consider the effect of cost increases over the going concern period. The results of these are as follows:

- Production could fall by 20% over all oil and gas fields and the Waldorf Group would still be in a positive cash flow position to 31 December 2023; and
- OPEX could increase by 40% over all fields and cash flow would still be positive until 31 December 2023.

The directors consider a drop in production over all fields by 20% and an increase in OPEX over all fields by 40% to be highly unlikely.

Under all plausible downside scenarios, the Directors do not anticipate any risk of default for the Group during the period to 31 December 2023, and the Group remains well with-in debt covenant thresholds.

Having reviewed the Group going concern assessment the Directors of the company have concluded that the Waldorf Energy Partners Limited Group retained sufficient liquidity and headroom on debt covenants to provide support to the company and that therefore the going concern basis remains appropriate for the company.

1 Accounting policies **(Continued)**

1.3 Revenue

Turnover is derived from the sale of oil and gas from UK North Sea. Revenue from the sale of crude oil and NGLs and natural gas products is recognized when performance obligations in the sales contract are satisfied and it is probable that the Company will collect the consideration to which it is entitled. Performance obligation for recognising the sale of crude oil is at the time the customer takes physical possession of the oil through lifting or on delivery of the oil into an infrastructure. Performance obligation for recognising the sale of NGL is when it has been delivered. The Company assesses customer creditworthiness, both before entering into contracts and throughout the revenue recognition process. The directors consider all activities of the company to fall within the offshore sector within one distinct region, therefore no segmental analysis has been prepared.

Revenue is accrued where performance obligations have been met but where certain conditions are required to be satisfied prior to invoicing to the customer and receiving consideration.

Deferred revenue

For certain of our UK fields we sell production on a monthly basis and the invoices are based on agreed quantities with the customer, however, the production remains in the field's storage tanks. The inventory associated with these sales remains on our balance sheet and the revenue is deferred until the production is shipped out of our storage tanks and the title to the production transfers to the purchaser. We record deferred revenue as a contract liability when consideration is received and when production sold exceeds production shipped out of our storage tanks.

1.4 Oil and Gas Assets

Oil and gas exploration costs are accounted for under a successful efforts based method: exploration costs are recognised in income when incurred, except that exploratory drilling costs are included within intangible assets pending determination of proved reserves. When assets are declared part of a commercial development, related costs are transferred to property, plant and equipment. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the income statement. The application of our accounting policy for oil and gas assets requires judgement to determine whether future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Exploration costs capitalised in respect of exploration wells that are more than 12 months old are written off unless:

- proved reserves are booked; or
- they have found commercially producible quantities of reserves and they are subject to further exploration or appraisal activity in that either drilling of additional exploratory wells is underway or firmly planned for the near future or other activities are being undertaken to sufficiently progress the assessing of reserves and the economic and operating viability of the project.

Oil and gas assets include rights in respect of properties with proved reserves (proved properties) and with no proved reserves (unproved properties). Property, plant and equipment, including expenditure on major inspections, and intangible assets are initially recognised in the Balance Sheet at cost where it is probable that they will generate future economic benefits. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement.

Property, plant and equipment and intangible assets are subsequently carried at cost less accumulated depreciation, depletion and amortisation (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognised in income, within interest and other income.

1 Accounting policies **(Continued)**

1.5 Licence and Property Acquisition Costs

Exploration licence costs are capitalised in intangible assets. Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that work is under way to determine that the discovery is economically viable. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through the statement of profit or loss and other comprehensive income. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

1.6 Development Costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells is capitalised within property, plant and equipment.

1.7 Depreciation, Depletion and Amortisation

Property, plant and equipment are depreciated using the Unit of Production ("UOP") method over total proven and probable reserves. This results in a depreciation charge proportional to the depletion of the anticipated remaining production from the field. The life of each field is assessed at least annually. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

1.8 Major Maintenance, Inspection and Repairs

Expenditure on major maintenance projects, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where a maintenance project is expected to provide future economic benefits, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

1.9 Other Tangible Fixed Assets

Other tangible assets with finite lives are using the straight-line method over their estimated useful economic lives of two to five years and assessed for impairment whenever there is an indication that the tangible asset may be impaired. Changes in the expected useful life are treated as changes in accounting estimates.

1.10 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.11 Impairment of tangible and intangible assets

We assess at each reporting date whether there is an indication that an asset (or CGU) may be impaired. If any indication exists, we estimate the field's recoverable amount, being the higher of value in use ("VIU") and fair value less costs to dispose ("FVLCD"). Where the carrying amount of a field exceeds its recoverable amount, the field is considered impaired and is written down to its recoverable amount.

In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the field. VIU does not reflect future cash flows associated with improving or enhancing an asset's performance.

1 Accounting policies **(Continued)**

1.11 Impairment of tangible and intangible assets (continued)

The assessments of recoverable amounts require the use of estimates and assumptions regarding the expected future cash flow from proven and probable property, plant and equipment, which are dependent upon various factors, such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

1.12 Inventories

Materials and supplies and oil inventories are valued at the lower of cost or net realisable value. The cost of materials is the purchase cost, determined on a first-in, first-out basis. The cost of crude oil and natural gas liquids is the purchase cost, the cost of refining, including the appropriate proportion of depreciation, depletion and amortisation and overheads based on normal operating capacity, determined on a weighted average basis. The net realisable value of crude oil and natural gas liquids is based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

1.13 Fair value measurement

The carrying amounts reflected in the balance sheet for cash and equivalents, short-term receivables and short-term payables approximate their fair value due to the short maturity of the instruments.

We measure the fair value of financial assets and liabilities on a recurring basis, defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. This includes not only the credit standing of counterparties involved and the impact of credit enhancements but also the impact of our own non-performance risk on our liabilities. Fair value measurements are classified and disclosed in one of the following categories:

Level 1: Fair value is based on actively-quoted market prices.

Level 2: In the absence of actively-quoted market prices, we seek price information from external sources, including broker quotes and industry publications. Substantially all of these inputs are observable in the marketplace during the entire term of the instrument, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace.

Level 3: If valuations require inputs that are both significant to the fair value measurement and less observable from objective sources, we must estimate prices based on available historical and near-term future price information and certain statistical methods that reflect our market assumptions.

1.14 Cash and cash equivalents

Cash in the statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value. Cash excludes restricted cash, which is not available for our use and therefore is not considered highly liquid - for example, cash set aside to cover decommissioning obligations.

1 Accounting policies **(Continued)**

1.15 Financial assets

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Initial recognition and measurement

Financial assets are classified, at initial recognition, when the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement

The measurement of financial assets depends on their classification, as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments.

Financial assets held at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade and other receivables, amounts owed by other group companies, restricted cash and cash and cash equivalents.

1.16 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. Our financial liabilities include trade and other payables, loans and derivative financial liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term, which includes derivative financial instruments that are not designated as hedging instruments in hedge relationships. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

1 Accounting policies **(Continued)**

1.16 Financial liabilities (continued)

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in-the statement of profit or loss-and other comprehensive income when the liabilities are derecognised, as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

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 statement of profit or loss and other comprehensive income.

1.17 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current Income Tax

Current income tax assets and liabilities 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 in the countries where the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability 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 credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 at the reporting date.

In addition, future changes in tax laws in the jurisdictions in which we operate could limit our ability to obtain tax deductions in future periods.

1 Accounting policies **(Continued)**

1.17 Taxation (continued)

Petroleum Revenue Tax

The charge for petroleum revenue tax ("PRT") forms part of the taxation charge in the statement of profit and loss. It is calculated on a period-by-period basis with reference to the operating income of chargeable fields, PRT allowances utilised and temporary differences arising in the period. Our PRT expense is related to our interest in the Alba field.

1.18 Decommissioning

Provision for future decommissioning costs is made where we have a present legal or constructive obligation, which generally arises when a well is drilled or equipment installed. The provision for future decommissioning is calculated, based on future cash flows discounted at a pre-tax discount rate to reflect risks specific to the costs. An amount equivalent to the initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit of production basis over proven and probable reserves. Changes to the provision other than unwinding of the discount are taken into account prospectively.

Unwinding of the discount of future decommissioning provisions is included in interest expense on the profit and loss statement.

We assess the decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure may also change.

Estimating decommissioning provisions requires us to make estimates and judgments regarding timing, amount and existence of a liability, as well as what constitutes adequate restoration. We use the present value of estimated cash flows related to our decommissioning provisions to determine fair value. Our liability is determined using significant assumptions, including current estimates of plugging and abandonment costs, inflation factors, the productive lives of wells and our risk-adjusted interest rate. In addition, there are other external factors which could significantly affect the ultimate settlement costs for these obligations including changes in environmental regulations and other statutory requirements, fluctuations in industry costs and advances in technology. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

1.19 Retirement benefits

We operate a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

1.20 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are held as a separate category on the statement of financial position, apart from those that meet the definition of investment property.

1 Accounting policies **(Continued)**

1.20 Leases (continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.21 Foreign exchange

The financial statements are presented in US dollars, which is also our functional and presentation currency. Transactions in other currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated using the contracted rate or retranslated at the rate of exchange ruling at each balance sheet date with the gains or losses on translation included in the profit and loss account.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

1.22 Joint Arrangements

We have certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. We include our share of assets, liabilities and cash flows in joint arrangements, measured in accordance with the terms of each arrangement, which are usually pro rata to our interest in the joint arrangement

1.23 Underlift/Overlift

Underlift or overlift of entitlement to production is valued at year end at contract prices where fixed, or otherwise at market prices prevailing. Underlift and overlift balances are split out and shown within trade receivables or trade creditors as appropriate.

1 Accounting policies **(Continued)**

1.24 Commodity Pricing Derivatives

Initial measurement and recognition

The company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company. None of these new and revised Standards and Interpretations had an effect on the current period or a prior period but may have an effect on future periods:

		Effective from:
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of material	1 January 2020
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
IFRS 3 (Amendments)	Definition of a business	1 January 2020
IFRS 16 (Amendments)	COVID-19 related Rent Concessions	1 June 2020

2 Adoption of new and revised standards and changes in accounting policies (Continued)

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

		Effective from:
IFRS 17	Insurance Contracts	1 January 2023
IFRS 4 (Amendments)	Insurance Contracts	1 January 2023
IAS 1 (Amendments)	Classification of Liabilties as Current or Non-Current	1 January 2023
IAS 16 (Amendments)	Property plants and equipment - proceeds before intended use	1 January 2022
Annual Improvements 2018 - 2020 Cycle	Amendments to IFRS 1 (subsidiary as a first-time adopter), IFRS 9 (fees in the "10 percent" test for derecognition of financial liabilities), IFRS 16 (lease incentives), IAS 41 (taxation in the fair value measurements)	1 January 2022
IFRS 3 (Amendments)	References to the Conceptual Framework	1 January 2022
IAS 37 (Amendments)	Onerous contracts - Cost of Fulfilling a Contract	1 January 2022
IFRS 4 (Amendments)	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023

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 aside from additional disclosures.

The Company plans to adopt the above standards when from the effective dates noted in the table above.

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, which are described in note 1, the directors are required to use estimates, judgments and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported herein. While management regularly reviews its estimates, actual results could differ from those estimates. Changes in estimates are accounted for prospectively.

In particular, we have identified the following areas where significant judgements, estimates and assumptions are required:

- estimates of oil and gas reserves;
- estimates as to the expected future cash flow from proven and probable Property, plant and equipment;
- estimates of future decommissioning costs;
- estimates of fair values; and
- estimates of the recovery of deferred tax assets.

Further information on each of these areas and how they impact the various accounting policies are described also in the relevant notes to the financial statements.

Critical judgements

Deferred Taxes

Judgement is required to determine whether deferred tax assets are recognised in the statement of financial position. Recognition of the benefits of the deferred tax assets requires that we generate future taxable income. Assumptions about the generation of future taxable income depend on our estimates of future cash flows, which are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure and capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, our ability to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdiction in which we operate could limit our ability to obtain tax deductions in future periods.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. See note 11 for more information on the deferred tax assets recognised and unrecognised.

Key sources of estimation uncertainty

Oil and Gas Reserve Estimate

Oil and gas reserves are estimated quantities of oil, gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. The process requires interpretation of the available technical data and making many assumptions about future conditions, including price and other economic factors. In preparing such estimates, projection of production rates, timing of development expenditures and available geological, geophysical, production and engineering data are analyzed. This process also requires economic assumptions about matters such as oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds.

3 Critical accounting estimates and judgements (Continued)

We estimate and report hydrocarbon reserves in line with the principles promulgated by the Society of Petroleum Engineers. As the economic assumptions or interpretations used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact our reported financial position and results, which include:

- The carrying value of exploration and evaluation assets; property, plant and equipment; and goodwill may be affected by changes in estimated future cash flows;
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the units of production method, or where the useful life of the related assets change;
- Provisions for decommissioning may require revision — where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

4 Revenue

	2020 $'000	2019 $'000
Revenue analysed by class of business		
Crude oil sales	42,485	88,293
Natural gas sales	125	199
Natural gas liquids	-	35
Gain/(Loss) on derivative instruments	2,842	(1,729)
Demurage and other income	491	-
	45,943	86,798

No revenue was derived from the exchange of goods and services in either 2020 or 2019. All revenue for 2020 and 2019 was earned in the UK.

The transaction price for the oil and gas sales is based on the price of the commodities on the date of sale.

Contract Receivables and Liabilities

For sales at our Alba field, production quantities are agreed and are invoiced monthly on this basis. The production remains on the field's storage tanks. The inventory associated with these sales remained on our balance sheet and the revenue was deferred until the production is shipped out of our storage tanks and title to the production transfers to the purchaser.

	2020 $'000	2019 $'000
Alba Receivable	-	5,954
Alba Liability	4,513	-

5 Operating profit/(loss)

	2020 $'000	2019 as restated $'000
Operating profit/(loss) for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements (note 6)	143	120
Depreciation of property, plant and equipment (note 13)	17,402	10,847
Depreciation of right of use asset (note 14)	223	195
Crude Oil inventory movement	(6,788)	597
Unrealised (gain)/loss on derivatives	(25,483)	17,531
Oil and gas impairments	-	77,175

6 Auditor's remuneration

Fees payable to the company's auditor and associates:	2020 $'000	2019 $'000
For audit services		
Audit of the financial statements of the company	143	120
For other services		
Tax services	69	24

7 Employees

The average monthly number of persons employed by the company during the year was:

	2020 Number	2019 Number
Operations and administrative	4	5

Their aggregate remuneration comprised:

	2020 $'000	2019 $'000
Wages and salaries	882	687
Social security costs	80	74
Pension costs	28	72
	990	833

7 Employees (Continued)

Remuneration of Directors
The Directors are contracted by Waldorf Energy Partners Limited and paid by Waldorf Production UK Limited for consultancy services including carrying out management for the Waldorf Energy Partners Group as a whole. The total remuneration paid by the group in respect of the directors of this Company amounts to $575k in the current period (2019: $37k). The directors do not believe it practical to apportion their remuneration between their services as directors of the company and as directors of other group companies.

The highest paid director in the current year received $250k from the Company (2019: $37k). The Company paid no pension contributions for this director in the current or prior year.

8 Finance costs

	2020 $'000	2019 $'000
Payable on loans from group undertakings	-	138,308
Accretion expense (note 22)	462	2,141
Other interest payable	16	46
Interest on lease liabilities	25	47
Total interest expense	503	140,542

Payables on loans from group undertakings of $138,308k in 2019 relates to interest charged on the intercompany loan notes from the previous parent company. On the sale of the company, the interest and associated loan notes were cancelled and the subsequent gain treated as a capital contribution.

9 Other gains and losses

	2020 $'000	2019 $'000
Write off of intercompany trading balances	-	17,465

Other gains and losses in 2019 comprise of intercompany balance write offs. As part of the sale, intercompany trading balances with the previous parent company were written off which resulted in a loss to the parent company.

10 Transaction Costs

	2020 $'000	2019 $'000
Transaction costs	-	5,167

In 2019, transaction costs relate to costs incurred by the company when preparing themselves to facilitate the sale of the company to Waldorf Acquisiton Co Ltd.

11 Taxation

	2020 $'000	2019 $'000
PRT current benefit	(3,364)	1,588
Other taxes	225	-
Total tax benefit	(3,139)	1,588
Deferred tax		
Origination and reversal of temporary differences	3,364	(942)
PRT prior year adjustment	(4,495)	-
	(1,131)	(942)
Total tax charge/(credit)	(4,270)	646

11 Taxation **(Continued)**

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2020 $'000	2019 $'000
Profit/(loss) before taxation	21,368	(242,111)
Expected tax charge/(credit) based on a corporation tax rate of 40.00% (PY: 40.00%)	8,547	(96,844)
Effect of expenses not deductible in determining taxable profit	1,465	9,700
Income not taxable	(546)	-
PRT - net of current tax benefit	(1,037)	(565)
Adjustment in respect of prior periods - Deferred PRT	(4,495)	-
Limitation on interest expense deduction	-	19,341
Deemed release of relevant rights	-	35,414
Movements in amounts not recognised	(2,114)	15,022
Non ring fence/ ring fence tax rate differential	(6,314)	19,559
Income tax suffered on DSA interest earned	224	
Investment allowance activated	-	(981)
Taxation (credit)/charge for the year	(4,270)	646

Factors that may affect future tax charges

In the 2016 Budget the UK Government announced that the UK non-ring fence corporation tax rate would be reduced to 17% with effect from 1 April 2020. Legislation introduced in Finance Act 2020 repealed the previously enacted 17% rate and therefore the rate was to remain at 19%.

On 11 March 2021, the UK Government published the Finance Bill 2021 clauses, which set out that the UK non-ring fence corporation tax rate will increase to 25% from 1 April 2023. This bill has been considered as "substantively enacted" for IFRS purposes, following the Third Reading on 24 May 2021. Finance Bill 2021 received Royal Assent on 10 June 2021 and became Finance Act 2021. Deferred tax balances will be remeasured as at the next balance sheet date based on the corporation tax rate substantively enacted at that time.

11 Taxation **(Continued)**

	Deferred CT on fixed assets	Deferred CT on losses	Deferred CT on PRT refund	Deferred PRT	Total
	$'000	$'000	$'000	$'000	$'000
Deferred tax (asset)/liability at 31 December 2019	39,043	(47,757)	8,714	(21,785)	(21,785)
Recognised in statement of comprehensive income	(2,891)	2,130	761	(1,130)	(1,130)
Foreign exchange difference	-	-	-	(772)	(772)
Deferred tax (asset)/liability at 31 December 2020	**36,152**	**(45,627)**	**9,475**	**(23,687)**	**(23,687)**

A deferred tax asset has been recognised in respect of losses to the extent that will give rise to the refund of historic PRT payments made by the company. We have not recognised net deferred tax assets of $340.5million in 2020 and $338.7 million in 2019 respectively, given the uncertainty that exists regarding our ability to generate sufficient taxable earnings in order to utilise this asset. The losses are available for an indefinite period. The components of the deferred tax asset not recognised were:

Unrecognised deferred tax:		
Deferred CT on losses	(201,918)	(203,868)
Investment allowance	(8,180)	(7,825)
Decommissioning restriction	(70,469)	(72,606)
Corporate interest restriction	(24,128)	(22,331)
Non trading deficits	(35,872)	(32,096)
Unrecognised deferred tax	(340,567)	(338,726)

12 Intangible assets

	Exploration and evaluation assets
	$'000
Cost	
At 1 January 2019	28,297
Transfer to tangible fixed assets	(28,297)
At 31 December 2019	-
Additions	3,173
At 31 December 2020	3,173
Carrying amount	
At 31 December 2020	3,173
At 31 December 2019	-

Exploration and evaluation assets in the current year relate to the development of the Bacchus South exploration well.

Following the acquisition on 22 October 2019, management completed a review of the development of the intangible assets and $28.297 million was transferred from intangibles to tangible fixed assets. This balance relates to the Columbus field which is held within the development and production assets category within tangibles fixed assets.

13 Property, plant and equipment

	Other property, plant & equipment	Development and production assets	Total
	$'000	**$'000**	**$'000**
Cost			
At 1 January 2019	-	1,105,135	1,105,135
Additions	76	18,504	18,580
Transfer from intangible assets	-	28,297	28,297
Asset retirement cost increases	-	14,127	14,127
At 31 December 2019	76	1,166,063	1,166,139
Additions	-	11,991	11,991
Asset retirement cost decreases	-	(5,069)	(5,069)
At 31 December 2020	76	1,172,985	1,173,061

13 Property, plant and equipment **(Continued)**

	Other property, plant & equipment	Development and production assets	Total
	$'000	$'000	$'000
Accumulated depreciation and impairment			
At 1 January 2019	-	980,110	980,110
Charge for the year	31	10,816	10,847
Impairment loss as restated	-	77,175	77,175
At 31 December 2019 as restated	31	1,068,101	1,068,132
Charge for the year	14	17,388	17,402
At 31 December 2020	45	1,085,489	1,085,534
Carrying amount			
At 31 December 2020	31	87,496	87,527
At 31 December 2019 as restated	45	97,962	98,007

Included within development and producing assets is the Columbus field, which is still in development phase. The total value of this field at the end of 2020 was $15m (2019 restated: $11m). In line with accounting policies, no depreciation is applied to this until it is transferred to be a producing asset.

During the year, there were no triggers of impairment therefore no detailed impairment test performed. Although oil prices significantly dropped during the year management updated their price forecasts at the year end and compared these to those used in the 2019 impairment calculations and concluded that due to the 2019 impairment prices being low there was no significant difference that would indicate a trigger for impairment. In 2019, we carried out an impairment review of each cash-generating unit, which represents an individual field. The impairment losses were recorded to reduce the carrying value of the assets to their applicable recoverable amounts ("VIU"), which were estimated as the net present value of proved plus probable reserves, discounted at our average weighted cost of capital. Our average weighted cost of capital as used in 2019 was 23.2%. During the prior year, we carried out an impairment review of the related CGUs and impaired $33.73 million related to property, plant and equipment. Following a review of fair values of assets as part of IFRS 3 work undertaken for Waldorf Energy Partners Limited, further impairment relating to 2019 has been identified of $43.4m and has been posted as a prior year adjustment. Further details can be found in Note 33.

The oil price used in the 2019 impairment calculation is based on Brent Crude futures prices and are adjusted by field for quality, transportation fees and market differentials. Gas prices used in the 2019 impairment review are based on National Balancing Point future prices and are adjustments by field for energy content, transportation fees and market differentials.

The operating costs used within the impairment review are based on historical operating expense records. These include the overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. Headquarters general and administrative overhead expenses of Waldorf are included to the extend that they are covered under joint operating agreements for the operating properties. These costs have not been adjusted for inflation.

13 Property, plant and equipment **(Continued)**

The reserves estimates are based on certain assumptions including, but not limited to, that the property, plant and equipment will be developed consistent with current development plans, that the property, plant and equipment will be operating in a prudent manner, that no governmental regulations or control will be put in place that would impact the ability of the interest owner to recover the reserves, and that the projections of future production will prove consistent with actual performance.

The recoverable value of assets is highly sensitive, inter alia, to oil price achieved and production volumes. Sensitivities were run on the oil price assumption in 2019, with a 10% change being considered to be a reasonable possible change for the purposes of sensitivity analysis. In 2019, a 10% reduction in oil price would increase the current impairment by approximatively $9.4m. As there were no impairment triggers within 2020 no sensitivity was completed in 2020.

14 Right of use asset

	Buildings $'000
Cost	
At 31 December 2019	458
At 31 December 2020	458
Accumulated depreciation and impairment	
At 31 December 2019	195
Charge for the year	223
At 31 December 2020	418
Carrying amount	
At 31 December 2020	40
At 31 December 2019	263

The right of use asset is held under lease arrangements. Further details relating to these leasing arrangements are included in note 21.

15 Investments

	2020 $'000	2019 $'000
Investments in subsidiaries	-	-

16 Subsidiaries

Details of the company's subsidiary at 31 December 2020 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held Direct	% Held Voting
Waldorf Production North Sea Limited	UK	Dormant	Ordinary	-	100.00

Waldorf Production North Sea Limited was dissolved in February 2021.

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves $'000	Profit/(Loss) $'000
Waldorf Production North Sea Limited	-	-

17 Inventories

	2020 $'000	2019 $'000
Oil and condensate inventories	-	953
Materials	4,174	2,951
	4,174	3,904

There is no material difference between the balance sheet value of stocks and their replacement cost as at 31 December 2020 (2019: nil).

18 Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables	162	6,636
Underlift of crude oil	8,669	-
Accrued revenue	7,897	5,954
Tax receivables	51	232
	16,779	12,822

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms.

Tax receivables includes Petroleum Revenue Tax and VAT.

19 Trade receivables - credit risk

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Trade receivables are held at amortised cost.

Ageing of past due but not impaired receivables	**2020**	**2019**
	$'000	**$'000**
Trade receivables (all less than 6 months)	162	6,636

No assets were assessed as credit impaired. In determining the recoverability of a trade or other receivable, we account for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses. From the expected credit loss (ECL) assessment it was concluded that as all customers pay on time and so there are strong, continuous trading relationships with each customer the Company deals with so no provisions were required under the ECL model. No significant receivable balances are impaired at the reporting end date.

20 Trade and other payables

	2020	**2019**
	$'000	**$'000**
Trade payables	346	16,042
Accruals	12,204	2,200
Deferred revenue	4,513	-
Oil inventory overlifts	476	5,824
	17,539	24,066

21 Leases

The Company has lease contracts for buildings used in its operations. The remaining lease term is one month (expired on the 31 Jan 2021). The Company has agreed a new lease which was signed on 17 April 2021. Between the 31 Jan 2021 and the date of the new lease being signed the Company paid a rolling monthly amount based on the previous agreement. The Company's obligations under its leases are secured by the lessor's title to the leased assets. This lease is denominated in GBP whilst the functional currency of the company is USD.

Set out below are the carrying amounts of right of use assets recognised and the movements during the period:

	$'000
At 1 January 2020	263
Depreciation charge for the year	(223)
At 31 December 2020	40

Set out below are the carrying value of lease liabilities and the movements.

21 Leases (Continued)

	$'000
At 1 January 2020	263
Interest	25
Payments	(265)
At 31 December 2020	23

Maturity analysis	**$'000**
Within one year	23
In two to five years	-
In over five years	-
Total undiscounted liabilities	23
Future finance charges and other adjustments	-
Lease liabilities in the financial statements	23

The following are the amounts recognised in the statement of profit and loss:

	$'000
Depreciation expense of right of use assets	223
Interest expense for right of use assets	25
Total amount recognised in profit and loss	248

22 Provisions for liabilities

	2020 $'000	2019 $'000
Decomissioning provision	176,373	181,516

Analysis of provisions

Provisions are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 $'000	2019 $'000
Current liabilities	1,268	1,167
Non-current liabilities	175,105	180,349
	176,373	181,516

22 Provisions for liabilities **(Continued)**

Movements on provisions:

	$'000
At 1 January 2020	181,516
Utilisation of provision	(128)
Accretion expense	462
Change in estimate	(5,477)
At 31 December 2020	176,373

During the year, the company received revisions to the estimates for the decommissioning provision for the Goldeneye field. This resulted in a credit to the income statement of $0.4 million as the asset is currently held at nil NBV.

The decommissioning expenditure is expected to be incurred through 2036; however, this timing is dependent on the cessation of production which in turn is dependent on future production levels and the discovery of additional reserves. The major estimates applied to this calculation are discounted at a rate of 0.25% (2019: 0.9%) and the estimated costs of abandonment are provided by the field operators.

The overall reduction in the change in estimate of $5.48 million is due to a general reduction in the decommissioning estimates received from Operators. This is partially offset by a change in the discount rate of $12.82 million.

Certain decommissioning security agreements (see Note 28 - Commitments and Contingencies) require security, which results in further costs being incurred and dedicated additional capital.

23 Derivatives

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is commodity price risk.

The Company's risk management strategy and how is is applied to manage risk are explained below.

The Company uses oil forward contracts to manage some of its transaction exposures. The forward contracts are not designated as cash flow hedges and are entered into for periods consistent with exposure of the underlying transactions.

Derivatives not designated as hedging instruments reflect the change in fair value of those oil forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of risk due to fluctuation in oil price.

Financial assets

Derivatives not designated as hedging instruments	**2020 $'000**	**2019 $'000**
Commodity derivatives	15,005	12,924
Total financial assets	15,005	12,924
Total current	7,224	3,203
Total non-current	7,781	9,721
Total financial assets	15,005	12,924

Financial Liabilities

Derivatives not designated as hedging instruments	**2020 $'000**	**2019 $'000**
Commodity derivatives	20,273	30,234
Total financial liabilities	20,273	30,234
Total current	2,455	9,024
Total non-current	17,818	21,210
Total financial liabilities	20,273	30,234

24 Financial instruments

Categories of financial instruments

The following table combines information about:
- Classes of financial instruments based on their nature and characteristics; and
- The carrying amounts of financial instruments.

	2020 $'000	2019 $'000
Financial assets at amortised cost		
Trade and other receivables (note 18)	16,779	17,243
Amounts owed by other group companies (note 29)	-	92
Restricted cash (note 28)	73,515	72,312
Cash and cash equivalents	4,194	5,379
	94,488	95,026
Financial liabilities at amortised cost		
Trade and other payables (note 20)	17,539	24,066
Amounts owed to other group companies (note 29)	1,816	6,010
	19,355	30,076

The carrying value of the company's financial assets and liabilities measured at amortised cost are approximately equal to their fair value.

Financial instruments risk management objectives and policies

The Company is exposed to financial risks through its various business activities. In particular, changes in interest rates and exchange rates can have an effect on the capital, financial and revenue situation of the Company. In addition, the Company is subject to credit risks.

The Company has adopted internal guidelines, which concern risk control processes and which regulate the use of financial instruments and thus provide a clear separation of the roles relating to operational financial activities, their implementation and accounting. The guidelines on which the Company's risk management processes are based are designed to ensure that the risks are identified and analysed across the Company. They also aim for a suitable limitation and control of the risks involved, as well as their monitoring.

The Company controls and monitors these risks primarily through its operational business and financing activities.

Credit Risks

The credit risk describes the risk from an economic loss that arises because a contracting party fails to fulfil their contractual payment obligations. The credit risk includes both the immediate default risk and the risk of credit deterioration, connected with the risk of the concentration of individual risks. For the Company, credit and default risks are concentrated in the financial institutions in which it places cash deposits.

The Company's policy is to place its cash with reputable clearing banks. The Company's cash is deposited in one bank with a credit rating of AA-. There is limited credit risk due to the Group's main customer being a large, reputable, well financed organisation.

24 Financial instruments **(Continued)**

Liquidity risks

Liquidity risk is defined as the risk that a company may not be able to fulfil its financial obligations. The Company manages its liquidity by maintaining cash and cash equivalents sufficient to meet its expected cash requirements to implement its investment policy. In the event that there is a risk that the cash required to follow the investment policy is greater than the Company's liquid resources, the Company would seek confirmation of the continuation of the policy and the raising of further financing at a shareholder general meeting.

All surplus cash is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the forecast cash requirements.

	Less than 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total $'000
31 December 2020					
Trade and other payables	17,539	-	-	-	17,539
Provisions	-	1,268	870	100	2,238
Total	17,539	1,268	870	100	19,777
31 December 2019					
Trade and other payables	24,066	-	-	-	24,066
Provisions	-	1,167	1,369	271	2,807
Total	24,066	1,167	1,369	271	26,873

Interest Rate Risks

Interest rate risks exist due to potential changes in market interest rates and can lead to a change in the fair value of fixed-interest bearing instruments, and to fluctuations in interest payment for variable interest rate financial instruments.

The Company is exposed to interest rate risk on cash held on deposit at banks. Interest income for the period to 31 December 2020 was $nil (2019: $nil). These accounts are maintained for liquidity rather than investment, and the interest rate risk is not considered material to the Company.

Currency Risks

The Company operates in the UK, incurs expenses predominantly in sterling and USD, and holds cash in sterling and USD. The Company incurs some expenditure in foreign currency when the investment policy requires services to be obtained overseas and when its GBP balances are retranslated into USD at period ends. The foreign exchange risk on these costs is not considered material to the Company.

24 Financial instruments **(Continued)**

The Company's exposure to foreign currency risk at the end of the reporting period is summarised below. All amounts are presented in USD equivalent.

	2020	2019
	$'000	$'000
Cash and cash equivalents	1,265	282
Restricted cash	73,515	72,312
Trade and other payables	(7,247)	(9,794)
Provisions	(176,373)	(181,516)
Net exposure	(108,840)	(118,716)

Sensitivity analysis

As shown in the table above, the Company is primarily exposed to changes in the GBP:USD exchange rate through its cash balance held in GBP and trading balances. The table below shows the impact in USD on pre-tax profit and loss of a 10% increase/decrease in the GBP to USD exchange rate, holding all other variables constant.

	2020	2019
	$'000	$'000
GBP:USD exchange rate increases 10%	(9,897)	(10,369)
GBP:USD exchange rate decreases 10%	12,096	12,345

25 Share capital	**2020**	**2019**
	£	**£**
Authorised		
10,000 Ordinary shares of £0.10 each	1,000	1,000
Issued and fully paid		
1,400 Ordinary shares of £0.10 each	140	140

26 Other reserves

	$'000
Balance at 31 December 2018	161,666
Additions	1,241,986
Balance at 31 December 2019	1,403,652
Additions	-
Balance at 31 December 2020	1,403,652

In 2019, as a result of the sale of Waldorf Production UK to Waldorf Acquisition Co Limited, the debt to the previous parent company, Aspire Holdings LLC was written off. The loan notes were forgiven as part of the sale agreement. Given this was enacted prior to the deal closing, this has been recognised through other reserves as a capital contribution.

Effective 30 June 2018, the parent company at the time, Aspire LLC, waived the repayment of all outstanding interest accrued under the $500 million Intercompany Loan as of that date. The amount of interest waived was $161.7 million and was recorded as a capital contribution.

27 Fair value measurement

The Group hold derivatives at fair value through the profit and loss. Below outlines the valuation principles and classifications of these assets and liabilities.

Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained in Note 1.15.

The following tables present the financial assets and liabilities that are measured at fair value for the Company. There are no financial assets or liabilities measure at fair value within the Company.

Fair value measurement hierarchy for assets as at 31 December 2020:

	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$'000	$'000	$'000	$'000
Current derivatives	7,224	-	7,224	-
Non current derivatives	7,781	-	7,781	-
Total	15,005	-	15,005	-

The date of valuation for both current and non current derivatives is 31 December 2020.

27 Fair value measurement (Continued)

Fair value measurement hierarchy for liabilities as at 31 December 2020:

	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$'000	$'000	$'000	$'000
Current derivatives	2,455	-	2,455	-
Non current derivatives	17,818	-	17,818	-
Total	20,273	-	20,273	-

The date of valuation for both current and non current derivatives is 31 December 2020.

Financial instruments in level 2:
Level 2 financial assets and liabilities measured at fair value through the profit and loss are all derivatives. The valuation technique for the derivatives relates to the forward oil and gas prices.

There were no transfers between any levels within the year ending the 31 Dec 2020.

28 Commitments and Contingencies

Commitments Related to Asset Retirement Obligations
The company have entered into decommissioning security agreements related to abandonment liabilities for certain of our property, plant and equipment. Under these agreements, we are required to post security from time to time in the form of letters of credit, cash or other agreed-upon consideration. The company has collateralized these obligations by posting cash collateral, reflected as "Restricted cash" in our statements of financial position.

The collateral securing decommissioning obligations in connection with certain of our fields is as follows:

	As at 31 December 2020	2019
	$'000	$'000
Obligations related to currently producing fields	73,515	72,312

The restricted cash balance is held in GBP. The movement between 2019 and 2020 of $1,203k is primarily foreign exchange gains of $2,634k, with the remaining being a refund due to WPUK due to a revision of the estimate by the operator, which totalled $1,431k.

The timing of decommissioning activities for currently producing fields will be determined by the ultimate life of the reservoir.

29 Related party transactions

Remuneration of key management personnel
Key management personnel are remunerated via consultancy costs through a third party and therefore there are no reporting requirements under IAS 24. The related parties are as follows:

Related party	Relationship	Value of Transactions $'000
Ultima Management AS	Shared Director - Erik Brodahl	125
Skabo Offshore AS	Shared Director - Jon Skabo	250
VAC Investments Limited	Shared Director - Aaditya Chintalapati	200

Other transactions with related parties
The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2020 $'000	2019 $'000
Parent company	1,816	6,010

The intercompany balances are trading in nature. The net value of transactions with the current parent company for the year are $4,194k (2019:$6,010k), which results in a balance outstanding at the year end. of $1,816k (2019: $6,010). There is no interest charged on trading balances and the balance is repayable on demand. The directors have assessed the balance under an expected credit loss model and believe it to be recoverable.

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2020 $'000	2019 $'000
Parent company	-	92

The intercompany balances are trading in nature. An expected credit loss assessment has been completed and this resulted in an expected credit loss provision of $269k (2019:$nil) being booked on the amounts due by the parent company. There is no interest charged on trading balances and the balance is repayable on demand.

No guarantees have been given or received.

Services agreements
Under the current ownership structure, a master service agreement has been entered into with Waldorf Energy Partners Limited, the ultimate parent company. These expenses are included within administrative expenses within the Statement of Comprehensive Income. The company incurred $88k (2019: $17k) of expenses related to this agreement.

30 Controlling party

The Company's ultimate parent company is Waldorf Energy Partners Limited, a limited liability company registered in England. The directors regard Waldorf Energy Partners Limited as the ultimate parent and controlling party. The smallest and largest group in which the results of the Company are consolidated is that headed by Waldorf Energy Partners Limited. The first consolidated accounts are available for the period to 31 December 2019, and are available from One, St Peter's Square, Manchester, United Kingdom, M2 3DE, as are the consolidated accounts for the period to 31 December 2020.

The Company is a wholly owned subsidiary of Waldorf Acquisition Co. Ltd, a company registered in England, which is the immediate parent company.

31 Cash absorbed by operations

	2020 $'000	2019 $'000 as restated
Profit/(loss) for the year after tax	25,638	(242,758)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	17,626	88,217
Tax (charge)/credit	-	147
Non-cash interest expense	24	138,368
Accretion expense	462	2,141
Cash settlement of asset retirement obligations	(128)	(297)
Movement in ARO	(409)	-
Unrealised (gain)/loss on commodity derivatives*	(25,482)	17,309
Realised (gain)/loss on commodity derivatives	(2,843)	-
Unrealised foreign exchange gains	(3,447)	(2,569)
Bad debt write off	-	17,465
Movements in working capital:		
Decrease in other current assets	(203)	(47)
Increase in inventory	(270)	-
Decrease/(increase) in trade and other receivables including intercompany debtors	13,612	(4,363)
Decrease in trade and other payables including intercompany creditors	(11,719)	(56,598)
Cash absorbed by operations	13,267	(42,985)

* Previously the 2019 financial statements included the cash item of the premium paid on the commodity derivative of $6.3m within the gain/loss on commodity derivatives of $23.6m. Additionally a further line item named Payment for derivatives was included which then removed the premium paid of $6.3m from the cash flow from operations reconciliation. In the current year comparative the entries have been combined to disclose only the non cash element of the unrealised loss being $17.3m.

32 Post reporting date events

Following the events of the period, the Company completed the acquisition of a 100% interest in Capricorn North Sea Limited, a subsidiary of Cairn Energy PLC. This was on a cash-free and debt-free basis, with the effective date of 1 January 2020. This transaction resulted in the Group acquiring a 20% stake in the Greater Catcher Area and 29.5% stake in the Kraken fields, both of which are on the UK Continental Shelf. The Cairn deal has a headline price of $445m and completed on the 2nd November 2021. Adjusting for cash flows between the effective date and closing, the company paid a net consideration of c.$53m at closing.

The acquisition allows the group to significantly increase its production and improve cashflow. Post completion, the group has net production of c.20-22Kboe/day. To finance the Cairn deal, the Group issued a $300m senior secured bond in October 2021, with a 9.75% coupon. The bond has a 3 year term and is amortised quarterly in equal instalments.

33 Prior period adjustment

Changes to the statement of financial position

	At 31 December 2019		
	Previously reported	**Adjustment**	**As restated**
	$'000	**$'000**	**$'000**
Fixed assets			
Property, plant and equipment	141,447	(43,440)	98,007
Net assets	33,463	(43,440)	(9,977)
Capital and reserves			
Profit and loss	(1,713,035)	(43,440)	(1,756,475)
Total equity	33,463	(43,440)	(9,977)

Changes to the income statement

	Period ended 31 December 2019		
	Previously reported	**Adjustment**	**As restated**
	$'000	**$'000**	**$'000**
Oil and gas impairments	(33,735)	(43,440)	(77,175)
Loss and total comprehensive income for the year	(199,318)	(43,440)	(242,758)

In October 2019 this company was acquired by the ultimate parent Waldorf Energy Partners Limited. As part of the acquisition accounting in Waldorf Energy Partners Limited the assets within this company have been fair valued, a process which took place subsequent to the finalisation and approval of the 31 December 2019 financial statements of Waldorf Production UK Limited.

The acquisition accounting process identified a difference between the carrying book value of the Columbus asset and its' fair value. The asset is within the development stage and no impairment triggers were identified on the asset as at 31 December 2019, therefore no detailed impairment review was performed in 2019.

Whilst there was no impairment testing performed on Columbus in the company at 31 December 2019, a trigger was identified as part of the Waldorf Energy Partners Limited acquisition accounting, namely the fall in oil and gas prices at the 2019 year end. As a result an impairment has been recorded of $43.4m to reduce the asset carrying value to the lower of its fair value and value in use in line with IAS 36. Due to an error in the identification of the impairment trigger in 2019, the impairment test was omitted in error in the prior year and as a result the adjustment has been processed as at 31 December 2019 and the comparatives to these financial statements have been restated.

There has been no impact on the statement of cashflows.

34 Oil and Gas Reserves Quantities (Unaudited)

Net proven and probable oil and gas reserve quantities for the year ended 31 December 2020 are as follows:

	Oil (mbbl)	Gas (mmcf)
Net proved and probable reserves, beginning of year		
Proven developed reserves	4,210	2,169
Proven undeveloped reserves	1,644	6,806
Probable reserves	6,830	3,066
Total	12,684	12,041
Changed during the year		
Revisions of previous estimates	(822)	(852)
Production	(1,154)	(50)
Total	(1,976)	(902)
Net proved and probable reserves, end of year		
Proven developed reserves	1,875	961
Proven undeveloped reserves	400	6,714
Probable reserves	8,433	3,464
Total	10,708	11,139

The forward strip price as of 31 December 2020 was used when estimating whether reserve quantities are economical to produce. The average prices used for YE2020 were $50.07 - $50.87 per barrel of oil and $5.381 - $5.500 per mcf of gas.