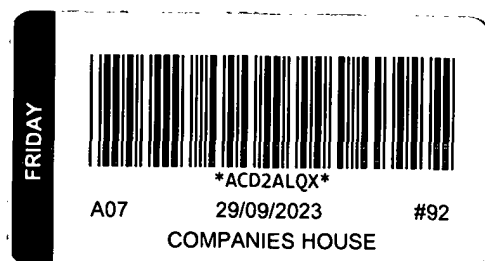


Chrysaor Limited

Registered Company Number 06418649

Annual Report and Financial Statements

31 December 2022



Chrysaor Limited

Index

	Page
Corporate information	2
Strategic report	3
<i>Directors' report</i>	7
Statement of directors' responsibilities	9
Independent auditor's report	10
Income statement and statement of comprehensive income	14
Balance sheet	15
Statement of changes in equity	16
Notes to the financial statements	17

Chrysaor Limited

Corporate information

Directors

Alexander Krane
Howard Landes

Secretary

Harbour Energy Secretaries Limited

Independent auditor

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

Registered office

23 Lower Belgrave Street
London
United Kingdom
SW1W 0NR

Company No. 06418649

Chrysaor Limited

Strategic report

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

Principal activities and review of the business

Chrysaor Limited (the Company) is part of the Harbour Energy group of companies (the Group). The Company's immediate parent company is Chrysaor E&P Limited. The Company's ultimate and controlling parent is Harbour Energy plc.

The Company's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK Continental Shelf. The Group's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK and Norwegian Continental Shelves, Indonesia, Vietnam and Mexico. Further information can be found in Harbour Energy plc's Annual Report and Accounts for the year ended 31 December 2022 (the Group Report).

Business review

The Company has various interests in the Group operated Armada, Everest and Lomond hub fields and the non-operated Erskine tie-back (AELE) and the Group operated J-Area (including the Talbot licence and Dunnottar exploration prospect). The Company also has various non-operated interests in Beryl Area fields. The Company held non-operated interests in the Buzzard, Schiehallion and the Elgin/Franklin and Glenelg fields (including interests in the SEAL and GAEL pipelines) until the third quarter of 2021 when these interests were transferred to Premier Oil UK Limited.

AELE

The Company holds a range of equity interests of between 24-100 percent in the operated AELE hub fields. Production in 2022 benefited from a shorter summer maintenance campaign and improved reliability. Production was also supported by the LAD development well which targeted the East Everest Extension area and was brought on-stream in the first quarter of 2022 helping to partially offset natural decline. 2023 activities include several well intervention scopes and maturation of a potential infill opportunity on North West Seymour.

J-Area

The Company holds a range of equity interests of between 30-35 percent in the Group operated J-Area. J-Area was the Group's second largest producer in 2022 with an increase in production driven by improved operating efficiency and an active drilling and well intervention programme with two rigs running since mid-2021. Highlights include the Jade South exploration well which was brought into production in early 2022 and the Jade-JM and Judy-RD infill wells achieving first gas around year-end. The Talbot development was approved which will comprise a multi-well subsea tie-back to J-Area facilities and is targeting first oil around end 2024. 2023 activities include development drilling at Talbot.

Beryl Area

The Company holds a range of equity interests of between 34-49 per cent in fields in the non-operated Beryl Area. Production was impacted by lower reliability, underperformance from the Storr-2 development well and delays to the Buckland South West well which is expected on-stream in the second quarter of 2023. In 2023, planned drilling comprises platform drilling at Beryl Bravo and Alpha and a development well at Storr.

Chrysaor Limited

Strategic report (continued)

Financial performance and position

The Company's results and financial position during the year were as follows:

Production and revenue

Production for 2022 averaged 49 mboepd compared to 57 mboepd during 2021.

A certain amount of the Company's hydrocarbon production is sold under fixed priced contracts, as described below under derivative financial instruments. The remainder is sold at market values subject to standard quality and basis adjustments.

Total hydrocarbon revenue, including realised hedging losses on commodity derivatives, amounted to \$396.3 million (2021: \$779.4 million). The Company generated revenue from crude oil sales of \$606.3 million (2021: \$741.1 million), gas sales of \$1,371.1 million (2021: \$804.4 million) and condensate sales and liquefied petroleum gas sales of \$91.2 million (2021: \$93.7 million). These revenues were partially offset by realised hedging losses on commodity derivatives of \$1,672.3 million (2021: \$859.8 million).

Tariff income for the year was \$19.6 million (2021: \$14.1 million). Other income of \$7.8 million (2021: \$13.4 million) mainly comprises realised gains on carbon emissions swaps.

Operating profit

An operating profit of \$271.3 million was recognised during the year (2021: loss of \$2,173.1 million).

Cost of sales for the year totalled \$578.1 million (2021: \$903.2 million) which included depreciation charges on property, plant and equipment of \$221.6 million (2021: \$343.7 million) and a credit of \$18.9 million (2021: charge of \$112.1 million) in respect of movements in overlift/underlift balances and hydrocarbon inventories.

The Company expensed \$16.9 million (2021: \$38.6 million) on exploration and appraisal activities, including a write off of \$8.9 million (2021: \$20.0 million) in relation to costs associated with licence relinquishments and uncommercial well evaluations and \$7.6 million (2021: \$14.4 million) related to energy transition, mainly in respect of carbon capture and storage projects.

The Company recognised an impairment reversal on property, plant and equipment of \$85.1 million (2021: \$nil), driven by higher gas price assumptions for UK natural gas. The Company also recognised a credit of \$44.9 million (2021: \$28.5 million) in relation to updates to decommissioning estimates on assets with no remaining net book value.

The Company recognised a gain of \$325.3 million (2021: loss of \$2,055.9 million) in relation to fair value movements in commodity derivatives as a result of changes in future commodity prices.

Remeasurements in 2021 also included a loss of \$9.7 million relating to the release of the future value of a royalty stream arising from the disposal of a pre-production development in 2015, following the termination of the Company's royalty agreement subsequent to the all-share merger with Premier Oil in March 2021.

General and administration expenses for the year amounted to \$12.8 million (2021: \$9.3 million).

Net financing costs

Net financing costs for the year totalled \$105.0 million (2021: \$127.6 million), including intercompany interest expenses of \$52.4 million (2021: \$49.1 million). Also included are bank facility fees of \$11.5 million (2021: \$12.3 million), foreign exchange losses of \$28.0 million (2021: \$42.7 million), the unwinding of discount associated with future decommissioning provisions of \$12.8 million (2021: \$22.9 million) and a lease interest charge of \$0.1 million (2021: \$0.6 million) associated with IFRS 16 lease creditors (see note 12).

Chrysaor Limited

Strategic report (continued)

Taxation

Taxation credit amounted to \$295.8 million (2021: \$1,414.0 million), split between the current tax credit of \$156.0 million (2021: \$40.1 million) and a deferred tax credit of \$139.8 million (2021: \$1,373.9 million).

Profit for the financial year

Profit after tax for the year was \$462.1 million (2021: loss of \$886.7 million).

Capital expenditure

During the year, the Company incurred capital spend of \$6.4 million (2021: \$52.0 million) in relation to exploration and evaluation assets and \$181.4 million (2021: \$230.4 million) in relation to property plant and equipment.

Derivative financial instruments

The Company participates in the Harbour Energy group's hedging arrangements. Fellow subsidiary Chrysaor E&P Finance Limited (CEPFL), on behalf of the Company, enters into a combination of fixed price physical sales contracts and cash-settled financial commodity derivatives to manage the price risk associated with Company's underlying oil and gas revenues, and cash-settled financial carbon swaps to manage the price risk associated with the Company's carbon emissions costs. Consecutive ('back to back') agreements were put in place for the derivative contracts with the Company. The commodity hedging activity ensures that the Company is compliant with the requirements of the Group's Reserve Based Loan (RBL) facility.

At 31 December 2022, the Company's financial hedging programme showed a negative fair value of \$1,608.7 million (2021: \$1,929.7 million). These balances are included within amounts owed to fellow subsidiary undertakings in notes 18 and 19 due to the back to back agreements with CEPFL.

Balance sheet and capital structure

At 31 December 2022, the balance sheet showed net assets of \$648.9 million (2021: \$186.9 million), consisting of non-current assets of \$3,044.3 million (2021: \$2,992.9 million), net current assets of \$517.2 million (2021: \$784.0 million) and non-current liabilities of \$2,912.6 million (2021: \$3,590.0 million).

Total equity balance of \$648.9 million (2021: \$186.9 million) consists of retained earnings of \$654.1 million (2021: \$192.1 million) and a deficit on currency translation reserves of \$5.2 million (2021: deficit \$5.2million).

Insurance

The Company undertakes a significant and appropriate range of insurance programmes to minimise the risk to its operational and investment programmes, which includes business interruption insurance.

Key performance indicators (KPIs)

The Group's activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves. The Company's KPIs are aligned with those of the Group. Further information about KPIs in the context of the Group business can be found in the Group Report and are reflected in the 'Financial performance and position' section above.

Principal risks and uncertainties

The Company is subject to a range of risks and uncertainties which are identified and managed by the Group. Information about risks and uncertainties in the context of the Group business can be found in the strategic report within the Group Report.

Chrysaor Limited

Strategic report (continued)

Section 172 Companies Act 2006

The Group adopted the requirement to include a compliance statement in relation to Section 172 Companies Act 2006. Further information can be found in the strategic report within the Group Report.

Streamlined energy and carbon reporting

The Group adopted the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and has reported all relevant emissions and energy data in relation to Streamlined Energy and Carbon Reporting. Further information can be found in the Group Report and the supplementary ESG Report.

On behalf of the Board

DocuSigned by:
Alexander Krane

CD20FB65420F481...
Alexander Krane (Director)

27 September 2023

Chrysaor Limited

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2022.

Directors

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

Alexander Krane
Howard Landes
Phil Kirk (resigned 28 February 2022)

Secretary

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

Harbour Energy Secretaries Limited (appointed 10 October 2022)
Howard Landes (resigned 10 October 2022)

Results and dividends

The profit for the financial year amounted to \$462.1 million (2021: loss of \$886.7 million). The directors do not recommend the payment of a dividend (2021: \$nil).

Financial instruments

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

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

CEPFL, on behalf of the Company, entered into a combination of fixed price physical sales contracts and cash-settled financial commodity derivatives during the year to manage the price risk associated with Company's underlying oil and gas revenues, and cash-settled financial carbon swaps to manage the price risk associated with the Company's carbon emissions costs. Back to back agreements were put in place for the derivative contracts with the Company. The fair value movements during the year relating to the back to back agreements are disclosed within these financial statements.

Future developments

Future activities will include the continuation of operating and developing the Company's existing licences will look for further transactions to enhance the Company's portfolio and bring added longevity and development opportunities to the Company.

Post balance sheet events

There are no post balance sheet events to report.

Directors' liabilities

The Company has made qualifying third-party indemnity provisions for the benefit of the directors which remain in force at the date of this report.

Chrysaor Limited

Directors' report (continued)

Going concern

The directors have adopted the going concern basis of accounting for the preparation of the financial statements as the Company's ultimate parent company, Harbour Energy plc, has undertaken to directly provide the necessary financial support to the Company, as and when required, to meet all liabilities for a period of 12 months from the date of signing these financial statements. In making their assessment of going concern, the directors have considered the letter of support from Harbour Energy plc and are confident that it has adequate resources to support the Company for 12 months from the date of signing these financial statements.

Disclosure of information to the 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, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the Board

DocuSigned by:

CD20FB85420F461...
Alexander Krane (Director)
27 September 2023

Company Registered No. 06418649

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable UK law and regulations.

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

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

In preparing these financial statements the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSAOR LIMITED

Opinion

We have audited the financial statements of Chrysaor Limited ("the Company") for the year ended 31 December 2022 which comprise the Income statement, Balance sheet, Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining a letter of support from the parent company (Harbour Energy plc) which states that support will be provided to the Company in meeting its liabilities as they fall due for a period of 12 months from when the financial statements are authorised for issue.

To determine whether the parent company (Harbour Energy plc) and its subsidiaries (the 'Group') have the ability to support the Company to continue as a going concern, we reviewed the procedures performed by the Harbour Energy plc group audit team including the reverse stress testing performed. Our review assessed whether Harbour Energy plc had sufficient ability to support the Company should it be required.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSAOR LIMITED (CONTINUED)

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

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSAOR LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 9, 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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, environmental, GDPR and anti-bribery and corruption.
- We understood how Chrysaor Limited is complying with those frameworks by making enquiries of management, legal counsel and the Company Secretary to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this to supporting documentation. We corroborated the results of our enquiries through our review of Board minutes and correspondence received from regulatory bodies and noted there was no contradictory evidence.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSAOR LIMITED (CONTINUED)

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the degree of incentive, opportunity and rationalisation that may exist to perform fraud. Where fraud risks were identified, we applied journal entry selection criteria to identify journals that were considered unusual or indicative of potential fraud before tracing such transactions back to source information to test their validity and appropriateness.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, enquiries of legal counsel, and focused testing, including in respect of management override through manual journals.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://frc.org.co.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.

DocuSigned by:
Ernst & Young LLP
A90CC54BFEE24E4...

Andrew Smyth (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
27 September 2023

Chrysaor Limited

Income statement

For the year ended 31 December

	Note	2022 \$000	2021 \$000
Revenue	3	415,885	793,530
Other income	3	7,758	13,436
Revenue and other income		423,643	806,966
Cost of sales		(578,126)	(903,242)
Gross loss		(154,483)	(96,276)
Exploration & evaluation expenses and new ventures	4	(8,022)	(18,624)
Exploration costs written off	4	(8,900)	(19,973)
Remeasurements	4	325,524	(2,065,916)
Impairment reversal of property, plant and equipment	4	85,124	-
Credit due to revisions to decommissioning estimates	4	44,879	28,494
Provision for onerous service contracts	4	-	8,544
General and administrative costs		(12,830)	(9,332)
Operating profit/(loss)		271,292	(2,173,083)
Finance income	6	83	6
Finance expenses	6	(105,110)	(127,564)
Profit/(loss) before taxation		166,265	(2,300,641)
Tax credit	7	295,786	1,413,987
Profit/(loss) for the financial year		462,051	(886,654)

No other comprehensive income or expense arose during the year ended 31 December 2022 (2021: \$nil).

The notes on pages 17 to 44 form part of these financial statements.

Chrysaor Limited

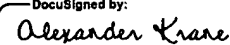
Balance sheet

As at 31 December

		2022 \$000	2021 \$000
	Note		
Non-current assets			
Goodwill	9	413,859	413,859
Exploration and evaluation assets	10	76,806	89,609
Property, plant and equipment	11	896,977	971,073
Right of use asset	12	-	1,413
Other financial assets	14	784,212	784,212
Deferred tax asset	7	872,491	732,736
Total non-current assets		3,044,345	2,992,902
Current assets			
Inventories	13	65,305	96,826
Debtors: amounts falling due within one year	15	2,327,584	2,474,262
Current tax assets		6,854	55,074
Cash and cash equivalents	16	-	3
Total current assets		2,399,743	2,626,165
Total assets		5,444,088	5,619,067
Current liabilities			
Creditors: amounts falling due within one year	18	(1,880,669)	(1,837,811)
Lease creditor	12	-	(3,146)
Provisions for liabilities	20	(1,890)	(1,218)
Total current liabilities		(1,882,559)	(1,842,175)
Non-current liabilities			
Creditors: amounts falling due after more than one year	19	(2,157,310)	(2,672,643)
Provisions for liabilities	20	(755,307)	(917,388)
Total non-current liabilities		(2,912,617)	(3,590,031)
Total liabilities		(4,795,176)	(5,432,206)
Net assets		648,912	186,861
Capital and reserves			
Called up share capital	21	-	-
Currency translation reserve		(5,221)	(5,221)
Retained earnings		654,133	192,082
Total equity		648,912	186,861

The notes on pages 17 to 44 form part of these financial statements.

The financial statements on pages 14 to 44 were approved by the Board of Directors on 27 September 2023 and signed on its behalf by:

DocuSigned by:

 CD20FB85420F461...

Alexander Krane (Director)

27 September 2023

Company Registration No: 06418649

Chrysaor Limited

Statement of changes in equity

For the year ended 31 December

	<i>Called up share capital \$000</i>	<i>Currency translation reserve \$000</i>	<i>Retained earnings \$000</i>	<i>Total equity \$000</i>
At 1 January 2021	-	(5,221)	1,078,736	1,073,515
Loss for the financial year	-	-	(886,654)	(886,654)
At 31 December 2021	-	(5,221)	192,082	186,861
Profit for the financial year	-	-	462,051	462,051
At 31 December 2022	-	(5,221)	654,133	648,912

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022

1. Authorisation of financial statements

The financial statements of the Company for the year ended 31 December 2022 were authorised for issue by the board of directors on 27 September 2023 and the balance sheet was signed on the board's behalf by Alexander Krane.

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom. The Company's principal place of business is London, United Kingdom and its registered office is 23 Lower Belgrave Street, London, SW1W 0NR.

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

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) which have been measured at fair value, and are in accordance with The Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). The financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars (\$000) except when otherwise stated.

The accounting policies which follow, set out those policies which apply in preparing the financial statements for the year ended 31 December 2022 under FRS 101. All accounting policies have been applied consistently, other than where new policies have been adopted. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 *Financial Instruments: Disclosures*
- (b) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1
 - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*; and
 - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*
- (d) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*
- (e) the requirements of IAS 7 *Statement of Cash Flows*
- (f) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- (g) the requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures*;
- (h) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- (i) and the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Going concern

The directors have adopted the going concern basis of accounting for the preparation of the financial statements as the Company's ultimate parent company, Harbour Energy plc, has undertaken to directly provide the necessary financial support to the Company, as and when required, to meet all liabilities for a period of 12 months from the date of signing these financial statements. In making their assessment of going concern, the directors have considered the letter of support from Harbour Energy plc and are confident that it has adequate resources to support the Company for 12 months from the date of signing these financial statements.

Segment reporting

The Company's activities consist of one class of business - the acquisition, exploration, development and production of oil and gas reserves and related activities in a single geographical area, presently being the North Sea.

Joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Exploration and production operations are usually conducted through joint arrangements with other parties. The Group reviews all joint arrangements and classifies them as either joint operations or joint ventures depending on the rights and obligations of each party to the arrangement and whether the arrangement is structured through a separate vehicle. All interests in joint arrangements held by the Group are classified as joint operations.

In relation to its interests in joint operations, the Company recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

Foreign currency translation

The Company's functional currency and presentation currency is US dollars.

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

Acquisition of interests in joint operations (not under common control)

The acquisition of interests in joint operations in which the activity constitutes a business are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of completion of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at acquisition.

The identifiable assets, liabilities and contingent liabilities acquired that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

Notes to the financial statements

For the year ended 31 December 2022 (continued)

- liabilities or equity instruments related to the replacement by the Company of an acquirer's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and discontinued operations are measured in accordance with that Standard.

If the initial accounting for the acquisition is incomplete by the end of the reporting period in which the acquisition occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum of one year.

Acquisition of interests in joint operations (under common control)

Business combinations and the acquisition of interests in joint operations under common control are not included within the scope of IFRS 3 and therefore, the Company has applied what it sees as the most appropriate method of accounting for these transactions. The Company uses the pooling of interests method which involves the following:

- reflects the value of the assets and liabilities of the acquired interests at their carrying amounts on the date of acquisition;
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities at the date of the combination that would otherwise be done under the acquisition method under IFRS 3;
- No 'new' goodwill is recognised as a result of the combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining parties;
- Any difference between the consideration transferred and the acquired net assets is reflected within equity; and
- No restatement of periods prior to the acquisition. The acquiring entity accounts for the combination prospectively from the date on which it occurred.

Goodwill

In the event of a business combination or acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, the acquisition method of accounting is applied. Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment.

Goodwill, as disclosed in note 9, is reviewed for impairment at least annually by assessing the recoverable amount of the cash generating units (CGU's) to which the goodwill relates. Where the carrying amount of the CGU and related goodwill is higher than the recoverable amount of the CGU, an impairment loss is recognised in the income statement. The recoverable amounts of the CGUs have been determined on a fair value less costs to sell basis. Impairment losses relating to goodwill cannot be reversed in future periods. Consistent with the reporting segment, the CGU for the purposes of the goodwill test is the North Sea.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Intangible assets - exploration and evaluation assets

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting having regard to the requirements of IFRS 6 Exploration for an Evaluation of Mineral Resources.

(a) Pre-licence costs

Pre-licencing costs are expensed in the year in which they are incurred.

(b) Licencing and property acquisition costs

Licence and property acquisition costs paid in connection with a right to explore in an existing exploration area are capitalised as exploration and evaluation costs within 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 that recoverable amount. If no future activity is planned or the related licence has been relinquished or has expired, the carrying value of the property acquisition costs is written off through the income statement. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

(c) Exploration and evaluation costs

Once the legal right to explore has been acquired, costs directly associated with the exploration are capitalised as exploration and evaluation intangible non-current assets until the exploration is complete and the results have been evaluated. If no potential commercial resources are discovered, the exploration asset is written off.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the income statement.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties within development and production assets. No amortisation is charged during the exploration and evaluation phase.

(d) Farm-outs in the exploration and evaluation phase

The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Property, plant and equipment - oil and gas development and production assets

Oil and gas development and production assets are accumulated generally on a field-by-field basis. Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells including unsuccessful development or delineation wells, is capitalised as oil and gas properties within development and production assets.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is provided using the unit of production method based on proven and probable reserves. When there is a change in the estimated total recoverable proven and probable reserves of a field, that change is accounted for prospectively in the depreciation charge over the revised remaining proven and probable reserves.

An item of development and production expenditure and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

Impairment of non-current assets (excluding goodwill)

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

Financial instruments

a. Financial assets

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

Financial assets held at amortised cost

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

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

Chrysaor Limited

Notes to the financial statements**For the year ended 31 December 2022 (continued)**

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

Default events could include:

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

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

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

Credit impaired financial assets

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

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

b. Financial liabilities

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

Borrowings and loans

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

c. Derivative financial instruments

Derivative financial instruments are initially recognised and subsequently re-measured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with the Company's risk management policies. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instrument are recognised within the income statement.

d. Fair values

Fair value is defined 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. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows.

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

Equity

Share capital

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

Currency translation reserve

This reserve comprises exchange differences arising on the change of functional currency of the Company.

Inventories

All inventories, except for petroleum products, are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on a first-in, first-out basis. Petroleum products and underlift and overlift positions are measured at net realisable value using an observable year-end oil or gas market price, and are included in inventories, other debtors or creditors respectively.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the lease term or useful life. The Company recognises right-of-use assets and lease liabilities on a gross basis and the recovery of lease costs from joint operations' partners is recorded as other income.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Company assuming leases run to full term. The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

The lease payments are discounted using the Company's incremental borrowing rate of 5.9 percent, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

To determine the incremental borrowing rate, the Company where possible:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, for example term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the income statement.

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full when the related facilities are installed. The amount provided is the present value of the estimated future restoration cost. A non-current asset is also recognised. Any changes to estimated costs or discount rates are dealt with prospectively.

Taxes

i. Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

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

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

ii. Deferred tax

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

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised.
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised, or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of the deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Company reassesses any unrecognised deferred tax assets each year taking into account changes in oil and gas prices, the Company's proved and probable reserves and resources profile and forecast capital and operating expenditures.
- Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to be offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Company to make a single net payment.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Company satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Revenue associated with the sale of crude oil, natural gas, and natural gas liquids is measured based on the consideration specified in contracts with customers with reference to quoted market prices in active markets, adjusted according to specific terms and conditions as applicable according to the sales contracts. The transfer of control of oil, natural gas, natural gas liquids and other items sold by the Company occurs when title passes at the point the customer takes physical delivery. The Company principally satisfies its performance obligations at this point in time.

Over/underlift

Differences between the production sold and the Company's share of production result in an overlift or an underlift. Overlift and underlift are valued at net realisable value using an observable year-end oil or gas market price and included within payables or receivables respectively. Movements during the accounting period are recognised within cost of sales in the income statement such that gross profit is recognised on an entitlement basis.

Interest income

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

New accounting standards and interpretations

The Company has assessed the requirements of new accounting standards and other amendments and interpretations which apply for the first time in 2022, none of which have significantly impacted upon the financial statements of the Company.

Accounting standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1, 'Presentation of financial statements' - classification of liabilities as current or non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The Company will consider if its liabilities are either current or non-current when the standard is effective from 1 January 2023.

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the International Accounting Standards Board issued Definition of Accounting Estimates, which amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies, with the distinction important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In February 2021, the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

On 7 May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

The amendments listed above are not expected to have a material impact on the Company.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Critical accounting judgements and estimates

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

In particular the Company has identified the following areas where significant judgement, estimates and assumptions are required.

Critical accounting judgements

- carrying value of intangible exploration and evaluation assets, in relation to whether commercial determination of an exploration prospect had been reached;
- carrying value of property, plant and equipment regarding assessing assets for indicators of impairment;
- carrying value of goodwill regarding assessing for indicators of impairment;
- decommissioning costs, including the timing of when decommissioning would occur;
- tax and recognition of deferred tax assets, relating to the extent to which future taxable profits are included in the assessment of recoverability; and
- the impact of climate change

Key sources of estimation uncertainty

- *Recoverability of exploration and evaluation assets*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. 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 income statement in the period when the new information becomes available.

- *Recoverability of oil and gas assets*

The Company assesses each asset or cash generating unit each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value-in-use. The assessments of fair value less cost of disposal requires the use of estimates and assumptions on uncontrollable parameters such as long-term commodity prices (considering current and historical prices, price trends and related factors), foreign exchange rates and discount rates.

The Company's estimate of recoverable value of assets is sensitive to commodity prices and discount rate. A change in the long-term price assumptions of 10 percent and an increase in the discount rate of 1 percent are considered to be reasonably possible for the purposes of sensitivity analysis, the results of which can be found in note 11.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

- *Recoverability of goodwill*

The Company tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in the income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

The recoverable amount of goodwill is based on estimates and assumptions, regarding in particular the expected market outlook (including future commodity prices) used for the measurement of cash flows, estimates of the volume of commercially recoverable reserves and resources of oil and gas, future production rates and costs to develop reserves and resources, and the determination of the discount rate. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in adjustments to any impairment losses to be recognised. See note 9 for further information.

- *Decommissioning costs*

Decommissioning costs will be incurred by the Company at the end of the operating life of some of the Company's facilities and properties. The Company assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including the expected timing, extent and amount of expenditure. On the basis that all other assumptions in the calculation remain the same, a 10 per cent increase in the cost estimates, and a 10 per cent decrease in the discount rates used to assess the final decommissioning obligation, would result in increases to the decommissioning provision of approximately \$130 million and \$34 million respectively. This change would be principally offset by a change to the value of the associated asset.

- *Recovery of deferred tax assets*

The recognition of deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods. Assumptions about the generation of future taxable income are based on forecasted cash flows from operations and judgement about the application of existing tax laws. Judgement is required to determine whether deferred tax assets are recognised in the balance sheet.

- *Climate change*

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

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

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

Chrysaor Limited

Notes to the financial statements**For the year ended 31 December 2022 (continued)***Property, plant and equipment - depreciation and expected useful lives*

The energy transition has the potential to reduce the expected useful lives of assets and consequently accelerate depreciation charges. No changes have been identified or recognised to date.

Intangible assets - exploration and evaluation assets

The energy transition has the potential to affect the future development or viability of exploration and evaluation prospects. The Company's exploration and evaluation assets relates to prospects that could be tied back to existing infrastructure and hence require less capital investment and are less exposed to the impacts of the energy transition compared to large frontier developments. At each balance sheet date, all exploration and evaluation prospects are reviewed against the Group's financial framework to ensure that the continuation of activities is planned and expected. The Company recognises that there may be potential financial implications in the future from climate change risk.

The Company expects that climate change policies, legislation and regulation will increase, and likely on accelerating timelines in order to meet the Government targets which, although will result in intended benefits, is likely to increase associated costs and administration requirements as well as potentially limiting the investment capital available to the industry. These in due course may well have an impact across a number of areas of accounting including impairment, fair values, increased costs, onerous contracts and contingent liabilities. However as at the balance sheet date the Company believes there is no material impact on balance sheet carrying values of assets or liabilities. Although this is an estimate, it is not considered a critical estimate, as management's view is that at the end of the current reporting period there is no significant risk of climate change resulting in a material adjustment to the carrying amounts of assets and liabilities, within the next financial year.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

3. Revenue

Revenue, which excludes value added tax, represents amounts receivable for sales of hydrocarbons and tariff income as follows:

	2022 \$000	2021 \$000
Crude oil sales	606,276	741,107
Gas sales	1,371,083	804,354
Condensate and liquefied petroleum gas sales	91,211	93,731
	2,068,570	1,639,192
Realised hedging losses on commodity derivatives	(1,672,274)	(859,764)
Hydrocarbon revenue after realised hedging losses	396,296	779,428
Tariff income	19,589	14,102
Total revenue from production activities	415,885	793,530
Other income	7,758	13,436
	423,643	806,966

Revenues of \$2,088.2 million (2021: \$1,653.3 million) were from contracts with customers. Approximately 98 per cent (2021: 97 per cent) of the revenues were attributable to energy trading companies of the Shell group.

Other income includes realised gains on carbon emissions swaps of \$7.6 million (2021: \$13.0 million).

4. Operating profit/(loss)

This is stated after charging/(crediting):

	2022 \$000	2021 \$000
Depreciation of property, plant and equipment (note 11)	221,613	343,700
Impairment reversal of property, plant and equipment (note 11)	(85,124)	-
Credit due to due to revisions to decommissioning estimates (note 11)	(44,879)	(28,494)
Movement in over/under-lift balances and hydrocarbon inventories	(18,916)	112,083
Exploration & evaluation and new ventures expenditure	8,022	18,624
Exploration costs written off (note 10)	8,900	19,973
Provision for onerous service contracts	-	(8,544)
Remeasurement of derivatives	(325,288)	2,055,901
Remeasurement of royalty valuation	-	9,720
Remeasurement (gain)/loss on lease (note 12)	(236)	295

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Operating profit/(loss) (continued)

For the year ended 31 December 2022, the auditor's remuneration of \$0.2 million (2021: \$0.2 million) was borne by another group company and was not recharged to the Company.

Any fees paid to the Company's auditors for services other than the statutory audit of the Company are disclosed on a consolidated basis in the Group financial statements of the Company's ultimate parent, Harbour Energy plc.

Exploration and evaluation and new ventures expenditure of \$8.0 million (2021: \$18.6 million) includes \$7.6 million (2021: \$14.4 million) of early project costs incurred in respect of the Company's interest in Carbon Capture and Storage (CCS) and Energy Transition projects.

In 2021, the Company released an \$8.5 million onerous-contract provision initially recognised in 2020 at \$18.5 million, for long-term standby costs on the rig which had been operating within the Schiehallion field, following the transfer of the Schiehallion asset to fellow subsidiary Premier Oil UK Ltd on 1 July 2021.

During the year, CEPFL, on behalf of the Company, entered into a combination of fixed price physical sales contracts and cash-settled financial commodity derivatives to manage the price risk associated with the Company's underlying oil and gas revenues, and cash-settled financial carbon swaps to manage the price risk associated with the Company's carbon emissions costs. Back to back agreements were put in place for the derivative contracts with the Company. The Company incurred a profit of \$325.3 million (2021: loss of \$2,055.9 million) due to the fair value movement on these back to back derivatives. An amount of \$570.4 million (2021: payable \$735.2 million) is included as a payable within amounts owed to fellow subsidiary undertakings in more than one year (note 19) and \$1,038.3 million (2021: payable \$1,194.5 million) is included as a payable within amounts owed to fellow subsidiary undertakings in less than one year (note 18).

5. Staff costs and directors' remuneration

The Company had no employees during the year (2021: nil). All contracts of employment are held with other group companies.

The directors received no remuneration for their services to the Company in the current or preceding year. All directors' contracts of employment are held with other group companies. The Company's directors believe that it is not practicable to apportion their remuneration between qualifying services for the Company and other group companies in which they hold office.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

6. Finance income and finance expenses

	2022 \$000	2021 \$000
Finance income		
Other interest receivable	83	6
	<u>83</u>	<u>6</u>
Finance expenses		
Intercompany interest expense on bank loans	(40,491)	(43,844)
Intercompany interest on other loans	(11,881)	(5,306)
Bank and financing fees	(11,488)	(12,266)
Unwinding of discount on decommissioning provisions (note 20)	(12,845)	(22,878)
Other interest payable	(287)	(51)
Lease interest payable	(108)	(552)
Foreign exchange loss	(28,010)	(42,667)
	<u>(105,110)</u>	<u>(127,564)</u>
Net finance expenses	<u>(105,027)</u>	<u>(127,558)</u>

The intercompany interest expense on bank loans relates to the pass through of the interest charged on the Reserves Based Loan (RBL) from fellow subsidiary CEPFL.

Intercompany interest on other loans represents interest passed through from CEPFL which arose from the financing arrangement entered into during 2018 on behalf of the Company (see note 19).

Bank and financing fees include an amount of \$6.4 million (2021: \$6.7 million) relating to the amortisation of transaction costs capitalised against long-term borrowings which has been passed through to the Company along with the borrowings as part of the intercompany loan with CEPFL.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

7. Tax credit

(a) Tax credit in the income statement

The major components of the tax credit for the years ended 31 December 2022 and 2021 are:

	2022 \$000	2021 \$000
Current income tax:		
UK corporation tax	(90,627)	(35,805)
Energy Profits Levy	(57,930)	-
Amounts over provided in previous year	(7,474)	(4,307)
Total current income tax credit	<u>(156,031)</u>	<u>(40,112)</u>
Deferred tax:		
Origination and reversal of temporary differences	236,600	(1,378,233)
Energy Profits Levy	(369,889)	-
Amounts (over)/under provided in previous year	(6,466)	4,358
Total deferred tax credit	<u>(139,755)</u>	<u>(1,373,875)</u>
Tax credit in the income statement	<u>(295,786)</u>	<u>(1,413,987)</u>

(b) Reconciliation of the total tax credit

Reconciliation between tax credit and the profit/(loss) before taxation multiplied by the UK standard rate of corporation tax for UK ring-fence companies is as follows:

	2022 \$000	2021 \$000
Profit/(loss) before taxation	<u>166,265</u>	<u>(2,300,641)</u>
Tax calculated at UK standard rate of corporation tax for UK ring-fence companies of 55% (2021: 40%)	91,446	(920,256)
Effects of:		
Items not allowable for tax purposes	1,584	8,605
Adjustments recognised for current tax of prior periods	(13,940)	51
Interest not deductible for supplementary charge and Energy Profits Levy	15,780	6,196
Investment allowance for supplementary charge	(11,460)	(13,201)
Investment allowance for Energy Profits Levy	(22,542)	-
Items no allowable/not taxable for Energy Profits Levy	4	-
Deferred Energy Profits Levy	(369,889)	-
Movement in unrecognised deferred tax assets	(12)	1,687
Impact of different tax rates	13,242	1,864
Release of deferred tax on asset transfers	-	(498,927)
Other	1	(6)
Tax credit reported in the income statement	<u>(295,786)</u>	<u>(1,413,987)</u>

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Tax credit (continued)

The tax credit reconciliation has been prepared based on the statutory rate of taxation applying to UK oil and gas production. UK oil and gas production is taxed at a rate of 30% (2021: 30%), supplementary charge of 10% (2021: 10%) and with effect from 26 May 2022, the Energy Profits Levy (EPL) of 25% to give an overall tax rate of 65% (2021: 40%). As the EPL was introduced part way through the financial year a blended average rate of 55% has been applied.

(c) Deferred tax included in the balance sheet is as follows:

	<i>Accelerated capital allowances</i> \$000	<i>Decommissioning</i> \$000	<i>Investment allowance</i> \$000	<i>Fair value derivatives</i> \$000	<i>Total</i> \$000
As at 1 January 2021	(1,249,966)	671,983	-	(63,156)	(641,139)
Deferred tax credit/(expense)	832,481	(308,428)	13,201	836,621	1,373,875
At 31 December 2021	(417,485)	363,555	13,201	773,465	732,736
Deferred tax credit/(expense)	(246,308)	(60,676)	13,696	433,043	139,755
At 31 December 2022	(663,793)	302,879	26,897	1,206,508	872,491

Deferred tax assets are recognised to the extent that the future benefit from the underlying tax losses carried forward is probable. Relevant tax law is considered as to the availability of the tax losses to offset future income. To determine the future taxable income from which the losses may be deducted, reference was made to the profit forecasts for the Group as at 31 December 2022. These profit forecasts showed sufficient future taxable income to recognise the deferred tax asset.

The deferred tax liability recognised is fully offset by the deferred tax asset, resulting in an overall net deferred tax asset.

The Company has non-trading tax losses of \$5.4 million (2021: \$14.3 million) for which no deferred tax asset is recognised due to the uncertainty of recovery in the foreseeable future.

Changes in tax rate

The Energy Profits Levy (EPL) was introduced in the Energy (Oil and Gas) Profits Levy Bill on 5 July 2022 and is effective from 26 May 2022. The EPL is an additional 25 percent tax on UK oil and gas profits, on top of the existing 40 percent headline rate, thereby taking the combined rate of tax for ring fence companies to 65 percent. The EPL will increase to 35 percent from 1 January 2023, bringing the headline rate of tax for ring fence companies to 75 percent. The increase in rate was substantively enacted on 30 November 2022. The EPL at the 35 per cent rate will be in place until 31 March 2028.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Tax credit (continued)

On 9 June 2023, the UK government proposed the introduction of the Energy Security Investment Mechanism (ESIM) which would end the imposition of EPL earlier than 31 March 2028 where certain conditions are met. Under the proposed ESIM, if both average oil and gas prices fall to, or below, \$71.40 per barrel for oil and £0.54 per therm for gas, for two consecutive quarters, then EPL will be repealed and the headline tax rate on UK oil and gas profits will return to 40%. The measure is not expected to be legislated for in the short-term and prices are not expected to fall to, or below, the quoted triggers before the existing EPL end date of 31 March 2028. The change as currently proposed is therefore not expected to have a material impact on the Company.

Legislation was introduced in Finance Act 2021 to increase the main rate of UK corporation for non-ring fence profits from 19% to 25% from 1 April 2023. This change does not have a material impact on the Company as the Company's profits are primarily subject to the UK ring fence tax rate.

Uncertain tax positions

Following the end of the current accounting period, an uncertain tax position has been identified which could materially impact the corporate income tax treatment of a portion of the Company's realised hedging gains and losses across reporting periods ended 31 December 2020 to 31 December 2022. On the strength of independent advice, management considers that no provision is required however a contingent liability exists as the UK Tax Authorities could take an alternative view resulting in a future outflow. At this early stage, due to the complexities inherent in the underlying data and related analysis, the potential financial effect, if any, has not been quantified. Management intends to discuss the position with the UK Tax Authorities, and for the issue to be either quantified or resolved by the end of the next accounting period.

8. Disposals of interests in joint arrangements under common control

On 1 July 2021, the Company transferred its non-operated interests in the Buzzard and Schiehallion fields to Premier Oil UK Limited and on 3 August 2021, the Company transferred its non-operated interests in the Elgin/Franklin and Glenelg fields (including interests in the SEAL and GAEL pipelines) to Premier Oil UK Limited. The total consideration of \$1,237.7 million was equal to the carrying value of the identifiable net assets transferred to Premier Oil UK Limited and therefore no gain or loss arose on these disposals. The consideration of \$1,237.7 million remains outstanding on the intercompany account between the Company and Premier Oil UK Limited at 31 December 2022 (note 15).

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

9. Goodwill

\$000

At 31 December 2021 and 31 December 2022

413,859

Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets.

The goodwill balance arose primarily during 2017 on the acquisition of the UK North Sea assets from Shell which completed on 1 November 2017. On 1 June 2018, the Company acquired equity in the Armada, Maria and Seymour fields from Spirit Energy and as a result, \$2.9 million of goodwill was recognised. During 2018, the Company agreed the final completion statement with Shell which reduced goodwill by \$10.3 million.

Goodwill acquired through acquisitions of interests in joint arrangements has been allocated to a single cash generating unit (CGU), the North Sea, and this is therefore the lowest level at which goodwill is reviewed for impairment.

Impairment testing of goodwill

In accordance with 'IAS 36: Impairment of Assets', goodwill has been reviewed for impairment at the year-end. In assessing whether goodwill has been impaired, the carrying amount of the CGU for goodwill is compared with its recoverable amount.

The Company tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. At the year end the Company tested for impairment in accordance with accounting policy and no impairment was identified.

Determining recoverable amount

The recoverable amounts of the CGU and fields have been determined on a fair value less costs to sell basis. The key assumptions used in determining the fair value are often subjective, such as the future long-term oil price assumption, or the operational performance of the assets. Discounted cash flow models comprising asset-by-asset life of field projections using Level 3 inputs (based on IFRS 13 fair value hierarchy) have been used to determine the recoverable amounts. The cash flows have been modelled on a post-tax and post-decommissioning basis at the Group's post-tax nominal discount rate of 8.5 per cent (2021: 8.0 per cent). Risks specific to assets within the CGU are reflected within the cash flow forecasts.

Key assumptions used in calculations

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. The first three years reflect the market forward price curves transitioning to a flat long-term price from 2026. The long-term commodity prices used were \$65 per barrel for crude and 65p per therm for gas, which are inflated at 2.5 per cent per annum from 1 January 2026.

Production volumes are based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Company's oil and gas assets. The Company estimates its reserves using standard recognised evaluation techniques and is assessed at least annually by management and by an independent consultant. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Goodwill (continued)

Operating expenditure, capital expenditure and decommissioning costs, which have been inflated at 2.5 per cent per annum from 1 January 2026, are derived from the Group's Business Plan.

The discount rate reflects management's estimate of the Group's Weighted Average Cost of Capital (WACC), considering both debt and equity. The cost of equity is derived from an expected return on investment by the Group's investors, and the cost of debt is based on its interest-bearing borrowings. Segment risk is incorporated by applying a beta factor based on publicly available market data. The discount rate is based on an assessment of a relevant peer group's post-tax WACC.

Foreign exchange rates are based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

Sensitivity to changes in assumptions used in calculations

The Company has run sensitivities on its long-term commodity price assumptions, which have been based on long-range forecasts from external financial analysts, using alternate long-term price assumptions, and discount rates. These are considered to be reasonably possible changes for the purposes of sensitivity analysis. No impairment arose on the Company's goodwill under any of the sensitivity scenarios.

10. Exploration and evaluation assets

	<i>Exploration & evaluation assets \$000</i>
At 1 January 2022	89,609
Additions	6,352
Transfers to property, plant and equipment	(14,145)
Increase in decommissioning asset	3,890
Amounts written-off	(8,900)
At 31 December 2022	<u>76,806</u>

Transfers to property, plant and equipment relate to the Talbot licence. The Talbot development, which will comprise a multi-well subsea tie-back to J-Area facilities, was approved in late 2022.

Amounts written-off mainly relates to costs associated with licence relinquishments and uncommercial well evaluations.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

11. Property, plant and equipment

	<i>Oil & gas development & production assets \$000</i>
Cost:	
At 1 January 2022	2,396,776
Additions	181,500
Transfer from exploration and evaluation assets	14,145
Decrease in decommissioning asset	(178,131)
At 31 December 2022	<u>2,414,290</u>
Accumulated depreciation:	
At 1 January 2022	1,425,703
Charge for the year	221,613
Impairment credit due to revisions to decommissioning estimates	(44,879)
Impairment reversal	(85,124)
At 31 December 2022	<u>1,517,313</u>
Net book value:	
At 31 December 2022	<u>896,977</u>
At 31 December 2021	<u>971,073</u>

A decrease of \$178.1 million to decommissioning assets was recognised in the year, comprising a \$20.0 million increase in respect of new decommissioning liabilities, offset by a \$198.1 million reduction as a result of an update to decommissioning estimates (note 20). The decrease in the decommissioning assets for assets with no remaining book value of \$44.9 million has been recorded as an immediate credit in the income statement.

The impairment reversal was driven by a higher forward curve and long-term price assumption for gas resulting in a reversal of \$85.1 million, covering one of the Company's cash generating units. The impairment reversal has been recorded as a credit in the income statement.

No impairment charge was recognised during the year (2021: \$nil). For key assumptions used in impairment calculations see note 9. A reduction in the long-term oil and gas prices of 10 per cent and a 1 per cent increase in the post-tax discount rate are considered to be reasonably possible changes for the purpose of sensitivity analysis. Neither decreases to the long-term oil and gas prices specified in note 9 or an increase in the discount rate of 1 per cent would result in an impairment charge.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

12. Right of use assets*(i) This note provides information for leases where the Company is a lessee.*

Right of use assets	2022	2021
	\$000	\$000
Land and buildings	-	1,413
Lease liabilities	2022	2021
	\$000	\$000
Current	-	3,146
Non-Current	-	-
	-	3,146

There were no additions to right of use assets during the year (2021: \$nil).

During the year, an early termination of the lease was exercised, resulting in the release of the lease liability and the right of use asset. A gain on termination of \$0.2 million was recognised within the income statement.

*(ii) The income statement includes the following amounts relating to leases:***Depreciation charge of right of use assets**

	2022	2021
	\$000	\$000
Land and buildings	1,406	1,371
	2022	2021
	\$000	\$000
Lease interest (included in finance expenses - note 6)	108	552

The total cash outflow for leases in 2022 was \$2.7 million (2021: \$2.0 million).

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

13. Inventories

	2022	2021
	\$000	\$000
Hydrocarbons	20,968	43,596
Consumables and subsea supplies	44,337	53,230
	<u>65,305</u>	<u>96,826</u>

Hydrocarbon inventories are measured at net realisable value using an observable year-end oil or gas market price. Inventories of consumables and subsea supplies include a provision of \$5.6 million (2021: \$4.0 million) where it is considered that the net realisable value is lower than the original cost.

Inventories recognised as an expense during the year ended 31 December 2022 amounted to \$5.3 million (2021: credit of \$3.2 million).

14. Other financial assets

	2022	2021
	\$000	\$000
Loans to immediate parent undertaking	<u>784,212</u>	<u>784,212</u>

All group loans are unsecured, interest free and repayable on demand. The Company has confirmed that it will not seek repayment of these group loans until at least 12 months from the date of approval of these financial statements and so the loans have been classified as long term. As at 31 December 2022, no ECLs have been recognised relating to amounts owed by group undertakings (2021: \$nil).

15. Debtors: amounts falling due within one year

	2022	2021
	\$000	\$000
Trade debtors	58,824	53,982
Under-lift position	33,298	7,378
Amounts owed by fellow subsidiaries	1,898,977	2,218,684
Loan amounts owed by fellow subsidiaries	11,508	12,886
Amounts owed by intermediate parent undertaking	475	472
Amounts due by fellow subsidiaries in respect of taxation	158,414	1,834
Other debtors	2,448	4,408
Prepayments and accrued income	163,640	174,618
	<u>2,327,584</u>	<u>2,474,262</u>

Trade receivables are non-interest bearing and are generally on 20 to 30 days' terms. As at 31 December 2022, no ECLs have been recognised relating to any trade or intercompany receivable balance (2021: \$nil). All amounts owed by parent and subsidiary undertakings are unsecured, interest free and are repayable on demand.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

16. Cash and cash equivalents

	2022	2021
	\$000	\$000
Cash at bank and in hand	-	3

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Company only deposits cash with major banks of high-quality credit standing.

17. Commitments*Capital commitments*

As at 31 December 2022, the Company had placed contracts for capital expenditure amounting to \$87.1 million (2021: \$83.4 million). Where the commitment relates to a joint arrangement, the amount represents the Company's net share of the commitment. Where the Company is not the operator of the joint arrangement then the amounts are based on the Company's net share of committed future work programmes.

18. Creditors: amounts falling due within one year

	2022	2021
	\$000	\$000
Trade creditors	6,148	6,400
Over-lift position	27,857	43,480
Amounts owed to fellow subsidiaries	1,401,213	1,346,936
Amounts owed to immediate parent undertaking	263,516	261,817
Amounts owed to intermediate parent undertaking in respect of taxation	3,366	3,366
Amounts owed to fellow subsidiaries in respect of taxation	8,104	28,355
Other creditors	1,434	4,519
Accruals and deferred income	169,031	142,938
	<u>1,880,669</u>	<u>1,837,811</u>

Included in amounts owed to fellow subsidiaries is the short-term element of a loan balance of \$5.5 million (2021: \$5.8 million) in respect of a financing agreement between CEPFL and BHGE which has been passed through to the Company (see note 19 for further details).

The remaining intercompany balances due to group undertakings which are unsecured, interest free and are repayable on demand.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

19. Creditors: amounts falling due after more than one year

	2022	2021
	\$000	\$000
Loans owed to fellow subsidiary undertakings	701,738	1,052,225
Loans owed to intermediate parent undertaking	885,193	885,193
Amounts owed to fellow subsidiary undertakings	570,379	735,225
	<u>2,157,310</u>	<u>2,672,643</u>

Group borrowings passed through to the Company

Included in loans owed to fellow subsidiary undertakings is a loan of \$291.2 million (2021: \$645.1 million), net of arrangement fees and related costs of \$8.8 million (2021: \$15.1 million), in relation to the long-term repayable element of the senior debt. This amount was drawn at group level to fund the acquisition of the UK North Sea Assets from Shell and to part fund subsequent asset related capital programmes. The terms secured at group level have been passed down to the Company.

The loan at the balance sheet date, excluding arrangement fees and related costs, of \$300.0 million (2021: \$660.2 million), carries interest at USD LIBOR plus a margin of 3.21 per cent, rising to a margin of 3.5 per cent from November 2025. Certain fees are also payable including fees on available commitments at 40% of the applicable margin and commission on letters of credit issued at 50% of the applicable margin. This loan was repaid in March 2023, however, the commitment fees and commission on letters of credit continue to be payable for the remaining duration of the RBL facility.

In addition, loans owed to fellow subsidiary undertakings include a \$400.0 million loan (2021: \$400.0 million), passed down to the Company by fellow subsidiary CEPFL, also to part fund the acquisition of the UK North Sea Assets from Shell which carries an interest rate of 5.5% at the balance sheet date.

Also included in loans owed to fellow subsidiary undertakings is \$10.5 million (2021: \$7.1 million) which represents the long-term payable balance in respect of a financing agreement between CEPFL with BHGE that covered a three year work programme for drilling, completion and subsea tie-in of development wells on Harbour's operated assets. The loan will be repaid based on production performance, subject to a cap in addition to three annual instalments commencing on 1 December 2024, if required.

All these borrowings have been passed through to the Company on terms matching external borrowing rates.

Other intercompany balances

The remaining balance included in the table above relates to loans owed to the Company's intermediate parent undertaking and balances due to fellow subsidiary undertakings which are unsecured, interest free and are repayable on demand. All companies have confirmed that they will not seek repayment of these group loans until at least 12 months from the date of the approval of these financial statements, therefore the balances have been classified as long term.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

20. Provisions

	<i>Decommissioning provision \$000</i>
At 1 January 2022	918,606
New obligations - increase oil and gas tangible decommissioning asset	19,950
Change in estimate - decrease oil and gas tangible decommissioning asset	(153,202)
Change in estimate - oil and gas tangible assets credit to income statement	(44,879)
Change in estimate - increase oil and gas intangible decommissioning asset	3,890
Utilisation of provision	(13)
Unwinding of discount	12,845
At 31 December 2022	<u>757,197</u>

Classified within:

	<i>Non-current liabilities \$000</i>	<i>Current liabilities \$000</i>	<i>Total \$000</i>
At 31 December 2022	<u>755,307</u>	<u>1,890</u>	<u>757,197</u>
At 31 December 2021	<u>917,388</u>	<u>1,218</u>	<u>918,606</u>

The Company provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. The Company currently expects to incur decommissioning costs over the next 30 years, the majority of which are anticipated to be incurred between the next 10 to 20 years. Decommissioning provisions are discounted at a risk-free rate of 3.6 per cent (2021: between 0.7 and 1.8 per cent) and the unwinding of the discount is presented within finance costs (note 6).

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time.

In addition, the timing of decommissioning liabilities will depend upon the dates when the fields become economically unviable, which in itself will depend upon future commodity prices, which are inherently uncertain.

Chrysaor Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

21. Called up share capital

	2022	2021	2022	2021
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>No.</i>	<i>\$000</i>	<i>\$000</i>
Ordinary shares of £1 each	1	1	-	-

There was no issuance of ordinary or preference shares in 2022 or 2021.

22. Post balance sheet events

There are no post balance sheet events to report.

23. Related party disclosure

In accordance with FRS101.8 (k), the Company is exempt from the requirement to disclose group related party transactions since the Company is 100 per cent controlled within the Group and the Group's financial statements of the Company's ultimate parent undertaking at 31 December 2022, Harbour Energy plc, are publicly available from Companies House.

24. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Chrysaor E&P Limited. The ultimate and controlling parent is Harbour Energy plc, a company incorporated in Great Britain and registered in Scotland.

Harbour Energy plc is the parent undertaking of the largest and the smallest group of which the Company is a member and for which group financial statements are prepared. Copies of these financial statements are available upon request from Harbour Energy plc, 23 Lower Belgrave Street, London, SW1W 0NR.