

## **Chrysaor E&P Limited**

Registered Company No. 10871880

### **Annual Report and Financial Statements**

31 December 2020



## Chrysaor E&P Limited

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## Chrysaor E&P Limited

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### Corporate information

**Directors**

Phil Kirk  
Andrew Osborne

**Secretary**

Howard Landes

**Independent Auditors**

PricewaterhouseCoopers LLP  
The Capitol  
431 Union Street  
Aberdeen  
AB11 6DA

**Registered Office**

Brettenham House  
Lancaster Place  
London  
United Kingdom  
WC2E 7EN

Company No. 10871880

## Chrysaor E&P Limited

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# Strategic Report

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

### Principal Activities and Review of the Business

Chrysaor E&P Limited (the Company) acts as an intermediate non-trading holding company and for the year ended 31 December 2020, was part of the Chrysaor group of companies (the Group).

As at 31 December 2020, the Company's immediate and ultimate parent company was Chrysaor Holdings Limited (CHL).

The Group's principal activity is the acquisition, exploration, development and production of oil and gas reserves on the UK Continental Shelf. Further information can be found in CHL's consolidated annual report and accounts for the year ended 31 December 2020 (the Group Report).

On 31 March 2021, the Group completed the all-share merger with Premier Oil plc forming the largest independent oil and gas company listed on the London Stock Exchange. Following completion of the transaction, the Company's ultimate and controlling parent is Harbour Energy plc.

In May 2021, the Company received \$40 million from ConocoPhillips in relation to an adjustment to consideration relating to Chrysaor's purchase of the ConocoPhillips UK business in 2019.

### Financial Performance and Position

The Company incurred a loss for the year after taxation of \$730.5 million (2019: \$63.3 million) which arose primarily as a result of an impairment of its investment in subsidiary undertakings following a change in management's commodity price assumptions during the year, rather than a fundamental change in the nature of the producing assets.

At 31 December 2020, the company had a shareholders' deficit of \$794.7 million (2019: \$64.2 million). The Company has obtained confirmation from CHL that it intends to continue to provide adequate financial support to enable the Company to meet its third-party obligations for at least one year from the date of approval of these financial statements.

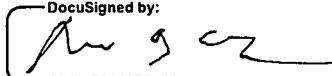
### Key Performance Indicators (KPIs)

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.

### Principal Risks and Uncertainties

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

On behalf of the Board

DocuSigned by:  
  
C75917B668F745D  
Andrew Osborne (Director)

31 August 2021

## Chrysaor E&P Limited

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### Directors' Report

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

#### Directors

The directors who served the Company during the year and up to the date of the financial statements were as follows:

Phil Kirk  
Andrew Osborne

#### Secretary

Howard Landes served as company secretary during the year and up to the date of signing of the financial statements.

#### Results and Dividends

The loss for the year after taxation was \$730.5 million (2019: \$63.3 million). The directors do not recommend the payment of a dividend (2019: \$nil).

#### Financial Instruments

The Company finances its activities with a combination of cash and loans from its subsidiary undertakings and its parent, CHL. The Company also has other intercompany balances on its balance sheet.

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

#### Future Developments

It is expected the Company will remain an intermediate holding company for the foreseeable future.

#### Post Balance Sheet Events

On 31 March 2021, the Group completed the all-share merger with Premier Oil plc forming the largest independent oil and gas company listed on the London Stock Exchange.

#### Directors' Liabilities

At the date of signing these financial statements, the Company does not have any indemnity provisions to or in favour of one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

## Chrysaor E&P Limited

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### Directors' Report (continued)

#### Going Concern

At 31 December 2020, the Company had net current liabilities of \$1,025.9 million. 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 at least 12 months from the date of signing these financial statements.

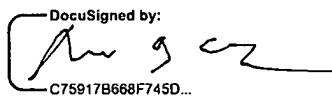
#### Disclosure of Information to the Auditors

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 auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the company's auditors, 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 auditors are aware of that information.

#### Independent Auditors

PricewaterhouseCoopers LLP will resign as independent auditors after the approval of the 2020 financial statements and a resolution to appoint Ernst & Young LLP as independent auditors will be put to the members.

On behalf of the Board

DocuSigned by:  
  
C75917B668F745D...

Andrew Osborne (Director)

31 August 2021

## Chrysaor E&P Limited

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### Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# Independent auditors' report to the members of Chrysaor E&P Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Chrysaor E&P Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2020; Income Statement and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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



## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

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

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

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Enquiries made of the Board of Directors, certain key management personnel, internal audit, the Health, Safety, Environment, & Quality team and in-house legal team of their awareness of any instances of actual or potential litigation and claims.
- Enquiries made of the tax team to identify any instances of non-compliance with laws and regulations.
- Review of minutes of meetings of the Board of Directors.
- Review of financial statement disclosures and testing to supporting documentation where applicable, to assess compliance with applicable laws and regulations.
- Identifying and testing journal entries with specific focus on entries within unusual account combinations in response to the risk of management override.

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

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

#### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Kevin Reynard (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen  
31 August 2021

## Chrysaor E&amp;P Limited

**Income Statement**

For the year ended 31 December

		2020	2019
	Note	\$000	\$000
Remeasurements	3	(427)	-
Impairment of investments	7	(659,613)	-
General and administrative costs		<u>(6,766)</u>	<u>(29,511)</u>
<b>Operating loss</b>		<b>(666,806)</b>	<b>(29,511)</b>
Finance income	5	-	561
Finance expenses	5	<u>(67,092)</u>	<u>(34,379)</u>
<b>Loss before taxation</b>	3	<b>(733,898)</b>	<b>(63,329)</b>
Income tax credit	6	<u>3,400</u>	<u>3</u>
<b>Loss for the financial year</b>		<b><u>(730,498)</u></b>	<b><u>(63,326)</u></b>

No other comprehensive income or expense arose during the year ended 31 December 2020 (2019: \$nil).

The notes on pages 13 to 26 form part of these financial statements.

## Chrysaor E&P Limited

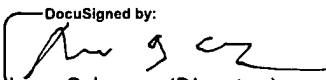
### Balance Sheet

As at 31 December

	Note	2020 \$000	2019 \$000
<b>Non-current assets</b>			
Investments	7	2,380,102	3,036,714
Debtors: amounts falling due after more than one year	8	24,923	32,239
<b>Total non-current assets</b>		<b>2,405,025</b>	<b>3,068,953</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	339,795	332,984
Cash and cash equivalents		3	5
<b>Total current assets</b>		<b>339,798</b>	<b>332,989</b>
<b>Total assets</b>		<b>2,744,823</b>	<b>3,401,942</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10	(1,365,649)	(1,124,064)
<b>Total current liabilities</b>		<b>(1,365,649)</b>	<b>(1,124,064)</b>
<b>Non-current liabilities</b>			
Creditors: amounts falling due after more than one year	11	(2,173,899)	(2,342,105)
<b>Total non-current liabilities</b>		<b>(2,173,899)</b>	<b>(2,342,105)</b>
<b>Total liabilities</b>		<b>(3,539,548)</b>	<b>(3,466,169)</b>
<b>Net liabilities</b>		<b>(794,725)</b>	<b>(64,227)</b>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Accumulated losses		(794,725)	(64,227)
<b>Total deficit</b>		<b>(794,725)</b>	<b>(64,227)</b>

The notes on pages 13 to 26 form part of these financial statements.

The financial statements on pages 10 to 26 were approved by the Board of Directors on 31 August 2021 and signed on its behalf by:

DocuSigned by:  
  
 Andrew Osborne (Director)  
 31 August 2021

Company No. 10871880

## Chrysaor E&amp;P Limited

## Statement of Changes in Equity

	<i>Share capital \$000</i>	<i>Accumulated losses \$000</i>	<i>Total deficit \$000</i>
<b><i>As at 1 January 2019</i></b>	-	(901)	(901)
Loss and total comprehensive expense for the financial year	-	(63,326)	(63,326)
<b><i>At 31 December 2019</i></b>	-	(64,227)	(64,227)
Loss and total comprehensive expense for the financial year	-	(730,498)	(730,498)
<b><i>At 31 December 2020</i></b>	-	(794,725)	(794,725)

# Notes to the Financial Statements

for the year ended 31 December 2020

## 1. Authorisation of Financial Statements and Statement of Compliance with FRS 101

The financial statements of the Company for the year ended 31 December 2020 were authorised for issue by the board of directors on 31 August 2021 and the balance sheet was signed on the board's behalf by Andrew Osborne.

The Company is a private limited liability company incorporated and domiciled in the United Kingdom. The Company's principal place of business is London, United Kingdom and its registered office is Brettenham House, Lancaster Place, London, WC2E 7EN.

The Company has taken advantage of the disclosure exemption from preparing consolidated financial statements, under Section 400 of the Companies Act 2006. The financial statements present information about the company as an individual entity and not about its group. 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 and 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 2020 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*; 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; and
- h) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

**Chrysaor E&P Limited**

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**Notes to the Financial Statements****For the year ended 31 December 2020 (continued)*****Going Concern***

At 31 December 2020, the Company had net current liabilities of \$1,025.9 million. The Directors have adopted the going concern basis of accounting for the preparation of the financial statements as the Company's 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 at least 12 months from the date of signing these financial statements.

***Foreign Currency Translation***

The Company's functional currency and presentation currency is US Dollars. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognised through the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The Company does not apply hedge accounting of foreign exchange risks in its company financial statements.

***Investments***

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

The Company assesses, at each reporting date, whether there is an indication that an investment may be impaired. Where an indicator of impairment exists, the Company estimates the recoverable amount of the underlying net assets of the relevant subsidiary, being the higher of the fair value less costs of disposal and value in use. If the recoverable amount is less than the carrying amount of the investment, the carrying amount is reduced to its recoverable amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss 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 at bank and in hand in the balance sheet comprise cash deposits with banks and in hand.

## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

### *Impairment of financial assets*

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

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

Default events could include:

- payment default, i.e. the 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; and
- covenant default, when the borrower fails to keep a promise (a covenant) that it has made in the contract.

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



## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

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.

### *c. Fair Values*

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

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

### *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.

### *Current Taxes*

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.

### *New Accounting Standards and Interpretations*

The Company adopted new and revised accounting standards and interpretations relevant to its business and effective for accounting periods beginning on or after 1 January 2020, including:

#### *Amendments to IFRS 3: Definition of a business*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements,

## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. New illustrative examples were provided along with the amendments. This amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and to asset acquisitions that occurred on or after the beginning of that period. Application of this amendment was effective post EU endorsement which occurred in April 2020.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company was not affected by these amendments on the date of transition.

### *Amendments to IAS 1 and IAS 8: Definition of material*

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material did not have a significant impact on the Company's financial statements.

The other pronouncements did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

### *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.

#### *IFRS17 insurance contracts*

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 is also applied. The standard combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. Insurance service results (including presentation of insurance revenue) are presented separately from insurance finance income or expenses. It also requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income. The Company does not expect any existing contracts to be impacted by the new standard however, this will be assessed closer to adoption of 1 January 2023.

#### *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.

## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

### *IBOR reform and the effects on financial reporting*

The International Accounting Standards Board (Board) issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The Board identified two groups of accounting issues that could have financial reporting implications. In 2019, the Board issued its initial amendments in Phase 1 of the project, applicable to 2020 reporting, it covers reporting in the period before the replacement of an existing interest rate benchmark with an alternative RFR (Risk Free Rate). This addressed hedge accounting requirements: the highly probable requirement; prospective assessments; and separately identifiable risk components. The Company has assessed the requirements of Phase 1 which apply for the first time in 2020, none of which impact the financial statements of the Company because there is no material hedge accounting of interest rate exposures. Phase 2 addresses financial reporting when an existing interest rate benchmark is replaced with an alternative RFR, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The Company has not early adopted Phase 2 requirements.

### *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.

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

### *Key Sources of Estimation Uncertainty*

#### *Recoverability of Oil and Gas Investments*

The Company assesses each fixed asset investment at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the underlying net assets of the relevant subsidiary is made and compared to the carrying amount of the investment. These assessments require the use of estimates and assumptions. The key sources of estimation uncertainty are long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves, operating performance and tax exposures.

#### *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.

## Chrysaor E&amp;P Limited

## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

### 3. Loss Before Taxation

This is stated after charging:

	2020 \$000	2019 \$000
Impairment of investments	659,613	-
Remeasurement of acquisition completion adjustments	427	-
Auditors' remuneration - audit of the financial statements	26	25

For the year ended 31 December 2020, the auditors' remuneration of \$25,000 (2019: \$25,000) was recharged with other administrative costs to the Company by the Group service 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 at 31 December 2020, CHL.

### 4. Staff Costs and Directors' Remuneration

The Company had no employees during the year.

Directors' Remuneration:

	2020 \$000	2019 \$000
Directors' remuneration	2,172	1,952
Payments made in lieu of pension contributions	213	171
Pension contributions under defined contribution scheme	11	20
	<u>2,396</u>	<u>2,143</u>

The directors' remuneration refers to the total salaries, other emoluments and benefits paid to directors of the Company by its subsidiary Chrysaor E&P Services Limited on behalf of the Group. The directors do not believe that it is practicable to apportion their remuneration between their services as directors of the Company and their services as directors or employees of other companies in the Group.

Payments made in lieu of pension contributions were made at the same rates as pension contributions made to employees.

The above amounts for remuneration include the following in respect of the highest paid director:

	2020 \$000	2019 \$000
Directors' remuneration	1,259	1,114
Payments made in lieu of pension contributions	129	101
Pension contributions under defined contribution scheme	6	10
	<u>1,394</u>	<u>1,225</u>

The directors did not receive any other remuneration.

## Chrysaor E&amp;P Limited

**Notes to the Financial Statements**

For the year ended 31 December 2020 (continued)

**5. Finance Income and Finance Expenses**

	2020 \$000	2019 \$000
<b>Finance income</b>		
Interest receivable	-	4
Intercompany interest receivable	-	557
<b>Total finance income</b>	-	561
<b>Finance expenses</b>		
Intercompany interest payable	(55,096)	(24,643)
Unwinding of discount	(93)	(80)
Bank and financing fees	(10,654)	(4,299)
Foreign exchange loss	(1,249)	(5,357)
<b>Total finance expenses</b>	(67,092)	(34,379)
<b>Net Finance expenses</b>	(67,092)	(33,818)

**6. Income Tax Credit**

a) Tax credited in the income statement

The major components of the income tax (credit) for the years ended 31 December 2020 and 2019 are:

	2020 \$000	2019 \$000
<b>Current income tax:</b>		
UK corporation tax	(663)	-
Adjustments in respect of previous periods	(2,737)	(3)
<b>Total tax (credit) reported in the income statement</b>	(3,400)	(3)

**Changes in tax rate**

Legislation was introduced in Finance Act 2021 to increase the main rate of UK corporation tax for non-ring fence profits from 19 percent to 25 percent from 1 April 2023. This is not expected to have a material impact on the Company.

## Chrysaor E&amp;P Limited

## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

### Income Tax Credit (continued)

b) Reconciliation of the total tax (credit)

Reconciliation between tax credit and the loss before income tax multiplied by the UK standard rate of corporation tax for UK companies is as follows:

	2020	2019
	\$000	\$000
Loss before taxation	<u>(733,898)</u>	<u>(63,329)</u>
Tax calculated at UK standard rate of corporation tax of 19% (2019:19%)	(139,441)	(12,032)
Impairment of investments	125,327	-
Expenses not deductible	1,331	5,507
Movements in unrecognised deferred tax assets	12,120	6,525
Adjustments in respect of previous periods	<u>(2,737)</u>	<u>(3)</u>
<b>Total tax (credit) reported in the income statement</b>	<u><b>(3,400)</b></u>	<u><b>(3)</b></u>

The Company has tax losses of \$84.3 million (2019: \$34.3 million losses) that may potentially be available for offset against future taxable profits. An associated deferred tax asset of \$16.0 million (2019: \$6.5 million) has not been recognised in respect of these losses as they may not be used to offset future taxable profits due to uncertainty of recovery.

## 7. Investments

	Shares \$000	Loans \$000	Total \$000
<b>Cost:</b>			
At 1 January 2019	197,234	9,573	206,807
Additions	<u>2,839,480</u>	<u>(9,573)</u>	<u>2,829,907</u>
At 31 December 2019	3,036,714	-	3,036,714
Additions	<u>3,001</u>	<u>-</u>	<u>3,001</u>
At 31 December 2020	<u>3,039,715</u>	<u>-</u>	<u>3,039,715</u>
<b>Provision for impairment:</b>			
At 1 January 2019 and 31 December 2019	-	-	-
Provided for during the year	<u>659,613</u>	<u>-</u>	<u>659,613</u>
At 31 December 2020	<u>659,613</u>	<u>-</u>	<u>659,613</u>
<b>Net book value</b>			
At 31 December 2019	<u>3,039,715</u>	<u>-</u>	<u>3,039,715</u>
At 31 December 2020	<u>2,380,102</u>	<u>-</u>	<u>2,380,102</u>

## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

### Investments (continued)

In April 2019, the Company acquired from ConocoPhillips Company (the vendor), the entire issued share capital of ConocoPhillips Holdings Limited for a consideration of \$2.4 billion and the entire issued share capital of Burlington Resources (UK) Holdings Limited for a consideration of \$0.4 billion.

On 19 December 2019, the Company acquired one additional share, with a nominal value of NOK1, in its subsidiary undertaking Chrysaor Norge AS, for a subscription price of \$21.2 million via the conversion of an intercompany loan arrangement.

In 2020, the investment in ConocoPhillips Holdings Limited was increased by \$3.0 million to reflect completion adjustments made during the year.

During the year, the Company recognised an impairment of its investment in subsidiary undertakings of \$659.6 million (2019: nil). The impairment for the year ended 31 December 2020 is attributable primarily to a change in management's commodity price assumptions during the year (see note 10 and 12 of The Group Report), rather than a fundamental change in the nature of the producing assets.

The Company's recoverable value of its investments is highly sensitive, inter alia, to commodity price achieved, foreign exchange and discount rates. These are considered to be reasonably possible changes for the purposes of sensitivity analysis. Sensitivity analysis indicates that a 10% increase in commodity price would reduce the net impairment by approximately \$322.5 million, and a 10% decrease in commodity price would increase the net impairment by approximately \$336.1 million. The commodity price sensitivity analysis does not, however, represent management's best estimate of any impairments that might be recognised, as they do not fully incorporate consequential changes that may arise, such as reductions in costs and changes to business plans, levels of reserves and resources, and production volumes. As the extent of a price reduction increases, the more likely it is that costs would decrease across the industry. The oil price sensitivity analysis therefore does not reflect a linear relationship between price and value that can be extrapolated.

A 1% decrease in the discount rate would decrease the net impairment by approximately \$97.0 million, and a 1% increase in the discount rate would increase the net impairment by approximately \$86.9 million. A 4% increase in the long-term foreign exchange rate would increase the net impairment by approximately \$58.8 million.

## Chrysaor E&amp;P Limited

## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

### Investments (continued)

At 31 December 2020, the subsidiary undertakings of the Company which were all wholly owned were:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Main activity</i>
Chrysaor Production Holdings Limited	UK	Holding company
Chrysaor Resources (UK) Holdings Limited	UK	Holding company
Chrysaor E&P Finance Limited	UK	Financing company
Chrysaor E&P Services Limited	UK	Service company
Chrysaor North Sea Limited	UK	Oil and gas
Chrysaor Limited	UK	Oil and gas
Chrysaor CNS Limited	UK	Oil and gas
Chrysaor Norge AS	Norway	Oil and gas
Chrysaor Resources (Irish Sea) Limited (i)	UK	Oil and gas
Chrysaor Marketing Limited	UK	Oil and gas
Chrysaor Production Limited (ii)	UK	Holding company
Chrysaor Production (U.K.) Limited (iv)	UK	Oil and gas
Chrysaor Petroleum Company U.K. Limited (ii)	UK	Oil and gas
Chrysaor (U.K.) Theta Limited (vi)	UK	Oil and gas
Chrysaor (U.K.) Alpha Limited (v)	UK	Oil and gas
Chrysaor (U.K.) Beta Limited (x)	UK	Oil and gas
Chrysaor Developments Limited (v)	UK	Oil and gas
Chrysaor Petroleum Limited (v)	UK	Oil and gas
Chrysaor (U.K.) Sigma Limited (vii)	UK	Oil and gas
Harbour Energy Developments Limited (formerly Chrysaor (Glen) Limited) (v)	UK	Non-trading
Chrysaor (U.K.) Zeta Limited (v)	UK	Non-trading holding company
Chrysaor (U.K.) Eta Limited (ix)	UK	Non-trading
Chrysaor (U.K.) Delta Limited (v)	UK	Non-trading holding company
Chrysaor Supply & Trading Limited (formerly Harbour Energy Limited) (ii)	UK	Dormant company
Chrysaor Energy Limited	UK	Non-trading
Chrysaor (U.K.) Lambda Limited (viii)	ROI	Dormant company
Chrysaor Investments Limited (v)	UK	Dormant company
Harbour Energy Production Limited (formerly Chrysaor Production Oil (GB) Limited) (iii)	UK	Dormant company
Harbour Energy Services Limited (formerly Chrysaor Petroleum Chemicals U.K. Limited) (iii)	UK	Dormant company
Chrysaor (U.K.) Britannia Limited (v)	UK	Dormant company
(i)	Held by Chrysaor Resources (UK) Holdings Limited	
(ii)	Held by Chrysaor Production Holdings Limited	



## Chrysaor E&amp;P Limited

**Notes to the Financial Statements**

For the year ended 31 December 2020 (continued)

(iii) Held by Chrysaor Petroleum Company U.K. Limited

**Investments (continued)**

- (iv) Held by Chrysaor Production Limited
- (v) Held by Chrysaor Production (U.K.) Limited
- (vi) Held by Chrysaor (U.K.) Sigma Limited
- (vii) 98.04% held by Chrysaor Production (U.K.) Limited and 1.96% held by Chrysaor (U.K.) Delta Limited
- (viii) 99.999% held by Chrysaor (U.K.) Theta Limited and 0.001% held by Chrysaor (U.K.) Eta Limited
- (ix) Held by Chrysaor (U.K.) Zeta Limited
- (x) Held by Chrysaor (U.K.) Alpha Limited

The Company holds 100% of the share capital and voting rights in each of the companies above, unless otherwise stated.

All the subsidiaries are registered in England and Wales, with the exception of Chrysaor Norge AS, which is registered in Norway, and Chrysaor (U.K.) Lambda Limited, which is registered in the Republic of Ireland. The registered office of all subsidiaries noted above is Brettenham House, Lancaster Place, London, United Kingdom, WC2E 7EN, apart from Chrysaor Norge AS whose registered office is Haakon VII's gate 1, 4th Floor, 0161 Oslo, Norway, and Chrysaor (U.K.) Lambda Limited whose registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

**8. Debtors: Amounts Falling Due After More than One Year**

	2020	2019
	\$000	\$000
Deferred expenses	24,923	32,239
	<u>24,923</u>	<u>32,239</u>

**9. Debtors: Amounts Falling Due Within One Year**

	2020	2019
	\$000	\$000
Other non-trade debtors	36,228	31,266
Amounts due from subsidiary undertakings	287,386	292,893
Amounts due from subsidiary undertaking in respect of tax	3,721	229
Deferred expenses	12,460	8,596
	<u>339,795</u>	<u>332,984</u>

## Chrysaor E&amp;P Limited

## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

Other non-trade debtors relate to receivables from ConocoPhillips Company, and forms part of the negotiation under the Put and Call Options Agreement (PCOA) as to the final consideration payable as a result of the interim and pre-effective date period transactions, in respect of the acquisition that completed on 30 September 2019.

All amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

As at 31 December 2020, no ECLs have been recognised relating to any trade or intercompany receivable balance (2019: \$nil).

### 10. Creditors: Amounts Falling Due Within One Year

	2020 \$000	2019 \$000
Amounts owed to parent company	10	10
Amounts owed to subsidiary undertakings	1,310,627	473,084
Loans from subsidiary undertaking	9,012	631,012
Other payables	46,000	19,958
	<u>1,365,649</u>	<u>1,124,064</u>

All amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The loans from the subsidiary undertaking comprises a loan of \$9.0 million (2019: \$9.0 million) from Chrysaor E&P Finance Limited (CEPFL). This loan is unsecured, interest free and repayable on demand. Loans from subsidiary undertakings in 2019 include \$622.0 million of external group borrowings passed through to the Company to part fund the ConocoPhillips UK acquisition, which were due within one year.

### 11. Creditors: Amounts Falling Due After More Than One Year

	2020 \$000	2019 \$000
Loan from parent company	193,710	193,710
Loans from subsidiary undertakings	1,955,819	2,108,724
Other payables	24,370	39,671
	<u>2,173,899</u>	<u>2,342,105</u>

Loans from subsidiary undertakings include loans of \$784.2 million (2019: \$784.2 million) and \$11.6 million (2019: \$11.6 million) extended by subsidiary undertakings, Chrysaor Limited (CL) and Chrysaor E&P Services Limited (CEPSL) respectively during 2019. These loans are not subject to interest. In addition, loans from subsidiary undertakings also include a loan balance of \$250.0 million (2019: \$250.0 million) payable by Chrysaor Production (U.K.) Limited (CPUKL) which was novated to the Company from ConocoPhillips Company as part of the acquisition of ConocoPhillips' UK business, which completed on 30 September 2019. This loan carries interest at 0.375 percent above the one-month US dollar LIBOR rate, with \$0.1 million accrued at the balance sheet date (2019: \$0.9 million).

The loans outlined above are repayable in full on demand; however, all companies have confirmed that they will not seek repayment of the loans until at least 12 months from the date

## Chrysaor E&amp;P Limited

## Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

of the approval of these financial statements, therefore the loans have been classified as long term.

### *Group Borrowings Passed Through to the Company*

Loans from subsidiary undertakings also include the loan from CEPFL due after more than one year of \$910.0 million (2019: \$1,062.0 million) related to external group borrowings that were passed through to the Company to part fund the ConocoPhillips UK acquisition. The loan carries interest at USD LIBOR plus a margin of 3.25 percent, rising to a margin of 3.5 percent from June 2023.

### **Creditors: Amounts Falling Due After More Than One Year (continued)**

Other payables, within both current \$46.0 million (2019: \$19.9 million) and non-current \$24.4 million (2019: \$39.7 million) creditors, includes the present value of additional completion payments payable to ConocoPhillips Company as part of the acquisition of the ConocoPhillips UK business. The amounts are payable in 3 further instalments between 2021 and 2022.

## 12. Called Up Share Capital

	2020 No.	2019 No.	2020 \$000	2019 \$000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	100	100	-	-

## 13. Commitments and Contingencies

As at 31 December 2020 the Company had no commitments or contingencies (2019: \$nil).

## 14. Post Balance Sheet Events

On 31 March 2021, the Group completed the all-share merger with Premier Oil plc forming the largest independent oil and gas company listed on the London Stock Exchange.

In May 2021, the Company received \$40 million from ConocoPhillips in relation to an adjustment to consideration relating to Chrysaor's purchase of the ConocoPhillips UK business in 2019.

## 15. Related Party Disclosure

In accordance with FRS 101.8(k), the Company is exempt from the requirement to disclose group related party transactions since the Company is 100% controlled within the Group and the Group's financial statements are publicly available.

From time to time, the Company will provide support to group undertakings by acting as guarantor to certain arrangements. As at 31 December 2020, the Company was guarantor under a rental agreement for office premises entered into by a group undertaking.

## Chrysaor E&P Limited

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# Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

### 16. Ultimate Parent Undertaking and Controlling Party

At 31 December 2020, the Company's immediate and ultimate parent company was Chrysaor Holdings Limited (CHL).

At 31 December 2020, the ultimate controlling party, and the largest group of undertakings for which group financial statements are prepared, and of which the Company is a member, was Harbour Energy Holdings Limited, a company incorporated in the Cayman Islands.

At 31 December 2020, the smallest group of undertakings for which group financial statements are prepared, and of which the Company is a member, was CHL. The consolidated financial statements of CHL are publicly available from Companies House.

On 31 March 2021, the Group completed the all-share merger with Premier Oil plc forming the largest independent oil and gas company listed on the London Stock Exchange. Following completion of the transaction, the Company's ultimate and controlling parent is Harbour Energy plc, a company incorporated in Great Britain and registered in Scotland.