

Premier Oil Group Limited

Registered Company Number SC017829

Annual Report and Financial Statements

31 December 2021



Premier Oil Group Limited

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Premier Oil Group Limited

Corporate information

Directors

Alexander Krane
Howard Landes
Stuart Wheaton

Secretary

Harbour Energy Secretaries Limited

Independent Auditors

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

Registered Office

4th Floor
Saltire Court
20 Castle Terrace
Edinburgh

Company No. SC017829

Premier Oil Group Limited

Strategic Report

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

Results

The Company’s profit for the financial year was \$103.1 million (2020: \$18.1 million).

At 31 December 2021, the Company had total equity of \$1,322.6 million (2020: \$1,219.4 million).

Principal Activities and Business Review

The Company was incorporated on 10 April 1934 and is part of the Harbour Energy plc group (formerly Premier Oil plc group prior to the completion of the merger with Chrysaor Holdings Limited on 31 March 2021).

The Company acts as an intermediate holding company for the legacy Premier Oil plc group. Details of the Company’s subsidiaries are set out in note 7 of the accompanying notes to the financial statements. The directors do not foresee any changes in the Company’s activities in the immediate future.

The income statement on page 10 of the financial statements shows that the primary source of the Company’s income was from dividend and interest income from its subsidiaries, in the current year this totalled \$92.5 million (2020: \$104.2 million). In addition to this the Company recognised a credit in relation to the movement in the expected credit loss (ECL) in respect of loans due from subsidiary companies (\$25.5 million) and a lower investment impairment (\$6.7 million) compared with the prior year ECL charge (\$29.1 million) and higher investment impairment (\$56.9 million).

The Harbour Energy plc group’s (the “Group”) 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 consolidated annual report and accounts for the year ended 31 December 2021 (the “Group Report”).

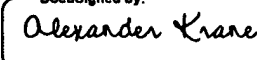
Key Performance Indicators (KPIs)

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 results above.

Principal Risks and Uncertainties

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

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

DocuSigned by:

CD20FB65420F461...
Alexander Krane (Director)

Premier Oil Group Limited

Directors' Report

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

Directors

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

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

Dividends

During the year the Company did not declare or pay any dividends. The directors do not recommend the payment of a final dividend (2020: \$nil).

Future Developments

There have not been any significant changes in the Company's principal activities in the year under review and the directors do not foresee any changes in the Company's activities in the immediate future.

Directors' Liabilities

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

Going Concern

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

Disclosure of Information to the Auditors

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

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

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

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

DocuSigned by:

CD20FB65420F481...
Alexander Krane (Director)
Company Registered No. SC017829

Statement of Directors' Responsibilities

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

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

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

In preparing these Financial Statements the Directors are required to:

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

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

Independent auditor's report to the members of Premier Oil Group Limited (continued)

Opinion

We have audited the financial statements of Premier Oil Group Limited for the year ended 31 December 2021 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 12, 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".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its 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.

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

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

Other information

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

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

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

Independent auditor's report to the members of Premier Oil Group Limited (continued)

whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report to the members of Premier Oil Group Limited (continued)

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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

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

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

Independent auditor's report to the members of Premier Oil Group Limited (continued)

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

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Andrew Smyth (Senior statutory auditor)

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

London, United Kingdom

30 September 2022

Premier Oil Group Limited

Income Statement

For the year ended 31 December

		2021	2020
	Note	\$'000	\$'000
Dividend income		50,000	50,000
Impairment of investments	7	(6,681)	(56,911)
Expected credit loss movement	8	25,503	(29,121)
Profit/(loss) before interest and taxation		68,822	(36,032)
Finance income	5	42,537	54,179
Finance expense	5	(195)	-
Profit before taxation		111,164	18,147
Tax expense	6	(8,045)	-
Profit for the financial year		103,119	18,147

There was no other items of comprehensive income or expense other than a profit of \$103,119,000 (2020: \$18,147,000). Accordingly, no statement of total comprehensive income has been presented.

The notes on pages 13 to 25 form part of these financial statements.

Premier Oil Group Limited

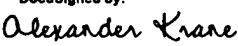
Balance Sheet

As at 31 December

		2021	2020
	Note	\$'000	\$'000
Non-current assets			
Investments	7	320,958	362,839
Debtors: amounts falling due after more than one year	8	1,015,933	-
Total non-current assets		1,336,891	362,839
Current assets			
Debtors: amounts falling due within one year	8	-	856,001
Cash and cash equivalents		300	600
Total current assets		300	856,601
Total assets		1,337,191	1,219,440
Non-current liabilities			
Creditors: amounts falling due after more than one year	9	(14,632)	-
Net assets		1,322,559	1,219,440
Capital and reserves			
Called up share capital	10	123,118	123,118
Share premium reserve		268,461	268,461
Capital reserve		27,824	27,824
Retained earnings		903,156	800,037
Total equity		1,322,559	1,219,440

The notes on pages 13 to 25 form part of these financial statements.

The financial statements on pages 10 to 25 were approved by the Board of Directors on 30 September 2022 and signed on its behalf by:

DocuSigned by:

 CD20FB85420F461...
 Alexander Krane (Director)

Company Registration No: SC017829

Premier Oil Group Limited

Statement of Changes in Equity

For the year ended 31 December

	<i>Called Up Share capital \$'000</i>	<i>Share Premium \$'000</i>	<i>Capital reserve \$'000</i>	<i>Retained earnings \$'000</i>	<i>Total equity \$'000</i>
At 1 January 2020	123,118	268,461	27,824	781,890	1,201,293
Profit for the financial year	-	-		18,147	18,147
At 31 December 2020	123,118	268,461	27,824	800,037	1,219,440
Profit for the financial year	-	-	-	103,119	103,119
At 31 December 2021	123,118	268,461	27,824	903,156	1,322,559

Premier Oil Group Limited

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

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

The Company is a private company incorporated in Scotland. The Company is a wholly-owned subsidiary of Premier Oil Group Holdings Limited and acts as an intermediate holding company for the Harbour Energy group. The address of the registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN.

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

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

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

The financial statements are prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) which have been measured at fair value, and are in accordance with The Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). The Group accounting policies have been revised (following the merger between Premier Oil group plc and Chrysaor Holdings Limited), this has had no material impact on the current or future financial periods.

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

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

Going Concern

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

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Foreign Currency Translation

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

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

Investments

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

The Company assesses, at each reporting date whether there is an indication that an investment may be impaired. Where an indicator of impairment exists, the Company estimates the recoverable amount of the underlying net asset value of the relevant subsidiary, being the higher of the fair value 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 recoverable amount is recognised as an impairment loss in the Income statement.

Impairment of non-current assets

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

Financial Instruments

a. Financial Assets

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

Financial assets held at amortised costs

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

Cash and Cash Equivalents

Cash at bank and in hand in the balance sheet comprise cash deposits with banks and in hand.

This also includes cash held as security for a performance bond relating to an Indonesia exploration licence.

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).

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Default events could include:

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

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

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

Credit Impaired Financial Assets

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

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

b. Financial liabilities

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

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.

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

Equity

Share Capital

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

Taxes

i. Current Tax

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

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

ii. Deferred Tax

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

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

Interest income

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

New Accounting Standards and Interpretations

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

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

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

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 (and as detailed in the Group Report). 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*
- *Amendments to IFRS 3 - Reference to the Conceptual Framework*
- *Amendments to IAS 8 - Definition of Accounting Estimates*
- *Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies*
- *Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- *IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities*

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

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.

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

Critical accounting judgements

- carrying value of investments in subsidiaries regarding assessing for indicators of impairment.

Key sources of estimation uncertainty

- *Recoverability of investments in subsidiaries*

The Company assesses, at each reporting date, whether there is an indication that an investment in a subsidiary may be impaired. Where an indicator of impairment exists, an 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.

- *Expected credit loss*

The company applies the IFRS 9 requirements to measuring expected credit losses using a forward looking expected credit loss model to the full value of amounts due from group companies. The expected loss rates are based on the ultimate parent probability default ratio and loss given default over the 12 month period prior to the period end.

- *Climate change*

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

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

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

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

3. Auditor's Remuneration

The audit fee was borne by the ultimate parent company in the current year without recharge. There have been no non-audit fees charged in the current year (2020: \$nil).

4. Staff Cost and Directors' Remuneration

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

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

5. Finance Income and Finance Expenses

	2021 \$'000	2020 \$'000
Finance income		
Other Interest	1	1
Interest receivable on loans to subsidiary undertakings	42,536	54,178
	<u>42,537</u>	<u>54,179</u>
Finance expenses		
Interest expense on loans from subsidiary undertakings	195	-
	<u>195</u>	<u>-</u>
Net finance income	<u>42,342</u>	<u>54,179</u>

Interest is receivable and payable on the loans between the Company and certain subsidiary undertakings. Interest is charged at market rates.

6. Tax

(a) Analysis of tax charge in the year

There was no current or deferred tax charge for the year (2020: \$nil).

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

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

	2021 \$'000	2020 \$'000
Profit before taxation	111,164	18,147
Corporation tax at standard rate of 19% (2020: 19%)	21,121	3,448
<i>Effects of:</i>		
Group relief claimed for nil consideration	-	(10,294)
Expenses/(income) not deductible/(taxable) for tax purposes	(13,076)	6,846
Total tax reported in the income statement	8,045	-

Changes in tax rate

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

(c) Deferred tax included in the balance sheet

The Company had tax losses of US\$126,337,405 at 31 December 2021 (2020: US\$126,337,405), which have no expiry date. No deferred tax asset is recognised in respect of these as insufficient taxable profits are expected to arise in the future against which the deferred tax asset will reverse.

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

7. Investments

	2021
<i>Cost:</i>	<i>\$'000</i>
At 1 January	976,906
Reduction	(35,200)-
At 31 December	941,706
<i>Provisions for impairment:</i>	
At 1 January	614,067
Provision	6,681
At 31 December	620,748
<i>Net book value:</i>	
At 31 December 2021	320,958
At 31 December 2020	362,839

The Company's investments in Premier Oil Holdings Limited and Premier Oil UK Limited have been fully written down. A further impairment of the Company's investment in Premier Oil E&P Holdings Limited was taken in the year due to lower net assets of the company.

In 2021, Premier Oil Overseas BV repaid share premium of \$35,200,000.

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

<u>Name of company</u>	<u>Business and area of operation</u>	<u>Place of incorporation</u>	<u>Registered office</u>
<i>Subsidiaries of the company</i>			
Premier Oil E&P Holdings Limited ¹	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Holdings Limited ¹	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Overseas BV ¹	Intermediate holding company, Netherlands	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
Premier Oil UK Limited ¹	Exploration, production and development, UK	Scotland	4 th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
Premier Oil (Vietnam) Limited ¹	Exploration, production and development, Vietnam	British Virgin Islands	Commerce House, Wickhams Cay 1, Road Town, Tortola, VG1110
Premier Oil Exploration and Production Mexico S.A de C.V. ¹	Exploration, production and development, Mexico	Mexico	Presidente Masaryk 111, Piso 1, Polanco V Sección, México City, C.P. 11560

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

<u>Name of company</u>	<u>Business and area of operation</u>	<u>Place of incorporation</u>	<u>Registered office</u>
Premier Oil Mexico Recursos S.A de C.V ¹	Exploration, production and development, Mexico	Mexico	Presidente Masaryk 111, Piso 1, Polanco V Sección, México City, C.P. 11560
Premier Oil do Brasil Petróleo e Gás Limitada ¹	Exploration, production and development, Brazil	Brazil	Rua Lauro Muller, 116-Sala 3201, Botafogo, RJ
Premier Oil ONS Limited ¹	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
<i>Companies held through subsidiary undertakings</i>			
Premier Oil Exploration and Production Limited	Exploration, production and development, Falkland Islands	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration and Production (Iraq) Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Far East Limited	Service company, Singapore	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil and Gas Services Limited	Service company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Mexico Holdings Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore (NNS) Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil (EnCore Petroleum) Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Aberdeen Services Limited	Service company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
FP Mauritania A BV	Decommissioning activities, Mauritania	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
FP Mauritania B BV	Decommissioning activities, Mauritania	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
Premier Oil Exploration (Mauritania) Limited	Decommissioning activities, Mauritania	Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Mauritania B Limited	Decommissioning activities, Mauritania	Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Ebury Gate Limited	Risk Mitigation Services	Guernsey	Level 5, Mill Court, La Charroterie, St Peter port, GY1 1EJ
Premier Mexico Investment Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ANS Holdings Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

<u>Name of company</u>	<u>Business and area of operation</u>	<u>Place of incorporation</u>	<u>Registered office</u>
Premier Oil ANS Limited	Exploration, production and development, Alaska	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil International Holding BV	Non-trading	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
Premier Oil Natuna Sea BV	Exploration, production and development, Indonesia	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
Premier Oil Buton BV	Non-trading	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
Premier Oil Tuna BV	Exploration, production and development, Indonesia	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
Premier Oil Andaman Limited	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Andaman I Limited	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil South Andaman Limited	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Bukit Barat Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Vietnam Offshore BV	Exploration, production and development, Vietnam	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
Premier Oil Vietnam North BV	Non-trading	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
Premier Oil Vietnam 121 Limited	Exploration, production and development, Vietnam	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK Limited	Exploration, production and development, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK EU Limited	Exploration, production and development, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK Energy Trading Limited	Gas trading company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil CCS Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Congo (Marine IX) Limited	Dormant	Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Investments Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Pacific Limited	Dormant	Hong Kong	36/F, Tower Two, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong
Premier Overseas Holdings Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

<u>Name of company</u>	<u>Business and area of operation</u>	<u>Place of incorporation</u>	<u>Registered office</u>
EnCore (VOG) Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore CCS Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Barakuda Limited	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Natural Resources Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil and Gas Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil B Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
XEO Exploration plc	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration Limited	Non-trading	Scotland	4 th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, Scotland
Premier Oil Exploration ONS Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Pakistan Offshore BV	Dormant	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
Premier Oil Philippines BV	Dormant	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, Netherlands
<i>Associate company of subsidiary companies</i>			
Egdon Resources plc ²	Investment, UK	England & Wales	The Wheat House, 98 High Street, Odiham, Hampshire, RG29 1LP

¹-indicates direct investment by Premier Oil Group Limited which is wholly owned with the exception of Premier Oil do Brasil Petróleo e Gás Limitada as Premier Oil Group Limited holds 0.0000001 percent of its shares, Premier Oil Exploration and Production Mexico S.A 0.002 percent and Premier Oil Mexico Recursos S.A de C.V. 0.002 per cent. All other companies are held through subsidiary undertaking unless stated otherwise.

² the interest held in an Associate company is through subsidiaries of a subsidiary of the company.

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

8. Debtors:

Amounts falling due after more than one year

	2021	2020
	\$'000	\$'000
Amounts owed by subsidiaries	1,015,933	-

Amounts falling due within one year

	2021	2020
	\$'000	\$'000
Amounts owed by subsidiaries	-	856,001

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

The above includes an impairment provision of \$6,372,000 (2020: \$31,875,000) as required under IFRS 9 and was calculated using 12 month expected credit losses (ECL). The movement in the ECL has resulted in a \$25,503,000 credit (2020: \$29,121,000 charge) to the income statement.

In the preceding year, loans were classified as current since they were due to expire on 31 December 2021.

9. Creditors:

Amounts falling due after more than one year

	2021	2020
	\$'000	\$'000
Amounts owed to a subsidiary company	14,632	-

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

10. Called Up Share Capital

	2021	2020	2021	2020
	No.	No.	\$'000	\$'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £0.05 each	1,282,477	1,282,477	123,118	123,118

Premier Oil Group Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

11. Financial Commitments and Guarantees

At the year-end date the Company, together with the ultimate parent company and certain other fellow group subsidiary undertakings, had jointly guaranteed the Group's borrowing facilities, which comprise:

- \$4.5 billion reserve-based lending facility, of which \$1.25 billion is available for drawing letters of credit, maturing in 2027; and
- \$500 million High Yield Bond.

12. Ultimate Parent Undertaking and Controlling Party

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