

Company Registration No. 00715529

Perenco Gas (UK) Limited

Annual Report and Financial Statements

31 December 2022

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Perenco Gas (UK) Limited

Annual Report and Financial Statements 2022

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Perenco Gas (UK) Limited

Strategic report

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

Review of Business

The Company's objective is to operate and decommission North Sea oil and gas fields which are nearing the end of their productive life. In recent years the Company has been able to augment its interest in such fields by transfers from Perenco UK Limited, its parent company.

The profit for the year ended 31 December 2022 amounted to £38.4m (2021: £19.9m). The gross profit margin has increased to 85% (2021: 63%) mainly due to an increase in commodity prices (increased by 74%).

The statement of financial position on page 14 of the Annual Report and Financial Statements shows that the Company's overall net assets at the end of the year have increased from £4m at 31 December 2021 to £43m at 31 December 2022 due to the profit in the period.

Key performance indicators

The directors use a range of financial and non-financial Key Performance Indicators (KPI's), reported on a periodic basis, to monitor the Company's performance over time. In assessing financial indicators the directors consider it appropriate to evaluate the closing financial position of the Company and its performance over the preceding year as detailed above. The main financial indicators are opex per boe & profit before tax. Opex per boe is a measure of operating cost by each barrel of oil equivalent produced. Opex per boe has reduced to £13.22 in 2022 from £24.01 in 2021 mainly due to increased production. The main non-financial indicators considered by the directors are management of Health and Safety and Environmental matters, both of which are dealt with in the next section.

Principal risks and uncertainties

a) Operations

Successful delivery of major projects is material to the Company's future growth, and substantial delay to, or failure to complete these projects, including decommissioning, constitute significant risks to the Company's prospects, reputation and financial position. Delivering growth from new infrastructure projects, to schedule and on budget, whilst optimising operational performance and output from existing producing base assets, remains the critical success factor for the Company. This risk is mitigated by strong internal controls surrounding project delivery.

b) Financial Risk

The most significant financial risks to which the Company is exposed are movements in gas prices and the cost of decommissioning. The Company considers that volatility in gas prices is a regular part of its business environment, and the Company does not systematically hedge through financial instruments to mitigate these risks. The Company has the financial support from Perenco UK Limited to ensure that decommissioning projects can be adequately funded.

Perenco Gas (UK) Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

c) Health and Safety

Health and safety is one of Perenco's core priorities and we continue to target risk and impact reduction. In association with Perenco UK Limited, the Company has a Health and Safety Management system in place to ensure that it conducts its business in a manner that protects the health and safety of employees of Perenco UK Limited, contractors and anyone who could be affected by our activities. Our goals are:

- no harm to people;
- a safe and healthy working environment for all personnel;
- no impact on the health and safety of our neighbours; and
- no accidents.

These goals can only be achieved by the active participation of every employee. The Company is committed to continuous improvements in health and safety performance and sets annual performance targets, supported by action plans. These are monitored closely and the Company takes further action if performance falls below the targets set.

d) Major Hazards

The Company recognises that our operations involve major hazards and in association with Perenco UK Limited is committed to providing the necessary leadership so as to ensure that the resulting risks to people, the environment and property are as low as reasonably practicable. A Board Committee exists to ensure that appropriate leadership is in place at all levels of the organisation. The Committee also monitors major hazard safety performance through the analysis of appropriate key performance indicators and ensures that all necessary action is taken to correct underperformance and to ensure continuous improvement.

Further information on its health, safety and environmental performance can be found on the Group website and on its Annual Public Statement of Environment Performance published each year in June on the website of the UK government.

e) Information security, intellectual property and assets

The Company operates in a complex computing environment and the threat of cyber attack against the industry remains high. In association with Perenco UK Limited the Company continued to improve its system of internal controls to endeavour to ensure they are robust enough to meet these challenges.

Perenco Gas (UK) Limited

Strategic report (continued)

Section 172 Statement

At every board meeting the Directors review, with the management team, the progress against strategic priorities. This collaborative approach by the board, together with the board's approval of the company strategy, helps it to promote the long-term success of the Company. The board assesses different areas of the business so that the Company is well prepared for the future challenges. The Directors confirm that, throughout the year, they have acted in accordance with their responsibilities to promote the success of the Company, as required by section 172 of the Companies Act 2006. Ultimately board decisions are taken against the backdrop of what it considers to be in the best interest of the long-term financial success of the Company stakeholders, including shareholders, employees, the community and environment, our suppliers and customers.

The Company's long term objectives are clear; to invest in UK oil and gas activities whilst performing and maintaining safe and efficient operations, maximising production from our fields and taking full advantage of third party revenue streams, all whilst committing to sustainability and becoming a net-zero emitter by 2050. The Company is looking at transition opportunities and reducing its emissions via strategic decision in line with the philosophy of the company such as optimisation, innovation and opportunities. The Company is finally looking at Carbon Capture and Storage opportunities using its current expertise and assets to be best positioned in the future.

The Company is very active within the communities in which it operates; consulting with local people to gain valuable perspectives on the ways in which our activities could impact the local community or environment. We typically engage well before any physical work begins on a project and continue the conversation throughout a project's lifespan. On a philanthropic level, the Company continues to make donations to local causes; including but not limited to schools, youth clubs, housing trusts, food banks & local news.

The Company works closely with its Joint venture partners to deliver solution for asset safety, integrity, and field life. We collaborate with our JV Partners to develop risk mitigation strategies through senior management and Operating committee meeting.


The Company treats suppliers equally without discrimination. Where applicable we work with suppliers prequalified for Oil and Gas operations through the OGUK industry system. Perenco endeavours to ensure that suppliers are paid as per their contract terms and ensures that any risks and costs borne by suppliers undertaking activities in support of our business are proportional to their scope of work.

The Company build strong, reliable, and transparent relationship with government bodies and regulatory authorities. The Company complies with all relevant legislation. The Company engages with the North Sea Transition authority in the UK to provide updates on the business and development activity.

The board will continue to assess and monitor culture and will look to obtain useful insight through effective dialogue with our key stakeholders and taking feedback into account in the board's decision-making process.

Details of significant events since the balance sheet date are contained in Note 23 of the financial statements.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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Fabien Musitelli
Director
28 September 2022

Perenco Gas (UK) Limited
8 Hanover Square
London
W1S 1HQ

Perenco Gas (UK) Limited

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2022. The engagement of the Company with its stakeholders is mostly covered within section 172 of the Strategic Report.

Directors and their interests

The directors who held office during the year and up to the date of signing were:

Jonathan Parr
Franck Dy
Jonathan White
Fabien Musitelli
Jonathan Day
Emmanuel Colombel
Eric Du Plessis D'Argentre
Christophe Blanc (appointed 31st March 2023)

No director in office at the end of the year had any beneficial interest in the shares of the Company or any fellow subsidiary undertaking of the Company.

Corporate governance

The Company has not applied any corporate governance code for the financial year. However, the Company has implemented a board committee which is constituted of directors holding positions within Perenco Gas (UK) limited such as finance director, General Managers and directors holding position at the management of the Perenco Group Chief Finance Officer of the Perenco Group, HSE Group Manager, Legal Counsel of the Group of Perenco. The board review the Health and Safety results and conduct of the company, the strategy and investments, the information and Technology, the Tax affairs, disputes and legal matters of the Company. The board committee also review the performance of the Company. The board is meeting every quarter each year and board minutes are issued outlining the decision and matters discussed at the board. All Board members are part of the Group of Perenco and some of the members also seat at the board of the Parent company. The Board committee also convenes on an adhoc basis in case of strategic decisions and legal matters.

Going Concern

The Company's business activities, key financial risks, performance and position are set out in this report. The financial position of the Company is set out in the financial statements and related notes.

The directors have prepared cash flow forecasts for the Parent group for a period of at least 12 months from the date of approval of the financial statements. Such forecasts include a number of sensitivities regarding impacts of gas and oil prices, together with potential disruptions to expected production volumes. Based on these forecasts, the directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Furthermore, resources will be provided by the Parent company where necessary to ensure obligations are met as they fall due and for a period of at least 12 months after these financial statements are signed, and a letter of support has been obtained from Perenco UK Limited.

Future Developments

Optimisation of the production of the existing wells, cost control and simplification of offshore and onshore operations remains a core approach. The Company is looking at its current portfolio of assets and wells to redevelop and optimise the production. The Company is progressing the decommissioning of those assets which are uneconomic or will become uneconomic due to declining production or require integrity led investment and is working on approaches which will deliver sustained reductions in decommissioning costs. The Company is also rationalising its assets by removing redundant structure and assets to simplify and optimise its operation and reduce the maintenance and integrity costs.

Perenco Gas (UK) Limited

Directors' report (continued)

Environmental matters

The Company has an Environmental Management system in place to endeavour to ensure that it conducts its business in a manner that protects the environment. Our goals are:

- no damage to the environment; and
- to minimise our emissions.

As a mature field specialist, Perenco is committed to continue its development strategy of extending the field life and maximising production. In the short-term CO₂ reductions will be made through a series of decommissioning and ongoing operational improvements. Within the 2019 SECR report PUK set a short-term target of a 20% reduction in actual CO₂e emissions against the 2018 base year by the 1st January 2022. This target was achieved with an overall 29% reduction from 625,347.22 TCO₂e in 2018 to 443,966.78 TCO₂e by the end of 2021. PUK's Southern North Sea operation has further committed to achieve Net Zero by 2050, and has set phased targets to align with the North Sea Transition Authority Net Zero Stewardship expectation. The Company is exempt from full environmental & climate change disclosures as these are included within the Group's annual report. Such targets and a breakdown of emissions by scope are included within the Group's (Company Registration No. 04653066) annual report.

Donations

There were no political or charitable donations made in the current year (2021: NIL).

Employment Policies

The company has no employees.

Dividends

No dividends were paid or declared during the period or subsequent to year-end at the time of signing (2021: NIL).

Risks and uncertainties

The directors recognise that the uncertainties faced by the company can be distinguished between specific/direct challenges and those impacted by the broader economic environment. Such risks are identified within the strategic report and form part of this report by cross reference.

Financial Risk management

Please refer to note 18 of the financial statements for management's financial risk management policies; and exposure to price risk, credit risks, liquidity risks and cash flow risk.

Post Statement of financial position events

Details of significant events since the statement of financial position date are contained in note 23 to the financial statements.

Information to auditor

Each of the directors 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 auditor is unaware; and
- (2) the director has taken all steps that he/she ought to have taken as a director to make himself/herself 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.


Perenco Gas (UK) Limited

Directors' report (continued)

Auditor

Deloitte have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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Fabien Musitelli
Director
28 September 2022

Perenco Gas (UK) Limited
8 Hanover Square
London
W1S 1HQ

Perenco Gas (UK) Limited

Directors' Responsibilities Statement

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- 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 of IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Perenco Gas (UK) Limited

Independent auditor's report to the members of Perenco Gas (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Perenco Gas (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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 Financial Reporting Council's (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 at least twelve months from when the financial statements are authorised for issue.

Independent auditor's report to the members of Perenco Gas (UK) Limited

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

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 our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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.

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. This description forms part of our auditor's report.

Independent auditor's report to the members of Perenco Gas (UK) Limited

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Corporation Tax legislation; Health and Safety laws, Environmental Laws, NSTA Licensing requirements, Companies Act 2006, and the Petroleum Act 1998; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, and regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address it are described below:

Revenue recognition on gas sales: We presume a risk of material misstatement due to fraud related to completeness and cut off of gas sales revenue. This is because the process of recognition of gas revenue involves customer self billing. We have substantively tested 100% of the gas revenue balance by vouching recorded transactions to underlying contract, invoice, bank statement and bill of lading, where appropriate, and to the company's operational volumetric records.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Independent auditor's report to the members of Perenco Gas (UK) Limited

- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the North Sea Transition Authority.

Report on other legal and regulatory requirements

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 the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

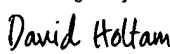
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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:

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David Holtam FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
28 September 2023

Perenco Gas (UK) Limited

Income statement For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	4	111,233	37,205
Cost of sales			
Production and operating costs	5	(12,749)	(12,909)
Depreciation, depletion and amortisation	5, 11	(3,691)	(827)
Gross profit		94,793	23,469
Administrative expenses	0	(23)	(2)
Other operating income	7	5,891	3,455
Operating profit		100,661	26,922
Finance costs	9	(602)	(102)
Profit before taxation		100,059	26,820
Taxation	10	(61,658)	(6,907)
Profit for the financial year		38,401	19,913

All results derive from continuing operations.

There were no income or expenses in the periods presented other than disclosed above. Accordingly, no separate statement of comprehensive income has been prepared.

Perenco Gas (UK) Limited

Statement of financial position

At 31 December 2022

Company registration number: 0715529

	Notes	2022 £'000	2021 £'000	2020 £'000
Non-current assets				
Property, plant and equipment	11	2,131	2,441	1,755
Deferred tax asset	13	32,246	45,887	54,301
		<u>34,377</u>	<u>48,328</u>	<u>56,056</u>
Current assets				
Trade and other receivables	12	110,597	36,049	41,837
Current tax asset	12	-	22,454	12,352
Cash at bank and in hand		1	-	-
		<u>110,598</u>	<u>58,500</u>	<u>54,189</u>
Total assets		<u>144,975</u>	<u>106,828</u>	<u>110,245</u>
Current liabilities				
Trade and other payables	15	(3,211)	(4,565)	(5,833)
Current tax liability	16	(17,166)	-	-
Decommissioning provision	14	(20,399)	(12,142)	(22,836)
Net current assets		<u>69,822</u>	<u>41,793</u>	<u>25,520</u>
Non-current liabilities				
Deferred tax liability	13	(1,299)	-	-
Decommissioning provision	14	(60,217)	(85,839)	(97,207)
Net assets / (liabilities)		<u>42,683</u>	<u>4,282</u>	<u>(15,631)</u>
Equity				
Share capital	17	1	1	1
Retained earnings		42,682	4,281	(15,632)
Total equity		<u>42,683</u>	<u>4,282</u>	<u>(15,631)</u>

These financial statements were approved by the Board of Directors and authorised for issue. They were signed on its behalf by:

DocuSigned by:

 FEB8A9196BEF4F5
 Fabien Musitelli
 Director
 28 September 2022

Perenco Gas (UK) Limited

Statement of changes in equity For the year ended 31 December 2022

	Share Capital £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2020	1	(15,632)	(15,631)
Loss for the financial year and total comprehensive loss	-	19,913	19,913
Balance at 31 December 2021	1	4,281	4,282
Profit for the financial year and total comprehensive loss	-	38,401	38,401
Balance at 31 December 2022	<u>1</u>	<u>42,682</u>	<u>42,683</u>

Perenco Gas (UK) Limited

**Cash flow statement
For the year ended 31 December 2022**

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities	19	13,844	595
Taxation paid		(9,000)	-
Net cash from operating activities		4,844	595
Cash flows from investing activities			
Expenditure on development and production assets		(4,843)	(595)
Net cash used in investing activities		(4,843)	(595)
Net cash used in financing activities		-	-
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		1	-

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

1. Accounting policies

(a) General

Perenco Gas (UK) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is: 8 Hanover Square, London W1S 1HQ. The nature of the Company's operations are set out in the strategic report.

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with the International Financial Reporting Standards (IFRSs) as issued by the IASB.

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The functional currency is the same as the presentation currency.

Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the Company. Their adoption has not had any material impact on the disclosures or on the amounts reported in the current or prior year financial statements.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before intended use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoptions of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective and therefore not adopted:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its Associate or Joint Venture
IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

1. Accounting policies (continued)

(b) Oil and gas assets

The Company uses the full cost method of accounting for exploration, evaluation, development and production expenditure in relation to oil and gas assets, having regard to the requirements of IFRS 6 '*Exploration for and Evaluation of Mineral Resources*'. These costs are capitalised in separate geographical costs pools ("full cost pools") having regard to the operational structure of the Company.

Oil and gas assets: development and production

Development and production assets are accumulated under the principle of full cost accounting on a field-by-field basis and represent the cost of developing proved reserves discovered and bringing them into production, together with the exploration and evaluation expenditures incurred in finding proved reserves.

The net book values of producing assets are depreciated on a field-by-field basis using the unit of production method by reference to the ratio of production in the period to the related proved reserves of the field.

Impairment of oil and gas assets (Impairment review)

An impairment review test is carried out if there is a significant reason for the directors to believe that impairment could have occurred. This test is to assess whether the carrying amount of each field or full cost pool (as applicable) exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell, and its value in use as defined by IAS 36 '*Impairment of assets*'. The value in use is determined by discounting the anticipated post-tax net cash flows at a risk adjusted discount rate using proved and probable reserves. Where a fair value less cost to sell method is used, the carrying amount includes any deferred tax asset or liability associated with the capitalised costs in the cost pool. Any deficiency arising under this comparison is recognised in the income statement. An impairment test for an exploration and evaluation asset is conducted on a full cost pool basis. An impairment test of a development or production asset is undertaken for the particular cash generating unit which is generally the field for non-operated assets or the central terminal for operated assets.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased. The reversal is recorded in the income statement.

(c) Joint arrangement accounting policy

The Company is engaged in oil and gas exploration, development and production through unincorporated joint arrangements. The Company accounts for its proportionate share of the assets, liabilities, revenue and expenses with items of a similar nature presented on a line-by-line basis for those joint arrangements which are jointly controlled operations.

The Company considers these assets as jointly controlled when they cannot make significant investment or operating decisions without the unanimous approval of the other parties sharing control. Where the Company acts as operator for the joint operation, the liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Company statement of financial position.

Joint arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as joint ventures.

The Company reports its interests in joint ventures using the equity method of accounting. Under the equity method, the investment in a joint venture is carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the joint venture.

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

1. Accounting policies (continued)

(d) Decommissioning provisions

A provision for the cost of decommissioning of an asset and for site restoration at the end of the asset's producing life is recognised as that asset is installed. The amount provided is the discounted amount of the estimated cost of the future decommissioning event. That amount is capitalised as part of the cost of the oil and gas assets and depleted in accordance with the oil and gas assets' accounting policy above. Periodically the discounted value of the provision is re-assessed. Any adjustment arising from the re-assessment of the estimated cost of decommissioning is capitalised whilst the adjustment arising from the unwinding of the discount is taken to the income statement. Any re-assessment of the estimated cost of decommissioning on an asset with no economical reserves is taken to the income statement in the period.

(e) Revenue recognition

Revenue represents the value of sales exclusive of related sales taxes of oil and gas arising from upstream operations and is recognised at market value when the oil has been lifted or the gas has been delivered through pipelines and the significant risks and rewards of ownership of the goods have been transferred. The Company's accounting policy under IFRS 15 is that revenue is recognised when the Company satisfies a performance obligation by transferring oil or gas to a customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Company are fully satisfied. Customers are billed on a monthly basis in arrears, with payment typically due by the 25th of the following month. There are no significant financing components to sales.

Interest income is recognised when it is probable that the economic benefits will flow to the Company, and the amount of revenue can be measured reliably. Interest income in the Company relates to interest received on bank deposits.

(f) Foreign currencies

Transactions in currencies other than Pounds Sterling are recorded at the relevant rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in currencies other than Pounds Sterling at the statement of financial position date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

(g) Taxation

The tax expense represents the sum of the charges and credits for current and deferred tax.

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are non-taxable or deductible. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

1. Accounting policies (continued)

(g) Taxation (continued)

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised at acquisition as part of the assessment of fair value of assets and liabilities acquired.

PRT is treated as an income tax and deferred PRT accounted for on a temporary difference method. Current PRT is charged as a tax expense on chargeable profits included in the income statement and is deductible for UK Corporation tax.

Other taxes, which include value added tax and sales tax, represent the amount receivable or payable to local authorities in the countries where the Company operates and are charged to the income statement.

(h) Financial instruments

Financial assets and liabilities are initially measured at fair value. Except for those measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The following financial instruments are held by the Company; all of which are deemed at fair value with no subsequent measurement required.

1) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

2) Trade receivables

Trade receivables represent amounts owed for the sale of oil and natural gas. The carrying value of these assets is approximate to their fair value.

3) Trade payables

Trade payables principally comprise amounts outstanding for trade purchase and ongoing costs. The carrying amounts of trade payables approximate to their fair value.

(i) Tariff income

Tariff income represents the value of services delivered arising from upstream activities and is recognised for the period the service relates to.

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

1. Accounting policies (continued)

(j) Going concern

At 31 December 2022 the Parent Group had cash of £0.2m and a short term inter-company receivable of £1,226m which represents a cash sweep mechanism repayable on demand. The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements. Such forecasts include a number of sensitivities regarding impacts of gas and oil prices, together with potential disruptions to expected production volumes. Based on these forecasts, the directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months from the date of approval of the financial statements. The Company's financial frame is designed to be robust to periods of low price, with flexibility to reduce cost and capital expenditure if required.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, which are described in note 1, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgement involving estimation, key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Critical judgements

There are no critical judgements made by the directors in applying the Company's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) Reserves

Development and production assets within property, plant and equipment are depreciated on a unit of production basis at a rate calculated by reference to proved developed producing reserves estimated using the standards required by the US Securities Exchange Commission ("SEC"). Proved reserves estimates are based on a number of underlying assumptions, including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Proved reserves estimates are supported by reserves reports for the Company which are reviewed by independent petroleum reservoir engineers.

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets has been impaired. The carrying amount of development and production assets at 31 December 2022 is shown in note 9. A 10% reduction in reserves would result in an additional depletion charge of £0.13m (0.2%).

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

b) Decommissioning

The provision for decommissioning obligations depends on the cost and timing of decommissioning works, legal requirements and the discount rate to be applied to such costs. The directors have conducted an internal review of these factors, based on information currently available, in the calculation of this provision. The carrying

amount of the decommissioning provisions at 31 December 2022 are shown in note 12. A 1 percentage point increase in CPI assumption would result in an increase in provision of £5.1m (6.31%). Similarly, a 1 percentage point increase in the discount rate would result in a decrease in provision of £4.8m (5.90%). A further analysis has been performed on the sensitivity of the timing of expected decommissioning projects; if all projects were delayed by 1 year, this would result in a decrease in provision of £1.1m (1.4%).

c) Impairment of assets

Under the full cost method of accounting for production and development costs, such costs are capitalised by reference to appropriate cost pools, and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgement as to (i) the likely life of the field, (ii) future revenues and operating costs with which the asset in question is associated, (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value, and (iv) the oil price assumption. Note 9 discloses the carrying amounts of the Company's production and development assets, no impairment has been recognised during the year (2021: £nil). The assumptions used as part of the recoverable value calculation are also detailed within note 9.

3. Reclassifications

The following reclassification of 2021 and 2020 balances has been made to comply with the requirements of IAS 1 and IAS 7.

Current tax assets for the year ended 31 December 2021 have been reclassified from trade and other receivables and presented as a separate line item in the statement of financial position as these are required to be presented separately in the statement of financial position.

The current portion of decommissioning provision has been reclassified from non-current liabilities to current liabilities in the statement of financial position.

These reclassifications have no impact on the 2021 and 2020 income statement or net assets reported. See notes 12 & 14 respectively.

	As at 31 December 2021 as previously classified £'000	Reclassification £'000	As reclassified for year ended 31 December 2021 £'000
Statement of financial position			
Trade and other receivables	58,500	(22,454)	36,049
Current tax asset	0	22,454	22,454
Current Assets	58,500		58,500
Decommissioning provision (non-current)	(97,891)	12,142	(85,839)
Non-current liabilities	(97,891)	12,142	(85,839)
Decommissioning provision (current)	0	(12,142)	(12,142)
Current Liabilities	(4,565)	(12,142)	(16,707)

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

3. Reclassifications (continued)

	As at 31 December 2020 as previously classified £'000	Reclassification £'000	As reclassified for year ended 31 December 2020 £'000
<i>Statement of financial position</i>			
Trade and other receivables	54,189	(12,352)	41,837
Current tax asset	0	12,352	12,352
Current Assets	54,189		54,189
Decommissioning provision (non-current)	(120,043)	22,836	(97,207)
Non-current liabilities	(120,043)	22,836	(97,207)
Decommissioning provision (current)	0	(22,836)	(22,836)
Current Liabilities	(5,833)	(22,836)	(28,669)

4. Revenue

	2022 £'000	2021 £'000
Gas sales	109,375	36,866
Condensate sales	2,038	446
Tariff income	(180)	(107)
Total operating revenue	<u>111,233</u>	<u>37,205</u>

Revenue is derived from a single geographical location, being United Kingdom.

5. Cost of sales

	2022 £'000	2021 £'000
Operating costs	12,749	12,909
Depletion, depreciation and amortisation	3,691	827
	<u>16,440</u>	<u>13,736</u>

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

6. Administrative expenses

	2022 £'000	2021 £'000
General administration costs	23	2
	<u>23</u>	<u>2</u>

None of the directors are employees of the Company and the directors received no remuneration from the Company during the year (2021: nil). It is not practicable to allocate their remuneration between their services for the Company during the year and their services for other Perenco group companies (per 2021). Auditor's remuneration has been borne by the Parent Company (per 2021). Non-audit services provided in the period are also nil (2021: nil).

7. Other operating income

	Notes	2022 £'000	2021 £'000
Movement in decommissioning provision estimate	14	5,891	3,455
		<u>5,891</u>	<u>3,455</u>

Other operating income and expenses relate to the movement in the decommissioning provision on fields which have no proved reserves as at 31 December 2022.

8. Staff costs

The Company has no employees (2021: NIL)

9. Finance costs

	2022 £'000	2021 £'000
Foreign exchange (gain)/loss	(56)	-
Unwinding of discount on decommissioning provisions (note 14)	658	102
	<u>602</u>	<u>102</u>

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

10. Taxation

	2022 £'000	2021 £'000
a) Analysis of taxation expense / (credit) in the period		
Corporate income taxes:		
Current year	46,723	1,405
Prior year (credit)	(5)	(2,912)
	46,718	(1,507)
Deferred taxation:		
Deferred ring fence corporation tax @ 40% (note 13)	6,852	9,709
Deferred PRT @ 25% (note 13)	(5,157)	-
Investment allowance clawback @ 10% (note 13)	(184)	118
Energy Profits Levy @ 25%	536	-
Deferred PRT (credit) (note 13)	12,893	(1,413)
	14,940	8,414
Total taxation (credit) for the year	61,658	6,907

	2022 £'000	2021 £'000
b) Factors affecting tax expense for the period		
Profit on ordinary activities before tax	100,059	26,820
Tax on profit at the ring fence UK corporation tax rate of 40% (2021: 40%)	40,024	10,728
Effects of:		
Adjustments in respect of prior periods	(5)	(2,907)
Other tax adjustments, reliefs and transfers	7,216	(914)
Energy Profits Levy	14,423	-
Total taxation credit in the year	61,658	6,907

The UK tax rate shown above of 40% comprises the supplementary charge to corporation tax (SCT) of 10% (2021: 10%) as well as the corporation tax (CT) rate of 30% (2021: 30%) on UK profits within the oil and gas ring-fence. The standard rate of corporation tax for 2022 of 19% (2021: 19%) is applied to all other profits. The petroleum revenue tax (PRT) rate was permanently zero rated effective from 1 January 2016. As a result, no current or deferred PRT liability arises. The deferred PRT asset is a result of expected future PRT refunds generated from decommissioning expenditure carried back to PRT-paying periods, of which there was a charge in 2022. The main rate of UK corporation tax has increased from 19% to 25%, effective 1st April 2023. No significant impact expected to the Company, as a vast majority of profits are taxed at the ring fence rate only. On 26 May 2022 the Chancellor announced a new tax (Energy Profits Levy) on the profits of oil and gas companies operating in the UK and the UK Continental Shelf. It has increased the headline rate of tax on those profits from 40% to 65%. On 17 November 2022, it was announced that the Energy Profits levy would increase to 35% effective 1 January 2023, resulting in the headline rate of tax on ring fenced profits of 75%.

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

11. Property, plant and equipment

	Notes	Development and production assets £'000
Cost		
Balance at 1 January 2021		52,075
Additions		595
Change in estimate of decommissioning provisions	14	918
		<hr/>
Balance at 1 January 2022		53,588
Additions		4,843
Change in estimate of decommissioning provisions	14	(1,462)
		<hr/>
Balance at 31 December 2022		56,969
Depletion and depreciation		
Balance at 1 January 2021		50,320
Charge for the year		827
		<hr/>
Balance at 1 January 2022		51,147
Charge for the year		3,691
		<hr/>
Balance at 31 December 2022		54,838
Net book value		
Balance at 1 January 2022		2,441
		<hr/>
Balance at 31 December 2022		2,131
		<hr/>

In accordance with the Company's policy, the cost of decommissioning the development and production assets was reviewed during the year. Changes in estimates of the expected timing of costs of the decommissioning obligations are dealt with prospectively by recording an adjustment to the provision (note 14), and a corresponding adjustment to the Development and production asset cost with the exception of fields which have no economical reserves at 31 December 2022 where the movement is taken directly to the income statement (note 7).

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

12. Trade and other receivables

	Notes	2022 £'000	2021 £'000
Trade receivables		7,539	7,592
Amounts receivable from parent company	22	102,311	27,928
Prepayments and accrued income		502	526
Corporation tax debtor		-	22,454
VAT debtor		245	-
		<u>110,597</u>	<u>58,500</u>

None of the Company's trade receivables are past due (2021: none).

Amounts receivable from group companies are repayable on demand and are non interest bearing. The amounts receivable from parent company relate to a balance held with the Group parent company Perenco UK Limited.

Based on the nature of the Group's operations and the experience of its customers, the Group has applied a 0% provision against potential bad debtors. The IFRS 9 impairment model requiring the recognition of 'expected credit losses' has not had an impact on the calculation of the Group's provision for bad debt during the period.

No specific provisions have been made against trade receivables past due (2021: NIL). Remaining debtors are predominantly established oil companies for which low risk of non-payment was identified.

13. Deferred tax

	2022 £'000	2021 £'000
At 1 January	45,887	54,301
Deferred tax movement in the year (note 10)	(2,047)	(9,827)
Deferred PRT (note 10)	(12,893)	1,413
At 31 December	<u>30,947</u>	<u>45,887</u>

There is no unrecognised deferred tax (2021: nil).

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

13. Deferred tax (continued)

Deferred tax analysis

The deferred taxation balances are analysed as follows according to the nature of the differences.

	2022 £'000	2021 £'000
Accelerated capital allowances	-	(857)
Decommissioning expenditure	32,246	39,192
Deferred PRT	-	12,893
Other temporary timing differences	-	(5,341)
Deferred tax assets	32,246	45,887
	2022 £'000	2021 £'000
Accelerated capital allowances	(763)	-
Energy Profits Levy	(536)	-
Deferred tax liabilities	(1,299)	-
Net deferred tax assets recognised	30,947	45,887

A deferred tax asset of £30,947k (2021: £45,887k) has been recognised as it is considered probable that there will be tax reliefs in respect of future taxable profits plus carry-back of decommissioning losses to before 2022.

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

14. Decommissioning provision

The decommissioning provision provided for is expected to be incurred between 2023 and 2031.

The provision is the discounted value of the directors' current cost estimates using existing technology, at current prices. Decommissioning cost estimates have been inflated to the date of decommissioning at 2% (2021: 2%) and discounted back to the year end at a range between 3.363% and 3.666% (2021: range between 0.39% and 1.144%). The inflation rate has been taken from the Bank of England long term target. Similarly, the discount rates are taken from the Bank England gilt rates. Any adjustment arising from the re-assessment of the estimated cost of decommissioning is capitalised (see note 11) whilst the adjustment arising from the unwinding of the discount is taken to the profit and loss account as a finance cost (note 9). On assets where no economical reserves remain, the adjustment arising from the re-assessment of the estimated cost of decommissioning is taken to the income statement (note 7).

	Notes	2022 £'000	2021 £'000
Balance at the beginning of the year		97,981	120,043
Change in estimate (income statement)	7	(5,891)	(3,455)
Change in estimate (statement of financial position)	11	(1,462)	918
Amounts utilised		(10,670)	(19,627)
Unwinding of discount	9	658	102
		<u>80,616</u>	<u>97,981</u>

	2022 £'000	2021 £'000
Of which:		
Due within one year	20,399	12,142
Due after more than one year	60,217	85,839
	<u>80,616</u>	<u>97,981</u>

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

15. Trade and other payables

	2022 £'000	2021 £'000
Accruals	2,717	2,522
Other creditors	494	2,043
	<u>3,211</u>	<u>4,565</u>

16. Current tax liability

	2022 £'000	2021 £'000
Corporation tax	17,166	-
	<u>17,166</u>	<u>-</u>

17. Equity

Called-up share capital

	No. of shares	£'000
Ordinary shares		
<i>Authorised shares of £1 each</i>		
At 31 December 2021 and 31 December 2022	<u>1,000</u>	<u>1</u>
<i>Allotted, called up and fully paid</i>		
At 31 December 2021 and 31 December 2022	<u>1,000</u>	<u>1</u>

18. Financial instruments

Financial risk management

The Company monitors and manages the financial risks relating its operations on a continuous basis. These include the cost of decommissioning, natural gas price risk, credit, and liquidity risks. The Company's significant financial instruments are trade and other receivables and trade payables.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising return to shareholders. The capital structure of the Company consists of intercompany amounts advanced by the Parent company as disclosed in note 22, cash and equivalents, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Company had no external borrowings at 31 December 2022 (31 December 2021: none).

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

18. Financial instruments (continued)

Oil and gas price risk

A significant financial risk to which the Company is exposed are movements in gas prices. The Company considers that volatility in gas prices is a regular part of its business environment. The Company does not systematically hedge through financial instruments to mitigate these risks.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company controls credit risk by requiring systematically a letter of credit as part of the sale agreement, except for customers with a good credit history (major international oil groups and national oil companies).

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk without taking account of any collateral obtained.

Liquidity risk

The Company is dependent on its parent undertaking, Perenco UK Limited, to provide liquid resources.

Fair values of financial assets and liabilities

At 31 December 2022 and 2021 the carrying amounts of cash, cash equivalent and short-term deposits, trade and other receivables (note 12), and trade and other payables (note 15) approximated their fair values due to the short-term maturities of these assets and liabilities.

(a) Categories of financial instruments

The Company's financial instruments, grouped according to the categories defined in IAS 39 'Financial instruments: Recognition and Measurement', were as follows:

	2022 £'000	2021 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	110,598	58,500
Financial liabilities		
Financial liabilities measured at amortised cost	(20,377)	(4,565)
	<u>90,221</u>	<u>53,935</u>

(b) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of derivative instruments are calculated using quoted prices.

The fair value of each category of financial asset and liability is not materially different from the carrying value presented for either 2022 or 2021.

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

19. Notes to the cash flow statement

Reconciliation of operating profit to cash generated by operations

	2022 £'000	2021 £'000
Cash flows from operating activities:		
Operating profit	100,661	26,922
Adjustments for:		
Depreciation, depletion and amortisation	3,691	827
Non cash movement in decommissioning provision (change in estimate)	(5,891)	(3,455)
Operating cash flow prior to working capital changes	98,461	24,294
(Increase) in receivables	(53,446)	(1,400)
(Decrease) in creditors	(20,501)	(2,673)
(Decrease) in provisions	(10,670)	(19,626)
Net cash from operating activities	13,844	595

Cash and cash equivalents (which are presented as a single class of assets on the face of the statement of financial position) comprise cash at bank and other short-term liquid investments with a maturity of three months or less.

20. Capital commitments

The Company is committed to its share of future exploration, development, operating and decommissioning costs beyond 2022 under the terms of its North Sea licence agreements.

21. Controlling party

Perenco Gas (UK) Limited is a 100% subsidiary of Perenco UK Limited which is incorporated in United Kingdom.

Perenco UK Limited, a company incorporated in the UK and registered in England and Wales, is the immediate parent company and the smallest group of undertakings, of which Perenco Gas (UK) Limited is a member, for which group financial statements are prepared. The address at which Perenco UK Limited financial statements are available is 8 Hanover Square, London, W1S 1HQ.

Perenco International Limited, a company incorporated in The Bahamas, is the ultimate controlling party and the largest group of undertakings for which Group financial statements are prepared and is owned and controlled by the Perrodo family and trusts for their benefit.

The financial statements of Perenco International Limited are not available to the public.

Perenco Gas (UK) Limited

Notes to the financial statements Year ended 31 December 2022

22. Related parties

The following table provides the total amounts of transactions which have been entered into with related parties for the relevant financial year:

	Charge for 2022 £'000	Charge for 2021 £'000	Net Debtor/ (Creditor) 2022 £'000	Net Debtor/ (Creditor) 2021 £'000
<i>Charged to affiliated companies:</i>				
Perenco UK Ltd	(74,383)	(12,406)	102,311	27,928
<i>Charged by affiliated companies:</i>				
Perenco UK Ltd	-	(2,900)	-	-
Perenco Holdings	(23)	(23)	-	-
Perenco Oil Trading	(9)	(10)	-	(3)
	<u>(74,363)</u>	<u>(15,351)</u>	<u>102,311</u>	<u>27,925</u>

Outstanding balances at year end are unsecured and settlement occurs in cash. The transactions with Perenco UK Ltd represent trading transactions, all other items relate to intercompany recharges. There have been no guarantees provided or received for any related party receivables. For the year end the Company has not raised any provision for doubtful debts relating to amounts owed by related parties (2021: £nil). This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

23. Post statement of financial position events

No material events have occurred since the prior date which require disclosure.