Company Registration No. 00715529

Perenco Gas (UK) Limited

Annual Report and Financial Statements

31 December 2020

Perenco Gas (UK) Limited

Annual Report and Financial Statements 2020

Contents

Perenco Gas (UK) Limited

Strategic report

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

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 loss for the year ended 31 December 2020 amounted to £4.5m (2019: loss of £12.3m). The gross profit margin has reduced to -84% (2019: -135%) as a result of decreased depletion (fallen by 75%) offset by lower commodity prices (fallen by 28%). During the year considerable progress has been made on the decommissioning of the Pickerill field.

The statement of financial position on page 12 of the Annual Report and Financial Statements shows that the Company's overall net liabilities at the end of the year have increased from -£11m at 31 December 2019 to -£16m at 31 December 2020. The increase in liability is due to the loss 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 £15.12 in 2020 from £16.19 in 2019 mainly due to continued efforts to maximise production & reduce operating costs. 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 constitute significant risks to the Company's prospects, reputation and financial position. The Company's projects are mainly focused on decommissioning and in optimising operational performance and output from existing producing assets prior to the decision to decommission. This remains the critical success factor for the Company. 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.

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. During 2013 a Board Committee was set up in association with Perenco UK Limited to ensure that appropriate leadership is in place at all levels of the UK 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 our health, safety and environmental performance can be found on the Perenco website.

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)

f) Covid-19

On 11 March 2020 the World Health Organisation (WHO) declared a novel coronavirus disease, COVID-19, a global pandemic. As the effects of COVID-19 spread across the globe, the Company is focussed on maintaining the critical infrastructure under its charge safely and reliably. Following interaction with UK government and knowledge sharing exercises across critical infrastructure operators, the Company identified the following key risk areas and strategies to preserve the health and wellbeing of staff whilst maintaining business continuity.

The Company has taken immediate and contingent safety measures for its employees applying Government guidelines to mitigate the spread of infection. This includes but is not limited to:

- segregating site staff as much as possible and implementing the governments social distancing guidelines. Where the social distancing guidelines cannot be followed in full the Company has taken mitigating actions to reduce the risk of transmission between staff; and
- making every possible effort to enable working from home;
- supporting staff, or their families who are unwell with symptoms of COVID-19 to self-isolate.

As some vendors and suppliers face operational or financial struggles there is an increased risk to the supply chain. The Company has placed increased focus and resources in monitoring this area. Critical supply chains have been evaluated and where necessary strategic stock levels and communications with suppliers increased.

The implementation of lockdown measures has led to a decline in demand and this has caused fluctuations in market energy prices. We have revised our forecasts for the implications of the current Covid-19 situation and applied appropriate sensitivities to ensure that we operate within our available working capital. This is considered within the going concern section in the Directors Report.

No Covid-19 related Government relief claimed by the Company.

g) Brexit

Following the withdrawal of the UK from the European Union on 31st January 2020, the Company has not experienced and does not envisage any future significant impacts on its operations. The Company has corroborated with its logistics partners to ensure it continues to comply with all necessary customs regulations.

Employment policies

The Company does not have any employees.

Section 172 statement included within the Group's (Company Registration No. 04653066) annual report.

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

Fabien Musitelli
Director
20 July 2021

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

Directors' report

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

Directors and their interests

The directors who served during the year were as follows:

Jonathan Parr
Brian James (resigned 31st January 2020)
Franck Dy
Laurent Combe
Arnaud Le Blanc (resigned 12th April 2021)
Jonathan Day
Eric Du Plessis D'Argentre
Emmanuel Colombel
Fabien Musitelli (appointed 21st May 2021)

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.

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 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

Cost control and simplification of offshore operations remains a core approach. 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.

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 boosting production. In the short-term CO_2 reductions will be made through a series of decommissioning and ongoing operational improvements, such as the SHARP project. PUK have set a short-term target of a 20% reduction in actual CO_2 emissions by the 1st Jan 2022 against the 2018 base year.

The breakdown of emissions by scope are included within the Group's (Company Registration No. 04653066) annual report.

Perenco Gas (UK) Limited

Directors' report (continued)

Donations

There were no political or charitable donations made in the current year (2019: NIL).

Dividends

The directors do not propose payment of a dividend in 2020 (2019: 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.

Post Statement of financial position events

Details of significant events since the statement of financial position date are contained in note 20 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.

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:

Fabien Musitelli
Director
20 July 2021

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 International Financial Reporting Standards (IFRS). 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 in 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

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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the 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 balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law 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.

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.

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 group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group 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, UK Government COVID-19 Guidelines, OGA Licensing requirements, The Petroleum Act 1998.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, pensions and industry specialists 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 specific 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 revenue recognition. We have substantively tested 100% of the gas revenue balance to bank statement and bill of lading, where appropriate, including testing the cutoff assertion.

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;
- enquiring of management and in-house 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

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 have 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.

Anthony Matthews

Anthony Matthews FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
20 July 2021

Perenco Gas (UK) Limited

Income statement
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	3	**8,570**	**18,667**
Cost of sales			
Production and operating costs	4	(14,581)	(20,436)
Depreciation, depletion and amortisation	4, 9	(1,172)	(23,445)
Gross loss		**(7,183)**	**(25,214)**
Administrative expenses	5	(3)	(7)
Other operating (expenses) / income	6	(6,619)	7,335
Operating loss		**(13,805)**	**(17,886)**
Finance costs	7	(1,243)	(2,678)
Loss before taxation		**(15,048)**	**(20,564)**
Taxation	8	10,505	8,225
Loss for the financial year		**(4,543)**	**(12,339)**

All transactions arise 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 2020
Company registration number: 0715529

	Notes	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	9	1,755	3,599
Deferred tax asset	11	54,301	55,833
		56,056	**59,432**
Current assets			
Trade and other receivables	10	54,189	74,015
Cash and cash equivalents		0	-
		54,189	**74,015**
Total assets		**110,245**	**133,447**
Current liabilities			
Trade and other payables	13	(5,833)	(11,657)
Net current assets		**48,356**	**62,358**
Non-current liabilities			
Decommissioning provision	12	(120,043)	(132,878)
Net liabilities		**(15,631)**	**(11,088)**
Equity			
Share capital	14	1	1
Retained earnings		(15,632)	(11,089)
Total equity		**(15,631)**	**(11,088)**

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

Fabien Musitelli
Director
20 July 2021

Perenco Gas (UK) Limited

Statement of changes in equity
For the year ended 31 December 2020

	Share Capital £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2018	1	1,250	1,251
Loss for the financial year and total comprehensive loss	-	(12,339)	(12,399)
Balance at 31 December 2019	**1**	**(11,089)**	**(11,088)**
Loss for the financial year and total comprehensive loss	-	(4,543)	(4,543)
Balance at 31 December 2020	1	(15,632)	(15,631)

Perenco Gas (UK) Limited

Cash flow statement
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Net cash from operating activities	16	**50**	**(30)**
Cash flows from investing activities			
Expenditure on development and production assets		(50)	30
Net cash used in investing activities		**(50)**	**30**
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		**-**	**-**

Perenco Gas (UK) Limited

Notes to the financial statements
Year ended 31 December 2020

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. The functional currency is GBP.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretation Committee (IFRIC) interpretations and the Companies Act 2006.

The financial statements are prepared under the historical cost convention and have been prepared under a going concern basis as discussed in the Directors' report on page 5. The accounting policies have been applied consistently in all years presented.

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. We continue to assess the potential impact of coronavirus on our operations and have instigated appropriate mitigation plans.

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.

Amendments to IAS 1 and IAS 8	Definition of Materiality
Amendments to IFRS 16	Covid-19 Related Rent Concessions
Amendments to IFRS 9 and IFRS 7	Interest Rate Benchmark Reform

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 and IAS 8	Definition of materiality
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its Associate or Joint Venture
IFRS 17	Insurance contracts
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

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.

1. Accounting policies (continued)

(c) 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.

(d) 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 Group's accounting policy under IFRS 15 is that revenue is recognised when the Group 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 Group are fully satisfied. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the Group's previous accounting policy for recognising revenue from sales to customers.

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

(e) 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.

(f) 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.

1. Accounting policies (continued)

(f) 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.

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.

(g) Financial instruments

Financial assets and liabilities are recognised on the Company's statement of financial position when the Company becomes party to contractual provisions of the instrument. The Company has not entered into any derivative financial instruments during the year presented, therefore the application of IFRS 9 has not had a material impact.

1) Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of assets on the face of the statement of financial position) comprises cash at bank.

2) Trade receivables

Trade receivables represent amounts owed for the sale of oil and 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 approximates to their fair value.

(h) Tariff income

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

2. 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 2020 is shown in note 9.

A 10% reduction in reserves would result in an additional depletion charge of £0.1m (7%).

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 2020 are shown in note 12.

A 1 percentage point increase in CPI assumption would result in an increase in provision of £2.4m. Similarly, a 1 percentage point increase in the discount rate would result in a decrease in provision of £2.4m.

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 (2019: £nil). The assumptions used as part of the recoverable value calculation are also detailed within note 9.

3. Revenue

	2020 £'000	2019 £'000
Gas sales	8,097	17,719
Condensate sales	295	729
Tariff income	178	219
Total operating revenue	8,570	18,667

4. Cost of sales

	2020 £'000	2019 £'000
Operating costs	14,574	20,436
Depletion, depreciation and amortisation	1,172	23,445
Tariff expense	7	-
	15,753	43,881

5. Administrative expenses

	2020 £'000	2019 £'000
General administration costs	3	7
	3	7

None of the directors are employees of the Company and the directors received no remuneration from the Company during the year. 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. Auditor's remuneration has been borne by the Parent Company. Non-audit services provided in the period are also nil.

6. Other operating income

	2020 £'000	2019 £'000
Movement in decommissioning provision estimate (credit)	(6,619)	(7,335)
	(6,619)	(7,335)

Other operating income and expenses relate to the movement in the decommissioning provision on fields which have no proved reserves as at 31 December 2020.

7. Finance costs

	2020 £'000	2019 £'000
Unwinding of discount on decommissioning provisions (note 12)	1,243	2,678
	1,243	2,678

8. Taxation

	2020 £'000	2019 £'000
a) Analysis of taxation expense / (credit) in the period		
Corporate income taxes:		
Current year credit	(2,643)	(16,997)
Prior year credit	(9,394)	-
	(12,037)	**(16,997)**
Deferred taxation:		
Deferred corporation tax	6,398	8,772
Deferred PRT credit	(4,866)	-
	1,532	**8,772**
Total taxation credit for the year	**(10,505)**	**(8,225)**

8. Taxation (continued)

	2020 £'000	2019 £'000
b) Factors affecting tax expense for the period		
Loss on ordinary activities before tax	(15,049)	(20,564)
Tax on loss at the ring fence UK corporation tax rate of 40% (2019: 40%)	(6,020)	(8,226)
Effects of:		
Loss carried back at higher tax rate	7,827	-
Adjustments in respect of prior periods	(9,394)	(5)
Increase in PRT deferred tax asset recognised	(4,866)	-
Deferred tax charge of future CT on PRT refunds	1,946	-
Other	2	4
Total taxation credit in the year	**(10,505)**	**(8,225)**

The UK tax rate shown above of 40% comprises the supplementary charge to corporation tax (SCT) of 10% (2019: 10%) as well as the corporation tax (CT) rate of 30% (2019: 30%) on UK profits within the oil and gas ring-fence. The standard rate of corporation tax for 2020 of 19% (2019: 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. As per note 20, the Government has announced a change to the main rate of UK corporation tax 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.

9. Property, plant and equipment

	Development and production assets £'000
Cost	
Balance at 1 January 2020	52,747
Additions	50
Change in estimate of decommissioning provisions	(722)
Balance at 31 December 2020	52,075
Depletion and depreciation	
Balance at 1 January 2020	49,148
Charge for the year	1,172
Balance at 31 December 2020	50,320
Net book value	
Balance at 1 January 2020	3,599
Balance at 31 December 2020	1,755

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 12), and a corresponding adjustment to the Development and production asset cost with the exception of fields which have no economical reserves at 31 December 2020 where the movement is taken directly to the income statement (note 6).

10. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	1,100	799
Amounts due from group companies	40,334	72,873
Prepayments and accrued income	.403	343
Coporation tax debtor	12,352	-
	54,189	74,015

None of the Company's trade receivables are past due (2019: none).

Amounts receivable from group companies are repayable on demand and are non interest bearing.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS39, has not had an impact on the calculation of the Group's provision for bad debt during the period.

11. Deferred tax

Deferred tax asset

	2020 £'000	2019 £'000
At 1 January	55,833	64,605
Deferred tax movement in the year (note 8)	(6,398)	(8,772)
Deferred PRT	4,866	-
At 31 December	54,301	55,833

11. Deferred tax (continued)

Deferred tax analysis

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

	2020 £'000	2019 £'000
Accelerated capital allowances	(537)	(1,220)
Decommissioning expenditure	48,017	53,151
Deferred PRT	11,479	6,614
Other temporary timing differences	(4,658)	(2,712)
Net deferred tax asset provided	54,301	55,833

A deferred tax asset has been recognised in respect of £54,301k (2019: £55,833k) 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 2020.

12. Decommissioning provision

The decommissioning provision provided for is expected to be incurred between 2021 and 2025.

The provision is the discounted value of the directors' current price estimates using existing technology, at current prices. Decommissioning cost estimates have been inflated to the date of decommissioning at 2% (2019: 2%) and discounted back to the year end at a range between 0.085% & 0.739% (2019: 0.94%). Any adjustment arising from the re-assessment of the estimated cost of decommissioning is capitalised (see note 9) whilst the adjustment arising from the unwinding of the discount is taken to the profit and loss account as a finance cost (note 7). 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 6).

	2020 £'000	2019 £'000
Balance at the beginning of the year	132,878	178,508
Change in estimate	5,897	(7,742)
Amounts utilised	(19,975)	(40,566)
Unwinding of discount (note 7)	1,243	2,678
	120,043	132,878

	2020 £'000	2019 £'000
Of which:		
Due within one year	22,836	20,381
Due after more than one year	97,207	112,497
	120,043	132,878

13. Trade and other payables

	2020 £'000	2019 £'000
Accruals	2,297	7,750
Amounts payable to group companies	2,900	5,490
Corporate taxation	-	(2,958)
Other creditors	636	1,375
	5,833	11,657

Amounts payable to group companies are repayable on demand and are non interest bearing.

14. Equity

Called-up share capital

Ordinary shares	No. of shares	£'000
Authorised shares of £1 each		
At 31 December 2019 and 31 December 2020	1,000	1
Allotted, called up and fully paid		
At 31 December 2019 and 31 December 2020	1,000	1

15. 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 borrowed from the Parent company as disclosed in note 13, 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 2020 (31 December 2019: none).

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.

15. Financial instruments (continued)

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 2020 and 2019 the carrying amounts of cash, cash equivalent and short-term deposits, trade and other receivables (note 10), and trade and other payables (note 13) approximated their fair values due to the short-term maturities of these assets and liabilities.

(a) Categories of financial instruments

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

	2020 £'000	2019 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	52,668	74,015
Financial liabilities		
Financial liabilities measured at amortised cost	(4,313)	(11,657)
	48,355	62,358

(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 2020 or 2019.

16. Notes to the cash flow statement

Reconciliation of operating profit to cash generated by operations

	2020 £'000	2019 £'000
Cash flows from operating activities:		
Operating loss	(13,805)	(17,886)
Adjustments for:		
Depreciation, depletion and amortisation	1,172	23,445
Movement in decommissioning provision in excess of net book value	6,619	(7,334)
Operating cash flow prior to working capital changes	(6,014)	(1,775)
Decrease in receivables	19,826	24,373
Increase in creditors	6,213	17,938
Decrease in provisions	(19,975)	(40,566)
Net cash from operating activities	50	(30)

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.

17. Capital commitments

The Company is committed to its share of future exploration, development, operating and decommissioning costs beyond 2020 under the terms of its North Sea licence agreements.

18. 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.

19. 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 2020 £'000	Charge for 2019 £'000	Net Debtor/ (Creditor) 2020 £'000	Net Debtor/ (Creditor) 2019 £'000
Charged to affiliated companies:				
Perenco UK Ltd	(32,359)	(22,281)	40,334	72,873
Charged by affiliated companies:				
Perenco UK Ltd	(2,590)	(2,507)	(2,900)	(5,490)
Perenco Holdings	(23)	(29)	(6)	(6)
Perenco Oil Trading	(21)	(32)	(2)	(13)
	(34,933)	(24,849)	37,426	67,364

Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year end the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2019: £nil).

20. Post statement of financial position events

The Government has announced a change to the main rate of UK corporation tax 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.