Company Registration No. 04653066

Perenco UK Limited

Annual Report and Consolidated Financial Statements

31 December 2020

Perenco UK Limited

Annual Report and Consolidated Financial Statements 2020

Contents

Perenco UK Limited

Strategic report

The directors present their strategic report for the Group as a whole for the year ended 31 December 2020. The Directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

Review of business

The Group comprises Perenco UK Limited, Perenco Gas (UK) Limited and Perenco North Sea Limited (the "Group" or "Perenco").

The Group's objective is to invest in UK oil and gas activities, holding interests wholly or in joint operations involved in the exploration, development and production of oil and gas.

The strategy is to perform and maintain safe and efficient operations, maximising production from our fields and increasing the revenue stream from third party business which utilise the Group pipelines and terminals infrastructure.

Cost control and simplification of offshore and onshore operations remains a core approach. The Group 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 Group has built a portfolio of operated producing assets focused on the UK Southern North Sea and Wytch Farm, Western Europe's largest onshore oil field.

The Group's loss before tax for the year ended 31 December 2020 amounted to £101,732k (2019: loss £113,238k). The loss has decreased despite weakening commodity prices (gas price fallen by 28%), due to reduced operating costs (10%) & depletion charge (52%).

The gross profit margin has decreased to -25.5% (2019: -14.9%). The net profit margin has decreased to -13.9% (2019: -10.7%). This is principally due to weakening commodity prices.

Overall net assets have decreased from £20,948k at 31 December 2019 to net liabilities of £24,211k at 31 December 2020. This is due to the loss for the period.

An impairment reversal of £24.5m has been recognised at Wytch Farm, which represents a full reversal of all previous impairments.

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 Group's performance over time. In assessing financial indicators the directors consider it appropriate to evaluate the closing financial position of the Group 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 decreased to £15.12 in 2020 from £16.19 in 2019 due to continued efforts to maximise production and 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 Group's future growth, and substantial delay to, or failure to complete these projects, including decommissioning, constitute significant risks to the Group'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 Group. This risk is mitigated by strong internal controls surrounding project delivery.

b) Financial risk

The most significant financial risks to which the Group is exposed are movements in gas and oil prices. However, the Group considers volatility in gas and oil prices a regular part of its business environment and the Group does not systematically hedge through financial instruments to mitigate these risks.

The Group's exposure to other financial risks are reviewed in note 17.

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Strategic report (continued)

Principal risks and uncertainties (continued)

c) Health and Safety risk

Health and safety is one of Perenco's core priorities and the Group continue to target risk and impact reduction. The Group 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, contractors and anyone who could be affected by its activities. Its 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 Group 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 Group takes further action if performance falls below the targets set.

d) Major Hazard Risk

The Group recognises that our operations involve major hazards and are 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 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.

e) Strategic growth

The Group continues to pursue a range of options across the gas value chain and has undertaken significant investment to maintain production. In 2019 it began a major investment programme ('SHARP') to revitalise the Inde and Leman gas fields through infrastructure rationalisation and is expected to be completed in 2021.

f) Information security, intellectual property and assets

We operate in a complex computing environment and the threat of cyber attack against our industry remains high. We continued to improve our system of internal controls to endeavour to ensure they are robust enough to meet these challenges.

Perenco UK Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

g) 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 Group 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 Group identified the following key risk areas and strategies to preserve the health and wellbeing of staff whilst maintaining business continuity.

The Group 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;
- making every possible effort to enable working from home; and
- 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 Group 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.

During 2020, furloughed staff have resulted in a total reimbursement from the Government of £473k. This was the only Covid-19 related Government relief claimed by the Group.

h) 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 Group has a wide range of employment policies in place covering such issues as diversity, employee wellbeing and equal opportunities. Also, the Group is committed to an active programme of employee development. Training and development needs are identified in consultation with the individuals concerned, and relevant training opportunities made available.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and Group news articles. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The Group takes its responsibility to the disabled seriously and seeks not to discriminate against current or prospective employees because of any disability.

Perenco 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 Group. The board assesses different areas of the business so that the Group is well prepared for the future challenges. 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 Group stakeholders, including shareholders, employees, the community and environment, our suppliers and customers.

We work to attract, develop and retain the world's best talent, equipped with the right skills for the future. Our people have a crucial role in delivering against our strategy and creating value. We trust people we hire and let them express their talent in a wide range of domains.

We consult 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.

The board regularly reviews and monitors the Group safety, reliability and environmental performance, with the aim of continually making the Group safer for our entire workforce and minimizing our environmental impact. It also focuses on maintaining financial discipline and delivering positive results, cash flow and returns to shareholders.

Safety will always be one of our core values. This is important to our workforce, local communities and the environment, while securing strong operational availability and reliability is crucial to our partners, suppliers and customers.

The key impact of climate change on the Group's portfolio of assets is reflected within market oil & gas prices.

Our workforce is key to its success. Our people help us maintain our strong reputation for high standards of business conduct and are fundamental in delivering our purposes to reimagine energy.

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.

Within the context of COVID-19, the board has taken a number of measures as described within the COVID-19 statement above, to preserve the health and wellbeing of staff whilst maintaining a level of business continuity. The subsequent impact on market oil & gas prices has been closely monitored to ensure our sensitivity analysis reflects such volatility.

Details of significant events since the balance sheet date are contained in Note 30 of the financial statements.

Approved by the Board and signed on its behalf by:

Fabien Musitelli
Director
20 July 2021

Perenco UK Limited
8 Hanover Square
London
W1S 1HQ

Perenco UK Limited

Directors' report

The directors present their annual report on the affairs of the Group together with the consolidated financial statements and auditor's report for the year ended 31 December 2020.

Directors and their interests

The directors who served during the year and to the date of this report were as follows:

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

At 31 December 2020 the Group had cash of £4.8m and a short term inter-company receivable of £527m 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 Group 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.

Future Developments

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

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and the Company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Donations

There were no political donations made in the current year (2019: nil). Charitable donations totalling £24k were made during the current year (2019: £2,608k).

Disabled employees

The Group's policy in respect of disability have been set out in the strategic report.

Perenco UK Limited

Directors' report (continued)

Environmental matters

The Group 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 CO2 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 CO2 emissions by the 1st Jan 2022 against the 2018 base year.

Since 2015 PUK have implemented several projects that have supported the reduction of CO2 emissions across our operations. These include:

- A phased reduction in aviation support since 2015
- 2017 RADICLE project – removal of compression from the Cleeton & Ravenspurn North Platforms delivering a reduction of 90,000 CO2 emissions
- 2018 Inde Gas Compression Rationalisation Project delivering a reduction of 110,000 CO2 emissions

The Group's breakdown of emission by scope is as follows:

	2018 Base Year	2019 Data	2020 Data
Energy consumption used to calculate emissions /kWh	2,948,105,706.76	3,261,225,000.71	2,692,868,106.69
Scope 1			
Emissions from combustion of gas TCO2e	498,727.21	552,592.97	483,654.73
Emissions from combustion of diesel for operations TCO2e	52,462.21	62,801.15	52,136.30
Emissions from venting of natural gas TCO2e	74,087.60	56,620.00	51,836.82
Total Scope 1 Emissions TCO2e	**625,277.02**	**672,014.12**	**587,627.85**
Scope 2			
Emissions from purchased electricity	0 All imported electricity is from renewables.	0 All imported electricity is from renewables.	0 All imported electricity is from renewables.
Scope 3			
Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel	70.20	60.00	254.00
Total gross TCO2e	633,107.02	679,425.12	587,930.47
Total production (BOE) crude, LPG & gas	44,206,216	45,441,088	41,819,221
Intensity Ratio: kg CO2e/BOE	14.32	14.95	14.06

The Group has following the 2013 UK Government environmental reporting guidance. Over 85% of the 2020 scope 1 emissions are verified under the European Greenhouse Emissions Trading Scheme (EU ETS) (Amendment) Regulations (2014). Where other emission sources have been included, the emissions factors are derived from the UK Government Emissions Monitoring and Reporting Systems (EEMS) or those common across the industry.

The Group has chosen to include emissions from the venting of natural gas, which are not required by the SECR mandatory framework.

Perenco UK Limited

Directors' report (continued)

Dividends

The directors do not propose payment of a dividend in 2020 (2019: £100m).

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 way of cross reference.

Post statement of financial position events

Details of significant events since the statement of financial position date are contained in note 31 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.

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 and signed on its behalf by:

Fabien Musitelli
Director
20 July 2021

Perenco UK Limited
8 Hanover Square
London
W1S 1HQ

Perenco 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 group financial statements in accordance with International Financial Reporting Standards (IFRSs). 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 Group and Company and of the profit or loss of the Group and 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 Group'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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

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

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Perenco UK Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent 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 group's and parent 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.

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

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 group's and the parent 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 group or the parent 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 area, and our specific procedures performed to address it are described below:

- Revenue recognition on oil and gas sales: We presume a risk of material misstatement due to fraud related to revenue recognition. We have substantively tested 100% of the oil and gas revenue balance to bank statement and bill of lading, where appropriate, including testing the cutoff assertion.

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

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 / external] 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 group and of the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 UK Limited

Consolidated Income statement
Year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Continuing operations			
Revenue	3	**342,850**	**558,307**
Cost of sales			
Production and operating costs	4	(191,695)	(220,247)
Personnel costs	7	(74,778)	(77,422)
Depreciation, depletion and amortisation	4, 13, 16	(163,803)	(343,894)
Gross loss		**(87,426)**	**(83,256)**
Administrative expenses	5	(5,177)	(9,357)
Other operating (expenses)/income	6	(5,709)	14,494
Reversal of impairment of assets	13	24,469	-
Operating loss		**(73,843)**	**(78,119)**
Investment revenue	8	1,274	5,230
Finance costs	9	(20,735)	(33,371)
Other financial gains and losses	10	(8,428)	(6,978)
Loss before taxation		**(101,732)**	**(113,238)**
Taxation	11	54,150	53,353
Loss for the financial year		**(47,582)**	**(59,885)**

All transactions arise from continuing operations.

An impairment reversal of £24.5m has been recognised in respect of the Wytch Farm cash generating unit (CGU) as per notes 2c & 13.

Perenco UK Limited

Consolidated Statement of comprehensive income
Year ended 31 December 2020

	2020 £'000	2019 £'000
Loss for the financial year	**(47,582)**	**(59,885)**
Items that will not be reclassified subsequently to profit of loss:		
Actuarial gain / (loss) relating to the defined benefit pension scheme	4,040	(2,606)
UK Deferred tax attributable to actuarial (loss)/gain	(1,616)	1,042
Total comprehensive loss for the financial year	**(45,156)**	**(61,449)**

Perenco UK Limited

Consolidated & Company Statement of financial position
Year ended 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Notes	£'000	£'000	£'000	£'000
Non-current assets					
Exploration and evaluation assets	12	-	12,311	-	12,311
Property, plant and equipment	13	446,563	516,332	505,075	558,530
Right-of-use assets	15	4,995	6,515	4,995	6,515
Investments	144	-	-	6,641	6,641
Deferred tax assets	20	459,717	427,578	358,914	329,476
		911,275	**962,736**	**875,625**	**913,473**
Current assets					
Inventories	177	34,641	43,539	34,641	43,539
Trade and other receivables	188	602,391	767,632	592,852	777,624
Cash at bank and in hand		4,813	8,151	4,813	8,151
		641,845	**819,322**	**632,306**	**829,314**
Total assets		**1,553,120**	**1,782,058**	**1,507,931**	**1,742,787**
Current liabilities					
Borrowings	19	-	(32,566)	-	(32,566)
Lease liabilities	24	(249)	(524)	(249)	(524)
Trade and other payables	23	(56,226)	(102,890)	(177,041)	(253,243)
		(56,475)	**(135,980)**	**(177,290)**	**(286,333)**
Non-current liabilities					
Borrowings	19	-	(65,131)	-	(65,131)
Decommissioning provision	211	(1,515,816)	(1,549,363)	(1,339,702)	(1,356,558)
Retirement benefits	222	(136)	(4,692)	(136)	(4,692)
Lease liabilities	24	(4,904)	(5,942)	(4,904)	(5,942)
		(1,520,856)	**(1,625,128)**	**(1,344,742)**	**(1,432,303)**
Total liabilities		**(1,577,331)**	**(1,761,108)**	**(1,522,032)**	**(1,718,656)**
Net (liabilities)/assets		**(24,211)**	**20,950**	**(14,101)**	**24,131**
Equity					
Share capital	25	47,081	47,081	47,081	47,081
Retained earnings		(71,292)	(26,131)	(61,182)	(22,950)
Total equity		**(24,211)**	**20,950**	**(14,101)**	**24,131**

The loss for the financial year of the parent company was £40,654k (2019 loss: £44,729k). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the parent company.

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 UK Limited

Consolidated & Company Statement of equity
Year ended 31 December 2020

Group	Notes	Share Capital £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2018		**47,081**	**135,318**	**182,399**
Loss for the year		-	(59,885)	(59,885)
Other comprehensive income for the year		-	(1,564)	(1,564)
Total comprehensive loss for the year		-	(61,449)	(61,449)
Dividends paid	25	-	(100,000)	(100,000)
Balance at 31 December 2019		**47,081**	**(26,131)**	**20,950**
Loss for the year		-	(47,582)	(47,582)
Other comprehensive income for the year		-	2,424	2,424
Total comprehensive loss for the year		-	(45,158)	(45,158)
Balance at 31 December 2020		**47,081**	**(71,292)**	**(24,211)**

Company	Notes	Share Capital £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2018		**47,081**	**123,344**	**170,425**
Loss for the year		-	(44,729)	(44,729)
Other comprehensive loss for the year		-	(1,564)	(1,564)
Total comprehensive loss for the year		-	(46,293)	(46,293)
Dividends paid	25	-	(100,000)	(100,000)
Balance at 31 December 2019		**47,081**	**(22,949)**	**24,132**
Loss for the year		-	(40,654)	(31,150)
Other comprehensive income for the year		-	2,423	2,423
Total comprehensive loss for the year		-	(38,231)	(28,727)
Balance at 31 December 2020		**47,081**	**(61,182)**	**(14,101)**

Perenco UK Limited

Consolidated Cash flow statement
Year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities	266	**51,519**	**225,704**
Taxation paid		(13,157)	(86,385)
Net cash from operating activities		**38,362**	**139,319**
Cash flows used in investing activities			
Expenditure on development and production assets		(88,309)	(43,158)
Interest received		1,274	5,230
Net cash used in investing activities		**(87,035)**	**(37,928)**
Cash flows from financing activities			
Cash pooling		152,475	51,776
Loan repaid		(101,319)	(40,191)
Interest paid		(5,822)	(9,571)
Dividends paid		-	(100,000)
Net cash used in financing activities		**45,334**	**(97,962)**
Net (decrease) / increase in cash and cash equivalents		**(3,339)**	**3,429**
Cash at bank and in hand at the beginning of the year		8,152	4,723
Cash at bank and in hand at the end of the year		**4,813**	**8,152**

Perenco UK Limited

Company Cash flow statement
Year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities	266	**44,792**	**208,337**
Taxation paid		(5,657)	(70,991)
Net cash from operating activities		**39,135**	**137,346**
Cash flows from investing activities			
Expenditure on development and production assets		(90,536)	(43,063)
Interest received		1,274	5,230
Net cash used in investing activities		**(89,262)**	**(37,833)**
Cash flows from financing activities			
Cash pooling		152,475	51,776
Loan repaid		(101,319)	(40,191)
Interest paid		(4,367)	(7,669)
Dividends paid		-	(100,000)
Net cash used in financing activities		**46,789**	**(96,084)**
Net (decrease) / increase in cash and cash equivalents		**(3,338)**	**3,429**
Cash at bank and in hand at the beginning of the year		8,151	4,722
Cash at bank and in hand at the end of the year		**4,813**	**8,151**

1. Accounting policies

General

Perenco UK Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England & Wales. The address of the registered office is: 8 Hanover Square, London W1S 1HQ. The nature of the Company's operations is 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 Interpretations 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 6. The accounting policies have been consistently applied in all years presented.

The Group'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 Group.

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)**

a) Basis of consolidation

The consolidated financial statements incorporate the results of the Company and the entities controlled by the Company (its subsidiaries as listed in note 144) made up to 31 December each year.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated on consolidation.

The results of all the subsidiaries acquired or sold have been consolidated for the periods from or to the date on which control passed. Acquisitions that meet the definition of a business combination are accounted for under the acquisition method, with identifiable assets and liabilities being ascribed fair values, and the balance of the fair value of the consideration given being allocated as the fair value attributable to the oil and gas properties and related hydrocarbon reserves. In accordance with normal oil exploration and production industry practice, therefore, goodwill does not normally arise on acquisitions. Acquisition-related costs are recognised in profit and loss as incurred. As permitted by IFRS 3 '*Business Combinations*', fair values are determined on a preliminary basis and are subsequently reviewed in accordance with the provisions of the same IFRS.

Joint arrangement accounting policy

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements. The Group 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 Group 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 Group 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 Group balance sheet.

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

The Group 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 Group's share of net assets of the joint venture.

1. Accounting policies (continued)

b) Oil and gas assets

The Group 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 Group.

Oil and gas assets: exploration and evaluation

Exploration and evaluation ("E&E") costs are initially capitalised as 'intangible assets', in accordance with IFRS 6. Such E&E costs may include costs of licence acquisition, technical services and studies, seismic acquisitions and exploration drilling and testing.

Tangible assets used in E&E activities are classified as property, plant and equipment.

Intangible E&E assets are not depreciated and are carried forward until the existence (or otherwise) of proved reserves has been determined. If proved reserves have been discovered, the relevant E&E assets are then reclassified as development and production assets within property, plant and equipment and are depreciated using the method described below. Intangible E&E assets that are determined not to have resulted in the discovery of proved reserves and cannot be associated with an established full cost pool are written off at the date of determination, whereas those that are associated with an established pool are carried forward and amortised over the total reserves of the pool, subject to there being no impairment of the pool as a whole.

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 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.

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. 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.

d) Inventories

Crude oil and condensate inventory are carried at market value in accordance with specific exclusions applicable to mineral products under IAS 2 'Inventory'.

Materials, supplies and all other non-mineral inventories are stated at the lower of cost and net realisable value. The Group reviews annually the inventory of materials for obsolescence and a provision on obsolete stock is made accordingly.

e) Oil and gas overlift and underlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Underlift and overlift are valued at market value. Overlift is included within payables and underlift is included within inventory. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

f) 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.

g) 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.

h) Investments

Fixed asset investments, including investments in subsidiaries are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable.

i) 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. 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint operations, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 Group 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 Group operates and are charged to the income statement.

j) Petroleum revenue tax (PRT)

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.

k) Provisions

A provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

1. Accounting policies (continued)

l) Financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes party to contractual provisions of the instrument. The following financial instruments are held by the Group.

1) 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.

2) Cash and cash equivalents

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

3) Trade receivables

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

m) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined retirement benefit schemes, the cost of providing benefits is determined by actuarial valuations being carried out at the end of each reporting period. Measurement comprising actuarial gains and losses, the effects of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to the statement of comprehensive income in the period which they occur.

Perenco UK Limited

Notes to the consolidated financial statements
Year ended 31 December 2020

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 Group 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 Group's development and production assets has been impaired.

The carrying amount of development and production assets at 31 December 2020 is shown in note 13.

A 10% reduction in reserves, would result in an additional depletion charge of £11.5m (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 is shown in note 21.

A 1 percentage point increase in CPI assumption would result in an increase in provision of £58.3m. Similarly, a 1 percentage point increase in the discount rate would result in a decrease in provision of £56.7m.

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 13 discloses the carrying amounts of the Group's production and development assets, an impairment reversal of £24,469k has been recognised during the year (2019: NIL). The assumptions used as part of the recoverable value calculation are also detailed within note 13.

Perenco UK Limited

Notes to the consolidated financial statements
Year ended 31 December 2020

3. Revenue

	Group	
	2020	2019
	£'000	£'000
Oil sales	166,914	253,586
Gas sales	141,894	245,095
Condensate sales	2,451	6,419
Tariff income	28,166	28,681
Gas price hedging	(3,650)	-
Other revenues	7,075	24,526
Total operating revenue	342,850	558,307

4. Cost of sales

	Group	
	2020	2019
	£'000	£'000
Operating costs	186,779	214,466
Personnel costs	74,778	77,422
Depletion, depreciation and amortisation	163,803	343,894
Tariff expense	4,916	5,781
	430,276	641,563

5. Administrative expenses

	Group	
	2020	2019
	£'000	£'000
General administration costs	1,439	4,406
Operating and professional fees	3,348	4,715
Auditor's remuneration – audit	236	236
Auditor's remuneration – tax advice	154	-
	5,177	9,357

6. Other operating income / (expenses)

	Group	
	2020	2019
	£'000	£'000
Change in decommissioning estimates	(9,265)	(14,494)
Change in inventory provision	56	-
Sale of stock	3,500	-
	(5,709)	(14,494)

The change in decommissioning estimates income and expenses relates to movements in the decommissioning provision on fields which have no proved reserves as at 31 December 2020.

7. Staff costs

	Group	
	2020	2019
	No.	No.
Average monthly number of persons employed (including directors) was:		
Operations	718	738
Finance	15	16
Human Resources	12	12
	£'000	**£'000**
Staff costs during the year		
Wages and salaries	60,989	65,347
Social security costs	5,976	6,434
Pension costs	7,158	5,013
Health insurance	655	628
	74,778	77,422

Perenco UK Limited

Notes to the consolidated financial statements
Year ended 31 December 2020

7. Staff costs (continued)

	2020	2019
	£	£
Directors' remuneration		
Emoluments	4,721,557	2,558,818
Company contributions to money purchase pension schemes	-	31,284
	4,721,557	2,590,102

	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	-	1

	2020	2019
	£	£
Remuneration of the highest paid director:		
Emoluments	1,413,733	1,100,822
Company contributions to money purchase schemes	-	31,284

Emoluments have been paid to Directors in their capacity as a Director and in connection with the management of the affairs of the Group.

Jonathan Parr's emoluments have been excluded from the above as he is reporting within the Financial Statements of Perenco Holdings (Company registration number 01568950).

Perenco UK has paid £2,779,086.46 to other group companies in respect of services provided by Directors during the year. This has been disclosed as a related party transaction in note 28.

Perenco UK Limited

Notes to the consolidated financial statements
Year ended 31 December 2020

8. Investment revenue

	2020 £'000	2019 £'000
Interest on intercompany receivables	1,215	5,163
Bank interest	31	-
Other interest	28	67
Total investment revenue	1,274	5,230

Investment revenue earned from loans and receivables (including cash pooling (cash and bank) balances) in 2020 was £1,215k (2019: £5,163k) and other interest relates to joint-venture finance fees £28k (2019: £67k).

9. Finance costs

	2020 £'000	2019 £'000
Interest on loans with affiliated company	4,367	7,669
Unwinding of discount on lease liability	415	-
Unwinding of discount on decommissioning provisions (note 21)	14,498	23,824
Interest on defined benefit obligation (note 22)	1,455	1,878
	20,735	33,371

10. Other financial gains and losses

	2020 £'000	2019 £'000
Foreign exchange losses	(8,428)	(6,978)
	(8,428)	(6,978)

Perenco UK Limited

Notes to the consolidated financial statements
Year ended 31 December 2020

11. Taxation

	2020 £'000	2019 £'000
a) Analysis of taxation expense in the period		
Corporation tax:		
Current year charge	-	49,971
Adjustments for prior periods	(20,397)	(1,476)
	(20,397)	**48,495**
Deferred taxation:		
Deferred corporation tax	(15,755)	(101,274)
Deferred PRT	(17,998)	(574)
Adjustments for prior year periods	-	-
	(33,753)	**(101,848)**
Total taxation credit for the year	**(54,150)**	**(53,353)**

Perenco UK Limited

Notes to the consolidated financial statements
Year ended 31 December 2020

11. **Taxation (continued)**

	2020 £'000	2019 £'000
b) Factors affecting tax expense for the period		
Loss on ordinary activities before tax	(101,732)	(113,238)
Tax on loss at the ring fence UK corporation tax rate of 40% (2019: 40%)	(40,693)	(45,295)
Effects of:		
Changes in the recognition of deferred tax assets	(7,390)	(1,103)
Group relief received for which no charge was made	-	373
Expenses not deductible	(13,047)	1,260
Income taxable at lower rate	(1,189)	(4,682)
Adjustments in respect of prior periods	8,169	(3,553)
Other	-	(353)
Total taxation (credit) / expense in the year	**(54,150)**	**(53,353)**

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 30, 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 Group, as a vast majority of profits are taxed at the ring fence rate only.

12. Exploration and evaluation assets

Group

	Exploration and evaluation costs £'000
Cost	
Balance at 31December 2019	12,311
Disposals	(12,311)
Balance at 31 December 2020	-
Net book value	
Balance at 31 December 2019	12,311
Balance at 31 December 2020	-

As at 31 December 2020, exploration and evaluation costs had been fully disposed.

Company

	Exploration and evaluation costs £'000
Cost	
Balance at 31 December 2019	12,311
Disposals	(12,311)
Balance at 31 December 2020	-
Net book value	
Balance at 31 December 2019	12,311
Balance at 31 December 2020	-

As at 31 December 2020, exploration and evaluation costs had been fully disposed.

13. Property, plant and equipment

Group

	Development and Production Assets £'000
Cost	
Balance at 1 January 2020	2,915,970
Additions	101,911
Revised estimates	(30,394)
Impairment reversal	24,469
Balance at 31 December 2020	3,011,956
Depletion and depreciation	
Balance at 1 January 2020	2,399,638
Charge for the year	165,755
Balance at 31 December 2020	2,565,393
Net book value	
Balance at 31 December 2019	516,332
Balance at 31 December 2020	446,563

In accordance with the Group'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 211), and a corresponding adjustment to the Development and Production asset cost if recoverable.

In order to establish the impairment reversal value, the future cash flows were estimated using an oil price of $55/bbl and gas price of 40p/ therm from 2020 thereafter, reflecting management's best estimates of future oil & gas prices. As at 31 December 2020, the prices were $50.5/bbl and 56.1p/therm respectively. A discount rate of post-tax real 10% was used in the calculation of the recoverable amount.

13. **Property, plant and equipment (continued)**

Company

	Development and production assets £'000
Cost	
Balance at 1 January 2020	2,724,275
Additions	101,862
Revised estimates	(27,829)
Impairment reversal	24,469
Balance at 31 December 2020	2,822,777
Depletion and depreciation	
Balance at 1 January 2020	2,165,745
Charge for the year	151,957
Balance at 31 December 2020	2,317,702
Net book value	
Balance at 31 December 2019	558,530
Balance at 31 December 2020	505,075

In order to establish the impairment reversal value, the future cash flows were estimated using an oil price of $55/bbl and gas price of 40p/ therm from 2020 thereafter, reflecting management's best estimates of future oil & gas prices. As at 31 December 2020, the prices were $50.5/bbl and 56.1p/therm respectively. A discount rate of post-tax real 10% was used in the calculation of the recoverable amount.

14. Investments

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Subsidiary undertakings	-	-	6,641	6,641
	-	-	6,641	6,641

The Company incorporates the following subsidiary undertakings and joint ventures in its consolidated accounts:

	Country of operation	Principal activities	Holding	%
Subsidiary undertakings:				
Perenco Gas (UK) Limited	England	Upstream Gas Company	Ordinary Shares	100
Perenco North Sea Limited	England	Upstream Gas Company	Ordinary Shares	100

The registered office of Perenco North Sea Limited is c/o Biggart Baillie LLP No2 Lochrin Square, 96 Fountainbridge, Edinburgh, EH3 9QA. The registered office of Perenco Gas (UK) Limited is the same as the Group.

Jointly controlled operations:

The group has numerous joint operations, the most significant being (registered office for each being Perenco UK Limited, 8 Hanover Square, London W1S 1HQ):

Wytch Farm	England	Oil production	Interest in field	95.05
Leman	England	Gas production	Interest in field	78.26
Bacton gas terminal	England	Gas processing	Interest in asset	77.81

15. Right-of-use assets

At the statement of financial position date the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases.

	£'000
Cost	
Balance at 1 January 2020	7,557
Additions/disposals	(1,196)
Balance at 31 December 2020	6,361
Depletion and depreciation	
Balance at 1 January 2020	1,042
Charge for the year	324
Balance at 31 December 2020	1,366
Net book value	
Balance at 31 December 2019	6,515
Balance at 31 December 2020	4,995

16. Financial instruments

The Group's financial risk management objectives and policies are detailed below and the accounting treatment for financial instruments entered into as a result of these policies is detailed in note 1. A discussion of the risks together with a summary of the Group's approach to managing those risks is as follows.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents (including cash pooling) and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

On 18 December 2017 the Group entered into a loan agreement with Global Financial Investments S.A. for $170,000k. This was extended to $215,000k on 18th April 2018 & fully repaid 15th December 2020 as disclosed in note 20. The Group is no longer reporting any borrowings.

Oil and gas price risk

The Group generally considers the volatility in oil and gas prices to be part of its business environment.

16. Financial instruments (continued)

Foreign exchange

The Group considers that movements in foreign exchange are a regular part of its business environment. No financial instruments are used to manage the risk of foreign exchange volatility.

The Group holds cash and cash equivalents in currencies other than the GBP. However, a 10% movement in foreign exchange rates is not deemed to have a significant impact on the Group's results or equity.

Part of the receivable from Group companies is held in USD. A 10% movement in the foreign exchange rate would result in a gain/loss of £25.3m (2019: £24.4m) for the Group's results and equity.

Interest rate risk

The Group has substantial cash and cash equivalent balances, on which it earns deposit interest income, and interest bearing long-term borrowings as disclosed in note 19, which are the Group's significant interest bearing financial assets and liabilities. No financial instruments are used to manage the risk of interest rate volatility.

Based on the cash balances at 31 December 2020, an increase or decrease in interest rates of 0.5% would result in a gain/loss of £3 million (2019: £3 million) for the Group's results and equity. There would not be a material impact for the Group.

Credit risk

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

The Group 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). An analysis of concentration of risk arising from financial instruments is included in note 18.

The credit risk on liquid funds and derivative instruments is considered to be limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built a liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial debts and liabilities.

Maturity analysis for financial assets and liabilities showing the remaining contractual maturities has been disclosed in this note.

16. Financial instruments (continued)

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 188), trade and other payables, accrued expenses (note 23), and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

Long-term borrowings approximated to their fair values as they bear interest at a variable rate at a margin over LIBOR.

Assumptions made in calculating fair value

The estimates of fair values for the commodity contracts reflect prices quoted in the active market and using valuation techniques reflecting market views. These are then discounted for the time value of money and adjusted for counterparty credit risk.

(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)	599,387	760,733
Financial liabilities		
Financial liabilities measured at amortised cost	(62,058)	(201,130)
	537,329	559,603

16. Financial instruments (continued)

(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.

The following table details the Groups remaining contracted maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows and financial liabilities based on the earliest date on which the Group can be required to pay, or expects to pay if earlier.

	Less than 1 month £'000	**1 – 3 months £'000**	**3 months to 1 year £'000**	**1 to 5 years £'000**	**Total £'000**
31 December 2019					
Non-interest bearing	103,433	-	-	-	103,433
Fixed interest rate instruments	-	-	32,566	65,131	97,697
Total non-derivative financial liabilities	103,433	-	32,566	65,131	201,130
31 December 2020					
Non-interest bearing	62,058	-	-	-	62,058
Fixed interest rate instruments	-	-	-	-	-
Total non-derivative financial liabilities	62,058	-	-	-	62,058

No interest payments have been disclosed in respect of the fixed interest rate instruments in the above table. On 18 December 2017 the Group entered into a loan agreement with Global Financial Investments S.A. for $170,000k which was extended to $215,000k on 18 April 2018 and subsequently fully repaid on 15th December 2020. Interest was charged on this facility at LIBOR plus 2.75%.

17. Inventories

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Crude oil and condensate	26,935	35,696	26,935	35,696
Raw materials and consumables	7,706	7,843	7,706	7,843
Total inventories	34,641	43,539	34,641	43,539

The movement in crude oil inventory is included within production and operation costs. In 2020, the Group recognised a net decrease of £8,761k (2019: increase £23,072k) on oil stock movements including adjustments for under/overlift. The calculation is based on revaluing closing oil stock at latest market prices, with the corresponding profit or loss reported within turnover.

18. Trade and other receivables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade receivables	28,484	35,596	25,642	33,151
Amounts receivable from group companies	527,444	682,031	530,222	693,551
Other receivables	2,214	34,957	3,736	36,641
Other taxes and social security	3,700	5,661	3,700	5,529
Prepayments and accrued income	9,617	9,387	8,937	8,752
Corporation tax	30,931	-	15,115	-
	602,391	767,632	592,852	777,624

6.95% of the Group's trade receivables are past due (2019: 5.91%).

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.

No specific provisions have been made against trade receivables past due (2019: NIL). Remaining debtors are governments or established oil companies for which low risk of non-payment was identified.

Ageing of past due but not impaired receivables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
30-60 days	753	1,042	753	1,042
60-90 days	334	304	334	304
90+ days	893	756	893	756
Total	1,980	2,102	1,980	2,102

19. Long-term borrowings

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Loans from affiliated companies	-	97,697	-	97,697
Of which:				
Due within one year	-	32,566	-	32,566
Due after more than one year	-	65,131	-	65,131
	-	97,697	-	97,697

On 18 December 2017, the Group entered into a loan agreement with Global Financial Investments S.A. to fund the acquisition of the Premier interest in Wytch Farm. $170,000k was drawn down, repayable in equal instalments over 5 years. Interest is based on LIBOR plus 2.75%. This was extended to $215,000k on 18 April 2018 to fund the acquisition of the Ithaca interest at Wytch farm. The loan was fully repaid by the Group on 15th December 2020, therefore a NIL balance is recorded at 31 December 2020 (2019: £97,697k).

20. Deferred tax

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At 1 January	427,578	324,688	329,476	224,099
Credit to the income statement (note 11)	33,754	101,848	31,053	104,335
(charge) / credit to other comprehensive income	(1,615)	1,042	(1,615)	1,042
At 31 December	459,717	427,578	358,914	329,476

A deferred tax asset has been recognised in respect of £459,557k (2019: £427,578k) as it is considered probable that there will be future taxable profits plus carry-back of decommissioning losses to before 2020.

Deferred tax analysis

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

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Deferred PRT	46,086	28,088	34,607	21,474
Accelerated capital allowances	(172,657)	(210,822)	(196,202)	(227,909)
Decommissioning expenditure	606,326	619,745	535,881	542,623
Tax losses	1,306	-	1,306	-
Other temporary timing differences	(21,398)	(11,310)	(16,732)	(8,589)
Pension	54	1,877	54	1,877
Net deferred tax assets provided	459,717	427,578	358,914	329,476

21. Decommissioning provision

The decommissioning costs provided for are expected to be incurred between 2020 and 2028.

The provision is the discounted value of the directors' current best estimates using existing technology. 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 13) 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 6).

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Balance at the beginning of the year	1,549,363	1,588,279	1,356,558	1,349,715
Change in estimate	(21,243)	(15,880)	(22,723)	(7,107)
Utilisation	(26,802)	(46,860)	(6,827)	(6,296)
Acquisition (note 14)	-	-	-	-
Unwinding of discount (note 9)	14,498	23,824	12,694	20,246
	1,515,816	1,549,363	1,339,702	1,356,558
Of which:				
Due within one year	116,170	52,983	93,334	32,601
Due after more than one year	1,399,646	1,496,380	1,246,368	1,323,957
	1,515,816	1,549,363	1,339,702	1,356,558

22. Retirement benefits

During 2004, the Group established the Perenco UK Pension Plan, a defined benefit scheme. The defined benefit scheme is administered by a separate fund that is legally separated from the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund. Pension liability calculations have been carried out as at 31 December 2020 in accordance with the IAS 19 "Employee Benefits" by a qualified independent actuary. Under the scheme, the employees are entitled to post-retirement benefits based on a percentage of their final salary on retirement. The plan is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. The scheme is now closed to accrual for all members.

The Scheme Funding assessment as at 31 December 2016 disclosed a funding shortfall of £19.7m on a technical provisions basis and £36.0m on the solvency basis. The recovery plan dated July 2018 sets out that in order to eliminate this shortfall the Employer is required to pay annual contributions of £2,600,000 over the period from 1 January 2018 to 31 December 2029.

Where the contributions are more than sufficient to remove the shortfall by the end of the recovery period, options include reducing contributions due, keeping the recovery period the same, or shortening the recovery period.

22. Retirement benefits (continued)

The risks inherent within a defined benefit pension scheme can have significant impact on the Employer sponsoring the scheme. Amongst these risks are:

Longevity risk

The liabilities are very sensitive to unexpected changes in future mortality. If longevity increases at a faster pace than assumed then the liabilities will increase at future calculations

Investment/interest rate risk

The Plan's invested assets are partly invested in equities, while IAS 19 stipulates a discount rate related to corporate bond yields. Therefore the liabilities and assets may react differently to changes in market conditions.

Inflation risk

Elements of the pensions in payment under the Plan increase at an inflation-linked rate, albeit that there are caps applying to the indexation. In addition, some pensions are increased in the period up until payment commences in line with increases in inflation, again, up to a certain cap.

The major assumptions used by the actuary were (in nominal terms):

	Group	
	At year end 31 December 2020	**At year end 31 December 2019**
Discount rate	1.3%	2.0%
Retail Prices Index (RPI) Inflation	3.15%	3.15%
Consumer Prices Index (CPI) Inflation	2.65%	2.15%
Future increases in pre 2009 deferred pensions	3.15%	3.15%
Future increases in post 2009 deferred pensions	2.50%	2.15%
Rate of increase in salaries	n/a	n/a
Life expectancy of male aged 65 at statement of financial position date	21.9	21.4
Life expectancy of female aged 65 at statement of financial position date	24.2	23.3

22. Retirement benefits (continued)

The fair values of assets in the scheme at 31 December 2020 were:

	Group	
	2020	**2019**
	£'000	**£'000**
Equities	4,121	9,864
Diversified Growth Funds	30,110	26,626
Cash	727	522
Liquidity fund	9,218	11,382
Liability Driven Investments	23,305	16,306
Corporate bond fund	10,923	3,216
	78,404	67,916

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	Group	
	2020	**2019**
	£'000	**£'000**
Fair value of scheme assets	78,404	67,916
Present value of defined benefit obligations	(78,540)	(72,608)
Deficit in the scheme	(136)	(4,692)

Amounts recognised in income in respect of the defined benefit scheme are as follows:

	Group	
	2020	**2019**
	£'000	**£'000**
Past service cost including curtailments	2,000	-
Net interest on the net defined benefit liability	88	98
	2,088	98

The interest expense has been included within finance costs (see note 9) for both 2020 and 2019.

22. Retirement benefits (continued)

Amounts recognised in the Consolidated Statement of comprehensive income (SOCI) are as follows:

	Group	
	2020	**2019**
	£'000	**£'000**
Remeasurement – financial assumptions	11,024	10,698
Remeasurement – demographic assumptions	(2,697)	(1,317)
Remeasurement – experience adjustments	(4,154)	(133)
Return on plan assets	(8,213)	(6,646)
Other	-	4
Total other comprehensive expenditure	(4,040)	2,606

Movement in the defined benefit obligations in the current year were as follows:

	Group	
	2020	**2019**
	£'000	**£'000**
At 1 January	72,608	63,749
Past service cost including curtailments	-	-
Interest cost	1,455	1,878
Remeasurement – financial assumptions	11,024	10,698
Remeasurement – demographic assumptions	(2,697)	(1,317)
Remeasurement – experience adjustments	(4,154)	(133)
Benefits paid	(1,696)	(2,267)
At 31 December	76,540	72,608

Standard employer contributions amounted to £nil in 2020 (2019: £nil). In addition, extraordinary payments totalling £2,604k (2019: £2,600k) were made by the Group into the scheme during 2020.

22. Retirement benefits (continued)

Movement in the fair value of scheme assets in the current year was as follows:

	Group	
	2020	**2019**
	£'000	**£'000**
At 1 January	67,916	59,157
Interest income	1,367	1,780
Return on plan assets less interest income	8,213	6,646
Contributions by employer	2,604	2,600
Benefits paid	(1,696)	(2,267)
At 31 December	78,404	67,916

The Group also operates a defined contribution scheme for which the pension cost charge for the year amounted to £5,070k (2019: £4,915k).

The table below shows the impact on the defined benefit obligation if the assumptions were changed as shown (assuming all other assumptions remain constants):

	2020	**2019**
	£'000	**£'000**
0.5% increase in discount rate	(8,076)	(7,155)
0.5% decrease in discount rate	9,412	8,304
0.5% increase in inflation and related assumptions	7,010	6,027
0.5% decrease in inflation and related assumptions	(6,478)	(5,644)
1 year increase in life expectancy	2,858	2,540
1 year decrease in life expectancy	(2,499)	(2,222)

The sensitivities of the defined benefit obligation to the key assumptions have been calculated using the same method as that used to calculate the Plan's defined benefit obligation at 31 December 2020.

The total employer contribution to the Perenco UK Pension Plan in 2021 is estimated to be £9,349,000, with the next instalment due from 1st July 2024. The duration of the defined benefit obligation is 22 years. The defined benefit obligation can be attributed to membership categories as follows:

	2020	**2019**
	%	**%**
Active members	-	-
Deferred pensioners	68	75
Pensioners	32	25

23. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade payables	5,130	7,301	5,128	7,301
Accruals and deferred income	61,017	85,341	59,826	77,590
Amounts payable to group companies	481	499	123,227	161,157
Taxation	(16,680)	4,675	(16,680)	3,597
Other payables	6,278	5,074	5,540	4,140
	56,226	102,890	177,041	253,243

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

24. Lease liabilities

	2020	2019
	£'000	£'000
Due within one year	249	524
Between two and five years inclusive	1,086	1,632
Over five years	3,818	4,310
	5,153	6,466

25. Equity

Called-up share capital

	No. of shares	£'000
Ordinary shares		
Authorised shares of £1 each		
At 31 December 2019 and 31 December 2020	50,000,000	50,000
Allotted, called-up and fully paid		
At 31 December 2019 and 31 December 2020	47,080,980	47,081

Dividends

No dividends were paid during the period (2019: £100m).

Perenco UK Limited

Notes to the consolidated financial statements
Year ended 31 December 2020

26. Notes to the Cash flow statement

Group

Reconciliation of operating profit to cash generated by operations

	2020 £'000	2019 £'000
Cash flows from operating activities:		
Operating loss	(73,843)	(78,119)
Adjustments for:		
Depreciation, depletion and amortisation	163,803	343,894
Other operating expenses / (income)	9,151	(14,494)
Reversal of impairment	(24,469)	-
Other non-cash items	2,635	(1,097)
Operating cash flow prior to working capital changes	77,277	250,184
Decrease / (increase) in inventories	8,899	(24,409)
Decrease in receivables	17,473	6,293
(Decrease) / increase in creditors	(22,724)	43,096
Decrease in provisions	(29,406)	(49,460)
Cash flows from operating activities	51,519	225,704

Company

Reconciliation of operating profit to cash generated by operations

	2020 £'000	2019 £'000
Cash flows from operating activities:		
Operating loss	(58,081)	(58,316)
Adjustments for:		
Depreciation, depletion and amortisation	152,281	304,913
Other operating (income) / expenses	5,106	(6,626)
Reversal of impairment	(24,469)	-
Other non-monetary items	2,634	(1,095)
Operating cash flow prior to working capital changes	77,471	238,874
Decrease / (increase) in inventories	8,899	(24,409)
Decrease in receivables	26,941	4,611
Decrease in creditors	(59,088)	(1,844)
Decrease in provisions	(9,431)	(8,895)
Cash flows from operating activities	44,792	208,337

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

Operational bank accounts managed by the Group are swept daily to Perenco Petroleum Ltd, with a corresponding creditor/debtor recorded. Interest on the outstanding balance is charged at an agreed market rate.

Changes in liabilities from financing activities is purely driving by repayment of the intercompany loan per note 19, in addition to the sweeping account mechanism as mentioned above.

27. Capital commitments and contingent liabilities

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

The Group and Company have letters of credit in place in respect of decommissioning liabilities as at 31 December 2020, effective 1 January 2021, for a total value of £543,221k (2029: £523,870k).

Reflecting the Group's operations and corporate activity the Group has ongoing enquiries from HMRC, and believes it has adequately provided for the outcome of all tax matters, but future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the final assessments are made. Accordingly, the final outcome of tax examinations may result in a materially different outcome than assumed in the tax liabilities.

28. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note as they are not material.

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

	Group			
Charged by affiliated companies:	Charge for 2020 £'000	Charge for 2019 £'000	Debtor / (Creditor) 2020 £'000	Debtor / (Creditor) 2019 £'000
Perenco Holdings	(5,227)	(5,793)	(651)	(855)
Perenco (France)	(9,137)	(10,740)	(236)	(1,698)
Perenco Oil Trading Limited	(1,009)	(1,151)	(78)	(312)
Perenco SA	(5,556)	(5,504)	(609)	(580)
Perenco Energies International Limited	(21)	-	(21)	-
Perenco Oil & Gas Gabon Limited	(63)	(85)	-	(17)
Petrodec BV	(390)	-	-	-
Petrofor UK Limited	(1,575)	(6,051)	(286)	(2,433)
Global Financial Investments S.A.	(4,368)	(7,669)	-	(97,899)
Dixstone Holdings Limited	(10,982)	(17,881)	-	(8,915)
Erda Contractors B.V.	(18,354)	-	(3,098)	-
	(56,662)	(54,874)	(4,979)	(112,709)
Charged to affiliated companies:				
Perenco Petroleum Limited	-	-	526,960	682,028
Perenco Holdings	448	83	406	-
Perenco Oil & Gas Gabon Limited	47	42	-	3
Perenco (France)	33	32	-	-
Perenco Petroleo e gas do Brasil Ltda	-	54	-	-
Perenco Energies International Limited	30	-	-	-
Perenco Congo Limited	1	-	-	-
Perenco SA	26	-	5	-
Perenco Rang Dong Limited	15	-	15	-
Erda Contractors B.V.	56	-	56	-
	656	211	527,441	682,031

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). This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

Details of transactions with directors and its senior and key management personnel are disclosed in note 7.

29. Controlling party

Perenco Petroleum Limited, a company incorporated in The Bahamas, is the immediate parent company of Perenco UK Limited but does not prepare Group financial statements.

Perenco S.A., a company incorporated in The Bahamas, is the smallest group of undertakings, of which Perenco UK Limited is a member, for which Group financial statements are prepared.

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 controlled by the Perrodo family and trusts for their benefit.

The financial statements of none of these companies are available to the public.

30. 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 Group, as a vast majority of profits are taxed at the ring fence rate only.