Company Registration No. SC293676

Perenco North Sea Limited

Annual Report and Financial Statements

31 December 2021

Perenco North Sea Limited

Annual Report and Financial Statements 2021

Contents

Perenco North Sea Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2021.

Review of business

The Company's objective is to invest in North Sea oil and gas activities, holding interests in joint operations involved in the exploration for, development of and production of oil and gas.

Gas sales for the year were derived from the Waveney, Hoton and Neptune fields.

The profit after tax for the year ended 31 December 2021 amounted to £28,533k (2020: £1,806k). The increase in profit is a result of a 357% increase in market gas prices.

The statement of financial position on page 13 of the Annual Report and Financial Statements shows that the Company's overall equity at the end of the year has increased from £51,414k at 31 December 2020 to £79,947k at 31 December 2021 as a result of the profit recorded in the year.

Key performance indicators

The directors use a range of financial and non-financial Key Performance Indicators (KPI's), reported on a periodic basis, to monitor the Company's performance over time. In assessing financial indicators the directors consider it appropriate to evaluate the closing financial position of the Company and its performance over the preceding year as detailed above. The main financial indicators are opex per boe & profit before tax. Opex per boe is a measure of operating cost by each barrel of oil equivalent produced. Opex per boe has increased to £19.41 in 2021 from £15.12 in 2020 mainly due to a short term reduction in production whilst operating costs have remained stable. The main non-financial indicators considered by the directors are management of Health and Safety and Environmental matters, both of which are dealt with in the next section.

Principal risks and uncertainties

a) Operations

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

b) Financial risk

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

Perenco North Sea Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

c) Health and Safety

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

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

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

d) Major hazards

The Company recognises that our operations involve major hazards and 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 our health, safety and environmental performance can be found on the Company website.

e) Strategic growth

The Company continues to monitor the performance of its existing assets in order to maximise their potential. The Company continued to pursue a range of options across the gas value chain.

f) Information security, intellectual property and assets

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

Perenco North Sea Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

g) Covid-19

The Company has continued to take necessary and contingent safety measures, 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 Company has placed increased focus and resources in monitoring this area. Critical supply chains have been evaluated and where necessary strategic stock levels and communications with suppliers increased. Even though company has no direct employees, it has a responsibility for site staff.

The impacts of Covid-19 measures continue to contribute towards the volatility of oil & gas prices.

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 Company has no employees.

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

Approved by The Board and signed on its behalf by:

DocuSigned by:
Fabien Musitelli
FEB6A9196BEF455...
Fabien Musitelli
Director
08 September 2022

Perenco North Sea Limited
Biggart Baillie LLP No 2 Lochrin Square
96 Fountainbridge
Edinburgh
EH3 9QA

Perenco North Sea Limited

Directors' report

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

Directors and their interests

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

Jonathan Parr
Franck Dy
Laurent Combe (resigned 1st July 2021)
Jonathan White (appointed 1st July 2021)
Arnaud Le Blanc (resigned 12th April 2021)
Fabien Musitelli (appointed 12th April 2021)
Jonathan Day
Emmanuel Colombel
Eric Du Plessis D'Argentre

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

Going Concern

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

On the basis of current financial projections and facilities available, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the financial statements. Furthermore, resources will be provided by the Parent company where necessary to ensure obligations are met as they fall due and for a period of at least 12 months after these financial statements are signed, and a letter of support has been obtained from Perenco UK Limited.

Future Developments

Cost control and simplification of offshore operations remains a core approach. The Company is progressing the decommissioning of those assets which are uneconomic or will become uneconomic due to declining production or require integrity led investment and is working on approaches which will deliver sustained reductions in decommissioning costs.

Environmental matters

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

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

As a mature field specialist, Perenco is committed to continue its development strategy of extending the field life and maximising production. In the short-term CO2 reductions will be made through a series of decommissioning and ongoing operational improvements. Within the 2019 SECR report PUK set a short-term target of a 20% reduction in actual CO2e emissions against the 2018 base year by the 1st January 2022. This target was achieved with an overall 29% reduction from 625,347.22 TCO2e in 2018 to 443,966.78 TCO2e by the end of 2021.The breakdown of emissions by scope are included within the Group's (Company Registration No. 04653066) annual report.

Donations
There were no charitable or political donations made in the current year (2020: NIL).

Perenco North Sea Limited

Directors' report (continued)

Dividends

No dividends were paid or declared during the period (2020: NIL).

Risks and uncertainties

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

Financial Risk management

Please refer to note 15 of the financial statements for management's financial risk management policies; and exposure to price risk, credit risks, liquidity risks and cash flow risk.

Post statement of financial position events

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

Information to auditor

Each of the directors at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the auditor is unaware; and

(2) the director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

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

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

DocuSigned by:
Fabien Musitelli
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Fabien Musitelli
Director
08 September 2022

Perenco North Sea Limited
Biggart Baillie LLP No 2 Lochrin Square
96 Fountainbridge
Edinburgh
EH3 9QA

Perenco North Sea Limited

Directors' Responsibilities Statement

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

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

Independent auditor's report to the members of Perenco North Sea Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Perenco North Sea Limited (the 'company') give a true and fair view of the state of the company's affairs as at 31 December 2021 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by IASB, in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Independent auditor's report to the members of Perenco North Sea Limited

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

We have nothing to report in this regard.

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

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

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

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

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

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

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Corporation Tax legislation, Health and Safety laws, Environmental Laws, UK Government COVID-19 Guidelines, OGA Licensing requirements, Companies Act 2006, The Petroleum Act 1998; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making

accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.
In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and;
- reading minutes of meetings of those charged with governance

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
David Holtam
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David Holtam FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
08 September 2022

Perenco North Sea Limited

Income statement
For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Continuing operations			
Revenue	3	**57,248**	**11,843**
Cost of sales			
Production and operating costs	4	(7,545)	(4,898)
Depreciation, depletion and amortisation	4,9	(1,368)	(5,644)
Gross profit		**48,335**	**1,301**
Administrative expenses	5	(454)	(304)
Other operating (expense)/income	6	(330)	2,574
Operating profit		**47,551**	**3,571**
Finance costs	7	(48)	(561)
Profit before taxation		**47,503**	**3,010**
Taxation	8	(18,970)	(1,204)
Profit for the year		**28,533**	**1,806**

All results derive from continuing operations.

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

Perenco North Sea Limited

Statement of financial position
At 31 December 2021
Company registration number: SC293676

	Notes	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	9	6,761	4,873
Deferred tax asset	11	21,057	20,512
		27,818	**25,385**
Current assets			
Trade and other receivables	10	128,090	88,016
		128,090	**88,016**
Total assets		**155,908**	**113,401**
Current liabilities			
Trade and other payables	13	(16,632)	(5,916)
Net current assets		**111,458**	**82,100**
Non-current liabilities			
Decommissioning provision	12	(59,329)	(56,071)
Total liabilities		**(75,961)**	**(61,987)**
Net assets		**79,947**	**51,414**
Equity			
Share capital	14	1	1
Share premium	14	88,855	88,855
Retained deficit		(8,909)	(37,442)
Total equity		**79,947**	**51,414**

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

DocuSigned by:
Fabien Musitelli
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Fabien Musitelli
Director
08 September 2022

Perenco North Sea Limited

Statement of changes in equity
For the year ended 31 December 2021

	Share Capital £'000	Share Premium £'000	Retained deficit £'000	Total equity £'000
Balance at 1 January 2020	1	88,855	(39,248)	49,608
Profit for the financial year and total comprehensive income	-	-	1,806	1,806
Balance at 31 December 2020	1	88,855	(37,442)	51,414
Profit for the financial year and total comprehensive income	-	-	28,533	28,533
Balance at 31 December 2021	**1**	**88,855**	**(8,909)**	**79,947**

Cash flow statement
For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Net cash from operating activities	16	**376**	**-**
Cash flows from investing activities			
Expenditure on development and production assets		(376)	-
Net cash used in investing activities		**(376)**	**-**
Cash flows from financing activities		**-**	**-**
Net cash used in from financing activities		**-**	**-**
Net increase in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at the beginning of the year		**-**	**-**
Cash and cash equivalents at the end of the year		**-**	**-**

Perenco North Sea Limited

Notes to the financial statements
Year ended 31 December 2021

1. **Accounting policies**

(a) General

Perenco North Sea Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in Scotland. The address of the registered office is: c/o Biggart Baillie LLP No 2 Lochrin Square, 96 Fountainbridge, Edinburgh, EH3 9QA. The nature of the Company's operations are set out in the strategic report. The functional currency is GBP.

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards, International Financial Reporting Standards (IFRSs) as issued by the IASB 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 Company's financial frame is designed to be robust to periods of low price, with flexibility to reduce cost and capital expenditure if required. We continue to assess the potential impact of coronavirus on our operations and have instigated appropriate mitigation plans.

Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the Company.

Amendment to IFRS 4	Extension of the Temporary Exmeption from Applying IFRS 9
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. The directors do not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the group in future periods.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its Associate or Joint Venture
IFRS 17	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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies.
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction

Perenco North Sea Limited

Notes to the financial statements
Year ended 31 December 2021

1. Accounting policies (continued)

(b) Oil and gas assets

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

Oil and gas assets: development and production

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

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

Impairment of oil and gas assets

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

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

(c) 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.

1. Accounting policies (continued)

(d) Revenue recognition

Revenue represents the value of sales exclusive of related sales taxes of oil and gas arising from upstream operations and is recognised at market value when the oil has been lifted or the gas has been delivered through pipelines and the significant risks and rewards of ownership of the goods have been transferred. The Company's accounting policy under IFRS 15 is that revenue is recognised when the Company satisfies a performance obligation by transferring oil or gas to a customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Company are fully satisfied. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the Company'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 Company, and the amount of revenue can be measured reliably. Interest income in the Company relates to interest received on bank deposits.

(e) Foreign currencies

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

(f) Taxation

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

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

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

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

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

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

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

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

1. **Accounting policies (continued)**

(f) Taxation (continued)

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

(g) Financial instruments

Financial assets and liabilities are initially measured at fair value. Except for those measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of final assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1) **Trade receivables**

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

2) **Cash and cash equivalents**

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

3) **Trade payables**

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

2. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Critical judgements

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

Key sources of estimation uncertainty

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

a) Reserves

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

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets has been impaired.

The carrying amount of development and production assets at 31 December 2021 is shown in note 9.
A 10% reduction in reserves would result in an additional depletion charge of £0.1m (8%).

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 2021 are shown in note 12.

A 1 percentage point increase in CPI assumption would result in an increase in provision of £9.4m (16%). Similarly, a 1 percentage point increase in the discount rate would result in a decrease in provision of £9.4m (16%).

c) Impairment of assets

Under the full cost method of accounting for production and development costs, such costs are capitalised by reference to appropriate cost pools, and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgement as to (i) the likely life of the field, (ii) future revenues and operating costs with which the asset in question is associated, (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value, and (iv) the oil price assumption. Note 9 discloses the carrying amounts of the Company's production and development assets, no impairment has been recognised during the year (2020: £nil). The assumptions used as part of the recoverable value calculation are also detailed within note 9.

3. Revenue

	2021 £'000	2020 £'000
Gas sales	56,477	11,511
Condensate sales	771	332
Total operating revenue	57,248	11,843

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

4. Cost of sales

	2021 £'000	2020 £'000
Operating costs	7,545	4,898
Depletion, depreciation	1,368	5,644
	8,913	10,542

5. Administrative expenses

	2021 £'000	2020 £'000
General administration costs	454	304
	454	304

None of the directors are employees of the Company and the directors received no remuneration from the Company during the year (2020: nil). It is not practicable to allocate their remuneration between their services for the Company during the year and their services for other Perenco group companies (same as in 2020). Auditor's remuneration has been borne by the Parent Company (same as in 2020). Non-audit services are also nil (2020: nil).

6. Other operating income

	Notes	2021 £'000	2020 £'000
Change in decommissioning estimates	12	(330)	2,574
		(330)	2,574

7. Finance costs

	Notes	2021 £'000	2020 £'000
Unwinding of discount on decommissioning provisions	12	48	561
		48	561

8. Taxation

	2021 £'000	2020 £'000
a) Analysis of taxation expense in the period		
Corporate income taxes:		
Current year charge	19,515	2,643
	19,515	2,643
Deferred taxation:		
Deferred corporation tax	(545)	(1,439)
	(545)	(1,439)
Total taxation expense for the year	18,970	1,204

	2021 £'000	2020 £'000
b) Factors affecting tax expense for the period		
Profit on ordinary activities before tax	47,502	3,011
Tax on profit at the ring fence UK corporation tax rate of 40% (2020: 40%)	19,001	1,204
Temporary differences not recognised in the computation	(31)	-
Total taxation charge for the year	**18,970**	**1,204**

Perenco North Sea Limited

Notes to the financial statements
Year ended 31 December 2021

The UK tax rate shown above of 40% comprises the supplementary charge to corporation tax (SCT) of 10% (2020: 10%) as well as the corporation tax (CT) rate of 30% (2020: 30%) on UK profits within the oil and gas ring-fence. The standard rate of corporation tax for 2021 of 19% (2020: 19%) is applied to all other profits. The petroleum revenue tax (PRT) rate was permanently zero rated effective from 1 January 2016. As a result, no current or deferred PRT liability arises. The deferred PRT asset is a result of expected future PRT refunds generated from decommissioning expenditure carried back to PRT-paying periods. As per note 20, the Government has announced a change to the main rate of UK corporation tax from 19% to 25%, effective 1st April 2023. No significant impact is expected to the Company, as a vast majority of profits are taxed at the ring fence rate only. On 26 May 2022 the Chancellor announced a new tax on the profits of oil and gas companies operating in the UK and the UK Continental Shelf. It will increase the headline rate of tax on those profits from 40% to 65%.

9. Property, plant and equipment

	Notes	Development and production assets £'000
Cost		
Balance at 1 January 2020		68,306
Change in estimate of decommissioning provision	12	(1,843)
Balance at 1 January 2021		66,463
Additions		376
Change in estimate of decommissioning provisions	12	2,880
Balance at 31 December 2021		69,719
Depletion and depreciation		
Balance at 1 January 2020		55,946
Charge for year		5,644
Balance at 1 January 2021		61,590
Charge for the year		1,368
Balance at 31 December 2021		62,958
Net book value		
Balance at 31 December 2020		4,873
Balance at 31 December 2021		6,761

In accordance with the Company's policy, the cost of decommissioning the Development and production assets was reviewed during the year. Changes in estimates of the expected timing of costs of the decommissioning obligations are dealt with prospectively by recording an adjustment to the provision (note 12), and a corresponding adjustment to the Development and production asset cost.

Notes to the financial statements
Year ended 31 December 2021

10. Trade and other receivables

	Notes	2021 £'000	2020 £'000
Trade receivables		9,503	1,742
Amounts receivable from parent company	18	118,329	82,534
Prepayments and accrued income		258	276
Corporation tax		-	3,464
		128,090	88,016

None of the Company's trade receivables are past due (2020: none).

Amounts due from parent company are payable on demand and are non interest bearing. The amounts receivable from parent company relate to a balance held with Perenco UK Limited under a cash pooling treasury agreement with Perenco Petroleum Limited.

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.

11. Deferred tax asset

	2021 £'000	2020 £'000
At 1 January	20,512	19,073
Credit to the income statement (note 8)	545	1,439
At 31 December	21,057	20,512

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

	2021 £'000	2020 £'000
Accelerated capital allowances	(2,674)	(1,908)
Decommissioning expenditure	23,731	22,428
Other temporary timing differences	-	(8)
Net deferred tax asset	21,057	20,512

A deferred tax asset has been recognised in respect of £21,057k (2020: £20,512k) as it is considered probable that there will be future taxable profits available and these tax reliefs will be received.

Perenco North Sea Limited

Notes to the financial statements
Year ended 31 December 2021

12. Decommissioning provision

The decommissioning provision provided for is expected to be incurred between 2024 and 2042.

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% (2020: 2%) and discounted back to the year end at a range between 0.39% and 1.144% (2020: range between 0.085% and 0.739%). Any adjustment arising from the re-assessment of the estimated cost of decommissioning is capitalised (see note 9) whilst the adjustment arising from the unwinding of the discount is taken to the profit and loss account as a finance cost (note 7). On assets where no economical reserves remain, the adjustment arising from the re-assessment of the estimated cost of decommissioning is taken to the income statement (note 6).

	Notes	2021 £'000	2020 £'000
Balance at the beginning of the year		56,071	59,927
Change in estimate (income statement)	6	330	(2,574)
Change in estimate (statement of financial position)	9	2,880	(1,843)
Unwinding of discount	7	48	561
		59,329	56,071
Of which:			
Due within one year		-	-
Due after more than one year		59,329	56,071
		59,329	56,071

13. Trade and other payables

	2021 £'000	2020 £'000
Amounts due to parent company	-	5,500
Corporation tax	16,052	-
Accruals	580	416
	16,632	5,916

Amounts due to parent company are repayable on demand and are non interest bearing.

14. Equity

Called up share capital

	No. of shares	£'000
Ordinary shares		
Authorised shares of £1 each		
At 31 December 2020 and 31 December 2021	1,001	1
Allotted, called up and fully paid		
At 31 December 2020 and 31 December 2021	1,001	1

Share premium

	£'000
At 31 December 2020 and 31 December 2021	88,855

15. Financial instruments

Financial risk management

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

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising return to shareholders. The capital structure of the Company consist of intercompany amounts advance by the parent company as disclosed in note 18 and equity attributable to equity holders of the Company, comprising issued capital, share premium and retained deficit.

The Company had no external borrowings at 31 December 2021 (2020: £nil).

Oil and gas price risk

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

15. Financial instruments (continued)

Credit risk

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

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

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

Liquidity risk

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

Fair values of financial assets and liabilities

At 31 December 2021 and 2020 the carrying amounts of trade and other receivables (note 10), and amounts owed to group companies (note 13) approximated their fair values due to the short-term maturities of these assets and liabilities.

(a) Categories of financial instruments

The Company's financial instruments, grouped according to the categories defined in IFRS 9 'Financial instruments', were as follows:

	2021 £'000	2020 £'000
Financial assets		
Loans and receivables	128,090	88,016
Financial liabilities		
Financial liabilities measured at amortised cost	(16,632)	(5,500)
	111,458	82,516

(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 2021 or 2020.

16. Notes to the cash flow statement

Reconciliation of operating profit to cash generated by operations

	2021 £'000	2020 £'000
Cash flows from operating activities:		
Operating profit for the year	47,550	3,571
Adjustments for:		
Depreciation, depletion and amortisation	1,368	5,644
Other non-cash items	330	(2,574)
Operating cash flow prior to working capital changes	49,248	6,641
Increase in receivables	(59,588)	(3,021)
Increase / (decrease) in payables	10,716	(3,620)
Net cash from operating activities	376	-

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

17. Capital commitments

The Company is committed to its share of future exploration, development and operating costs beyond 2021 under the terms of its North Sea licence agreements.

18. Related parties

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

Charged (by)/ to affiliated companies:	Charge for 2021 £'000	Charge for 2020 £'000	Debtor / (Creditor) 2021 £'000	Debtor / (Creditor) 2020 £'000
Perenco UK Limited	39,342	(2,768)	118,329	82,541
Perenco Oil Trading Limited	-	-	-	(7)
	39,342	(2,768)	118,329	82,534

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 Company has not raised any provision for doubtful debts relating to amounts owed by related parties (2020: £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.

19. Controlling party

Perenco North Sea Limited is a 100% subsidiary of Perenco UK Limited which is incorporated in United Kingdom.

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

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

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

20. Post statement of financial position events

On 26 May 2022 the Chancellor announced a new tax on the profits of oil and gas companies operating in the UK and the UK Continental Shelf. It will increase the headline rate of tax on those profits from 40% to 65%.