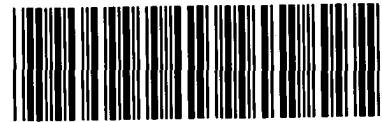


Company Registration No: SC017829

PREMIER OIL GROUP LIMITED

Annual report and financial statements
for the year ended 31 December 2019

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Premier Oil Group Limited

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Premier Oil Group Limited

OFFICERS

Directors

A R C Durrant

A G Gibb

R A Rose

Company Secretary

D A Rose

Registered Office

4th Floor

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EN

Scotland

Auditor

Ernst & Young LLP

Statutory Auditor

1 More London Place

London

SE1 2AF

United Kingdom

Premier Oil Group Limited

STRATEGIC REPORT

The directors present their strategic report on the company for the year ended 31 December 2019.

RESULTS

For the year to 31 December 2019 the company made a profit of US\$285,679,000 (2018: profit of US\$ US\$210,335,000).

BUSINESS REVIEW

The company was incorporated on 10 April 1934. From 8 September 1981 to 15 May 1995 the company traded as a public limited company under the name of Premier Consolidated Oilfields plc. The company changed its name to Premier Oil plc on 15 May 1995, to Premier Oil Group plc on 15 July 2003 and to its current name on 13 August 2003.

The company acts as an intermediate holding company for the Premier Oil plc group and was previously a wholly-owned subsidiary of Premier Oil plc. In 2018, Premier Oil plc transferred its entire interest in the company to the newly created Premier Oil Group Holdings Limited. Details of the company's subsidiaries are set out in note 6 of the accompanying notes to the financial statements.

The profit and loss account on page 9 of the financial statements shows that the primary source of the company's income was from dividends receivable from its subsidiaries, in the current year this totalled US\$230,000,000 (2018:US197,000,000). This together with interest received from loans due from subsidiary companies is offset by any impairment charge in the year relating to the investments the company holds in its subsidiaries.

Key performance indicators

The Premier Oil plc group manages its operations on a divisional basis with financial and non-financial key performance indicators reported by the company's ultimate parent on a consolidated basis. For this reason, the directors believe that further key performance indicators for the company are not appropriate for an understanding of the development, performance or position of the business of the company.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The company does not enter into derivative financial instruments and does not hold or issue derivative financial instruments for speculative purposes.

Cash flow risk: the company has long-term loans to and from certain of its subsidiary undertakings with interest rates which are linked to LIBOR. Therefore, the company is exposed to changes in interest rates.

Credit risk: the company's principal financial assets are investments and amounts owed by fellow subsidiary undertakings.

Liquidity risk: liquidity risk is managed by the group's treasury company which has access to third party funding sources to enable the company's obligations to be met as they fall due.

The Company has disclosed a material uncertainty regarding its ability to continue as a going concern. Please refer to the "Going Concern" section of the Directors' report for further information

Approved by the Board and signed on its behalf by:



R A Rose
DIRECTOR
30 June 2020

Premier Oil Group Limited

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2019.

DIVIDENDS

During the year, the directors did not recommend an interim dividend payment (2018: US\$nil) or a final dividend for the year ended 31 December 2019.

SUBSEQUENT EVENTS

Refer to detailed note 11 to the Financial Statements regarding the corporate actions and the macro-economic environment.

DIRECTORS

The directors who served throughout the year and subsequently were as follows:

R A Allan	resigned 25 June 2020
A R C Durrant	
A G Gibb	
R A Rose	

SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

DIRECTORS' INDEMNITIES

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

FUTURE DEVELOPMENTS

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

GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The Company is part of the Premier Oil plc group (the "Group") and is reliant on the provision of financial support from its parent and other group companies. In addition, the Company is a guarantor company on the Group's principal financing arrangements.

As disclosed in note 1 to the Financial Statements, the Directors of the Company have highlighted material uncertainties regarding (1) the Group's compliance with its financial covenants and (2) its ability to refinance its existing loan arrangements in the current economic climate and the potential risk of either of these risks resulting in the Group's and/or the Company's loan arrangements becoming repayable on demand in the next 12 months. These material uncertainties may cast significant doubt on the Company's ability to continue to apply the going concern basis of accounting.

Premier Oil Group Limited

DIRECTORS' REPORT (continued)

AUDITOR

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

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

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 8 June 2006 dispensing with the requirement to appoint auditor annually. This election was in force immediately before 1 October 2007.

Approved by the Board and signed on its behalf by:



R A Rose
DIRECTOR

30 June 2020

Premier Oil Group Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". 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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to Members of Premier Oil Group Limited

Opinion

We have audited the financial statements of Premier Oil Group Limited for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that there is uncertainty regarding (1) the Group's (Premier Oil plc) compliance with its financial covenants and (2) its ability to refinance its existing loan arrangements in the current economic climate. As stated in note 1, these conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We describe below how our audit responded to the risk relating to going concern:

- The audit engagement partner increased his time directing and supervising the audit procedures on going concern;
- Our audit procedures have focused on management's estimation process including the key assumptions used in the Directors' assessment and cash flow model including oil prices, production profiles and future costs. We performed our own sensitivity calculations on key assumptions to test the adequacy of the available headroom;
- We engaged the EY Valuation, Modelling and Economics team to test the integrity of the model.
- We held regular conversation with management to understand the progress of the stable platform agreement, including covenant waivers and continued access to the RCF;
- We held conversations with the advisors to the creditors informal working group and Premier's advisors to substantiate the status of negotiations;
- We considered whether management has exercised any bias in selecting their assumptions. We identified forecast oil prices as the key assumption in the liquidity assessment. We audited management's oil and gas price assumptions in their base case. Our audit procedures included a comparison of management's price assumptions with those of market participants released since 9 March 2020 when significant price volatility was first observed;
- We performed reverse stress testing over prices in response to the recent market volatility, to identify the sensitivity of Premier's liquidity against oil price;
- We compared forecast future cash flows to historical data, ensuring variations are in line with our expectations and understanding of the business and considered the reliability of past forecasts;
- We tested the mathematical accuracy and integrity of the model;

Independent Auditor's Report to Members of Premier Oil Group Limited (continued)

Material uncertainty related to going concern (continued)

- We tested the covenant calculations to ensure they had been calculated correctly in accordance with the 2017 debt override agreement; and
- We reviewed the disclosures made in the financial statements, as highlighted in the above section of our opinion covering going concern.

Other information

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

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

Independent Auditor's Report to Members of Premier Oil Group Limited (continued)

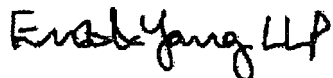
Auditor's responsibilities for the audit of the financial statements

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

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.



Gary Donald (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30 June 2020

Premier Oil Group Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2019

	<i>Notes</i>	<i>2019 US\$000</i>	<i>2018 US\$000</i>
Write-down of investment	6	-	-
Expected credit loss movement	7	10,331	(11,904)
General and administration costs		-	(57)
Dividend income		230,000	197,000
Other income		-	-
Interest receivable	4	45,348	25,296
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		285,679	210,335
Tax on ordinary activities	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		285,679	210,335

The company's results arise wholly on continuing activities in both the current and preceding years.

There were no other items of comprehensive income other than the profit of US\$285,679,000 (2018: profit of US\$210,335,000). Accordingly, no statement of total comprehensive income has been presented.

Premier Oil Group Limited

BALANCE SHEET

As at 31 December 2019

	<i>Notes</i>	<i>2019</i> <i>US\$000</i>	<i>2018</i> <i>US\$000</i>
FIXED ASSETS			
Investments	6	442,850	474,350
		<u>442,850</u>	<u>474,350</u>
CURRENT ASSETS			
Debtors			
- Amounts falling due after more than one year	7	758,443	441,264
		<u>758,443</u>	<u>441,264</u>
NET CURRENT ASSETS		<u>758,443</u>	<u>441,264</u>
TOTAL ASSETS		<u>1,201,293</u>	<u>915,614</u>
NET ASSETS		<u>1,201,293</u>	<u>915,614</u>
CAPITAL AND RESERVES			
Called-up share capital	8	123,118	123,118
Share premium account		268,461	268,461
Capital reserve		27,824	27,824
Profit and loss account		781,890	496,211
		<u>1,201,293</u>	<u>915,614</u>
SHAREHOLDERS' FUNDS		<u>1,201,293</u>	<u>915,614</u>

The financial statements of Premier Oil Group Limited, registered number SC017829, were approved by the Board of Directors and authorised for issue on 30 June 2020. They were signed on its behalf by:



R A Rose
DIRECTOR

Premier Oil Group Limited

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	<i>Called Up Share capital</i>	<i>Share premium account</i>	<i>Capital reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
At 1 January 2018	123,118	268,461	27,824	285,876	705,279
Profit for the year	-	-	-	210,335	210,335
At 1 January 2019	123,118	268,461	27,824	496,211	915,614
Profit for the year	-	-	-	285,679	285,679
At 31 December 2019	123,118	268,461	27,824	781,890	1,201,293

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

1. ACCOUNTING POLICIES

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

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group Financial Statements of Premier Oil plc. The group Financial Statements of Premier Oil plc are available to the public and can be obtained from 23 Lower Belgrave Street, London, SW1W 0NR or on the company website www.premier-oil.com. The registered office address of the parent company preparing consolidated Financial Statements is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN.

These financial statements are presented in US dollars since that is the currency in which the majority of the company's transactions are denominated.

Adoption of new and revised standards

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

- Amendment to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 16 Leases
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 28 – Long-term Interest in Associates and Joint Ventures
- AIP (2015-2017 Cycle): IFRS 3 Business Combinations - Previously held interests in a joint operation
- AIP (2015-2017 Cycle): IFRS 11 Joint Arrangements - Previously held interests in a joint operation
- AIP (2015-2017 Cycle): IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
- AIP (2015-2017 Cycle): IAS 23 Borrowing costs eligible for capitalisation
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

- Amendments to Reference to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Definition of Business
- IFRS 17 Insurance Contracts

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Basis of accounting

The financial statements have been prepared under FRS101 “Reduced Disclosure Framework”. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Premier Oil plc. The group financial statements of Premier Oil plc are available to the public.

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The principal accounting policies are summarised below.

Going concern

The company is part of the Premier Oil plc group (the “Group”) and has financial support available to it from its parent and other group companies if required. In addition, the Company is a guarantor company on the Group’s principal loan arrangements. The Group monitors its capital position and its liquidity risk regularly throughout the year to ensure that it has sufficient funds to meet forecast cash requirements. Sensitivities are run to reflect latest expectations of expenditures, forecast oil and gas prices and other negative economic scenarios in order to manage the risk of funds shortfalls or covenant breaches and to ensure the Group’s ability to continue as a going concern.

After the year end, the spread of COVID-19 and measures introduced by governments across the world to manage the pandemic led to an unprecedented drop in global demand for oil. In addition, a disagreement within OPEC+ on or about 7 March, 2020 triggered an oil price war that caused the largest one-day fall in the oil price since 1991.

The Group has prepared forecast cash flows for the 12 months to 30 June 2021 using an oil price assumption of US\$30 for the rest of 2020 and US\$40 for 2021 and has deferred capital expenditure of c.US\$100 million. Using these assumptions, under the Base case the Group has sufficient liquidity for the rest of 2020; however, a covenant breach is expected to arise for the 12 month period ending 30 June 2020. Given the extreme volatility in current oil prices, the Directors have performed reverse stress testing with the breakeven price for liquidity, assuming the Stable Platform is agreed and the debt maturity in May 2021 is extended, being an average of c.US\$20bbl in the 12 months to 30 June 2021.

A breach of one or more of the Group’s financial covenants would cause an event of default under the loan arrangements, which could in turn trigger cross-defaults into the other Group companies. Since this company is a guarantor company on the Group’s principal loan arrangements, the event of default could result in an acceleration of the repayment of the loan arrangements of the entire group, with the outstanding loan balances becoming repayable on demand within the going concern period and the cancellation of the relevant facilities. If an event of default were to occur at the Group, the Company would not be able to rely on the support of the Group and may not be able to meet its liabilities as they fall due.

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

In addition to the risk of a covenant breach, the Group's financing facilities are due for maturity in May 2021 which is within the going concern period. In the current global economic environment, there is no guarantee that the Group will be able to extend its current loan arrangements on favourable terms. Therefore, management have already commenced discussions with the Group's major lenders regarding an extension of its existing loan arrangements and waiving of the existing financial covenants until the extension is agreed. The Group has made good progress with a subset of its major creditors representing over 40 per cent of its debt facilities in agreeing principal terms to a "Stable Platform" agreement, which includes the waiving of its financial covenants until 30 September 2020 and to provide continued access to its revolving credit facilities. Management believe it is likely that further covenant waivers would be received if required beyond this date. This agreement has been submitted to the entire lender group for their consent, which is expected to be received in early July 2020. Discussions continue over the proposed amendments to the Group's existing credit facilities and are expected to conclude in Q3 2020, with the expectation being that the debt maturities will be extended or restructured prior to May 2021.

The uncertainties regarding (1) the Group's compliance with its financial covenants and (2) its ability to refinance its existing loan arrangements in the current economic climate and the potential risk of either of these risks resulting in the Group's and/or the Company's loan arrangements becoming repayable on demand in the next 12 months creates material uncertainties which therefore may cast significant doubt on the Company's ability to continue to apply the going concern basis of accounting. However, based on the expectation that the Stable Platform agreement will be completed in early July 2020 management has every expectation a covenant waiver would be received prior to any acceleration of repayment of the Group's loan arrangements during the going concern period. In addition, management expect that an extension or restructuring of the Group's loan arrangements will be agreed prior to May 2021.

Therefore, the directors of the Company have concluded that it is appropriate to prepare these financial statements on a going concern basis.

Investments

Investments held as fixed assets are shown at cost less provision for impairment. Where the directors consider that an impairment of the value of the investment has occurred, the investment value is written down through the profit and loss account.

Foreign currencies

The functional currency of the company is United States dollars. All transactions denominated in foreign currencies, being currencies other than the functional currency, are recorded in the functional currency at actual exchange rates as of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rate, subsequent to the dates of the transactions, is included as an exchange gain or loss in the profit and loss account.

Taxation

Current tax, including UK corporation tax and foreign 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 balance sheet 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 balance sheet liability method.

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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/excess of fair value over cost 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 ventures, except where the company 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 balance sheet 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. The company reassesses its unrecognised deferred tax asset each year taking into account changes in oil and gas prices, the company's proven and probable reserve profile and forecast capital and operating expenditures.

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 based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Income and expense

Income, costs and expenses are allocated to the year to which they relate. Losses are accounted for in the year in which they are identified. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Critical accounting judgements and key sources of estimation uncertainty.

Details of the company's significant accounting judgements are set out in these financial statements and are considered to be:

- the application of the going concern basis of accounting (section above); and
- the recoverability of the company's investments and amounts owed by group companies (see note 6).

There were no key sources of estimation uncertainty.

2. AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:

	2019 US\$	2018 US\$
Fees payable to the company's auditor for the audit of the company's annual financial statements*	20,000	20,000

* This audit fee was borne by the ultimate parent company in both the current and preceding years.

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. STAFF COSTS AND DIRECTORS' REMUNERATION

The company employed no staff during the year (2018: none).

The directors received no remuneration for their services to the company in either the current or preceding years.

4. INTEREST RECEIVABLE

	2019 US\$000	2018 US\$000
Interest receivable on loans to subsidiary undertakings	45,348	25,296

Interest is receivable on the loans between the company and certain of its subsidiary undertakings. Interest receivable is charged at market rates. The loans mature in 2021.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax charge in the year

There was no current or deferred tax charge for the year (2018: US\$nil).

Corporation tax is calculated at the average UK corporation tax rate for the year of 19.0% (2018: 19.0%). The charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2019 US\$000	2018 US\$000
<i>b) Factors affecting the tax charge for the year</i>		
Profit on ordinary activities before taxation	285,679	210,335
Profit on ordinary activities before taxation at 19.0% (2018: 19.0%)	54,279	39,964
Effects of:		
Non-taxable income	(45,663)	(39,975)
Losses de-recognised	-	11
Group relief surrender/(claim) for US\$nil consideration	(8,616)	-
Total tax charge for the year	-	-

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The company had tax losses of US\$126,337,405 at 31 December 2019 (2018: US\$126,394,134) which have no expiry date. No deferred tax asset is recognised in respect of these as insufficient taxable profits are expected to arise in the future against which the deferred tax asset will reverse.

6. INVESTMENTS

<i>Cost:</i>	<i>2019</i> <i>US\$000</i>	<i>2018</i> <i>US\$000</i>
At 1 January	1,031,506	1,049,506
Reduction	(31,500)	(18,000)
At 31 December	<u>1,000,006</u>	<u>1,031,506</u>
 <i>Provisions for impairment:</i>		
At 1 January	557,156	557,156
Written-down in the year	-	-
At 31 December	<u>557,156</u>	<u>557,156</u>
 <i>Net book value:</i>		
At 1 January	<u>474,350</u>	<u>492,350</u>
At 31 December	<u><u>442,850</u></u>	<u><u>474,350</u></u>

In 2019 Premier Oil Overseas BV repaid share premium of US\$31,500,000.

The company's investment in Premier Oil Holdings Limited and Premier Oil UK Limited have been fully written-down.

During the year, the company subscribed to 1 Ordinary Shares of MXN1 each in Premier Oil Mexico Recursos S.A de C.V.

At 31 December 2019, the company and its subsidiaries had investments in the following plc group companies:

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

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

6. INVESTMENTS (continued)

<u>Name of company</u>	<u>Business and area of operation</u>	<u>Place of incorporation</u>	<u>Registered office</u>
Premier Oil Exploration and Production Mexico S.A	Exploration, production and development, Mexico	Mexico	Avenida Presidente Masaryk 111, Piso 1, Colonia Polanco V Sección, Del. Miguel Hidalgo, C.P. 11560, Ciudad de México, México
Premier Oil Mexico Recursos S.A de C.V	Exploration, production and development, Mexico	Mexico	Avenida Presidente Masaryk 111, Piso 1, Colonia Polanco V Sección, Del. Miguel Hidalgo, C.P. 11560, Ciudad de México, México
Premier Oil do Brasil Petróleo e Gás Limitada	Exploration, production and development, Brazil	Brazil	Rua Lauro Muller, 116-Sala 2006, Botafogo, RJ
Premier Oil E&P Holdings Limited ¹	Holding company (E&P), UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ONS Limited ¹	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
<i>Companies held through subsidiary undertakings</i>			
Premier Oil Exploration and Production Limited	Exploration, production and development, Falkland Islands	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration and Production (Iraq) Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Far East Limited	Service company, Singapore	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil and Gas Services Limited	Service company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Mexico Holdings Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore (NNS) Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil (EnCore Petroleum) Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Aberdeen Services Limited	Service company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
FP Mauritania A BV	Decommissioning activities, Mauritania	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands
FP Mauritania B BV	Decommissioning activities, Mauritania	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands
Premier Oil Exploration (Mauritania) Limited	Decommissioning activities, Mauritania	Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Mauritania B Limited	Decommissioning activities, Mauritania	Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil International Holding BV	Dormant	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands
Premier Oil Natuna Sea BV	Exploration, production and development, Indonesia	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands
Premier Oil Buton BV	Dormant	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

6. INVESTMENTS (continued)

<u>Name of company</u>	<u>Business and area of operation</u>	<u>Place of incorporation</u>	<u>Registered office</u>
Premier Oil Tuna BV	Exploration, production and development, Indonesia	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands
Premier Oil Andaman Limited	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Andaman I Limited	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil South Andaman Limited	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Bukit Barat Limited	Exploration, production and development, Indonesia	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Vietnam Offshore BV	Exploration, production and development, Vietnam	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands
Premier Oil Vietnam North BV	Dormant	Netherlands	Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands
Premier Oil Vietnam 121 Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK Limited	Exploration, production and development, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK EU Limited	Exploration, production and development, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK Energy Trading Limited	Gas trading company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Ebury Gate Limited	Risk Mitigation Services	Guernsey	Level 5, Mill Court, La Charroterie, St Peter port, GY1 1EJ
Premier Mexico Investment Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ANS Holdings Limited	Intermediate holding company, UK	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ANS Limited	Exploration, production and development, Alaska	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil CCS Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Congo (Marine IX) Limited	Dormant	Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Investments Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Pacific Limited	Dormant	Hong Kong	36/F, Tower Two, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong
Premier Overseas Holdings Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore (VOG) Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore CCS Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Gas Storage Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Natural Resources Limited	Dormant	England & Wales	23 Lower Belgrave Street, London, SW1W 0NR

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

6. INVESTMENTS (continued)

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

¹ wholly owned subsidiaries of the company with the exception of Premier Oil do Brasil Petróleo e Gás Ltda as Premier Oil Group Limited holds 0.0000001 per cent of its shares, Premier Oil Exploration and Production Mexico S.A 0.002 per cent and Premier Oil Mexico Recursos S.A de. C.V 0.002 per cent. All other companies are held through subsidiary undertaking unless stated otherwise.

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

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

7. DEBTORS

	2019 US\$000	2018 US\$000
<i>Amounts falling due after more than one year:</i>		
Amounts owed by a subsidiary undertaking	758,443	441,264

The amounts owed by a subsidiary undertakings comprise of loans bearing interest at the rate of LIBOR plus 6.45 per cent, falling due for repayment in 2021.

The above includes an impairment provision of US\$2,754,000 (2018: US\$13,085,000) as required under IFRS 9 and was calculated using 12 month expected credit losses (ECL). The movement in the ECL has resulted in a US\$10,331,000 credit (2018: US\$11,904,000 charge) to the profit and loss account.

8. CALLED-UP SHARE CAPITAL

	2019 US\$000	2018 US\$000
<i>Allotted, called-up and fully-paid:</i>		
1,282,477,089 Ordinary Shares of 5p each	123,118	123,118

9. FINANCIAL COMMITMENTS AND GUARANTEES

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

- a US\$2,050.0 million revolving credit facility and a US\$450.0 million letter of credit facility;
- Medium-term loans of US\$150.0 million and £100.0 million;
- Senior notes of US\$465.0 million and €63.6 million; and
- £150.0 million retail bonds.

All the above facilities mature in May 2021.

10. ULTIMATE CONTROLLING PARTY

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

Premier Oil Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

11. SUBSEQUENT EVENTS

Corporate Actions

In January 2020, the Company's ultimate parent company, Premier Oil plc (the "Group") publicly announced the agreement it had reached to undertake the following corporate actions (together the 'Corporate Actions'):

- an amend and extend ('A&E') of all the Group's refinancing facilities, including extension of maturities from May 2021 to November 2023;
- the proposed acquisition of a 25 per cent working interest in Tolmount from Dana and interests in Andrew and Shearwater (together the 'Acquisitions' or 'Acquired Assets');
- entering into a US\$300 million bridge facility to partly finance the Acquisitions (the 'Bridge Facility'). Based on current forecasts it is not expected that the Bridge Facility will be utilised; and
- raising equity from shareholders via a combination of a placing and a rights issue (the 'Equity Raise'), which is fully underwritten.

Lender consents were obtained from the required proportion of lenders for the above Corporate Actions, prior to their announcement and the Scheme process was launched, with more than 75 per cent of the Group's lenders approving the Scheme in February 2020.

In April 2020, the Court of Session in Edinburgh approved the Scheme to implement the proposed Acquisitions, and the A&E. However, a single dissenting creditor (the "Single Creditor") announced its intention to appeal the Court's judgment. This, combined with significant changes in the macro-economic environment, resulted in the Group entering into further negotiations with BP regarding the Andrew Area and Shearwater acquisitions and also conversations with its principal lenders around the proposed transactions and the 2021 maturity of its debt facilities.

In June 2020, the Group announced it had

- reached agreement with BP over amended terms for the acquisition of the Andrew Area and Shearwater assets (together the "BP Acquisitions"), with reduced upfront cash consideration now payable at completion;
- reached agreement with a subset of its principal creditors representing over 40 per cent of its debt facilities to waive the Company's financial covenants through to 30 September 2020 and to provide continued access to its revolving credit facilities (the "Stable Platform"). The terms of the Stable Platform are agreed and are in the process of receiving formal support from the wider lender group; and,
- agreed a settlement with the Single Creditor, under which the Single Creditor will withdraw its appeal of the Court's judgment approving the Schemes and will support the BP Acquisitions and the Stable Platform Agreement through the lender consent process. As part of this agreement, the Group has issued 82.2 million new shares to the Single Creditor at a price of 26.69 pence per share. The agreement also provides for a comprehensive settlement of all claims relating to the schemes and related matters (including costs).

Macro-economic environment

The company is exposed to macro-economic risks, including pandemic disease that could have a material adverse effect on our operations. The company continues to monitor the COVID-19 outbreak which is causing economic disruption and may impact our performance in 2020. Premier remains extremely vigilant and focused on the welfare, health and safety of all of its staff and contractors. To date, production operations have not been materially impacted by COVID-19. In addition, a disagreement within OPEC+ on or about 7 March, 2020 has triggered an oil price war that caused the largest one-day fall in the oil price since 1991.