



Harbour Energy plc
Annual Report & Accounts 2021

A global independent oil and gas company

A constituent of the FTSE 250, we are the largest London-listed independent oil and gas company. We have a diversified UK asset base within an attractive global footprint.

Performance highlights

175kboepd

Oil and gas production

948mmboe

2P reserves + 2C resources

\$678m

Free cash flow generation

\$1.6bn

Liquidity
(cash and undrawn facilities)

0.9x

Leverage ratio at year-end

\$200m

Annual dividend announced

2035

Net Zero emissions goal by 2035

>25%

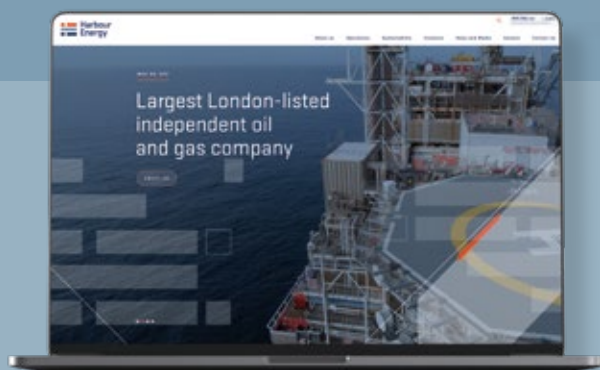
Of 2021 emissions offset



Completion of the merger with Premier Oil:
integration and realisation of synergies
progressing as planned



Production increased to over 200 kboepd in Q4:
following safe execution of extended
maintenance programmes



Net Zero 2035 activities include:
emissions reduction actions, progress on
UK offshore electrification & CCS projects
and acquisition of offsets



FIND OUT MORE ONLINE
[harbourenergy.com](https://www.harbourenergy.com)

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2021 was a transformational year for Harbour Energy with the completion of the merger with Premier Oil, our third significant transaction since 2017. As a result, we became a public company with a global footprint and the largest London-listed independent oil and gas company.

With our scale, our commitment to producing safely and responsibly, our robust balance sheet and track record of executing successful M&A, I believe we are well placed to deliver value creation, growth and shareholder returns.

I am proud of all we accomplished in our first year as a listed company and excited for our future.

LINDA Z. COOK
Chief Executive Officer

Why invest in Harbour Energy?



Pure play, upstream, global oil and gas company

At a time when major oil companies are de-emphasising their upstream businesses, we provide pure play exposure to oil and gas production at scale

- Largest oil and gas producer in the UK
- Member of the FTSE 250
- Global, full cycle capability



AT A GLANCE
P4



OPERATIONAL REVIEW
P22



Diverse, cash generative portfolio of scale

We have a resilient portfolio focused on conventional producing assets with embedded low risk, high return investment opportunities to sustain production near term while generating positive cash flow

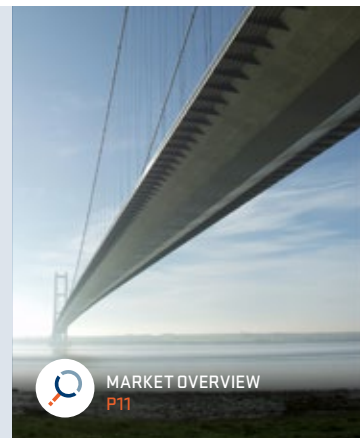
- Balance of oil and gas
- Diverse UK position with exposure to multiple key production hubs
- High margin asset base with significant degree of operational control



Positioning for the energy transition

We are a responsible oil and gas producer and, through a combination of activities, aim to be Net Zero by 2035

- Investment in activities to reduce emissions including by improving plant efficiency and assessing the opportunity for electrification of offshore facilities
- Purchasing high quality certified offsets to mitigate the impact of residual, hard-to-abate emissions
- Exploring the potential for CCS projects in the UK to support a lower carbon economy



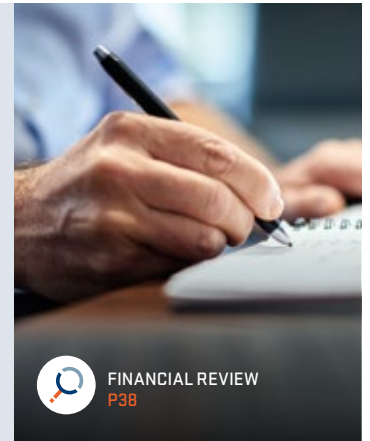
MARKET OVERVIEW
P11



Conservative financial risk management policy

We have a conservative approach to managing our balance sheet, ensuring we're financially strong through the commodity price cycle and providing us with significant optionality over our capital allocation

- Strong and predictable cash flows via a disciplined hedging programme
- Conservative leverage profile and significant liquidity
- Prudent capital allocation



FINANCIAL REVIEW
P38



Commitment to shareholder returns

We aim to deliver both growth and yield to our shareholders, including via a \$200 million annual dividend policy

- Track record of value creation
- Clearly defined and sustainable dividend policy, affordable from cash flow
- Distribution policy reviewed annually



FINANCIAL REVIEW
P40



Track record of creating value through M&A

We have a strong track record of executing large scale M&A, integration and adding value to the assets acquired

- A proven, capable and well-capitalised buyer
- A focus on high quality, conventional, cash generative, producing assets
- Active risk management to protect the balance sheet and shareholder distributions



PERFORMANCE OVERVIEW
P8

At a glance



Pure play, upstream, global oil and gas company

Today, we have a leading position in the UK as well as interests in Indonesia, Vietnam, Mexico and Norway.

Our intention is to establish a material production base in at least one region outside the UK.

5

Countries in which we are active

124

Licence interests covering exploration, development and production activities¹

48

Producing fields

1,771

Employees worldwide

MEXICO

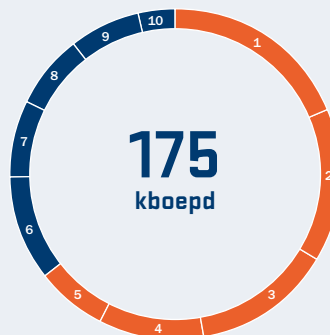
BRAZIL

FALKLAND ISLANDS

¹ Excluding Brazil and Falkland Islands.

2021 Group production

Group production increased to over 200 kboepd in the fourth quarter, with improved uptime following completion of the maintenance programmes, new wells on-stream and a full contribution from the Premier portfolio.

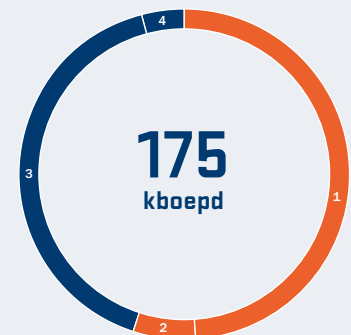


Operated

1 GBA	33 kboepd
2 J-Area	26 kboepd
3 AELE	24 kboepd
4 Catcher	18 kboepd
5 South East Asia	12 kboepd

Non-operated

6 Elgin Franklin	18 kboepd
7 Buzzard	13 kboepd
8 West of Shetland	13 kboepd
9 Beryl	12 kboepd
10 Other North Sea	6 kboepd



Liquids

1 Oil	49%
2 NGLs	6%
3 Gas	41%
4 International	4%



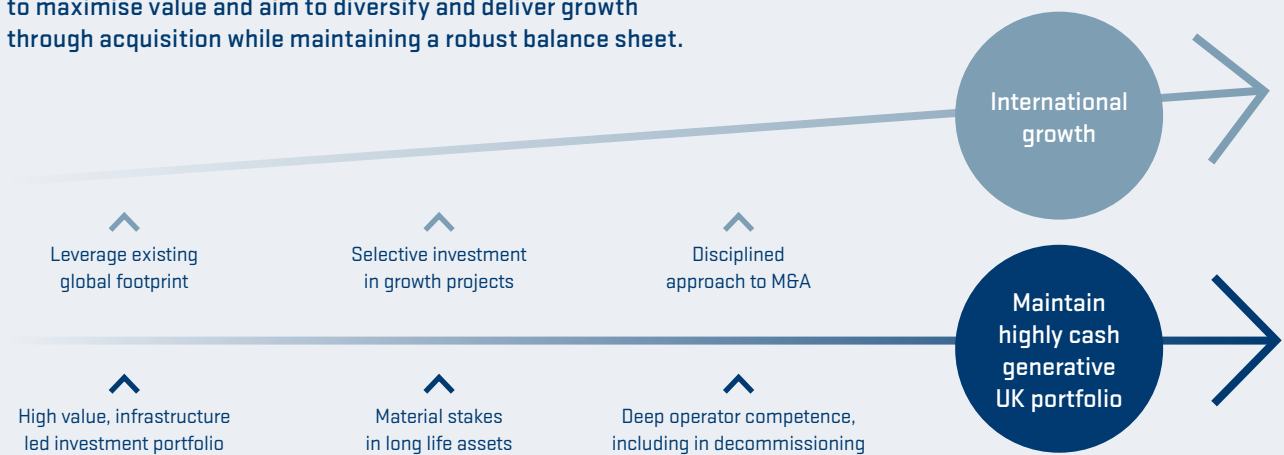
OPERATIONAL REVIEW
P22



● Production / Development / Exploration and appraisal ● Development / Exploration and appraisal ● Decision taken to exit

Our business model

We invest in our high quality, cash generative UK portfolio to maximise value and aim to diversify and deliver growth through acquisition while maintaining a robust balance sheet.



 HOW WE CREATE VALUE
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I believe we are well placed to deliver value creation, growth and shareholder returns.

LINDA Z. COOK
Chief Executive Officer

We founded Harbour Energy in 2014, aiming to build a global and diversified independent oil and gas company. We are delivering on that today as we produce over 200 kboepd safely, responsibly, and efficiently from a portfolio of cash generative, conventional assets. We are therefore well placed to play a key role in helping to meet the world's growing energy needs through the energy transition.

2021 was a transformational year for us with the completion of the merger with Premier Oil, our third significant transaction since 2017. As a result, we became a public company with a global footprint and the largest London-listed independent oil and gas company by production and market capitalisation. We accomplished a great amount during the year, a testament to the tremendous effort and commitment of our people. We assembled a world class board, merged two organisations, maintained safe and responsible operations, set out our strategy and capital allocation plans, and issued our first bond – all of this whilst adapting to new ways of working as we learned to live with COVID-19.

The safety of our people is our number one priority, and we are committed to never compromising our health, safety, and environmental standards. We have a well-defined Environmental, Social and Governance framework which specifically sets out our goal to achieve Net Zero greenhouse gas emissions by 2035. We will achieve this through a range of activities including reducing our own emissions, offsetting an increasing proportion of our residual emissions, being active in projects to capture and store CO₂, and supporting wider governmental initiatives to decarbonise the industry.

We continue to invest in high return projects across our UK asset base to sustain production while generating substantial free cash flow. We aim to grow and diversify through further acquisitions of high quality producing assets, establishing a material production base in at least one region outside the UK. We are uniquely positioned to take advantage of the shifting strategies of the major oil companies but we will as always be disciplined and focused on value creation.

We will maintain a robust balance sheet and strong liquidity through the commodity price cycle, supported by our hedging programme, prudent capital allocation and conservative risk management. The importance of this has perhaps never been more evident than it is today with the triple impacts of a global pandemic, an uneven path towards a lower carbon economy and, more recently, the conflict in Ukraine. Our approach ensures we remain financially strong and it enabled us to announce a \$200 million annual dividend policy. We believe a commitment to shareholder distributions is an important part of our equity story and we look forward to making our first distribution in May 2022.

I would like to thank our employees, contractors and suppliers for their continued dedication, hard work and support in what was an eventful year for Harbour Energy. I would also like to note the significant contributions to our Company by Phil Kirk who stepped down as Executive Director of Harbour at the end of February 2022. I wish him all the best for the future.

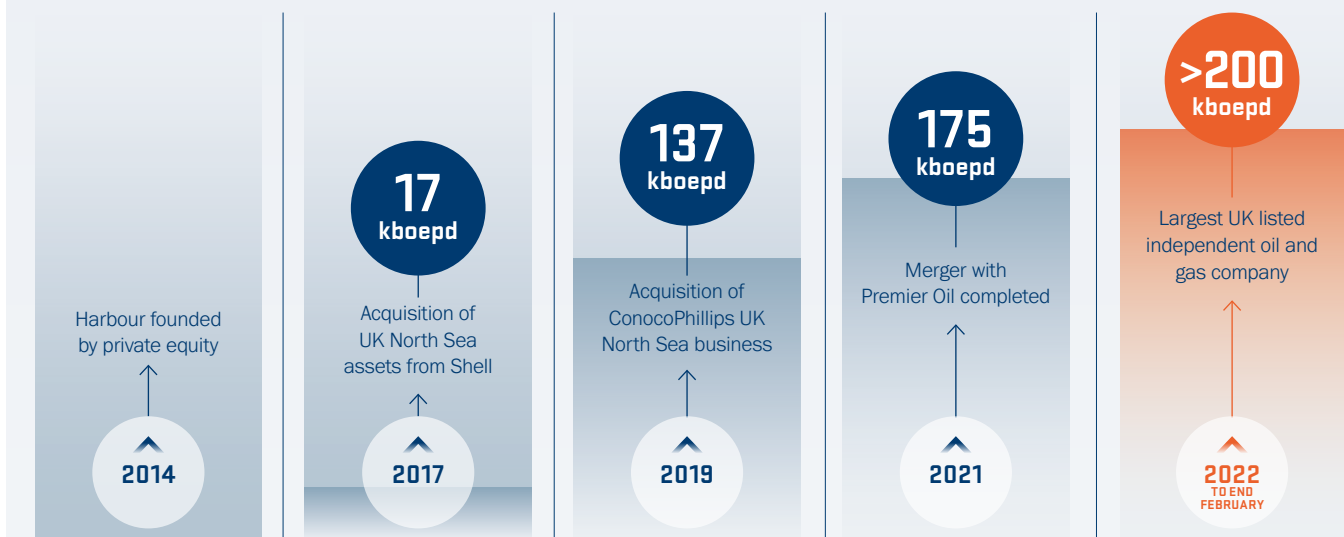
With our scale, our commitment to producing safely and responsibly, our robust balance sheet and track record of executing successful M&A, I believe we are well placed to deliver value creation, growth and shareholder returns. I am proud of all we accomplished in our first year as a publicly listed company and very excited for our future.

LINDA Z. COOK
Chief Executive Officer



Track record of creating value through M&A

The evolution of Harbour Energy



A strong production base

2021 production averaged 175 kboepd (2020: 173 kboepd). This reflected the addition of Premier's portfolio from the end of March partially offset by significant planned maintenance campaigns, including those deferred from 2020 due to the global pandemic. Production was also impacted by some unplanned outages in the first half, the delay to the start-up of the Tolmount project and natural decline. Production increased to 214 kboepd in the fourth quarter, supported by strong operational performance.

Operating costs were \$976 million and \$15.2/boe on a unit of production basis, in line with expectations. Total capital expenditure including decommissioning was \$935 million, lower than forecast due to savings across the asset base. Capital expenditure was weighted towards the second half of the year with the return of drilling activity across our operated assets to pre-COVID levels.

The strong production achieved at the end of 2021 has continued into 2022. Our production is forecast to be higher in 2022, between 195 and 210 kboepd, at the midpoint an increase of c.15 per cent versus 2021. The increase is underpinned by a full year of production from the Premier portfolio and the new Tolmount gas field. 2022 production is also expected to benefit from lower planned maintenance levels and contributions from new wells including at the J-Area and Catcher Area in the UK, and Chim Sáo in Vietnam.

A focus on safety and ESG

In Harbour, safety is our number one priority. While we recorded no serious injuries or significant spills in the year, we are not satisfied with the performance. Our Total Recordable and Lost Time Injury Rates were 1.27 and 0.68 respectively, per million hours worked. We established process safety as our key focus area and made it the topic for our inaugural Global HSES Day.

Following completion of the Merger, we standardised how we measure and report our greenhouse gas emissions and established an emissions baseline. Our Net Zero goal has been embedded into our investment decision-making and we have incorporated emissions reduction incentives into our compensation and main debt facility. We also purchased our first carbon offsets, investing in independently certified forest conservation and landfill gas capture projects in Brazil.

In 2021, our GHG emissions and intensity (Scope 1 and 2), measured on a gross operated basis, were 1.6 mtCO₂e and 23 kgCO₂e/boe, reflecting the addition of Premier's portfolio from March and increased drilling activity. Net of the offsets acquired and retired with respect to 2021, our gross operated emissions reduced by over 25 per cent to 1.2 mtCO₂e and 17 kgCO₂e/boe.

2021 saw good progress on our two early-stage UK CCS projects, V Net Zero and Acorn. For V Net Zero, this included the award to Harbour of a CCS licence to reuse the depleted offshore Viking fields for CO₂ storage and the selection of the project by some of Humber's largest emitters as their preferred CO₂ transportation and storage provider. V Net Zero and Acorn have the potential to capture and store multiple times our annual emissions using our infrastructure and offshore depleted fields.




Capital deployment

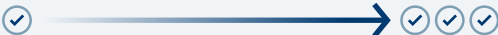
We have significant opportunities within our asset base to support production at current levels in the near term while generating material free cash flow, and the majority of our capex is allocated to lower risk, high return investments.

We have continued to see outperformance from infill wells drilled at the Greater Britannia Area as well as improved results from the ongoing drilling campaign at Clair. At J-Area, we recompleted the S-15 well, reinstated production from the previously shut in J-06 well and drilled the Jade South well. This successfully targeted a previously untested part of the Jade field and was brought into production in January 2022. Elsewhere at the J-Area, we completed the Dunnottar exploration well in December which did not appear to have found commercial levels of hydrocarbons.

We have successfully executed three multi-billion dollar transactions in the past five years.

A history of successful integration and value creation

			
Improving production performance	✓✓✓	✓✓✓	✓✓
Reinvestment to add reserves	✓✓✓	✓✓✓	✓
Diversifying the portfolio	✓	✓	✓✓
Managing operating costs	✓✓	✓✓	✓
Extending field life	✓✓✓	✓✓	✓
Improving decommissioning performance	✓✓	✓✓✓	✓✓
Realising synergies	✓✓	✓✓	✓✓✓

 Indicates relative magnitude of impact.

2021 also saw successful drilling at Elgin Franklin, Everest and Beryl in the UK and Natuna Sea Block A in Indonesia.

Looking to 2022, almost all of our drilling and development projects within our approved budget of \$800 million break even at lower than \$35/bbl and 35p/therm. This expenditure supports an active rig programme across our producing portfolio, including 23 infill and development wells and several well intervention campaigns. There is also ongoing production and plant optimisation activity planned for 2022, including a number of compression projects and gas reinjection programmes, helping to underpin future production and offset natural decline.

Harbour has several organic growth projects, which together could add materially to our future production. These include the Talbot field, which is expected to be developed as a multi-well tie-back to J-Area infrastructure in the UK, and the Tuna field in Indonesia. Both Talbot and Tuna were successfully appraised during 2021 and are now being progressed towards a final investment decision. Harbour also has a 12.39 per cent interest in the Zama Unit (Mexico) where the Block 7 partners and Pemex are working together to finalise a field development plan ahead of a final investment decision targeted for as early as 2023.

In 2021 we announced our decision to exit the Falklands Islands and our exploration acreage in Brazil. We believe there are lower risk and lower emissions intensive options to replace our reserves and grow than via frontier exploration or multi-billion dollar greenfield developments.

Strong reserves replacement through disciplined M&A

A key achievement in 2021 was the completion of the Merger which enhanced our UK North Sea asset base and provided us with a global footprint. Integration is well advanced, and we have started to realise the synergies and efficiencies resulting from the Merger, especially within our UK North Sea operations.

In 2021 we increased our proven and probable (2P) reserves on a working interest basis to 488 mmbœ at year-end (2020: 451 mmbœ), reflecting a 2P reserves replacement for the year of 157 per cent, more than offsetting 2021 production. This increase was driven by the addition of the Premier portfolio partially offset by a downward revision at the Tolmount field based on the outcome of the development drilling programme. Our 2C resources were 460 mmbœ at year-end 2021 and include the addition of the Zama and Tuna fields from the Premier portfolio.

A solid financial position

During 2021, we retained a robust balance sheet, strong liquidity and diversified our capital structure. As a result of the Merger, we were admitted to trading on the London Stock Exchange and in August became a constituent of the FTSE 250 index. In October, we completed our debut \$500 million bond issuance, using the proceeds to repay the Shell Junior debt facility, providing us with additional flexibility over the future marketing of our hydrocarbons.

During 2021, we generated \$678 million of free cash flow. As a result, net debt excluding unamortised fees stood at \$2.3 billion at year-end, down from \$2.9 billion at the time of completion of the Merger. Group leverage at year-end was 0.9x, in line with our target of less than 1.5x on average through the commodity price cycle.

Our strong financial position together with predictability of our future cash flow enabled us to introduce an initial \$200 million per annum dividend, with the first \$100 million distribution paid in respect of the 2021 financial year in May 2022, subject to shareholder approval. Going forward, this will be paid in two equal instalments of \$100 million each.

Outlook

As we enter 2022, our balance sheet is strong. The importance of this has perhaps never been more evident than it is today with the triple impacts of a global pandemic, an uneven path towards a lower carbon economy and, more recently, the conflict in Ukraine. Against this backdrop, and with volatile commodity prices, we are generating material and resilient free cash flow, underpinned by our high quality, diverse UK asset base. At \$100/bbl and 200p/therm average prices for 2022, we expect to generate between \$1.5 and \$1.7 billion of free cash flow (after tax and the \$200 million dividend payment) with the potential to be debt free in 2023. As a result, we have significant optionality over our future capital allocation, including for meaningful value accretive transactions and additional shareholder returns.

Reopening of the global economy

2021 was the year in which we learned to live with COVID-19, aided by the roll out of the vaccine and supportive government policies.

Against this backdrop, we saw COVID-19 restrictions lifted and economies recover, resulting in increasing global energy demand.

Inflation emerged as a dominant theme as the year progressed, driven by surging commodity prices and continued supply chain disruptions, which in turn fuelled speculation around the outlook for interest rates. In the UK, the market went from an expectation of negative rates at the start of 2021 to ending the year with the Bank of England raising the base rate for the first time in three years.

The start of 2022 brought further volatility fuelled by an uneven economic recovery from the pandemic and, related to that, an increase in demand for energy following years of lower global investment in oil and gas. On top of this, the tragedy unfolding in Ukraine brings additional uncertainty, a need for increased alternative energy supplies to Europe, and further disruption to supply chains. While Harbour has no assets or investments in Russia or Ukraine, and while we have not yet seen material signs of broad inflationary pressure, we are monitoring the situation carefully.

2021 also served to highlight the challenges the world faces as it strives to transition towards a low carbon future. It is clear it will take time, technological advances and substantial capital to scale up and deploy the infrastructure required to materially reduce reliance on hydrocarbons. Government policy also needs to play a key part. A poorly planned transition can lead to energy supply disruption and economic challenges.

In the meantime, oil and gas companies continue to play an important role in helping to meet global energy demand and supporting an orderly, affordable and just energy transition.

Brent prices

Summary

2021 saw a resurgence in oil demand as economies reopened. Global supply struggled to respond with OPEC+ maintaining its quotas and US producers demonstrating capital discipline. This drove oil prices higher over the course of 2021 with Brent averaging \$71/bbl, up 63 per cent on 2020.

Post year-end we have seen increased volatility in commodity markets with Brent surpassing \$100/bbl for the first time since 2014 as a result of the conflict in Ukraine.

Response and opportunity

Harbour aims to produce reliable and predictable cash flows through the cycle, supported by a steady investment programme and disciplined hedging, underpinning revenue while retaining some upside exposure.

Higher commodity prices enabled us to deleverage quicker than expected during 2021, with net debt, excluding unamortised fees, reduced from \$2.9 billion at completion of the Merger to \$2.3 billion at year-end. With approximately 50 per cent of our 2022 oil production hedged, we have significant leverage to the oil price while continuing to be protected to the downside.

63%

Increase in average Brent price versus 2020

UK gas prices

Summary

Against a backdrop of continued volatility, UK gas prices increased during 2021 to average 122p/therm, up 360 per cent with a record high of 450p/therm reached in the fourth quarter. This was driven by a number of factors including a sharp recovery in demand, depleted storage levels, lower pipeline imports and global competition for LNG cargoes.

Response and opportunity

2021 saw drilling activity on our operated assets return to pre-COVID-19 levels, with the majority of the wells targeting natural gas. As a result, our portfolio is becoming more gas-weighted while, at the same time, we have increasing exposure to spot prices with c.59 per cent, 41 per cent and 20 per cent of our forecast gas production hedged in 2022, 2023 and 2024, respectively. In addition, we agreed with our lending banks to remove the year 3 minimum hedging requirement providing us with more flexibility over our hedging programme going forward.

360%

Increase in average UK gas price versus 2020

M&A activity

Summary

Upstream deal activity increased in 2021 with \$181 billion of M&A transactions announced. Major oil companies continue to reshape their portfolios with significant divestments targeted by 2025. Meanwhile, independent oil and gas companies have continued to make acquisitions with a focus on economies of scale.

Response and opportunity

In 2021, we completed the Merger to create the UK's largest independent oil and gas company.

With our scale, robust balance sheet and track record of executing value accretive M&A, we are uniquely positioned to take advantage of the current environment to grow and further diversify our portfolio. The rising commodity prices however may make transacting harder. As always, we will remain very disciplined and focused on value.

Note: Data in this section has been sourced from Rystad and NASDAQ.



Positioning for the energy transition

Harbour is exploring the potential for CCS projects and partial electrification of the UK Central North Sea to support our goal to reduce CO₂ emissions.

V Net Zero

The V Net Zero project is a CO₂ transportation and storage project led by Harbour.

The Humber is the UK's most energy intense industrial area, emitting c. 20 million tonnes of CO₂ per annum. In 2021, V Net Zero was selected as the preferred CO₂ Transportation & Storage provider by Humber Zero (Phillips 66's Humber Oil Refinery and VPI Immingham's power plant), EP UK Investment's gas-fired power plant and Prax's Lindsey Oil Refinery.

V Net Zero aims to transport and store more than 10 million tonnes of CO₂ per annum by 2030. If sanctioned, the project could progress towards first capture and storage from 2027.

Acorn

As the Scottish Cluster, Acorn was awarded Track 1 reserve status as part of the UK Government's Net Zero ambitions. Harbour is a partner in the Acorn Project, which is being led by Storegga with Shell as lead developer.

Acorn aims to capture industrial CO₂ emissions and, by using existing oil and gas pipelines, transport it offshore to be permanently stored in depleted reservoirs.

Phase 1 will capture CO₂ emissions from St Fergus gas terminals and potentially from heavy industry in the Central Belt of Scotland. The Acorn partners are also considering using the Peterhead port facilities to import CO₂ for storage. Initial studies were also undertaken in 2021 on a proposed hydrogen plant which would generate low carbon hydrogen from natural gas landed at St Fergus.

Electrification

Harbour has been evaluating electrification options for our operated assets in the UK North Sea as a potential way to reduce our Scope 1 offshore CO₂ emissions.

In addition we have been leading industry efforts to evaluate large scale electrification options across multiple facilities to help achieve UK oil and gas sector targets to reduce emissions. Detailed technical, regulatory and commercial analysis has been undertaken in close collaboration with industry stakeholders, regulators and supply chain. It is anticipated that the work to determine the viability of these projects will conclude in 2022.

Our Net Zero goal includes our share of Scope 1 and 2 CO₂e emissions from both operated and non-operated assets.



Measure

- Accurate and consistent emissions measurement, reporting and forecasting
- Alignment with global accounting standards
- Independent verification of progress towards 2035



Reduce

- Operational optimisation and improvements
- Minimise venting and flaring
- Low carbon design of new developments



Offset

- Offset an increasing portion of the residual, hard-to-abate emissions year on year
- Purchase independently certified offsets
- Policy reviewed annually



Incentivise

- Emissions reduction incentives embedded in compensation programmes
- Financing cost incentives linked to emissions performance
- Embed Net Zero impact in investment decisions



Invest

- Screen M&A opportunities for emissions intensity
- Participate in two potential UK CCS projects (V Net Zero and Acorn)
- Assess the opportunity for partial electrification in the UK Central North Sea

How we create value

A clear approach focused on value creation, cash flow and distributions



Our values

At the heart of everything we do are our four core values:



Our purpose

To play a significant role in meeting the world's energy needs through the safe, efficient and responsible production of hydrocarbons while creating value for our stakeholders.

Our strategy

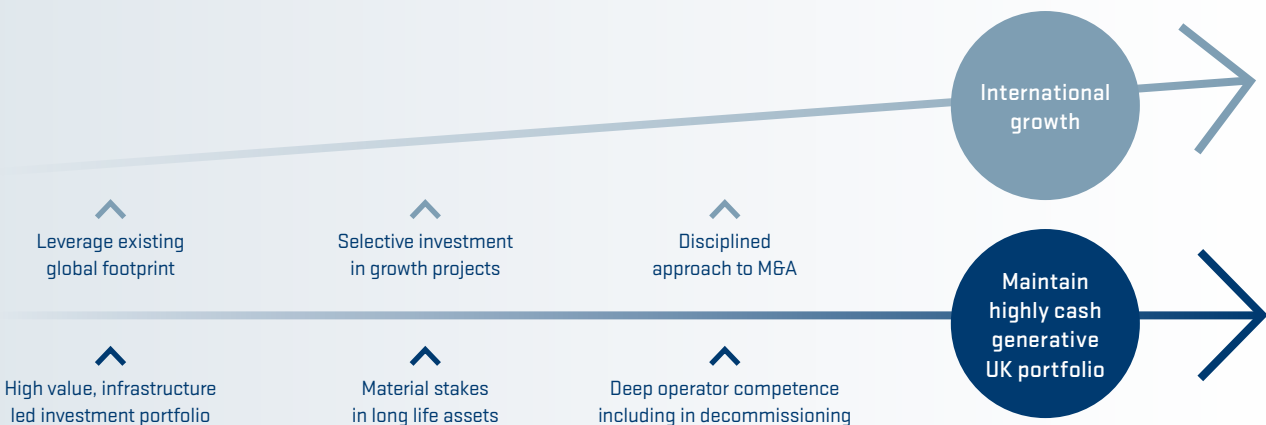
To create value by continuing to build a global, diversified oil and gas company focused on value creation, cash flow and distributions.



Our business model

Harbour's strategy is underpinned by our business model. We aim to maximise the value from our high quality UK asset base by investing in lower risk, high return projects to maintain production levels while generating substantial free cash flow.

At the same time, we seek to grow and diversify through acquisition of conventional, cash generative producing assets, leveraging our full cycle capabilities, global footprint and strong financial position to establish a material production base in at least one region outside the UK.





Our strategic pillars



Ensure safe, reliable and environmentally responsible operations

Focus areas

- Protect the safety and wellbeing of our people
- Safeguard the communities in which we operate and the environment
- Progress towards Net Zero
- Measure, verify and report the data to support our goals
- Include relevant metrics in our compensation programmes



Maintain a high quality portfolio of reserves and resources

Focus areas

- Robust margins in times of low commodity prices
- Access to a range of profitable investment opportunities
- Ensure we have longer-term investment options including organic and inorganic opportunities
- Rigorous prioritisation and capital allocation process



Leverage our full cycle capability to diversify and grow further

Focus areas

- Leverage our global footprint, full cycle capabilities and M&A expertise to diversify and expand our investment opportunity set
- Utilise our deep organisational competence and operating skills to drive standards, efficiencies and control over capital expenditure levels



Ensure financial strength through the commodity price cycle

Focus areas

- Maintain a strong balance sheet with the potential for an Investment Grade credit rating
- Disciplined annual budget and long-term planning processes
- Conservative financial risk management policy, including a disciplined hedging programme
- Ensure a sustainable dividend



Our target outputs

Responsible portfolio growth

- Continuous improvement in our safety and environmental performance
- Strong governance framework and a high quality Board of Directors

Net Zero

Goal by 2035

Prudent capital allocation

- A diverse mix of oil and gas
- Wide range of highly profitable investment opportunities

>90%

Of 2022 drilling and development projects break even below \$35/bbl and 35p/therm

Medium-term reserve replacement

- High margin, diverse and geographically balanced portfolio
- Establish a material production base outside the UK

157%

2P reserve replacement in 2021

Continued financial flexibility

- Positive free cash flow
- Conservative leverage profile and significant liquidity

\$200m

Annual dividend policy announced

Measuring our performance

Operational

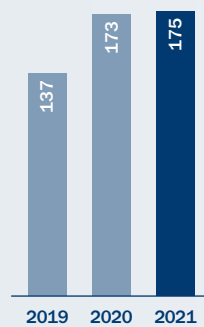
Harbour maintained safe and responsible operations while integrating two organisations and adapting to new ways of working as we learn to live with COVID-19.

Link to strategic pillars



Average working interest production

175kboepd



Objective

We aim to maintain production from our high quality UK asset base and, at the same time, grow and diversify our production through acquisition.

2021 progress

- As a result of the Merger, Harbour became the largest producer of oil and gas in the UK and established a global footprint
- Production impacted by unplanned outages and delay to Tolmount project start up
- Significant planned maintenance campaigns completed safely with production rates increasing to in excess of 200 kboepd in the fourth quarter

Financial

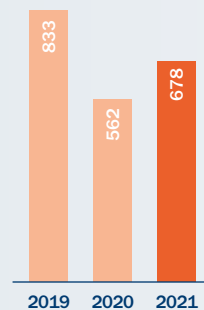
We generated positive free cash flow during 2021, maintained a strong balance sheet with significant access to liquidity and diversified our capital structure. This enabled us to introduce a \$200 million annual dividend policy.

Link to strategic pillars



Free cash flow

\$678m



Objective

Harbour aims to deliver predictable and reliable cash flow through the commodity price cycle to maintain financial strength, enable investment to ensure a robust and diverse portfolio, and to underpin the delivery of shareholder returns including through a sustainable dividend.

2021 progress

- Increased free cash flow, driven by higher commodity prices
- Started to realise synergies resulting from the Merger, especially within the UK
- Highly ranked, broad set of relatively low risk, high return projects to maintain production and cash flow near term

Safety and the Environment¹

We are committed to behaving responsibly and conducting our business with integrity. The safety of our people is our number one priority and we never compromise our health, safety and environmental standards.

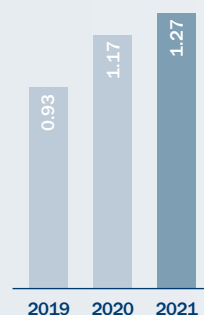
Link to strategic pillars



¹ We report our Safety and the Environment KPIs – TRIR, Process safety and GHG intensity – on a gross, operated basis.

Total Recordable Injury Rate (TRIR) Per million hours worked

1.27



Objective

Harbour is committed to managing its operations in a safe and reliable manner to prevent major accidents and provide a high level of protection to employees and contractors.

2021 progress

- There were 15 recordable injuries resulting in a TRIR of 1.27 across the Group
- Europe Well Services team completed work on 36 wells across eight assets without a single first aid case or other recordable injury
- The Judy and Britannia platforms (UK) surpassed seven years without a lost time injury; while the Gajah Baru platform (Indonesia) surpassed 10 years

Our strategic pillars



Ensure safe, reliable and environmentally responsible operations



Maintain a high quality portfolio of reserves and resources



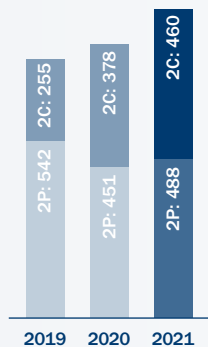
Leverage our full cycle capability to diversify and grow further



Ensure financial strength through the commodity price cycle

Reserves and resources¹

948mmboe



Objective

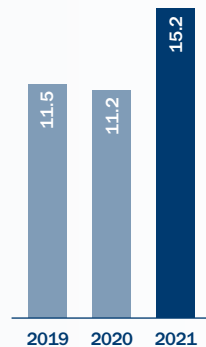
We aim to add reserves as well as convert reserves and resources into production via targeted investment in our existing asset base. We seek to replace reserves in the medium term through value accretive M&A.

2021 progress

- Achieved 157 per cent 2P reserves replacement, underpinned by the Merger
- Downward revision of Tolmount reserves estimates
- Increase in 2C resources underpinned by the addition of the Zama (Mexico) and Tuna (Indonesia) fields

Operating costs

\$15.2/boe



Objective

We strive for competitive operating costs without compromising on health, safety and the environment, enabling positive margins in times of low commodity prices.

2021 progress

- \$15.2/boe field opex and \$1.3/boe FPSO lease costs, reflecting natural decline and lower operating efficiency due to significant planned maintenance campaigns and some unplanned outages
- Operating costs on an absolute basis increased to \$1.0 billion, driven by the addition of Premier's portfolio from the end of March and a stronger Pound Sterling/US Dollar exchange rate

¹ 2019 is as per Harbour's CPR. 2020 and 2021 are management estimates; 2021 excludes volumes associated with the Falkland Islands consistent with Harbour's decision to exit.

Shareholder returns Dividend

\$200m/year



Objective

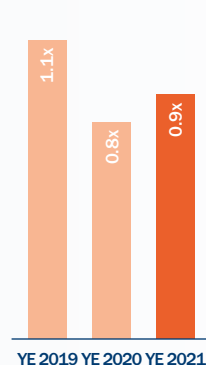
Harbour aims to deliver both growth and yield to its shareholders. Shareholder returns, along with ensuring balance sheet strength and a robust and diverse portfolio, is one of our three capital allocation priorities.

2021 progress

- Increased earnings per share supported by higher commodity prices
- Annual \$200 million dividend policy announced and will be reviewed annually in the context of the Group's capital allocation priorities
- For 2021, a final dividend of \$100 million to be paid in May 2022 post AGM and shareholder approval

Leverage ratio

0.9x



Objective

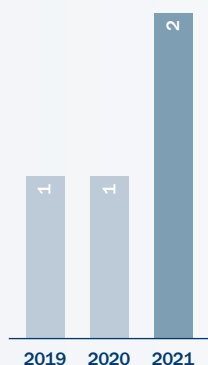
We aim to keep leverage below 1.5x on average through the commodity price cycle supported by prudent capital allocation and a disciplined hedging programme. We seek to repay debt when prices are high ensuring capital discipline, financial resilience and capacity to take advantage of M&A opportunities that align to our strategic drivers.

2021 progress

- Significant deleveraging since completion of the Merger with net debt, excluding unamortised fees, reduced from \$2.9 billion to \$2.3 billion at year-end
- Disciplined hedging programme underpins revenue and debt availability with additional flexibility following lender removal of year 3 minimum hedging requirement
- Completed a \$500 million debut bond issuance with a coupon of 5.5 per cent

Process safety² Tier 1 and 2

2 events (Tier 2)



Objective

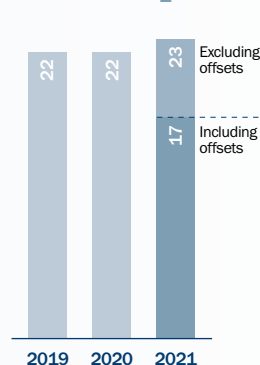
Harbour aims to maintain the highest standards of operational integrity to prevent any release of hazardous material from primary containment.

2021 progress

- No Tier 1 Process Safety Events
- Two Tier 2 Process Safety Events relating to a gas release on the West Lobe platform (Indonesia) and overflow of a diesel tank at Solan (UK) during bunkering operations
- Inaugural Global HSES Day held with particular focus on delivering process safety excellence

GHG intensity Scope 1 and 2

17kgCO₂e/boe



Objective

Harbour is committed to proactively taking steps to address its environmental impact. This includes reducing our own emissions and offsetting an increasing proportion of our residual, hard-to-abate emissions year on year in order to achieve our goal of Net Zero by 2035.

2021 progress

- Higher GHG intensity reflects addition of Premier's portfolio from March and increased drilling activity
- Purchased independently certified carbon offsets of which 400k were retired against our 2021 emissions reducing our GHG intensity to 17kgCO₂e/boe

² Reported as per the IOGP's Process Safety - Recommended Practice on Key Performance Indicators, report 456, 2018.

By partnering with our stakeholders, understanding their challenges and managing risks, we can find solutions for our shared success.

Section 172(1) statement

The disclosure on the following pages (16 to 19) describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Information regarding our assessment of environmental and community issues associated with our operations, including how we maximise our positive impacts and minimise the negative impacts, can be found in the ESG review on page 28.



The duty of our Board is to promote the success of Harbour for our shareholders whilst having due regard for the interests of other stakeholder groups. In discharging this duty, the Directors must consider the likely consequences of their decisions in the long term whilst maintaining our corporate reputation and adhering to the highest standards of business conduct. Our Board of Directors carries out its decision-making with this key duty in mind. Central to this is ensuring it is equipped with the necessary information regarding the views of our stakeholders on key issues and how those stakeholders will be impacted over the long term by a particular course of action.

In this regard, the Board sets the parameters by which we develop, maintain and enhance relationships with our stakeholders. However, this engagement cannot be undertaken by the Board alone, so our Leadership Team aims to adopt a proactive approach to engagement and foster positive relationships with all groups who are impacted by our operations. The Board considers these stakeholder views when making key decisions about our operations. For example, the information is used in investment papers, strategy documents and budget proposals, to ensure that decisions are made with due consideration of all stakeholders.



Our values reinforce a positive and supportive company culture centred on employee engagement, learning and development, performance management and reward.

GILL RIGGS
Chief Human Resources Officer



2021 engagement highlights

66

Company-wide events held

72%

Of those responding to a Pulse Survey thought our global and regional Town Halls were the most effective form of communication

Open, honest engagement with our stakeholders

Our stakeholders are the individuals, organisations and authorities who are in some way connected with our activities at Harbour – whether it is in our role as an oil and gas producer, an employer or as a business that helps boost local and national economies through jobs and revenue.



OUR CULTURE AND VALUES
P20

#WeAreHarbourEnergy

We engage with our stakeholders, listen to their concerns and take action where appropriate, as is consistent with our core values. Having an open and proactive dialogue with our stakeholders ensures we can access the resources we need throughout the life cycle of our assets. Their input and feedback serve as a basis for the decisions we make.

Our aim is to establish good relationships with our key stakeholder groups. These include shareholders, lenders, workforce, joint venture partners, suppliers and customers where we operate, non-governmental organisations, contractors, suppliers and trade unions.

Shareholders

Why is it important to engage?

Harbour seeks to develop an investor base of long-term, institutional shareholders who are supportive of our strategy.

By ensuring our strategy and objectives are well understood by our shareholders, we maintain continued access to long-term capital providers.



How do we engage?

We engage regularly with our shareholders and potential investors through meetings, presentations, conferences and investor events. Over 350 meetings were held in 2021, including with investors representing over 80 per cent of the Group's issued share capital. The CEO and Chief Financial Officer along with Investor Relations are primarily responsible for this engagement.

What issues are important to them?

- Financial and operational performance
- Capital allocation
- ESG performance
- Remuneration structure

Strategic actions and decisions

In 2021, we set out our strategy and capital allocation plans. We also communicated our investment proposition, highlighting the strength of our asset base and cash flow potential. This has attracted new institutional shareholders and allowed non-natural holders of our public equity such as the legacy Premier creditors to exit.

Outcomes

The Group entered the FTSE 250 in August and remains the largest London-listed independent oil and gas company. Our free float increased during 2021 as the six-month lock-ups rolled off, resulting in some index funds buying and several new long-term institutions entering our register.

Lenders

Why is it important to engage?

The upstream oil and gas industry is a capital-intensive business. By maintaining supportive relationships with our lending group, we can ensure access to long-term debt financing that enables us to invest in high quality projects that generate sustainable long-term cash flows.



How do we engage?

We undertake regular dialogue with the syndicate banks, both bi-laterally and via an annual bankers' presentation. Members of the Leadership Team present performance updates at these sessions, followed by questions and answers. Post issuance of our bond, we have also engaged with debt investors through meetings and conferences.

What issues are important to them?

- Sustainable financial and operational performance
- Capital allocation
- Covenant compliance
- Financial risk management

Strategic actions and decisions

The completion of the Merger resulted in Premier's debt being settled in full, financed by the up-sizing of our existing RBL and the issuance of Harbour's shares.

We took the decision to seek a corporate rating to enable us to diversify our capital structure and access new debt investors.

Outcomes

In June, we successfully completed a redetermination of our RBL. In addition, Harbour received BB ratings from S&P and Fitch. In October, we completed our debut \$500 million bond issuance, using the proceeds to repay the Shell Junior debt facility.

Workforce

Why is it important to engage?

Our current and future success is underpinned by our ability to engage, motivate and retain our workforce. Creating an environment where we listen to employees and where they in turn know their contribution is valued and appreciated will help us achieve our objectives.



How do we engage?

The global pandemic meant it was impossible for us to have face-to-face sessions for onboarding and Town Halls. We were also faced with the challenge of connecting with a global workforce during a period when we were still integrating databases and systems. The solution was a virtual, web-based 'on demand' platform that provided multiple opportunities for the global team to connect with management and each other. In April 1,494 employees attended Harbour's first Company-wide Town Hall event.

What issues are important?

- Group strategy
- Development and progression
- Corporate culture
- Reward

Strategic actions and decisions

Using the 'on demand' platform, we scheduled global and regional Town Halls and Village Halls to keep employees up-to-date on the integration process and our worldwide activities. We held onboarding sessions and networking live events. We also posted monthly CEO messages, Q&As, videos and documents online. At the end of December, the system had recorded 23,354 visits to the site overall. It virtually hosted 66 events (Town Halls, Q&A sessions, onboarding events and Village Halls) and 84 videos were uploaded to it. A new Global Staff Forum was also formed, made up of representatives from across Harbour, providing an opportunity for engagement with the CEO and other members of the Board of Directors at least three times per year. In addition, in January 2022 members of our Board held a virtual visit with key operations and other staff from our Aberdeen offices, giving them the opportunity to engage directly.

Outcomes

We have a workforce that understands our strategy and is fully engaged and committed to playing their part in achieving our objectives. Through the Global Staff Forum, employees have had the opportunity to engage directly with the CEO and other representatives of the Board on topics of interest to them including strategy, culture, personal development, and new ways of working. Our communications Pulse Survey highlighted the importance of the Company-wide Town Halls and provided valuable feedback regarding our intranet site and other engagement tools.

Joint venture partners

Why is it important to engage?

Sharing of risk is a fundamental component of our industry. By maintaining good relationships with our joint venture partners, we can ensure that maximum value can be extracted from our operations in a safe and sustainable manner.



How do we engage?

The Operating Committee Meetings (OCMs) are the forum for joint venture decision-making with partners. These are set up under the Joint Operating Agreement (JOA) or equivalent. The OCM is supplemented by the main Technical Committee Meeting (TCM) and other technical and non-technical sub-committees, all of which have an advisory role to the OCM.

A regular programme of OCMs and TCMs, plus other meetings as appropriate, ensures there is an open dialogue with our partners across the full range of asset activities, allowing for collaboration to be fostered and for ideas to be exchanged.

Where we are the operator, we seek to ensure that all partners are aligned around common objectives for a particular asset to ensure we can maintain safe and reliable operations.

What issues are important to them?

- Safety and operational performance
- Work programmes and budgets
- ESG performance
- Asset stewardship and life-of-field strategy

Strategic actions and decisions

Decisions are taken by a vote of the participants against voting pass-marks and requirements set out in the JOA. It is the responsibility of the OCM to agree the asset strategy, ensuring alignment to partner and regulatory requirements.

Outcomes

Harbour enjoys strong and productive relationships with its joint venture partners. This helps us to maximise the value from our assets safely and responsibly.

Suppliers

Why is it important to engage?

Building strong relationships with our contractors and suppliers is essential to the safe and efficient delivery of our projects and operations. Through supplier engagement and the development of collaborative working relationships, we aim to manage risk, improve our business processes, reduce emissions and increase both productivity and operational efficiency.



How do we engage?

Supplier relationship management is critical to our contracting strategy and ensuring delivery. At a working level we regularly engage our contractors through scheduled reviews and supplier audits to track HSES and performance, identify opportunities for improvement and align objectives. In response to COVID-19 we ensured more regular contact with key suppliers to maintain strong relationships, better anticipate potential issues and implement any necessary risk mitigation measures.

What issues are important to them?

- Pre-award transparency and opportunity
- Reciprocal commitment and integrity
- Prompt and fair payment terms

Strategic actions and decisions

Harbour's Supplier Forum event provides our senior business leaders with the opportunity to communicate future strategy, share investment plans and respond to questions from suppliers.

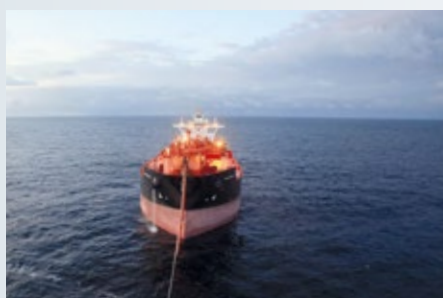
Outcomes

Harbour plans to implement a single integrated Enterprise Management System. This will help streamline engagement with our suppliers, consolidate contracts with key partners and realise efficiency improvements.

Customers

Why is it important to engage?

Our oil and gas are sold via a mixture of long-term offtake arrangements, spot market sales and term sales agreements. In the UK gas is delivered via pipeline to several terminals, and in Indonesia, long-term gas sales arrangements are in place to supply gas into Singapore. We aim to achieve competitive prices for our oil and gas, whilst ensuring our operations continue to run smoothly through regular and open dialogue with customers.



How do we engage?

Harbour has an in-house Marketing and Trading team which, in addition to being the primary point of contact for long-term offtake arrangements, is responsible for our global crude oil, natural gas liquids (NGL) and North Sea gas sales, as well as price risk management. The Marketing and Trading team manage the entire sales process from the negotiation of lifting and shipping arrangements through to pricing negotiation and offtake logistics.

What issues are important to them?

- Robust and safe lifting operations
- Crude oil and gas quality
- Reliability of supply and timing of delivery
- Financial capability

Strategic actions and decisions

We took the decision to repay the \$400 million Shell Junior debt facility to provide us with additional flexibility over the future marketing of our hydrocarbons.

Outcomes

Harbour sold to more than 20 global customers in 2021. Strong buyer demand was experienced for the majority of our production streams and scheduling performance was robust.

All our oil and gas sales volumes were safely lifted/delivered to the point of sale. Over 70 per cent of our oil and over 80 per cent of our gas in the North Sea were sold to our primary offtake partner Shell. Our Indonesian production was maximised to meet strong Singapore gas demand. Strong gas prices were realised and crude oil sold at an average premium to the Dated Brent benchmark.

Our culture and values

Our four core values sit at the heart of everything we do

These values represent what we stand for, what is important to us and where we will not compromise.

Each of our core values is brought to life by a set of behaviours which help guide us as we strive to develop our people, embed our culture and live our values day to day.



Integrity

Always doing the right thing in a professional, respectful and honest way.

Desired behaviours:

- Be direct, honest and encourage constructive challenge
- Respect diversity and be inclusive in everything you do
- Create a safe environment in which everyone feels comfortable speaking up

Responsibility

For safety and the environment, for complying with our policies and procedures, for delivering against individual and team goals.

Desired behaviours:

- Demonstrate that you care for each other's safety every day
- Actively consider the environmental impact of every decision you take
- Take personal responsibility for delivery and results

Innovation

Encouraging a more creative approach to business.

Desired behaviours:

- Foster a learning environment that focuses on continuous improvement
- Be open to new ideas and develop and apply creative solutions
- Look to remove complexity and simplify everything we do

Collaboration

Working together to achieve our goals and successfully execute our business plans.

Desired behaviours:

- Work as a team to resolve challenges and achieve goals
- Build and maintain strong, trust-based relationships with colleagues and stakeholders
- Be open to new ideas and develop and apply creative solutions

Our culture and values reinforce a positive and supportive working environment centred on employee engagement, learning and development, performance management and reward.

Here are some examples of how we live our values every day:

Recognising excellence

We believe that by working with highly skilled, innovative and dedicated colleagues who adhere to our core values we will safely and reliably deliver on our strategic goals. Living our values in everything we do is crucial to strengthening our culture and achieving our vision. To shine a light on outstanding health and safety behaviours across our global operations in 2021, we launched Harbour's CEO Safety Award. An employee recognition system which links to our values and behaviours is also being developed for launch in 2022.



Encouraging open and honest discussion

We encourage open and ongoing communication between employees and their managers. When managers and employees can frankly discuss career development, they create a foundation for trust and higher engagement. We always strive to be clear, open and honest with each other, enabling true collaboration.

Creating a diverse and inclusive environment

We aim to recruit, retain and promote staff based on competence and regardless of age, disability, gender, marriage and civil partnership, maternity, race, religion and belief and sexual orientation. We conduct analysis across our business to ensure men and women are being paid equally for the same or similar work. We review compensation decisions in relation to bonus, recognition and salary regularly to ensure equality across gender groups.



Operational review



Diverse, cash generative portfolio of scale

More than 90 per cent of Harbour's production is from the North Sea, with the balance from the Group's International assets.

Group production averaged 175 kboepd for 2021, split 163 kboepd North Sea / 12 kboepd International, and 96 kboepd liquids / 79 kboepd gas. Average unit operating cost was \$15/boe. Total capital expenditure was \$935 million (including \$226 million in decommissioning).

Our North Sea portfolio comprises a mixture of producing assets, development and pre-development projects, as well as near-field exploration opportunities. We continue to invest in the future of the North Sea, maximising the value of our portfolio and helping to meet local demand for oil and natural gas.

Our International producing assets consist of Harbour's operated fields in Indonesia and Vietnam.

Group production

Asset / hub	2021 (kboepd)	2020 (kboepd)
Greater Britannia Area	33	39
J-Area	26	31
AELE	24	32
Catcher Area	18	-
Elgin Franklin ¹	18	19
Buzzard	13	18
Beryl Area	12	17
West of Shetland ²	13	11
Other North Sea ³	6	6
North Sea	163	173
International	12	-
Total	175	173

1 In 2020 Harbour had a 14.1 per cent interest in Elgin Franklin; this increased to 19.3 per cent following the Chrysaor Premier Merger.

2 West of Shetland comprises Clair and Schiehallion in 2020, and Clair, Schiehallion and Solan in 2021.

3 Other North Sea includes East Irish Sea and Galleon in 2020, and East Irish Sea, Galleon, Ravenspurn North and Johnston in 2021.

West of Shetland

Clair – 7.5% non-operated

Schiehallion – 10% non-operated

Solan – 100% operated





● Operated ● Non-operated

Greater Britannia Area
 Britannia – 58.7% operated
 Brodgar – 93.8% operated
 Callanish – 83.5% operated
 Enochdhu – 50% operated
 Alder – 26.3% non-operated
 Finlaggan – third party tie-back

Beryl Area
 Beryl – 39.4% non-operated
 Buckland – 37.5% non-operated
 Callater – 45% non-operated
 Ness – 39.4% non-operated
 Nevis – 39-49% non-operated
 Skene – 34% non-operated
 Storr – 41% non-operated

Buzzard
21.7%
 non-operated

AELE
 Armada – 100% operated
 Everest – 100% operated
 Lomond – 100% operated
 Erskine – 32% non-operated

Elgin Franklin
19.3%
 non-operated

J-Area
 Jade – 67.5% operated
 Jasmine – 67% operated
 J-Block – 67% operated

Catcher Area
50%
 operated

Tolmount Area
50%
 operated

North Sea: operated



The Greater Britannia Area (GBA) was the Group's largest producer in 2021, averaging 33 kboepd net to Harbour. The planned six week maintenance campaign was completed in August. Production during the fourth quarter averaged 40 kboepd, underpinned by high uptime and new production from the Callanish F5 well. The third party Finlaggan field started up in the fourth quarter with its associated tariff leading to improved hub margins. Further production and plant optimisation is planned for 2022. This includes the Brodgar field re-route to the long-term booster compressor facility and the re-wheel of the compression train which aims to mitigate production decline. Following its move to single train operations, GBA is now one of the Group's lowest greenhouse gas emitters on an intensity basis.



J-Area production averaged 26 kboepd net to Harbour for the year, supported by high uptime and an active well intervention and drilling programme. A second rig arrived at J-Area in July which enabled development, infill, near-field exploration and appraisal drilling activity. This included Jade South, a near-field exploration well which achieved first gas in early 2022.

We also successfully appraised the Talbot field in 2021, with a final investment decision on the multi-well subsea tie-back project targeted for 2022. In December we completed the Dunnottar exploration well; while the joint venture partners are still assessing the results, it does not appear to have found commercial levels of hydrocarbons.



Production from Armada, Everest & Lomond together with the Erskine tie-back (AELE) averaged 24 kboepd net to Harbour. Production was impacted by an extended shutdown maintenance campaign. However, with strong operating efficiency later in the year, rates returned to just under 30 kboepd in the fourth quarter. The LAD development well, targeting the East Everest Extension area, was drilled during the second half of the year. First gas is targeted for the first half of 2022, helping to mitigate natural decline from the AELE hub.



**Tolmount
Area**

20kboepd
Expected plateau rates

At the Tolmount gas field, issues were identified in certain offshore electrical systems during final commissioning and testing of the platform which resulted in first gas being delayed beyond July 2021. The inspection of all of the electrical systems and the repairs required for first gas were completed post period end in early 2022, as were the Safety Instrument Functionality and Cause and Effect testing.

Start-up operations commenced post period end in March with the handover from the engineering and construction contractor to ODE, the duty holder, initiated, ahead of back-gassing the pipeline and first production.

At the end of 2021, we downgraded our estimates of the Tolmount field reserves, reflecting the outcome of the four well drilling campaign. In particular, the third well encountered a shallower than expected water contact. Tolmount is expected to produce c. 20 kboepd once at plateau rates with all four wells on-stream.

Tolmount East, which will comprise a single subsea well tied back to the Tolmount platform, was sanctioned in July 2021, and once on-stream will supplement production from the main Tolmount field. Drilling is scheduled to commence in the second half of 2022 with first gas targeted for 2023.



**Catcher
Area**

18kboepd
2021 production

The Catcher Area averaged 24 kboepd net to Harbour for nine months from 31 March, contributing 18 kboepd to the Group's production for the full year. Production was supported by the water and gas injection programme which has resulted in higher oil volumes and lower water cuts than anticipated. A three well programme is planned for 2022 to bring on-stream the Catcher North and Laverda satellite tie-backs as well as additional production from the Burgman field. A 4D seismic survey across the area was completed in April which will enable us to optimise reservoir management and identify future infill targets beyond the 2022 programme.

Other activity

Harbour drilled two exploration wells in Norway in 2021, targeting the Jerv and Ilder prospects on licence PL 973. The wells were unsuccessful and have been plugged and abandoned. Post year-end, in the first quarter of 2022, we were awarded five licences in the APA 2021 licensing round.

Harbour's Southern North Sea decommissioning programme has continued to deliver a strong safety, operational and cost performance, leveraging our significant in-house expertise. The well plug and abandonment programme continued during the year and the removal of five platforms in the LOGGS complex was successfully completed.

In the Central North Sea, Harbour plugged and abandoned the final well on the MacCulloch field, marking the successful completion of the 13 well abandonment programme. Elsewhere in the Central North Sea, the Balmoral floating production vessel was demobilised and moved off station.

North Sea: non-operated



Elgin Franklin produced 18 kboepd net to Harbour, reflecting a third party unplanned outage in April and a delayed start up following the extended planned summer shutdown which had been deferred from 2020. This was partially offset by the contribution from Premier's 5.2 per cent interest in the field from the end of March. Production averaged 26 kboepd during the fourth quarter, supported by significantly improved uptime. In addition, the EIG well was tied into production in the fourth quarter of 2021.



Buzzard production averaged 13 kboepd net to Harbour, reflecting natural decline and an extended shutdown from May to July to install Buzzard Phase 2 facilities and align with the Forties Pipeline System (FPS) outage. Buzzard Phase 2, which was developed as a subsea tie-back to the main Buzzard platform, came on-stream at the end of the year and will boost production by c.3 kboepd net to Harbour. Preparations are underway for the 2023 infill well campaign targeting the Northern Terrace which will help mitigate natural decline from the field. Buzzard Brownfield Electrification screening work was undertaken in the second half of the year.



Production from the West of Shetland hub comprising our interests in Clair, Schiehallion and Solan averaged 13 kboepd. Production from the very long life Clair field continues to be supported by an ongoing drilling programme at Clair Ridge, with five wells drilled during the course of the year. Preparations also continued to return to drilling at Clair Phase 1 at the end of 2022. In addition, the partners continue to optimise the Clair Phase 3 development, including Clair South.



The Beryl Area produced 12 kboepd net to Harbour for 2021. Production was impacted by low operating efficiency due to an extended planned maintenance campaign and gas compression issues. Drilling operations and the subsea tie-in on the Storr-2 development well was achieved in late December. An active rig programme is planned for Beryl in 2022, with return to the Mobile Offshore Drilling Unit (MODU) infill drilling programme and the restart of platform drilling in the second half of the year. The operator continues to target mid-2020s for start-up from the Tertiary fields.

North Sea: working towards Net Zero

Harbour is participating in two early-stage potential Carbon Capture and Storage (CCS) projects: V Net Zero (England) and Acorn (Scotland). These projects have the potential to capture and store multiple times our annual emissions.

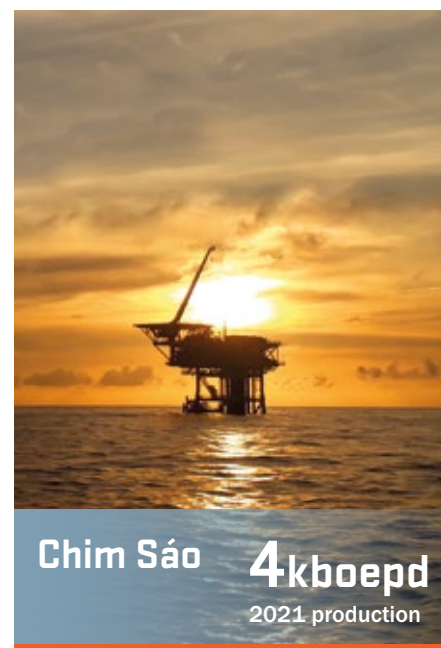
2021 saw good progress on our V Net Zero project which utilises our existing infrastructure and offshore depleted fields. The project is being designed to transport up to 10.9 million tonnes of CO₂ per year from the Humber region, the UK's most industrialised area, and permanently store it offshore in depleted gas fields in the Southern North Sea. During 2021, Humber Zero (Phillips 66's Humber Refinery and Vitol's VPI Immingham power plant), EPUKI's South Humber Bank Power Plant and Prax's Lindsey Oil refinery selected the project as their preferred CO₂ transportation and storage provider. In addition, in October Harbour was awarded the Carbon Capture and Storage licence to reuse the depleted Viking and Victor gas fields to store CO₂ as part of the project. Post year-end, in early 2022 we awarded energy engineering specialist Kent the pre-front end engineering design contract for the V Net Zero pipeline systems. We, our partners and our emitters continue to work with regulators and the UK Government to progress V Net Zero towards a potential final investment decision.

The Acorn CCS and Hydrogen project is well placed to help decarbonise Scotland, especially the central industrial belt. Acorn was awarded Reserve Track 1 status as part of the UK Government's Net Zero ambitions. Harbour is a partner in the Acorn project which is being led by Storegga with Shell as lead developer.

We are also assessing the potential for electrification of offshore facilities in the Central North Sea.

Harbour is leading an industry study to determine the technical and commercial viability for electrification of offshore platforms, including replacing diesel powered generators with electricity transmitted from shore or possibly from offshore wind turbines. Doing so would have a material impact on our GHG emissions from offshore oil and gas production. The analysis is expected to conclude during 2022.

International: operated and non-operated



Operated

The Natuna Sea Block A fields in Indonesia averaged 10 kboepd for the nine months from 31 March 2021, contributing 8 kboepd to the Group's 2021 full year production. This reflected very high uptime and strong Singapore natural gas demand with offtake under our gas sales agreements above take-or-pay levels. In the fourth quarter, a jack-up rig campaign comprising a workover and an infill well was completed, helping to increase delivery from the field. Further rig activity is planned for 2022, including an infill well at Pelikan to help support production. Pricing of Indonesia gas remained strong during the year, averaging \$12/mmscf.

Elsewhere in Indonesia, we successfully appraised the Tuna discoveries. This involved two appraisal wells and an extensive data acquisition programme, including three drill string flow tests with rates achieved ahead of expectations. Technical and commercial work on the project has been initiated, with the development concept comprising dry gas sales to Vietnam and liquids offloaded to market via an FPSO scheme. Post year-end, we secured Indonesian Government approval for a one year extension to the exploration period of the Tuna PSC to allow the submission of a Plan of Development to the Indonesian Government in 2023.

Preparations are also underway for the drilling of the Timpan-1 exploration well on the Group's operated Andaman II licence off northern Sumatra, Indonesia. Together with our partners, BP and Mubadala Petroleum, we have contracted the West Capella drillship with the well expected to spud in the second quarter of 2022.

Harbour's Chim Sáo field in Vietnam produced 5 kboepd during the nine months from 31 March, contributing 4 kboepd to Harbour's 2021 production. An approved two well infill programme to help offset natural decline from the field is on schedule to commence mid-2022.

In the Falkland Islands, Harbour undertook a thorough review of the Sea Lion project, in which the Group has a 60 per cent operated interest. Development of the project was not deemed a strategic fit for Harbour and the Group decided to exit the Falkland Islands. In December, Harbour agreed to assign all of its interests in the Falkland Islands to Navitas Petroleum. The transaction is expected to complete in the first half of 2022 subject to the Falkland Islands Government approval.

Harbour also took the decision in 2021 to exit its exploration licence interests in the Ceara Basin in Brazil and the Burgos Basin in Mexico. This is in line with the Group's exploration strategy which is focused primarily on infrastructure led, lower risk opportunities in areas with an existing Harbour producing presence.

Non-operated

Harbour has a 12.39 per cent unitised interest in the Zama field offshore Mexico. During 2021, Harbour worked with partners and Pemex to define the basis of a unit development plan (UDP) which is envisaged to comprise two offshore platforms with oil and gas export to the nearby Dos Bocas terminal. The UDP is intended to minimise offshore installations and also lowers GHG intensity by powering the offshore platforms largely from shore. Front End Engineering and Design (FEED) on the proposed development scheme is expected to be initiated during 2022 ahead of a final investment decision possibly in 2023.

Elsewhere in Mexico, the Block 30 (Harbour 30 per cent) joint venture partnership plans to drill two commitment wells on the licence targeting the Wahoo and Pike prospects in 2022.

A strong focus on delivering our ESG commitments

Our purpose

To play a significant role in meeting the world's energy needs through the safe, efficient and responsible production of hydrocarbons while creating value for our stakeholders.

Our aim

To deliver value in a responsible manner for all stakeholders in accordance with key global standards, underpinned by strong corporate governance.



FIND OUT MORE ONLINE

In our ESG Report at:
harbourenergy.com/sustainability

As our business continues to grow, we are committed to the highest standards of corporate governance, to keeping safety as our top priority and protecting the environment and local communities.

Safety

The health and safety of our people is our top priority. We never compromise on health or safety standards.



READ MORE
P30

Our targets

- Maintain strong Health, Safety, Environmental and Security (HSES) leadership
- Continuous improvement in our safety performance
- Embed process safety excellence across the organisation
- Assure compliance with policies and procedures including in support of major accident prevention
- Maintain a trained and prepared incident response capability across our global organisation

2021 progress

Harbour Energy's Life-Saving Rules and Process Safety Fundamentals were developed and rolled out at our inaugural Global HSES Day

1.27

Total Recordable Injury Rate (TRIR) per million hours

Environment

Committed to minimising the environmental impact of our operations and playing a role in the transition to a lower carbon economy.



READ MORE
P32

Our targets

- Conducting our business with care for the environment
- Net Zero for our equity share of Scope 1 and 2 emissions by 2035
- Reduce emissions from our operations
- Zero routine flaring
- Explore the potential for Carbon Capture & Storage (CCS) and offshore electrification
- Incentives in executive remuneration for emissions reduction
- Investment in carbon offsets

2021 progress

Delivered emissions 6 per cent under target through improvements in plant efficiency and flaring, and offset more than 25 per cent of emissions

17kgCO₂e/boe

GHG intensity (including offsets)

Social

Generating shared value through socially responsible operations will earn and keep the trust of our stakeholders.



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P34

Our targets

- Ensure diversity, equity and inclusion are reflected in the Group's policies and procedures
- Develop a working environment that fosters a sense of belonging and acceptance
- Commit to local employment
- Invest in local communities to provide sustainable benefits

2021 progress

Launch of our Diversity, Equity & Inclusion Policy, which includes commitments to the principal of equal opportunity in employment

\$3.67bn

In economic value generated

Governance

Our governance goes beyond regulatory compliance and puts the interests of all our stakeholders at the heart of the Board's decision-making.



READ MORE
P35

Our targets

- Establish and maintain a diverse Board of Directors
- Ensure a sound framework of internal controls and risk management
- Maximise long-term value for our shareholders
- Transparent and active engagement with all stakeholder groups
- Zero tolerance to unethical behaviour

2021 progress

Established a new Board and announced plans for dividend payments

>350

Investor meetings held

Safety

Ensuring our people are kept safe and well, and raising awareness of potential dangers related to our operations and locations are of paramount importance to us.

Our approach

At Harbour, safety is our top priority, and we aim to operate responsibly and securely across all our activities.

We continually work to reduce risks and ensure the safety of everyone who is affected by our operations. We aim to improve occupational health and safety practices, and performance across the entire organisation through implementing standards and policies, training, raising awareness and sharing information.

We strive to achieve process safety excellence and work continually to reduce the likelihood and potential severity of process safety events. This involves applying best practices in the design, use and maintenance of our equipment, planning every stage of our operations with safety risks and the hierarchy of control in mind.

2021 performance

We launched several programmes to improve safety practices and promote greater safety awareness across our organisation. We held our first Global HSES Day, we adopted a common set of Life-Saving Rules across the organisation and implemented a comprehensive HSES audit programme.

We began standardising process safety procedures and practices, using best practices from across the Group. This work supports our aim of achieving process safety excellence across all of our operations.

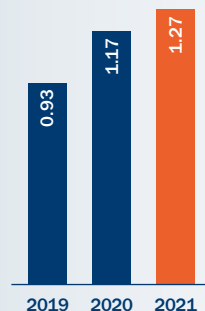
Process safety was a primary area of focus at our Global HSES Day, where we announced the adoption of the IOGP Process Safety Fundamentals. We also developed an internal training programme called Major Hazards Awareness, which includes both site-based and virtual reality modules.



FIND OUT MORE ONLINE
On the IOGP website at:
www.iogp.org/oil-and-gas-safety/process-safety/fundamentals

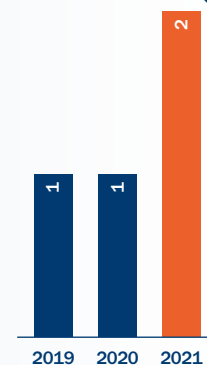
Total Recordable Injury Rate (TRIR)¹
Per million hours worked

1.27



Process safety^{1,2}
Tier 1 and 2

2 events (Tier 2)



KEY PERFORMANCE INDICATORS
P14

¹ Reported on a gross, operated basis.
² Reported as per the IOGP's Process Safety – Recommended Practice on Key Performance Indicators, report 456, 2018.

CEO Safety Award

Open for individuals or teams, staff and contractors working for Harbour, this award programme aims to recognise outstanding health and safety behaviour across our global operations. Anyone in the Group can make nominations across a broad scope including, for example, extended injury-free performance on an asset, personal interventions to stop work or raise safety concerns, the introduction of new ways of working or a change in facilities to reduce health and safety risks.

A total of 45 nominations were submitted. While all were worthy of recognition, the three finalists were: the Greater Britannia Area (GBA) preventative maintenance team, the barge campaign team in Indonesia and our North Sea decommissioning team.

The winner of the inaugural CEO Safety Award was the GBA preventative maintenance team who significantly exceeded the annual target for preventative maintenance and in so doing helped to ensure the safety of themselves and their colleagues.



Our Total Recordable Injury Rate and Lost Time Injury Rate were both above target for the year. This was attributable to a number of incidents, predominantly the result of poor situational awareness, in the first half of 2021.

We experienced zero Tier 1 and two Tier 2 loss of process containment safety events.

Looking forward

We will continue to focus on safety leadership, process safety and major accident prevention. Key actions for 2022 include rolling out the Process Safety Fundamentals across the organisation and embedding them into our operating practices.

Additional details on our 2021 safety performance can be found in our ESG Report.

Major hazard awareness using virtual reality

Virtual reality (VR) tools have been successfully adopted by Harbour to help reinforce Major Accident Hazard (MAH) awareness training onboard our UK offshore platforms.

In addition to recommending site-based MAH awareness training delivered at Spadeadam in Cumbria, UK, we have adopted use of VR technology to supplement this experience.

The programme uses the latest VR gaming technology to create an immersive 3D environment.

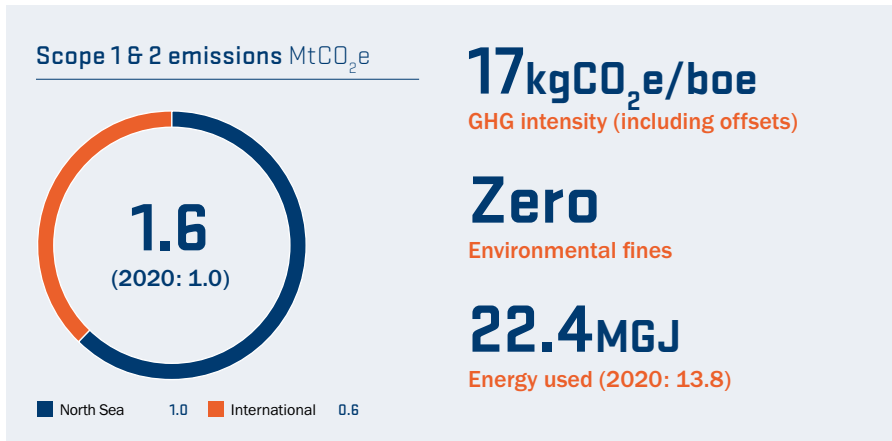
The VR sets have been deployed on rotation across our North Sea operated assets and also our onshore locations. This approach allows us to continue to raise awareness of MAH potential across our organisation and we are looking into how to take the technology across our global operations.



FIND OUT MORE ONLINE
 In our ESG Report at:
harbourenergy.com/sustainability

Environment

Committed to addressing the environmental impact of our operations and playing a role in the transition to a lower carbon economy.



Task Force on Climate-related Financial Disclosures (TCFD)

In compliance with Listing Rule 9.8.6(8), our climate-related financial disclosures, which are partially consistent with the TCFD Recommendations and Recommended Disclosures published in June 2017, are summarised herein. Where our disclosures are not consistent with TCFD Recommendations and Recommended Disclosures, the reasons for this and steps we are taking are set out in our ESG Report.

TCFD recommendations are embedded in our business practices and discussed throughout this report. Our ESG Report is aligned to the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and TCFD. It provides additional details on our 2021 environmental performance and, for ease of reference, includes a full TCFD index.

TCFD overview		Disclosure level: ● Full ● Partial ○ Omitted	
Recommendation	Recommended disclosures and disclosure level	Reference	Summary of progress
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities ●	Annual Report Governance: P56 Audit and Risk Committee report: P66 HSES Committee report: P72 ESG Report Governance: P33 Environment: P17	<ul style="list-style-type: none"> A new Board of Directors along with four sub-committees were established in 2021, and have endorsed our Net Zero 2035 goal The Board, and its HSES and Audit and Risk sub-committees, regularly review and evaluate risks, opportunities and impacts related to climate change and our path to Net Zero 2035 Management executes our strategy, monitors our climate-related performance, and reports to the Board on our progress against targets
	b) Describe management's role in assessing and managing climate-related risks and opportunities ●		
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term ●	Annual Report How we create value: P12 Risk management: P44 ESG Report Environment: P17	<ul style="list-style-type: none"> We face a broad range of climate-related risks. These include transitional risks such as shifts in demand for fossil fuels, reputational, legal and technological risks, as well as physical risks such as extreme weather events and long-term sea-level rises. These are all monitored and evaluated when developing and reviewing our overall strategic direction and targets The energy transition also presents opportunities to Harbour Energy. We are actively investing in both hydrogen and Carbon Capture and Storage (CCS) We use different financial scenarios that embed various aspects, including carbon costs and commodity prices, into our strategic planning. We are developing models to integrate climate scenarios into our existing scenario analysis
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning ●		
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario ○		
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks ●	Annual Report Risk management: P44 Principal risks: P48 ESG Report Environment: P17	<ul style="list-style-type: none"> All areas of the business are subject to regular risk identification, assessment and review. These reviews include both transitional and physical climate-related risks In 2021 we introduced a new principal risk relating to climate change, energy transition and Net Zero Climate-related risks are considered and managed within Harbour's risk management framework
	b) Describe the organisation's processes for managing climate-related risks ●		
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management ●		
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process ●	ESG Report Environment: P17 Data sheet	<ul style="list-style-type: none"> We use and disclose a wide range of climate-related metrics in order to manage the business and our risks We have provided details of Scope 1 and 2 emissions for our own operations, and for the equity share of our investments We have started to gather emissions data from our upstream supply chain to help us understand, quantify and, in future, disclose a broader range of Scope 3 emissions Harbour sets annual emission reduction targets that support our goals of zero routine flaring by 2030 and Net Zero by 2035 Disclosure of our climate-related targets, that enable us to track progress toward our zero routine flaring and Net Zero goals, is under consideration
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks ●		
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets ●		

Our approach

We are continually taking steps and making investments to reduce our emissions and environmental impacts, and are committed to playing a role in the responsible transition to a lower carbon economy.

Regarding GHG emissions, we are targeting Net Zero by 2035. As an independent oil and gas company, we focus on Scope 1 and 2 emissions across our portfolio, including those from both our operated and non-operated assets. Our approach towards this goal is, first and foremost, to reduce our own emissions through operational efficiencies and modifications. We also explore opportunities for step-changes in our emissions profile through projects like offshore electrification and CCS, we embed a cost of carbon in all decision-making, we increasingly offset our hard-to-abate emissions, and we aim to measure and report in line with best practice.

We set annual targets for GHG emissions – which are included in incentive pay outcomes – and related to the acquisition of offsets. We also have an incentive in our main debt facility, providing us with an opportunity for lower financing costs should certain emissions reduction targets be met in the future. In addition, we are a signatory of the World Bank Zero Routine Flaring (2030) protocol.

In other areas of environmental performance such as water usage, spill prevention and waste, we have policies and procedures in place to ensure we design, operate and maintain our facilities in line with best practice in order to minimise our environmental footprint. We ensure a strong spill response capability and a systematic approach to emergency preparedness and crisis management. We measure and track our performance using a broad set of metrics.

Our progress is monitored regularly by our Leadership Team as well as the Board's HSES Committee.

2021 performance

In 2021, our total Scope 1 and 2 GHG emissions from our operated assets increased to 1.6 million tonnes of CO₂e as a result of the Merger and the higher level of drilling across the portfolio following lower activity during 2020 as a result of the pandemic. Our operations in the UK were responsible for over 60 per cent of the emissions with the remainder coming from Norway and our International assets.

The primary sources of our emissions are associated with the combustion of fuels. The majority (94 per cent) of our emissions are from CO₂, with smaller amounts associated with CH₄ and N₂O.

Our emissions in 2021 were 6 per cent lower than our target. The improvement was a result of plant efficiency gains and also lower production related to the delayed start-up of the Tolmount project in the UK.

We identify emissions reduction opportunities through our Environmental Hopper process and screen them based on emissions impact, feasibility and cost. In 2021 we implemented projects that result in annual emissions reductions of 56k tonnes CO₂e.

During the year we continued to assess the viability of offshore electrification of our Central North Sea assets in the UK. While capital-intensive and commercially challenging, implementation would have a material impact on our emissions and could be viable with government support. We are assessing the project against a wide range of future costs for CO₂, as we do in all investment decision-making. We aim to conclude the analysis during 2022.

We also progressed our efforts to mature two CCS projects in the UK: V Net Zero and Acorn. Both projects have the potential to capture and store material amounts of CO₂, with our operated V Net Zero project utilising existing Harbour pipeline infrastructure and targeting storage in offshore fields for which we secured the required licences during 2021. The two projects are aligned with the UK Government's Net Zero ambition and are active in the process to potentially secure government financial support.

We recently secured our first carbon offsets, totalling 1.2 million tonnes, certified to international standards. The offsets are mostly associated with forestry conservation and landfill gas capture. Of the offsets acquired, 0.4 million tonnes have been applied against our 2021 emissions, offsetting more than 25 per cent of our annual emissions and reducing our GHG intensity from 23 kgCO₂e/boe to 17 kgCO₂e/boe. We plan to use the remaining offsets in future years.

In other areas of environmental performance, we discharged 2.1 million tonnes of treated produced water from our own operations. The average amount of oil in produced water

was 17.8 parts per million by weight. We recorded 28 hydrocarbon spills during the year, releasing a total of 0.9 tonnes to the environment. We also recorded 19 chemical spills, releasing a total of 27 tonnes, 80 per cent of which was attributable to a single event involving the unplanned release of 20.7 tonnes of water-based cooling medium. Waste volumes – mainly resulting from our drilling, production and decommissioning activities – fell during the year to 25k tonnes.

Looking forward

Harbour aims to grow and diversify its business by investing in our existing assets and through further M&A. As a result, we expect our absolute emissions over the near to mid term will likely grow along with the business. However, we aim for our emissions intensity to improve and to reach Net Zero by 2035, through a combination of activities including:

- Increasing plant efficiency and further reductions in flaring and venting
- Implementing sanctioned and new emissions reduction projects
- Including the cost of carbon in all investments and screening M&A candidates for GHG intensity
- Continuing to progress our CCS projects to determine their technical and commercial viability
- The acquisition of high quality carbon offsets

We will also continue to monitor progress against all environmental aspects at both our Leadership Team and the Board's HSES Committee.

With respect to priorities to further develop our TCFD practices, during 2022 we will advance our efforts in the following areas:

- The collection, measurement, understanding and reporting of our value chain (Scope 3) emissions
- Incorporating climate-related scenarios alongside our financial scenarios in our strategic planning
- Disclosure of forward-looking targets of key climate-related metrics



FIND OUT MORE ONLINE
In our ESG Report at:
harbourenergy.com/sustainability

Social

Proud of our role in generating shared value and our governance structure.

\$3.67bn

Economic value generated by Harbour Energy¹

\$2.09bn

Economic value distributed by Harbour Energy

36%

Of our Board members are women

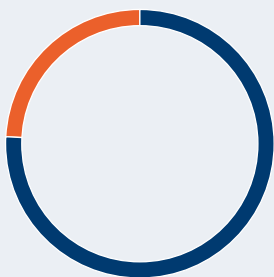
35%

Of our Leadership Team and their direct reports are women

44k

Staff training and development hours

Gender balance All employees



■ Male 76% ■ Female 24%



FIND OUT MORE ONLINE
In our ESG Report at:
harbourenergy.com/sustainability

¹ Including jobs and employment.

Our approach

Building, shaping and developing our culture, our people and new organisational structure are key to our success. Following completion of the Merger, we are focusing on creating an equal, inclusive, diverse and collaborative environment. Engaging, developing, retaining and rewarding our employees is a priority for us, and our commitment to building a diverse and inclusive environment is foundational to our core values.

2021 performance

Community, value generation and distribution

In 2021 we distributed \$2.09 billion in the form of operating costs, payments to suppliers and contractors, royalties, wages, tax payments and community investments.

Diversity, equity and inclusion

At Harbour, we work hard to create a culture where everyone can thrive and succeed. Our commitment to building a diverse, equitable and inclusive environment is foundational to our values and is underpinned by our People and Diversity, Equity and Inclusion Policies.



Vietnam: Sports, Social and Charity Committee

Our team in Vietnam co-ordinates and oversees a range of diverse activities in the local community. Their aims are to:

- Provide engagement, support and activities related to our ESG goals
- Promote physical and mental health for staff (sports activities/ challenges, #workfromhome platform etc)
- Work hard, play harder – organise events which help to strengthen team spirit

Some of the projects we supported in 2021 include:

- Heartbeat Vietnam, which has given 7,804 children to date a second chance at life
- Christine Noble Children's Foundation's educational and healthcare centre for disadvantaged and disabled children
- Chevening Vietnam's career mentoring programme for university students
- GAIA Nature Conservation, empowering and pioneering the implementation of solutions to conserve nature and protect the environment



Governance

Our Board is collectively responsible for the governance of Harbour Energy on behalf of shareholders.

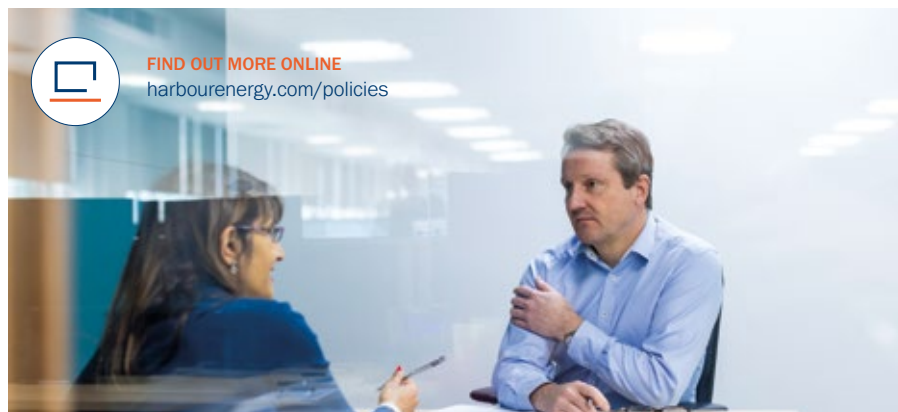
We give full and fair consideration to all applications for employment by disabled persons, having regard for their particular aptitudes and abilities. We strive to provide continued employment and arrange appropriate training for members of our workforce who become disabled whilst employed by us. We provide training, career development and promotion of disabled employees.

Employee engagement and practices

Engagement with our workforce is key to our future success and is a valuable means of identifying employee concerns. In 2021, our employee engagement efforts centred on the integration of the merged companies to create Harbour. Throughout the Merger process, we engaged with employees on organisational change. We built on the existing staff forum structures from our legacy companies to ensure employee input into the design of the organisation and the subsequent integration process, and we created a new Global Staff Forum to enable direct engagement between representatives of our own global employee base, our CEO and other members of the Board.

Looking forward

Harbour will continue to aim to create maximum value for our stakeholders. We are proud that much of the value we create is distributed throughout our host countries and local communities, and directly supports long-term socio-economic development. We are working to build a diverse and inclusive working environment where everyone is accepted and there are equal opportunities and fair pay for all employees.



FIND OUT MORE ONLINE
harbourenergy.com/policies

Our approach

Harbour is committed to conducting its activities to the highest ethical standards and in compliance with all applicable laws and regulations. This is consistent with our core values, is critical in maintaining the trust of our stakeholders and underpins both our current and future success.

We have a comprehensive risk governance framework that extends from the Board of Directors, through executive and senior management, to the working levels within each of our businesses.

2021 performance

We formed a new Board of Directors for Harbour and established four Board Committees:

- The Health, Safety, Environment and Security (HSES) Committee
- The Audit and Risk Committee
- The Remuneration Committee
- The Nomination Committee

The Committees and the Board approved nine new Group-level policies including HSES, Risk Management and Tax.

We took steps to further develop our ethics and compliance programmes through:

- Preparing for the launch of a new Global Code of Conduct and core values
- Engagement with key contractors on modern slavery and worker-welfare risks

- Participation in working groups, task forces and consultations on public policy and legislation in countries in which we operate
- Partnered with key members of our supply chain on climate change, worker protection and human rights

In 2021 there were:

- No significant fines or non-monetary sanctions for legal or regulatory breaches
- No legal actions relating to business ethics, corruption or anti-competitive behaviour
- No reported violations of our Human Rights Statement, nor any incidents of human rights abuses
- No alleged incidents of discrimination reported across our operations
- No security-related incidents with human rights implications
- No operations that presented risks to workers' rights
- No significant negative human rights or labour rights impacts identified in our supply chain

Looking forward

Harbour will continue to aim to meet best practices in the area of corporate governance. We will launch our new Code of Conduct and will roll it out across the organisation in 2022. In addition, we will continue to mature our efforts to ensure compliance related to all of our policies and standards.

Our Leadership Team

Leading the way
through our expertise

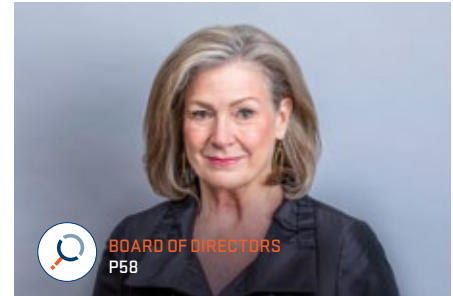
The objectives of the Leadership Team include implementing Harbour's strategy and delivering business performance safely and responsibly, enabling the Group to play a significant role in meeting the world's energy needs.

Linda Z. Cook Chief Executive Officer

Prior to being named CEO, Linda was Chairman of the Board of Chrysaor Holdings Ltd, and a member of the Investment and Executive Committees of EIG, positions she held since 2014.

She retired from Royal Dutch Shell plc in 2010, at which time she was a member of the Board of Directors and the Executive Committee.

During her 29 years with Shell, she held positions including CEO of Shell Gas and Power (London); CEO of Shell Canada Limited (Calgary); Executive Vice President Strategy and Finance for Global Exploration and Production (The Hague); and various US exploration and production management, operational and engineering roles.



Alexander Krane Chief Financial Officer

Alexander has over 20 years of experience in various accounting, controlling and executive roles in the energy industry.

Prior to joining Harbour in 2021, Alexander was Investment Director at Aker ASA where he was responsible for all oil and gas investments.

Before becoming Investment Director at Aker ASA in 2019, Alexander was CFO of Aker BP/Det Norske Oljeselskap, where he was responsible for all financial functions, strategy and M&A.

Bob Fennell EVP North Sea

Bob has over 35 years of industry experience, including 16 years running operations at a senior level.

During his career he has worked in the majority of oil and gas basins around the world, including in Norway, Yemen and Canada, working for BP, Elf, Transocean and Nexen.

He is Co-Chair of Step Change in Safety and a member of Offshore Energies UK Board.



Stuart Wheaton EVP International

Stuart has over 30 years of industry experience focused on field development planning, project delivery, operations and upstream leadership. His career started in Exxon as a reservoir engineer in the North Sea.

Later roles at Exxon, and then at Lasmco, Cairn Energy and Tullow Oil, have provided wide-ranging experience in both onshore and offshore environments.

Glenn Brown EVP Subsurface and Portfolio

Glenn has over 30 years' industry experience. Prior to joining Harbour he was EVP Subsurface and Portfolio at Chrysaor where he was responsible for the subsurface function and value creation through resource maturation. Other past roles include Operations Coordination Manager at the UK regulator, the Oil and Gas

Authority (now called North Sea Transition Authority), with a focus on promoting resource development, wells and projects performance in the UK Continental Shelf.

Before joining the OGA (NSTA), Glenn was Vice President and Head of Subsurface for Maersk Oil in Copenhagen.





Gill Riggs Chief Human Resources Officer

Prior to joining Harbour, Gill was the Vice President Human Resources, Global Upstream for Chevron based in the US. During her 20-year career with Chevron, Gill held increasing roles of responsibility in human resources including Regional HR Manager, Middle East and East Africa (UAE), Regional HR Manager, Africa &

Middle East (South Africa), General Manager HR, Gas & Midstream (US), General Manager HR, Technology & Services (US) and General Manager HR, Upstream Asia Pacific (Singapore).

Howard Landes General Counsel / Legal

Prior to joining Harbour, Howard was General Counsel at Chrysaor.

His experience includes more than 10 years at BG Group where he led a team of lawyers responsible for the group's corporate and M&A matters globally.

Howard trained and qualified at the international law firm, Clifford Chance.



Steve Cox EVP HSES and Global Services

Prior to joining Harbour, Steve was EVP Non Operated Ventures at Chrysaor where he was responsible for the Group's non-operated assets.

Having worked in the industry for over 25 years, including at BG and Shell, Steve has gained extensive experience in safety, project and asset management, operational and functional performance and partner engagement.

Alex Budden EVP Corporate Affairs

Alex joined Harbour in February 2022 after 10 years at Lundin Energy, Africa Oil and Africa Energy. He was also a Director of the Lundin Foundation. Before his career in the oil and gas sector, he served for 21 years as a Diplomat with the British Government.

Alex specialises in strategic and corporate communications, reputation management, stakeholder engagement and government and security relations.



Stuart Cooper EVP Strategy, Commercial and Business Development

Stuart has worked in upstream oil and gas for over 25 years, focusing on business development, commercial activities and mergers and acquisitions. This has taken him all over the world from Scotland to Venezuela, Europe, the Middle

East, North Africa and Canada, with companies including Total, Petro-Canada/Suncor, TAQA and DONG/INEOS. Stuart started his career as a corporate lawyer.

Andrew Osborne Special Projects

Prior to joining Harbour, Andrew was Chief Financial Officer at Chrysaor.

Prior to Chrysaor he had over 20 years' capital markets experience in investment banking, latterly as a Managing Director responsible for Merrill Lynch's Natural Resources Equity Capital Markets and Broking business.

He has worked on a significant number of oil and gas transactions for both public and private companies.





Conservative financial risk management policy

As an oil and gas company, we believe in a conservative approach to managing the balance sheet, ensuring we have access to liquidity through the cycle. This is supported by a regular and disciplined hedging programme and prudent capital allocation.

Capital allocation priorities

We are generating strong, predictable operating cash flows which, together with our robust balance sheet, provide us with optionality over how we allocate our capital. When it comes to capital allocation we try to balance three equally important priorities:

1

Safeguard balance sheet

- Target leverage of less than 1.5x across the commodity price cycle
- Ensure significant liquidity
- Disciplined hedging programme

2

Ensure a robust and diverse portfolio

- Focused investment to underpin cash generation
- Establish at least one material production base outside the UK
- Target reserves life of c.8–12 years

3

Shareholder returns

- Pay a dividend of \$200 million per annum from free cash flow through the cycle
- Aim to deliver both growth and yield to shareholders

\$678m

Free cash flow generation

0.9x

Leverage ratio at year-end

\$200m

Annual dividend announced

\$500m

Debut bond issuance completed



We have executed a transformational transaction and generated material free cash flow while retaining a robust balance sheet, a diversified capital structure and significant liquidity.

ALEXANDER KRANE
Chief Financial Officer





Commitment to shareholder returns

We aim to deliver both growth and yield to our shareholders. We believe a commitment to shareholder distributions is an important part of our equity story and will help to broaden our investor base.

We believe an initial distribution should be affordable from free cash flow, sustainable through the cycle and, at the same time, meaningful and clearly defined.

For Harbour, we believe that an initial set amount of \$200 million per annum meets these targets and strikes a good balance.

We will review our dividend policy annually, in the context of our capital allocation priorities, and as we execute our strategy. As a result, we may revise the dividend level and/or supplement it through a special dividend or share buybacks.

Proposed dividend timetable



Premier legally acquired Chrysaor through the issuance of shares. The transaction completed on 31 March 2021, whereupon Premier changed its name from Premier Oil plc to Harbour Energy plc.

For accounting purposes, the transaction constituted a reverse acquisition of Premier by Chrysaor in accordance with IFRS 3 Business Combinations. As a result, Premier is fully consolidated in the financial statements with effect from 31 March 2021, and all results prior to this date represent those of Chrysaor only. For further detail, see note 14 to the financial statements.

\$879m

Increase in after tax profitability

\$1,614m

Material operating cash flow

Summary of financial results

	Year ended 31 December 2021	Year ended 31 December 2020
Production – kboepd	175	173
Revenue and other income – \$ million	3,618	2,438
Operating costs per boe – \$/boe	15.2	11.2
EBITDAX – \$ million¹	2,431	1,784
Pre-tax profit/(loss) – \$ million	315	(978)
Profit/(loss) after tax – \$ million	101	(778)
Earnings/(loss) per share – \$/share	0.1	(1.1)
Capital expenditure – \$ million	709	556
Decommissioning spend – \$ million	226	142
Operating cash flow – \$ million	1,614	1,373
Free cash flow¹ – \$ million	678	562
Net debt² \$ million (net of unamortised fees)	2,147	1,414
Post-hedging realised prices:		
Crude oil – \$/boe	59	63
UK natural gas – p/therm	54	33
Singapore HSFO – \$/mscf	11.7	N/A

1 See the Glossary on page 176 for the definition of non-GAAP measures. Reconciliations between GAAP and non-GAAP measures are provided within this Financial review.

Harbour reported average production for 2021 of 175 kboepd (2020: 173 kboepd), which includes nine months' contribution from the

Premier business, with production split between 55 per cent liquids (2020: 48 per cent) and 45 per cent gas (2020: 52 per cent).

Harbour reported total revenue and other income of \$3,618 million (2020: \$2,438 million). Revenue was higher than the prior period primarily as a result of higher realised gas prices on a post-hedge basis and an increase in production volumes for both liquids and gas, with a greater proportion of liquids in 2021, in part due to the Merger. Realised post-hedge crude prices were broadly unchanged.

Production costs for the period were \$15.2/boe (2020: \$11.2/boe). The increase was primarily driven by additional planned maintenance during extended summer shutdowns deferred from 2020 as a result of COVID-19. Unit production costs were also impacted by unplanned outages, well availability and natural decline, however, this was broadly offset by production from new wells. Additionally, production costs were also impacted by the strengthening of Pound Sterling against the US Dollar during the period.

EBITDAX amounted to \$2,431 million (2020: \$1,784 million). The increase from 2020 was due to higher revenue partially offset by higher operating costs from the enlarged group.

Pre-tax profit was \$315 million (2020: loss \$978 million). Post-tax profits were \$101 million (2020: loss \$778 million).

Earnings per share were \$0.1 per share compared to a loss of \$1.1 per share for 2020. The increase in profit and earnings per share are driven by higher revenue and lower impairments offset by higher cost of sales and exploration and evaluation expenses.

Capital and decommissioning expenditure in the period amounted to \$935 million (2020: \$698 million). Capital expenditure of \$709 million (2020: \$556 million) mainly consisted of spending on operated assets in the J-Area (Jasmine West Limb development, Talbot appraisal, the Jade South and Dunnottar exploration wells), Tolmount development drilling and Everest LAD development well. Non-operated capital expenditure included drilling programmes at Beryl, Elgin Franklin and Clair Ridge. Decommissioning spend of \$226 million (2020: \$142 million) related primarily to the Southern North Sea, Balmoral and the non-operated asset Hewett.

Free cash flow for the period amounted to \$678 million (2020: \$562 million).

As at 31 December 2021, net debt of \$2,147 million (2020: \$1,414 million) consisted of RBL senior debt, and a High Yield Bond, less deferred amortised fees and cash balances. The junior debt facility of \$400 million was repaid during the year. The increase since the 2020 year-end is mainly due to the drawdown on the RBL facility prior to completion of the Merger to fund the replacement of Premier's debt.

Liquidity, being the amount undrawn under the RBL facility plus cash balances, was \$1.6 billion at the end of the year.

Income statement

	Year ended 31 December 2021 \$ million	Year ended 31 December 2020 \$ million
Revenue and other income	3,618	2,438
- Crude	2,023	1,430
- Gas	1,264	805
- NGL	164	138
- Tariff income and other revenue	28	41
- Other income	139	24
Pre-tax profit/(loss)	315	(978)
EBITDAX	2,431	1,784
Profit/(loss) after tax	101	(778)
Earnings/(loss) per share - \$/share	0.1	(1.1)

Revenue

Revenue earned from hydrocarbon production and tariff income amounted to \$3,618 million (2020: \$2,438 million) after realised hedging losses of \$1,517 million (2020: \$789 million

hedging gains). Some of our hydrocarbon production is sold pursuant to fixed-price contracts, as described on page 43 under 'Derivative financial instruments'. The rest is sold at market values, subject to standard quality and basis adjustments.

Crude oil sales amounted to \$2,023 million (2020: \$1,430 million), with a post-hedge realised price of \$59/boe (2020: \$63/boe). Gas revenue was \$1,264 million (2020: \$805 million) split between UK natural gas of \$1,143 million (2020: \$805 million) and International of \$121 million (2020: \$nil). The post-hedge realised price of UK natural gas was 54p/therm (2020: 33p/therm) and Singapore HSFO \$11.7/mscf (2020: \$nil). Condensate sales, tariff income and other revenue amounted to \$192 million (2020: \$179 million).

Other income amounted to \$139 million (2020: \$24 million) and includes mark-to-market gains on UK emissions derivatives of \$51 million and a receipt of \$40 million from ConocoPhillips in relation to an adjustment to consideration for Chrysaor's purchase of the ConocoPhillips UK business in 2019.

	Year ended 31 December 2021 \$ million	Year ended 31 December 2020 \$ million
Operating costs		
Field operating costs ¹	1,003	731
Tariff income	(27)	(24)
Total	976	707
Field operating costs per barrel (\$ per barrel)	15.2	11.2

Depreciation, depletion and amortisation (DD&A) (before impairment)

Depreciation of oil and gas assets (cost of operations only)	1,327	1,191
Depreciation of non-oil and gas assets	42	29
Amortisation of intangible assets	2	2
Total	1,371	1,222
DD&A before impairment charges \$ per barrel	21.4	19.3

1. Includes mark to market gains on EUA emissions hedges of \$51 million included in Other revenue, excludes non-cash depreciation on non-oil and gas assets.

Production costs

Production costs for the period were \$15.2/boe (2020: \$11.2/boe). The increase was primarily driven by additional planned maintenance during extended summer shutdowns deferred from 2020 as a result of COVID-19. Unit production costs were also impacted by unplanned outages, well availability and natural decline, however, this was broadly offset by production from new wells. Additionally, production costs were

also impacted by the strengthening of Pound Sterling against the US Dollar during the period.

The increase in the weighted average DD&A rate from 2020 is due to higher DD&A charges on right-of-use leased assets acquired as part of the Merger.

EBITDAX

EBITDAX amounted to \$2,431 million (2020: \$1,784 million) due to higher revenues partially offset by higher operating costs as a result of the higher commodity prices and higher production.

	Year ended 31 December 2021 \$ million	Year ended 31 December 2020 \$ million
Operating profit/(loss)	640	(687)
Exploration and evaluation and new ventures	50	13
Exploration costs written-off	255	161
Depreciation, depletion and amortisation	1,371	1,222
Impairment of property, plant and equipment	117	644
Impairment of goodwill	-	411
Provision for onerous contract	(2)	19
Remeasurements	-	1
EBITDAX	2,431	1,784

Exploration and evaluation expenditure and new ventures

During the period the Group expensed \$255 million (2020: \$161 million) for exploration and appraisal activities. This includes costs associated with the exit from exploration acreage in Brazil and the Sea Lion project in the Falkland Islands of \$134 million (2020: \$nil). This also includes costs associated with relinquishments of UK licences and uncommercial drilling results on the UK Dunnottar well and Norwegian PL973 Jerv and Ilder prospects of \$121 million (2020: \$161 million). In addition exploration and evaluation expenditure and new ventures amount to \$50 million (2020: \$13 million), mainly related to pre-development costs associated with UK Carbon Capture and Storage projects and corporate expenditure in Norway related to regional seismic and time-writing costs.

Impairment and DD&A charges

Impairment charges for property, plant and equipment pre-tax were \$117 million (2020: \$644 million) driven primarily by the cessation of production from the Millom field in the East Irish Sea assets, and from a single producing field in the UK North Sea as a result of underlying reservoir performance. There was no impairment of goodwill (2020: \$411 million). Depreciation

Financial review continued

unit expense was \$21/boe (2020: \$19/boe) with the increase due to higher DD&A charges on right-of-use leased assets acquired as part of the Merger.

Net financing costs

Financing expenses totalled \$375 million (2020: \$302 million), including \$113 million of interest expenses incurred on debt facilities and legacy Chrysaor shareholder loan notes (2020: \$124 million). Also included are bank and facility fees of \$63 million (2020: \$36 million), foreign exchange losses of \$65 million (2020: \$40 million), lease interest of \$22 million (2020: \$7 million) and the unwinding of the discount on provisions, primarily associated with future decommissioning obligations, of \$78 million (2020: \$88 million).

Finance income amounted to \$49 million (2020: \$11 million), including gains on derivatives of \$15 million (2020: \$nil), gains of \$10 million on foreign exchange forward contracts (2020: \$4 million) and a one-off modification gain recognised on the amendment of the RBL facility of \$14 million.

Taxation

The tax expense for the year amounted to \$213 million (2020: credit \$199 million), split between a current tax expense of \$192 million (2020: \$336 million), and a deferred tax expense of \$21 million (2020: credit \$535 million) and representing an effective rate of 68 per cent (2020: 20 per cent). The increase in the effective tax rate is predominantly driven by higher non-deductible expenses in respect of the Group's exit from the Falklands and Brazil which are non-recurring plus unrecognised tax losses in relation to corporate acquisition debt expenses.

Earnings and earnings per share

Profit after tax was \$101 million (2020: loss \$778 million). The improved result for 2021 is primarily due to higher revenue and other income in 2021, and lower impairment charges on oil and gas assets and goodwill. Earnings per share was \$0.1/share (2020: loss, \$1.1/share).

Dividends

The Board is proposing a dividend of 11 cents per Ordinary Share to be paid in GBP at the spot rate prevailing on the record date. This dividend is subject to shareholder approval at the AGM, to be held on 11 May 2022. If approved, the dividend will be paid on 18 May 2022 to shareholders on the register as of 8 April 2022. A dividend re-investment plan (DRIP) is available to shareholders who would prefer to invest their dividend in the shares of the Company. The last date to elect for the DRIP in respect of this dividend is 26 April 2022.

Statement of financial position

	Year ended 31 December 2021 \$ million	Year ended 31 December 2020 \$ million
Total non-current assets, excluding deferred taxes	10,273	8,193
Deferred taxes (note 8)	1,938	-
Total current assets	2,294	1,290
Total assets	14,505	9,483
Total equity	(474)	(1,068)
Total borrowings net of transaction fees (note 21)	(2,886)	(2,182)
Total abandonment provisions (note 20)	(5,354)	(4,197)
Deferred taxes (note 8)	(187)	(1,031)
Lease creditor	(654)	(141)
Other liabilities	(4,950)	(864)
Total liabilities	(14,031)	(8,415)
Net debt (note 27)	(2,147)	(1,414)

Assets

At 31 December 2021, total assets amounted to \$14,505 million (2020: \$9,483 million), of which current assets were \$2,294 million (2020: \$1,290 million) and deferred tax assets \$1,938 million (2020: \$nil).

The increase in total assets is mainly due to the inclusion of Premier assets on completion of the Merger which added total assets of \$5,204 million including property, plant and equipment of \$2,386 million, exploration and evaluation assets of \$597 million and deferred tax assets recognised of \$1,549 million. The Merger also added goodwill of \$339 million. Further information related to the Merger is included in note 14 to the consolidated financial statements.

Capital investment is defined as additions to property, plant and equipment, fixtures and fittings and intangible exploration and evaluation assets, excluding changes to decommissioning assets.

	Year ended 31 December 2021 \$ million	Year ended 31 December 2020 \$ million
Additions to oil and gas assets (note 12)	(464)	(415)
Additions to fixtures and fittings, office equipment & IT software (notes 11 and 12)	(35)	(51)
Additions to exploration and evaluation assets (note 11)	(210)	(90)
Total capital investment	(709)	(556)
Movements in working capital	42	(58)
Capitalised lease payments	23	16
Cash capital expenditure per the cash flow statement	(644)	(598)

During the period, the Group incurred capital investment of \$709 million (2020: \$556 million). Capital expenditure mainly consisted of spending on operated assets in the J-Area (Jasmine West Limb development, Talbot appraisal and Jade South and Dunnottar exploration wells), Tolmount development drilling and Everest LAD development well. Non-operated capital expenditure included drilling programmes at Beryl, Elgin Franklin and Clair Ridge.

Liabilities

At 31 December 2021, total liabilities amounted to \$14,031 million (2020: \$8,415 million) including decommissioning provisions of \$5,354 million (2020: \$4,197 million) and borrowings of \$2,886 million (2020: \$2,182 million).

The increase in total liabilities is mainly due to the inclusion of Premier's liabilities of \$5,263 million on completion of the Merger, drawdown on the RBL facility in order to fund the replacement of Premier's debt prior to completion of the Merger and increased hedging liabilities as a result of increased commodity prices. The total liabilities included from the Merger consisted mainly of additional debt of \$2,219 million which was fully settled as part of completion, provisions for decommissioning of \$1,683 million and right-of-use asset lease liabilities of \$638 million. Further information is included in note 14 to the consolidated financial statements.

As at 31 December 2021, net debt of \$2,147 million (2020: \$1,414 million) consisted of RBL senior debt and an unsecured bond, less deferred unamortised fees and cash balances. The increase since year-end 2020 is mainly due to the drawdown on the RBL facility prior to completion of the Merger to fund the replacement of Premier's debt. Debt is stated net of the unamortised portion of the issue costs and bank fees of \$136 million (2020: \$73 million).

Equity and reserves

Total equity amounted to \$474 million (2020: \$1,068 million) with changes in 2021 reflecting the accounting for the Merger as a reverse acquisition in accordance with IFRS 3, Business Combinations with the capital structure (share capital and share premium) being a continuation of the legal acquirer (Premier Oil plc), whilst the remaining reserves reflect the accounting acquirer (Chrysaor Holdings Limited). The reduction in equity reflects the negative fair value on the Group's commodity hedging programme at 31 December 2021 which is mainly accounted for through other comprehensive income, within equity.

Cash flow¹

	Year ended 31 December 2021 \$ million	Year ended 31 December 2020 \$ million
Cash flow from operating activities after tax	1,614	1,373
Cash flow from investing activities – capital investment	(644)	(598)
Cash flow from investing activities – acquired on business combination	97	–
Cash flow from investing activities – other	(24)	(5)
Operating cash flow after investing activities	1,043	770
Cash flow from financing activities – net interest and lease payments	(365)	(208)
Free cash flow	678	562
Cash and cash equivalents	699	445

1 Table excludes financing activities related to debt principal movements.

Net cash from operating activities after tax amounted to \$1,614 million (2020: \$1,373 million) after accounting for tax payments of \$280 million (2020: \$190 million) and working capital movements of \$607 million (2020: \$46 million). Cash flow used in investing activities on capital expenditure was \$644 million (2020: \$598 million). Cash outflow from financing activities (excluding movements in debt principal) – interest and lease payments was \$365 million (2020: \$208 million). Cash balances were \$699 million (2020: \$445 million) at the end of the period.

Principal risks

There are no significant changes to the headline principal risks from those disclosed in the 2021 Interim results. A full description of Harbour's principal risks can be found on pages 48 to 55.

Derivative financial instruments

We carry out hedging activity to manage commodity price risk, to ensure we comply with the requirements of the RBL facility and to ensure there is sufficient funding for future investments.

We have entered into a series of fixed-price sales agreements and a financial hedging programme for both oil and gas, consisting of swap and option instruments. Our future production volumes are hedged under the physical and financial arrangements in place at 31 December 2021. These are set out in the following table. Hedges realised to date are in respect of both crude oil and natural gas.

Hedge position	2022	2023	2024	2025
Oil				
Volume hedged (mmbobe)	18.80	7.30	–	–
Average price hedged (\$/bbl)	61.15	61.05	–	–
UK Gas				
Volume hedged (mmbobe)	25.37	23.00	8.33	1.55
Average priced hedged (p/therm)	50.75	40.86	43.05	44.55

At 31 December 2021, our financial hedging programme on commodity derivative instruments showed a pre-tax negative fair value of \$3,868 million (2020: positive fair value of \$142 million) included in other financial assets and liabilities, with no ineffectiveness charge to the income statement.

Post balance sheet events

As announced on 2 February 2022, Phil Kirk stepped down from his role as Executive Director with effect from 28 February 2022.

The Group has assessed and will continue to assess the implications of the events in Ukraine. Currently there is considered to be no material impact to the Group's financial performance or position.

The Company confirmed that the Directors intend to submit a proposal to shareholders at the Company's forthcoming Annual General Meeting for a general authority to purchase the Company's own Ordinary Shares. The Directors believe that the Board should be afforded the flexibility to be able to buy back the Company's shares when it is in the best interests of shareholders to do so and will result in an increase in earnings per share. The resolution will specify the maximum number of shares that can be acquired (approximately 15 per cent of the issued Ordinary Share capital) and the minimum and maximum prices at which they may be bought. Any shares purchased under the authority granted by the resolution will either be cancelled or may be held as treasury shares. In accordance with the Listing Rules, a further announcement would be made by the Company in the event that the Directors intend to commence a programme to repurchase shares.

Going concern

The Group monitors its capital position and its liquidity risk regularly throughout the year to ensure it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced based on, inter alia, the Group's latest life of field production and expenditure forecasts,

management's best estimate of future commodity prices (based on recent forward curves, adjusted for the Group's hedging programme) and the Group's borrowing facilities. During the year, the Group extended the maturity of its RBL facility from December 2025 to November 2027.

The Group's base case going concern assessment assumes: an oil price of \$75/bbl and \$70/bbl and average NBP gas price of 150p/therm and 100p/therm in 2022 and 2023, respectively; production in line with approved asset plans and the ongoing capital requirements of the Group will be financed by existing RBL and High Yield Bond financing arrangements.

In line with the principal risks, sensitivity analyses have been prepared to reflect the combined impact of reductions in crude and UK natural gas prices of 20 per cent and in the Group's production of 10 per cent throughout the going concern period, which is the period up to June 2023. In these combined downside scenarios applied to the base case forecast, the Group is forecasted to have sufficient financial headroom and no covenant breach throughout the going concern period.

Further, reverse stress tests have been prepared reflecting further reductions in commodity price and production parameters, prior to any mitigation strategies, to determine at what levels each would need to reach such that either lending covenants are breached or financial liquidity headroom runs out. The results of this reverse stress test demonstrated the likelihood of the fall in price and production parameters required to cause a risk of funds shortfall or covenant breaches is remote.

Taking the above into account the Board was satisfied that for the going concern period, the Group was able to maintain adequate liquidity and no covenant breaches occurred and therefore has adopted a going concern basis for preparing the financial statements.

Further associated details can be found within the Viability Statement.

ALEXANDER KRANE
Chief Financial Officer



ALAN FERGUSON

Chair of the Audit and Risk Committee

We believe the effective management of risk is critical to successfully executing our strategy.



The Company has a comprehensive approach to risk management, which we believe leads to better quality decision-making and increases the likelihood of achieving our strategic objectives.

ALAN FERGUSON

Chair of the Audit and Risk Committee

Risk management framework

The Company believes the effective management of risk is critical to successfully executing the strategy we defined in 2021, including protecting our personnel, assets, the communities where we operate and with whom we interact, and our reputation.

The risk management framework in Harbour is designed to determine the nature and extent of risk that the Company is willing to take to achieve its strategic objectives and to provide an appropriate level of assurance that any risks taken are appropriately managed and that the system of internal control is effective.

The framework comprises:

- A risk management process to enable the business to identify, assess, mitigate, monitor and communicate the risks facing the business (see 'Risk management process').
- An internal control system to enable the business to manage risk (see 'Internal control').
- An assurance model to check that the controls in place are appropriate and effective (see 'Reasonable assurance').

The framework is designed to manage and communicate, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance that the risks facing the business are being appropriately managed.

Risk governance

The Board is responsible for determining the nature and extent of the principal risks the Company is willing to take to achieve its long-term strategic objectives. The Board has delegated monitoring of the management of certain principal risks to Board Committees. For example, the HSES Committee monitors the management of HSES related risks. The Board is also responsible for monitoring the Company's risk management framework and for reviewing its effectiveness.

The Leadership Team instils the tone for the risk management culture in the business and is responsible for monitoring and managing the most significant risks facing the business, with individual members responsible for ensuring risks that fall within their business area are being appropriately managed. The most significant management risks are recorded in the Leadership Team risk register.

Individual business managers own and manage risk on a day to day basis, undertaking business activities in compliance with the governing company standards and procedures which are developed and owned by business functions.

Internal Audit and Risk Management undertakes a risk-based audit programme on behalf of the Board to assure the effectiveness of risk mitigation activities. The Group Risk Manager is responsible for developing and maintaining the risk management framework.

Risk management process

The Company faces various risks that could result in events or circumstances that might negatively impact the Company's business model, future performance, liquidity and reputation. Not all of these risks are wholly within the Company's control and the Company may be affected by risks which have not yet manifested or are not reasonably foreseeable.

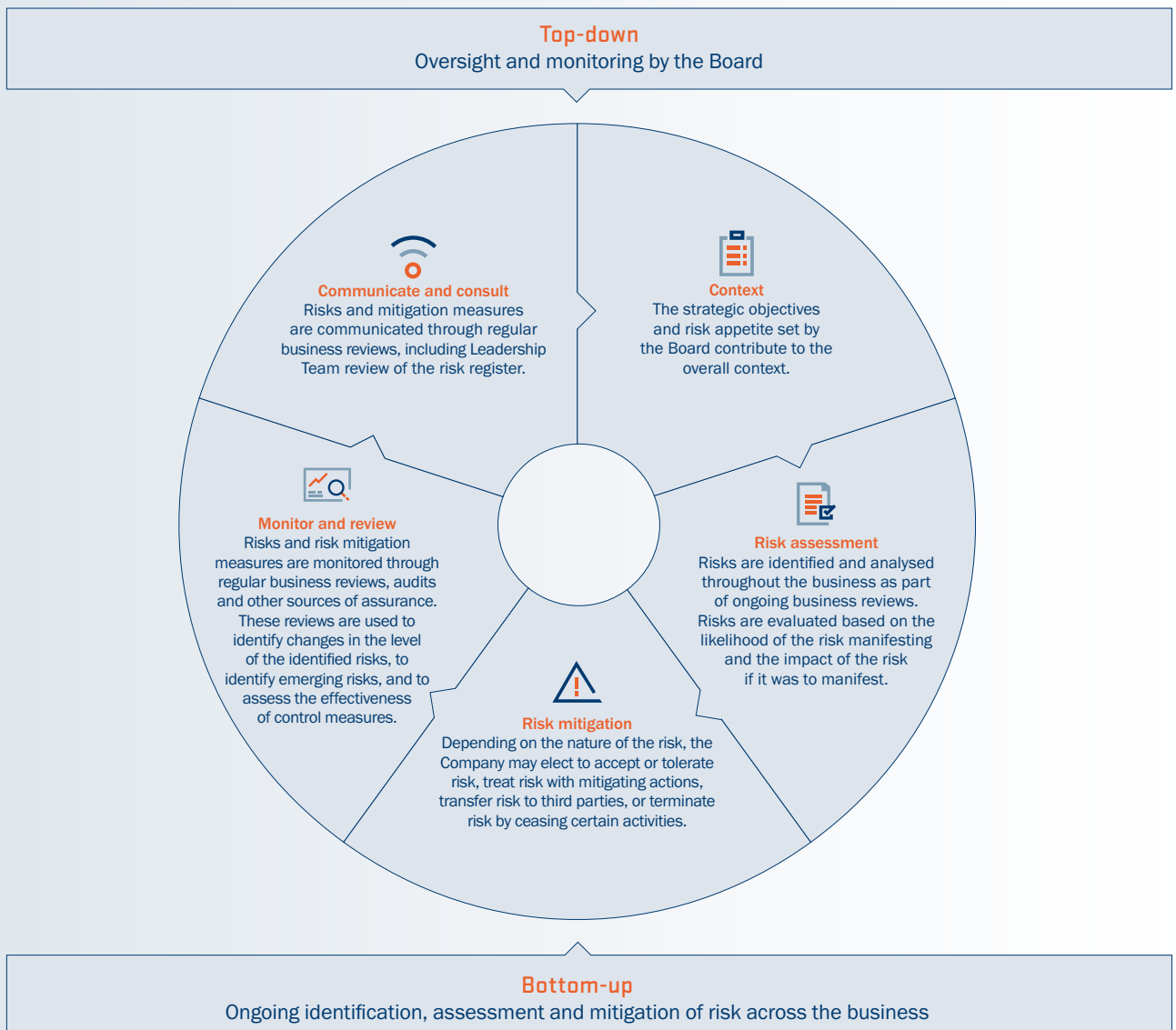
For known risks facing the business, the Company attempts to reduce the likelihood and mitigate the impact of the risk to within the level of risk appetite set by the Board.

According to the nature of the risk, the Company may elect to accept or tolerate risk, treat risk with mitigating actions, transfer risk to third parties, or terminate risk by ceasing certain activities. In particular, the Company has a zero tolerance stance to fraud, bribery, corruption and facilitation of tax evasion, and ensures that health, safety, environmental and security risks are managed to levels that are as low as reasonably practicable.

This risk management process is illustrated in the panel below.

Risk management process

The Company follows a methodical process to identify, assess, mitigate, monitor and communicate the risks which may prevent it from achieving its strategic objectives.



Risk management continued

Principal and emerging risks

During the year, the Board carried out an assessment of the principal risks facing the new Company and reviewed its appetite to accept or tolerate each principal risk. In deciding which risks are principal risks, the Board considered the newly defined strategy of the Company together with events or circumstances that might threaten the Company's strategy and business model, future performance, liquidity and reputation. A description of the principal risks, together with an overview of how each risk is being managed, is provided on pages 48 to 55. The Board also reviewed the emerging risks facing the business and the procedures in place to identify them. These procedures take into account the most significant management risks and independent perspectives on the external environment.

Internal control

The internal controls of the Company comprise the Company policies together with standards and procedures designed to govern each business activity. During 2021, the Company commenced the integration of the legacy company controls with the intention to implement a single company business management system during 2022.

Reasonable assurance

The adequacy of the internal controls are a function of their design and operating effectiveness.

During the year, the Company adopted a 'Three Line' assurance model across the newly enlarged business to provide senior management and the Board with reasonable assurance that the most significant risks facing the business are being appropriately managed and that the applicable controls are effective.

The First Line is provided by business line managers who are responsible for designing and operating business controls. Second Line assurance teams are in place to monitor control effectiveness for certain key risk areas, such as HSES, by conducting a programme of audits agreed with senior management. Significant findings from these audits are reportable to management and the Board. The Third Line is provided by Internal Audit which undertakes a programme of audits agreed by the Audit and Risk Committee. Significant Internal Audit findings are reported to the Audit and Risk Committee which then monitors the implementation of agreed actions.

To facilitate Board monitoring, the Company has developed an assurance map that sets out the sources of assurance in place against each principal risk. In addition, the Board and its Committees have commenced a programme of management led 'deep dive' presentations to support understanding and alignment on specific risk matters and to examine the levels of assurance provided.

Monitoring and effectiveness of the risk management framework

The Board is responsible for monitoring the Company's risk management framework and for reviewing its effectiveness.

The review of the effectiveness of the Company's risk management and internal control systems for 2021 has been carried out by the Audit and Risk Committee on behalf of the Board. The review considered the design of the risk management framework in place across Harbour, the most significant risks to achieving the Company's strategic objectives, how each risk is being managed, Internal Audit findings to date and the status of their remediation. In conducting their review the Committee received perspectives and assurances from members of the Leadership Team. The Board concluded the risk management and internal control systems are effective.

ALAN FERGUSON

Chair of the Audit and Risk Committee

Viability Statement

In accordance with the provisions of the UK Corporate Governance Code, the Board has assessed the prospects and the viability of the Group over a longer period than the 12 months required by the 'going concern' provision. This assessment included considering the principal risks faced by the Group, relevant financial forecasts and sensitivities, and the availability of adequate funding.

Assessment period

The Board conducted this review for a period of three years to 31 March 2025 (the Forecast Period), which was selected for the following reasons:

- at least annually, the Board considers the Group's corporate operating cycles, business plan projections (the Projections) and debt facility structures over a three-year period;
- within the three-year period, liquid commodity price forecasts are able to be used in the forecast. Given the lack of forward liquidity in oil and gas markets after this initial three-year period, we are reliant on our own internal estimates of oil and gas prices without reference to liquid forward curves; and
- the Group is not currently committed to any major capital expenditures beyond the three-year period.

Review of financial forecasts

The Projections are based on:

Base case

- Production and expenditure forecasts on an asset by asset basis, together with a variety of portfolio management opportunities which management could undertake if required;
- assumed crude oil prices of \$75/bbl in 2022, \$70/bbl in 2023, and \$65/bbl (in real terms) thereafter and UK NBP gas prices of 150p/therm in 2022, 100p/therm in 2023 and 60p/therm (in real terms) thereafter, adjusted for the Group's hedging programme; and
- the financial covenant tests associated with the Group's borrowing facilities. Sensitivities have been run to reflect different scenarios including, but not limited to, changes in oil and gas production rates and possible reductions in commodity prices.

Sensitivity analyses

- In line with the principal risks, sensitivity analyses have been prepared to reflect the combined impact of reductions in crude and UK natural gas prices of 20 per cent and in the Group's production of 10 per cent throughout the Viability Statement period. In these combined downside scenarios applied to the base case forecast, the Group is forecasted to have sufficient financial headroom throughout the Viability Statement period.

Reverse stress tests

- Further, reverse stress tests have been prepared reflecting further reductions in commodity price and production parameters, prior to any mitigation strategies, to determine at what levels each would need to reach such that either lending covenants are breached or financial liquidity headroom runs out. The results of this reverse stress test demonstrated the likelihood of the fall in price and production parameters required to cause a risk of covenant breaches as remote.

Review of principal risks

The Group's principal risks, as set out in detail on pages 48 to 55, have been considered over the period.

Under the Projections, the Group is expected to have sufficient liquidity over the Forecast Period and to be able to operate within the requirements of the financial covenants.

The Group has run downside scenarios, where oil and gas prices are reduced by 20 per cent throughout the Forecast Period, and where total production volumes are forecast to reduce by 10 per cent. In the individual and combined downside scenarios, the Group is forecast to have sufficient liquidity and covenant compliance headroom.

The potential impact of each of the Group's other principal risks on the viability of the Group during the Forecast Period, should that risk arise in its unmitigated form, has been assessed. The Board has considered the risk mitigation strategy as set out for each of those risks and believes the mitigation strategies are sufficient to reduce the likelihood and impact of each risk such that it would be unlikely to jeopardise the Group's viability during the Forecast Period.

Conclusion

The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy and availability of funding, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Strategic Report. The Directors have also considered the availability of actions within their control in the event of plausible negative scenarios occurring. Therefore the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, throughout the Forecast Period.

Principal risks

The principal risks

which may prevent the Company achieving its strategic objectives

Strategic execution: failure to effectively implement the strategy

Risk description

The Company has defined a corporate strategy to create value by continuing to build a global, diversified oil and gas company focused on value creation, cash flow and distributions. This is underpinned by four strategic pillars: ensuring safe, reliable and environmentally responsible operations; maintaining a high quality portfolio of reserves and resources; leveraging our full cycle capability to diversify and grow further; and ensuring financial strength through the commodity price cycle.

There is a risk the Company may fail to effectively implement this strategy. The Company may be unable to maintain sufficient leadership and organisation capacity to effectively manage and grow the business. Leadership may fail to effectively communicate or create alignment internally, leading to sub-optimal decision-making. The Company may fail to identify or execute attractive M&A opportunities, or may over-estimate the value of assets acquired. The Company may be slow to respond to changes in the external environment that may merit a change to any of the four pillars of the strategy.

If implementation is ineffective, investors, creditors and lending banks may lose confidence in the leadership of the Company. Ultimately, the Company may fail to demonstrably create value for shareholders and other stakeholders.

How the risk is managed

- Corporate strategy clearly defined, approved by the Board and communicated to the market
- Strategic execution progress reviewed regularly with the Board
- Senior executive team has a proven track record of delivering strategic growth, including executing and integrating large scale M&A, with regular Board assessment of performance
- New organisation designed and implemented to deliver the defined strategy
- Capital deployment, growth and financial metrics agreed with the Board and feature prominently in incentive compensation
- Corporate model and M&A analyses evaluated across a range of scenarios
- Detailed due diligence of acquisition opportunities undertaken prior to agreeing transaction terms
- Regular two-way communication between employees and senior leadership to help build understanding and engagement

Link to strategic pillars



Our strategic pillars



Ensure safe, reliable and environmentally responsible operations



Maintain a high quality portfolio of reserves and resources



Leverage our full cycle capability to diversify and grow further



Ensure financial strength through the commodity price cycle

Health, safety and environment: risk of a major health, safety, environmental or physical security incident

Risk description

The Company may face a major accident resulting in personal injuries, physical property damage and/or environmental impact. There is also a risk of a significant personal safety or physical security incident arising from natural disaster, pandemic, social unrest or other external cause.

In addition to the potential to cause personal injury or harm to the environment, the production and financial performance of the business may be significantly degraded. The business may be subject to punitive fines and suffer damage to its reputation. A serious incident could also undermine the Company's ability to execute its strategy.

How the risk is managed

- Strong safety leadership culture established with an emphasis on process safety and, in particular, including a strong tone from the top with leadership support to do the right thing
- Newly merged organisation designed and resourced to support health, safety, environmental and physical security performance. Safety critical roles defined by management and protected from re-organisational risk in order to maintain a focus on safety
- Safety and environmental performance metrics agreed with Board and feature prominently in business performance tracking and incentive compensation
- Company Major Accident Prevention Policy (CMAPP) and HSES Policy in place that direct all Company activities, including contract work, supported by a defined management system and an HSES strategy and plan with relevant training; Safety Cases in place for all assets
- Active risk assessment process and management of change in place for operated assets
- Experienced Board HSES Committee established to provide oversight and challenge; direct engagement by Non-Executive Directors with operations managers
- HSES auditing and reporting in place with a focus on Major Accident Hazards (MAH) and with regular reporting to the Board HSES Committee
- Performance monitoring in place including prompt and thorough investigation of incidents, sharing of learnings across the organisation and adoption of learning from third party incidents
- Crisis management and emergency response processes practised regularly
- COVID-19 pandemic response embedded including application of government advice
- Senior management commitment to HSES values demonstrated through visits to operated facilities (subject to COVID-19 pandemic restrictions), participation in global and regional safety events, an annual Global HSES Day to promote a safety focus and emphasise its importance and an annual CEO Safety Award programme to recognise outstanding performance

Link to strategic pillars



Energy transition and Net Zero: failure to adapt the strategy and business model in the context of the energy transition as oil and gas demand as well as investor, societal and regulatory expectations evolve

Risk description

The Company recognises the transition towards a lower carbon economy will require many businesses to review and reshape their business model.

The pace of the energy transition will impact both supply and demand of oil and gas and this may increase the volatility of future oil and gas prices. The demand for oil and gas may reduce over time depending on the pace of deployment of alternative energy technologies and shifts in consumer preference for lower greenhouse gas emissions products. On the supply side, the oil and gas sector may be subject to new climate-change regulations or supply chain challenges that increase costs and impact how we operate. For example higher emitting assets may need to be decommissioned sooner than currently expected. Reduced investment in the oil and gas sector may reduce supply more quickly than demand, resulting in periods of higher commodity prices. In the longer term, changes in weather patterns and ocean currents and more frequent extreme weather events may disrupt projects and operations.

Investor, societal and regulatory expectations regarding the energy transition may evolve. The Company may lose some sources of funding if it is unable to meet the expectations of investors, creditors and lending banks regarding their energy transition requirements. The Company may be subject to negative NGO or shareholder activism which could affect its reputation and societal 'licence to operate'. The Company may also face more demanding regulatory requirements. In the event the Company is unable to operate an appropriate business model and meet investor and societal expectations through the energy transition, including successfully progressing towards meeting its Net Zero 2035 goal, the strategy will be undermined, and the long-term viability of the business may be in doubt.

How the risk is managed

- Clear ESG strategy in place and owned by CEO and Board with a goal to achieve Net Zero by 2035
- Corporate strategy and business model reviewed with Board at least annually to ensure it remains appropriate in light of energy transition scenarios and associated risks
- Net Zero strategy and execution progress reviewed regularly with the Board and the Board's HSES Committee including related to emissions reduction, acquisition of offsets, and involvement in CCS projects
- Emissions reduction targets agreed with Board and feature prominently in incentive compensation and incorporated into the main Reserve Based Lending debt facility
- Environmental considerations embedded in decision-making and plans to ensure delivery against Net Zero goal, including emissions reduction activities
- Environmental considerations, including cost of carbon, incorporated into investment decision-making processes, including for potential acquisitions
- Impact of energy transition considered in the key judgements and estimates within the financial statements and subject to ongoing monitoring
- Processes established for meeting ESG reporting and other regulatory reporting requirements, including independent verification

Link to strategic pillars



Operational performance: failure to deliver competitive operational performance

Risk description

The Company may fail to achieve its strategic objective to maintain reliable and responsible operations. As oil and gas fields mature and facilities age, maintaining operational performance becomes increasingly challenging. Geology, reservoir and well performance are inherently uncertain and so the quality and volume of produced oil and gas may differ from forecast. As installed facilities and equipment age, significant expenditure and outages may be required to maintain operability and operations integrity. Adverse political, social, security, weather, regulatory or other external conditions could impact operational performance, especially in the UK where the majority of the Company's operations are located. This may include continued travel restrictions and quarantines due to the COVID-19 pandemic. In addition, downstream infrastructure to transport produced oil and gas to market may be interrupted.

Consequently, the Company may fail to meet production expectations, maintain competitive operating costs and meet contractual obligations, any of which may undermine its financial strength and strategy.

How the risk is managed

- New organisation designed and resourced to manage existing operational activity
- Production, operating cost. HSES and other operational performance metrics agreed with the Board and feature prominently in business performance tracking and incentive compensation
- Procedures in place to govern production operations, including production forecasting and reporting, preventative maintenance, and field and well performance monitoring
- Material reinvestment in the assets maintained, including for maintenance and development drilling, to support operational reliability and throughput
- Inventory of future near-field drilling opportunities maintained to support production levels
- Proactive oversight maintained of non-operated joint ventures
- Use of new technology regularly explored to increase recovery and lower costs
- Potential to contract with third parties for utilisation of our existing infrastructure to enable further cost efficiency
- Unit operating costs and other metrics benchmarked to identify opportunities for performance improvement
- Regular business performance reviews and reporting take place to monitor performance
- Clear Delegation of Authority in place globally to support effective cost management

Link to strategic pillars



Organisation and talent: failure to create and maintain a cohesive organisation with sufficient capability and capacity following major acquisitions

Risk description

Following the completion of a material acquisition, the Company may fail to embed a cohesive organisation in the form of a consistent culture, aligned values and clear roles and responsibilities. The Company may also fail to maintain sufficient capability and capacity across all levels of the organisation.

A failure to embed a cohesive new organisation may result in a lack of engagement, inertia or conflict among employees. This may be heightened by the demands, uncertainty and change imposed on the new organisation by the work required to integrate the legacy businesses. Key employees may leave, important capabilities may be lost, and the Company may be unable to attract suitable new talent, making it difficult to maintain sufficient capability and capacity across all levels. The Company may lack sufficient leadership bench strength to manage the business and execute the strategy. Ultimately, a failure to manage this risk may heighten safety risk, constrain performance and impede strategic execution.

How the risk is managed

- New organisation and compensation programme implemented with aligned terms and conditions, a competitive reward package and designed to ensure sufficient capability and capacity to deliver the defined strategy
- Regular communication between employees and senior leadership to help build understanding and engagement and supported by staff surveys to encourage feedback
- Direct access by the Non-Executive Directors to senior management through presentations to the Board and other meetings
- Local and Global Staff Forums maintained including employee interactions with senior management and the Board
- Staff counselling and grievance arrangements in place
- Experienced Head of Diversity, Equity and Inclusion appointed to drive an inclusive environment
- Experienced Integration Management Office established to oversee integration efforts related to organisation, as well as systems, policies and processes
- Further activities planned for 2022 include:
 - Rollout of a culture and values programme with clear linkage to strategic objectives
 - Implementation of a global staff performance management process aligned to culture and values and with clear links to reward
 - Design and rollout of a new talent development programme
 - Implementation of common systems and processes across the Company to enable a common 'way of working' and improve efficiency
 - Consolidation of offices in the UK to enable co-locating of work teams

Link to strategic pillars



Capital programme and delivery: failure to define and deliver a capital programme that optimises value

Risk description

The Company undertakes capital projects and drilling operations to explore for new resources, develop new discoveries, and increase production from or extend the life of existing producing assets.

Capital projects involve advanced engineering, extensive procurement activities and complex construction work, carried out under various contract packages at various locations. The Company may face delays, supply chain issues, cost overruns or unsatisfactory HSES performance in executing capital projects. The Company may also experience disruptive fiscal, regulatory, political, economic, social, security and weather conditions, including continued travel restrictions and quarantines due to the COVID-19 pandemic. In addition, geology and reservoir engineering and well performance are inherently uncertain and so the quality and volume of oil and gas produced from new developments, and consequently the reserves added and value created from the capital deployed, may differ from that expected. The Company may fail to add oil and gas reserves in a timely, profitable and safe manner leading to a decline in reserves, production and revenue.

The Company is obliged to decommission assets at the end of their useful life. The Company may fail to reliably estimate the cost of future decommissioning spend and may face incremental costs in connection with decommissioning obligations.

How the risk is managed

- New organisation designed and resourced to manage the capital programme with experienced decommissioning team in place to execute the Company's decommissioning programme
- Capital deployment and growth metrics agreed with Board and feature prominently in business performance tracking and incentive compensation
- Processes in place to support the maturation of resources into developed reserves and ensure efficient deployment of capital
- Rigorous technical and economic evaluation process in place with defined stage-gate reviews and decisions
- Independent assurance team established to assure governance of capital investment activities, including decommissioning
- Investment guidelines agreed with Board that standardise planning assumptions and investment hurdles to ensure consistent evaluation of capital investment opportunities
- Drilling and capital costs benchmarked to understand relative performance with systematic lookbacks undertaken to assess and improve performance
- Regular business performance reviews and reporting to monitor delivery
- Annual lookback of capital programme undertaken to assess performance versus budget and versus estimates of costs and volumes at the time of project approval; learnings identified and shared
- Independent review of the Company's reserves and resources undertaken

Link to strategic pillars



Access to capital: failure to ensure sufficient access to capital to implement the Company's strategy¹

Risk description

The Company seeks to ensure financial strength through the commodity price cycle. In the event the Company is unable to maintain sufficient access to capital, the Company may be unable to sufficiently re-invest in its existing assets or fund growth through capital investments and M&A as targeted in the strategy. The Company may be unable to service security or letter of credit obligations, including those related to decommissioning obligations. Ultimately, a failure to ensure sufficient access to capital would directly undermine the implementation of the strategy.

How the risk is managed

- Robust financial framework and prudent capital allocation policy agreed with the Board and rigorously implemented
- Diversified capital structure in place with low financing cost, including Reserve Based Lending (RBL) facility and an unsecured bond issue during 2021. Annual RBL redetermination programme undertaken to ensure available liquidity is known for the forthcoming period
- Ongoing engagement with lead-syndicate banks in the RBL facility maintained to ensure relationship remains strong
- Disciplined hedging programmes in place to help manage exposure to commodity prices (see also 'Commodity price exposure' risk below), interest rates and foreign exchange
- Corporate model in place to facilitate oversight of the Company's financial position across a range of commodity price scenarios
- Annual capital budgets set taking into account near term commodity prices and cash flow expectations with spending levels stress-tested against adverse scenarios
- Insurance programmes in place to minimise the risk to the business (see also 'Third party reliance' risk opposite)

Link to strategic pillars



Commodity price exposure: failure to manage the impact of commodity price fluctuations on the business

Risk description

Oil and gas prices have fluctuated significantly in recent years, most recently due to the impact of the COVID-19 pandemic on demand, general economic uncertainty and the consequences of recent Russian action in Ukraine. The price of oil and gas is impacted by changes in global and regional supply and demand, and expectations regarding future supply and demand. Supply factors that influence pricing include the pace of new oil and gas developments, operational issues, natural disasters, adverse weather events, political and security instability, conflicts, and actions by major oil-exporting countries. Demand factors that influence pricing include economic conditions, climate change regulations and the pace of transition to a low carbon economy. Consequently, it is not possible to accurately predict future oil and gas prices and prices may continue to remain volatile.

In order to safeguard its balance sheet, the Company has set a strategic intent to protect the business from excessive volatility, ensure liquidity through the commodity price cycle as well as to take advantage of market movements (see risk description under 'Access to capital' above). A sustained decline in oil and gas prices could undermine this strategy by reducing cash flow available to fund growth and distributions and impairing access to capital. In addition, excessive volatility in prices could impede business planning and financial decision-making.

How the risk is managed

- Disciplined commodity price hedging programme in place aligned to risk appetite and designed to underpin the financial framework, limit downside risk, comply with Reserve Based Lending requirements and protect the value of acquired assets
- Carbon hedging is conducted to actively manage the Group exposure to carbon pricing in the UK market, whilst ensuring regulatory requirements are met
- Strong control framework in place that covers full hedging life cycle and includes monitoring activities to ensure the hedging programme is applied consistent with risk appetite

Link to strategic pillars



¹ Refer also to the Viability Statement for commentary on the prospects and the viability of the Group over the viability period including availability of adequate funding.

Integration of acquired businesses: failure to properly integrate acquired businesses and realise anticipated synergies in a timely manner

Risk description

Following the completion of an acquisition, the Company may fail to manage the pace, scope and cost of integrating the acquired business. Integration synergies may not be realised in a timely manner, eroding investor confidence. The demands, uncertainty and change imposed on the new organisation by the integration work required may lead to confusion, disengagement or resignations among employees. The Company may be unable to establish a scalable operating model to support the efficient integration of further M&A that is targeted in the strategy.

How the risk is managed

- Senior executive team has a proven track record of integrating large scale M&A
- Experienced Integration Management Office established with clear governance model, regular Board updates, and resourced with employees who are familiar with the acquired businesses and have a proven track record of effective integration
- Detailed integration plan developed with business and expert advisers, leveraging experience gained from prior acquisitions
- Enterprise Management System being implemented to ensure the Company systems landscape is scalable to a growing business. Multidisciplinary project team in place with project risks challenged via third party assurance model
- Regular internal communications in place to maintain employee awareness and engagement through to the completion of the integration process

Link to strategic pillars



Third party reliance: failure to adequately manage supply chain, joint venture and other partners, and third party infrastructure owners

Risk description

The Company is reliant on a range of third parties to achieve its strategic objective to ensure safe, reliable and responsible operations, and to maintain a high quality portfolio of reserves and resources. These third parties include suppliers of products and services, joint venture (JV) partners, outsourced operators who operate some of the Company's assets on its behalf, downstream infrastructure owners and trading counterparties.

The recent industry downturn and the ongoing effects of the COVID-19 pandemic have led to financial distress and consolidation across the sector and disrupted capacity and capability. In addition, some third parties may be impacted by sanctions arising as a result of recent Russian action in Ukraine. Consequently the Company may be unable to readily procure cost-effective products and services to operate existing assets or undertake new capital projects. Financial distress among existing suppliers or JV partners may increase the likelihood of exposure to unsafe practices or non-compliance on matters such as Anti-Bribery and Corruption or Human Rights. JV partners may be unwilling or unable to meet funding commitments or invest new capital. Poor performance or damaged reputation of an outsourced operator or JV partner may tarnish the Company's reputation. In the event of insolvency in a JV partner, the Company may be required to cover their long-term asset commitments. In addition, misalignment in objectives within a JV may lead to sub-optimal decision-making and the ability of the Company to influence this may be limited.

The Company is also reliant on third party infrastructure to transport produced oil and gas to market, a significant portion of which has been in operation for a number of years. A loss of availability or access to downstream infrastructure could directly impact production and revenue. In addition, new developments are dependent on the Company agreeing acceptable commercial terms with prospective downstream partners.

How the risk is managed

- New partners and suppliers carefully assessed through due diligence and approval processes, supported by additional security arrangements as required
- Existing partners and suppliers regularly engaged to monitor performance and risk exposure through proactive oversight and governance, enforcement of commercial agreements and with a culture of collaborative working to create value
- Formal budgeting and tendering processes in place to govern material spend with partners and suppliers
- Production monetisation routes in place for existing assets governed by contractual agreements. Commercial assurance and contract risk forms part of decision gate process for new developments
- Insurance programmes in place include contingent Business Interruption insurance for loss of revenue following loss or damage to third party facilities identified as production bottlenecks

Link to strategic pillars



Information and cyber security: failure to maintain safe, secure and reliable operations

Risk description

The Company may fail to implement sufficient information security measures to ensure the confidentiality, integrity, availability and regulatory compliance of Company information. In particular, the risk of a cyber-attack continues to increase due to a rising global threat, recent Russian action in Ukraine, the visibility of Harbour as a newly enlarged entity and the number of personnel working remotely. The Company may fail to implement adequate cyber security precautions in order to efficiently prevent, identify or respond to such an attack.

A failure to manage this risk could result in heightened safety or environmental risk exposure or interruption to business operations which would undermine delivery of the strategy. In addition, loss of commercially sensitive information, regulatory fines and ransom demands could damage the Company's reputation.

How the risk is managed

- Experienced and fully resourced information and cyber security organisation established with clear accountability across all locations
- Prioritised and budgeted work plan in place to transition legacy IT infrastructure in a controlled manner as part of establishing a new Company IT infrastructure platform
- Defensive and preventative controls designed and implemented to an industry standard that include independent testing and assurance mechanics to check resilience and are subject to an annual Internal Audit. Business-led recovery measures in place to maintain business continuity and limit any material impact of a cyber security attack
- Continuous strengthening of controls related to information and cyber security in line with the evolving threat landscape and regulatory requirements

Link to strategic pillars



Legal and regulatory compliance: failure to maintain and demonstrate effective legal and regulatory compliance

Risk description

The Company, its employees and contractors are subject to various laws and regulations governing conduct. These laws and regulations cover a range of activities such as fraud, bribery, corruption and facilitation of tax evasion.

A failure to maintain and demonstrate effective legal and regulatory compliance could lead to compliance breaches which could damage the Company's reputation, erode its values-based culture and result in financial consequences. This could in turn lead to increased scrutiny from regulators and undermine the Company's strategy by impeding its ability to motivate employees, conduct business with partners and suppliers, and maintain access to capital.

How the risk is managed

- Zero tolerance stance set for fraud, bribery, corruption and facilitation of tax evasion in any form that could be unlawful or otherwise undermine the legitimate business environment and damage the reputation of the Company
- Business principles, values and Company policies outlining Company expectations communicated to all employees with relevant training. These include Board approved policies covering Code of Conduct, Sustainability, Modern Slavery and Tax
- Governance structure established that complies with the UK Listing Rules (including UK Corporate Governance Code), including the appointment of a Senior Independent Director and a Relationship Agreement with ELG, the largest shareholder
- Enforcement of the Company's Code of Conduct and the adequacy and security of the whistleblowing procedure monitored by the Audit and Risk Committee
- Compliance monitoring and disciplinary arrangements maintained, including whistleblowing
- During 2022, the Company will move to a single, global compliance programme which will improve efficiency and simplify approach

Link to strategic pillars



Host government political and fiscal risks: exposure to adverse or uncertain political, regulatory or fiscal developments in countries where the Company operates or maintains interests

Risk description

The Company operates or maintains interests in multiple countries including some where political, economic or social transition is taking place or there are sovereignty disputes. The political and security situation and the regulatory and fiscal framework in any of these countries may change and adverse changes could have an impact on the operations, profitability and future investment opportunities of the business.

Consequences may include increases in the regulatory burden, increases in tax or loss of relief, retroactive tax claims, price controls, limits on production or cost recovery, import and export restrictions, other changes in fiscal terms, cancellation of contract rights, and expropriation of property. Such consequences would undermine the Company's financial position and, in some cases, could put at risk our ability to successfully implement the strategy.

How the risk is managed

- Constructive engagement maintained with relevant government and regulatory stakeholders in the countries and regions where the Company does business
- Contribution to industry representation maintained on key industry issues
- Portfolio of interests maintained to diversify country risk exposure, including through an aim to establish a material production base outside the UK
- Active monitoring of the local political, fiscal, social and security situations in place in regions where the Company does business or is proposing to enter

Link to strategic pillars



The Strategic Report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved and signed on behalf of the Board.

LINDA Z. COOK
Chief Executive Officer
16 March 2022

Chairman's introduction



Harbour is a unique investment opportunity within the energy sector. With a diverse, cash generative producing portfolio coupled with a number of exciting development opportunities and the financial strength for further M&A, your Board is excited about the future of our Company.



R. BLAIR THOMAS
Chairman

Board activities

Strategy

We aim to continue building a global, diverse, independent oil and gas company. We will achieve this by maximising value from our existing portfolio, growing through selective investments and disciplined M&A, all whilst maintaining a robust balance sheet and operating in a safe and responsible manner.

Highlights

- Strategic scope set for Harbour Energy
- Capital allocation priorities agreed
- 2035 Net Zero strategy approved

Governance

Your Board is committed to the highest standards of corporate governance. The processes and procedures which underpin the way we operate are designed to ensure the right decisions are taken at the right time and by the right people. We have assembled a world-class Board with decades of industry, UK and global business experience as well as robust independent judgement and challenge.

Highlights

- New Board appointed and inducted following the Merger
- Board Committees formed with experienced membership
- Group procedures, policies and internal control frameworks endorsed
- Principal risks identified and approved

Performance

2021 was another year characterised by volatile commodity prices in the energy sector. Despite some operational challenges, our cash generation has been strong and the base portfolio provides a reliable foundation on which we can grow the business over the longer term.

Highlights

- Production of 175 kboepd
- Free cash flow of \$678 million
- Unit operating cost of \$15.2/boe
- Leverage of 0.9x at year-end
- Introduction of \$200 million annual dividend policy



HOW WE CREATE VALUE
P12



CORPORATE GOVERNANCE REPORT
PB2



KEY PERFORMANCE INDICATORS
P14

Dear shareholder,

I am delighted to be writing to you on behalf of the Board in this, Harbour Energy's inaugural Annual Report.

Harbour is a unique investment opportunity within the energy sector. With a diverse, cash generative producing portfolio coupled with a number of exciting development opportunities and the financial strength for further M&A, your Board is excited about the future of our Company.

First and foremost however, our focus as Directors is on ensuring that Harbour operates responsibly in a way that never compromises our high standards in relation to HSES. In this regard, I would like to thank all of our employees, partners and contractors for their continued efforts in promoting a positive safety culture, particularly during the global pandemic.

Turning to our environmental responsibility, at the point of the Merger in 2021, your Board approved Harbour's goal to achieve Net Zero emissions by 2035. During 2021, Linda and her Leadership Team provided additional detail on the Company's strategy to achieving this ambitious goal and we have been pleased with the reaction of our shareholders and stakeholders to our strategy in this area. It is clear that all companies, particularly those within the energy sector, need to play their part in the energy transition and I am confident that Harbour is well positioned in this regard.

Corporate governance

Your Board aspires to the highest standards of corporate governance and has implemented a strong framework to support this. You can read more about our work in this area on the following pages.

The Company's relationship with its major shareholder, EIG – where I am Chief Executive Officer – has been a key area of focus for the Board in establishing our governance framework. To allow the Company to operate independently and in accordance with the high standards of governance applicable to a UK Premium Listed Company, we have a Relationship Agreement in place with EIG, which you can read more about on page 65. In addition to this, we have assembled a world-class Board of Non-Executive Directors – including an experienced Senior Independent Director in Simon Henry

– who provide robust and independent challenge within the boardroom. All of the Non-Executive Directors meet regularly without management present. In addition, the independent Non-Executive Directors hold meetings regularly, chaired by Simon. I would like to thank all of the Directors for their services during this busy year, including Phil Kirk, who stepped down as an Executive Director on 28 February 2022. Phil was instrumental in the growth of Harbour Energy and I wish him all the best going forward.

Board activities in 2021

The Merger of Premier Oil and Chrysaor to form Harbour Energy was set against an incredibly challenging macro-economic backdrop, characterised by volatile commodity prices in our sector. It is testament to all those involved that such a complex transaction was completed during a once-in-a-century pandemic whilst working remotely.

Our efforts in the first half of 2021 were focused on bringing the two businesses together whilst maintaining safe and reliable operations and, despite some challenges with production, I am pleased with how this integration process has progressed. Your Leadership Team is continuing to concentrate its efforts on embedding good processes and systems across the Group and I am confident that this work will stand the Company in good stead as it continues to grow, both organically and through M&A. In the second half of the year, we turned our attention to developing and implementing our strategic objectives and capital allocation priorities, both of which were set out in detail by Linda and her team during the Capital Markets Day in December. Our financial position was further bolstered by a successful debut \$500 million bond issuance in October and we are grateful for the continued support our creditors have shown for our business plan.



Our focus during 2022 will be on delivering safely and responsibly against our operating targets, executing our capital allocation programme and growing the business via selective investments.

Your Board is confident that the framework we have in place represents the right balance of prudent capital allocation for growth and sustainable returns to shareholders and we are pleased to confirm our objective to return \$200 million to shareholders during 2022. As a Board, we will not compromise the Company's balance sheet position and we believe the established framework we have in place for the coming years will deliver an attractive return for shareholders through the commodity price cycle, whilst maintaining optionality to execute high quality growth projects or M&A opportunities if they exceed our investment hurdles.

Board priorities for 2022

For the Board and the Leadership Team, our focus during 2022 will be on delivering safely and responsibly against our operating targets, executing our capital allocation programme and growing the business via selective investments. The macro-economic environment remains volatile and uncertain but I am confident that we have the right team and strategy in place to create value for all our stakeholders.

Finally, I would like to thank all of our employees, shareholders, partners and contractors for their continued support of Harbour Energy.

R. BLAIR THOMAS
Chairman

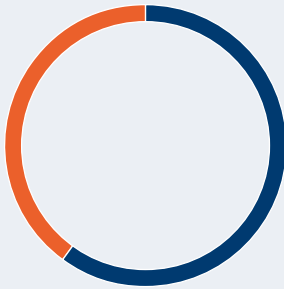
Board of Directors

Board background, key roles and responsibilities

Board tenure as at 16 March 2022

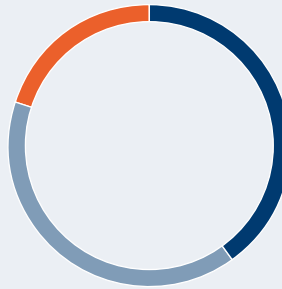
Board gender

- Male 6
- Female 4



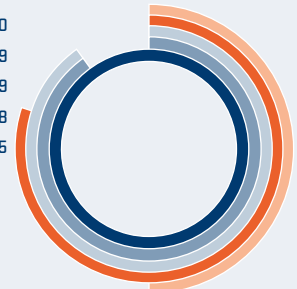
Board nationality

- British 4
- American 4
- Norwegian 2



Board skills and experience

- International 10
- Oil and gas 9
- Financial 9
- Listed plc 8
- UK listed plc 5



R. Blair Thomas
Chairman

Skills and experience

Blair was appointed as Non-Executive Chairman of the Company pursuant to EIG's right to appoint up to two directors to the Board. Blair has more than 30 years' experience in the investment management business, with a focus on energy and energy-related infrastructure. He was also a member of the Board of Directors of Chrysaor Holdings Limited from 2017 through to completion of the Merger. The Board believes that Blair's industry experience and knowledge of the Harbour Group justifies his appointment as Chairman and is of significant benefit to the Company and shareholders as a whole.

External appointments with public companies

- None

Committee membership

- Nomination Committee (Chair)



Linda Z. Cook
Chief Executive Officer

Skills and experience

Linda has significant experience in building and managing large-scale, global energy businesses. She has a track record of successful strategic execution and growth, including through M&A, major project delivery, and raising capital. Her experience in disciplined capital allocation within the sector is invaluable for Harbour as the Company embarks on an ambitious programme of investment across the portfolio. Also important are Linda's many years of experience serving as a CEO, and as a director in both executive and non-executive capacities on the boards of large, publicly listed companies.

External appointments with public companies

- BNY Mellon, Non-Executive Director and Chair of the Human Resources and Compensation Committee

Committee membership

N/A



Alexander Krane
Chief Financial Officer

Skills and experience

Having spent a large portion of his career as CFO of Aker BP, including during the merger of Det Norske Oljeselskap and BP Norge, Alexander has experience leading a large finance function through an integration process. His listed company experience and understanding of debt and equity capital markets will be invaluable in ensuring that the Company has the balance sheet strength to be able to deliver its growth and investment plans through the commodity price cycle.

External appointments with public companies

- None

Committee membership

N/A

**Board independence**

Directors	Independent?	Joined the Harbour Energy Board
Chairman		
R. Blair Thomas	No	31 March 2021
Executive		
Linda Z. Cook	No	31 March 2021
Alexander Krane	No	15 April 2021
Non-Executive		
Simon Henry	Yes	31 March 2021
Anne Marie Cannon	Yes	31 March 2021
G. Steven Farris	No	31 March 2021
Alan Ferguson	Yes	31 March 2021
Andy Hopwood	Yes	31 March 2021
Margareth Øvrum	Yes	1 April 2021
Anne L. Stevens	Yes	31 March 2021

Board attendance

Directors ³	Scheduled meetings attended
Chairman	
R. Blair Thomas	8/8 – 100%
Executive	
Linda Z. Cook	8/8 – 100%
Alexander Krane	7/7 – 100%
Phil Kirk ¹	8/8 – 100%
Non-Executive	
Simon Henry	8/8 – 100%
Anne Marie Cannon ²	8/8 – 100%
G. Steven Farris	8/8 – 100%
Alan Ferguson	8/8 – 100%
Andy Hopwood	8/8 – 100%
Margareth Øvrum	8/8 – 100%
Anne L. Stevens	8/8 – 100%

- 1 Phil Kirk stepped down from the Board on 28 February 2022.
- 2 Anne Marie Cannon also served on the Board of Premier Oil plc.
- 3 Roy A. Franklin, Dave Blackwood, Iain Macdonald, Elisabeth Proust and Mike Wheeler stepped down from the Board of Premier Oil plc on completion of the Merger. Richard Rose stepped down from the Board on 15 April 2021.



Simon Henry
Senior Independent Non-Executive Director

Skills and experience

Simon's position as Senior Independent Director is vital for the Board in ensuring that the highest standards of corporate governance are maintained. He plays a pivotal role in managing the relationship with the Company's major shareholder, EIG, and ensuring the Company is able to operate independently and in accordance with its obligations as a listed company. In addition, Simon brings significant experience in both the oil and gas sector and public markets having spent his entire career working with large-scale companies, including as the CFO for Royal Dutch Shell plc for many years.

External appointments with public companies

- Rio Tinto plc, Non-Executive Director and Chair of the Audit Committee
- PetroChina Company Limited, Non-Executive Director

Committee membership

- Audit and Risk Committee
- HSES Committee



Anne Marie Cannon
Independent Non-Executive Director

Skills and experience

Having spent much of her career in the energy sector including while at Morgan Stanley and J Henry Schroder Wagg, Anne Marie has significant experience advising on oil and gas mergers and acquisitions, and is thus well equipped to engage with management and provide appropriate independent challenge in relation to commercial transactions. Having previously served on the Premier Board, Anne Marie also brings continuity to the Company's Board and Committees in relation to governance as well as with regard to the legacy Premier assets and operations.

External appointments with public companies

- STV plc, Non-Executive Director and Chair of the Remuneration Committee
- Aker BP ASA, Deputy Chair

Board representative to the Group Staff Forum

Committee membership

- Audit and Risk Committee
- Remuneration Committee



G. Steven Farris
Non-Independent Non-Executive Director

Skills and experience

Steve was appointed as a Non-Executive Director of the Company pursuant to EIG's right to appoint up to two directors to the Board. Having spent his entire career within the energy sector and, in particular, leading Apache Corporation as Chairman and CEO through a period of significant growth and expansion, Steve's knowledge and counsel is a great asset to the Board and the Company as a whole.

External appointments with public companies

- None

Committee membership

- HSES Committee



Alan Ferguson
Independent Non-Executive Director

Skills and experience

Alan brings current and relevant financial experience to the Board and as Chair of the Audit and Risk Committee having spent his executive career in finance roles along with a decade of experience leading audit committees of listed companies. Alan has already successfully led the tender process for the Group's external auditors and his expertise in audit and accounting is vital for the Group particularly as it enters the first reporting cycle as Harbour Energy plc.

External appointments with public companies

- AngloGold Ashanti Limited, Non-Executive Director and Chair of the Audit Committee
- Marshall Motor Holdings, Interim Chairman, Senior Independent Director and Chair of the Audit Committee

Committee membership

- Audit and Risk Committee (Chair)
- Remuneration Committee




Andy Hopwood
Independent Non-Executive Director

Skills and experience

Andy has over 40 years' experience in the global oil and gas industry gained during his long association with BP. He brings a strong understanding of the technical, operational and commercial issues associated with development and managing large-scale, complex energy assets around the world, from exploration through to decommissioning, and including in the areas of safety and the environment. Andy's oil and gas technical, operational and leadership expertise are invaluable to the Board and its Committees in overseeing the existing portfolio and assessing opportunities for investment.

External appointments with public companies

- None

 Board representative to the Group Staff Forum

Committee membership

- HSES Committee
- Nomination Committee



Margareth Øvrum
Independent Non-Executive Director

Skills and experience

Margareth worked for Equinor and its predecessor companies from 1982 until January 2021. Latterly, she was Executive Vice President for 17 years with responsibility for global HSE, project development, drilling, procurement, technology and new energy. She has extensive knowledge of international oil and gas operations, major projects, health and safety, sustainability and the role of digital technology in engineering. In particular, she has a passion for safety and the environment which will be of great value to the Board and through her role as Chair of the HSES Committee. She also has considerable governance experience through her non-executive director roles.

External appointments with public companies

- FMC Corporation, Non-Executive Director
- Technip FMC plc, Non-Executive Director
- Transocean Ltd, Non-Executive Director

Committee membership

- HSES Committee (Chair)
- Audit and Risk Committee



Anne L. Stevens
Independent Non-Executive Director

Skills and experience

Anne has served on remuneration committees, including as Chair, in a number of large organisations in recent years. Anne has significant experience engaging with investors to deliver remuneration outcomes that are of benefit to all stakeholders. In addition to her expertise as a remuneration committee chair, Anne also contributes a wealth of experience built up over a long career in engineering and executive roles in large global companies.

External appointments with public companies

- Anglo American plc, Non-Executive Director and Chair of the Remuneration Committee¹
- Aston Martin Lagonda Global Holdings plc, Non-Executive Director and Chair of the Remuneration Committee

Committee membership

- Remuneration Committee (Chair)
- Nomination Committee

¹ Anne will step down as Non-Executive Director of Anglo American plc in April 2022.



Rachel Rickard
Company Secretary

Rachel is a Fellow of the Chartered Governance Institute with more than 20 years' experience gained across a variety of industries and sectors in FTSE 100 and FTSE 250 listed companies, including three years within the financial services sector.

As Company Secretary, Rachel is responsible for advising the Board, through the Chairman, on all governance matters.

Applying the key principles of the Code

The Board of Harbour Energy is committed to strong governance across all the Company's activities. The table below summarises how the Company has applied the Main Principles of the UK Corporate Governance Code and where further information on each Principle can be found in this Annual Report.

1 Board leadership and company purpose

Application of the Main Principles

A. The Company is led by a Board of Directors who hold the Chief Executive Officer and the Leadership Team to a very high standard. The Board includes two appointees from EIG, the Company's largest shareholder, but is majority independent.

Further information
Board of Directors: **P58**

B. Shortly after completion of the Merger on 31 March 2021, the Board met to define the Company's purpose and strategic scope. An in-depth review of the Company's strategy was presented at the Capital Markets Day in December 2021. A key focus area for the Board in 2022 will be on establishing and developing a culture that supports these stated objectives.

Further information
How we create value: **P12**
Our culture and values: **P20**

C. As part of the process of defining the Company's strategic support, the Board also approved a robust financial framework, underpinned by prudent capital allocation. In addition, work undertaken by the Audit and Risk Committee since the Merger – building on systems and processes within the two legacy companies – means that the Company has an effective and reliable system of internal control in place.

Further information
Financial review: **P38**
Risk management: **P44**
Audit and Risk Committee report: **P66**

D. Engagement with all of our stakeholders is a priority for the Board. By maintaining good dialogue, we ensure that our objectives are understood and that we receive regular feedback on our strategy, performance and governance which can then be factored into the Board decision-making process.

Further information
Engaging with our stakeholders: **P16**
ESG review: **P28**

E. Following the Merger, the Board, its Committees and the Leadership Team have devoted a significant amount of time to organisational design and establishing ways of working for Harbour Energy. During 2022, implementation of these plans will continue along with the planned rollout of a new Enterprise Management System. Employee engagement and feedback has been and continues to be a key aspect of developing the new organisation.

Further information
Nomination Committee report: **P70**
ESG review: **P28**
Our culture and values: **P20**

2 Division of responsibilities

Application of the Main Principles

F. Whilst the Company's Chairman, R. Blair Thomas, was not regarded as independent on appointment, he brings significant industry knowledge and experience which the Board believes is of great benefit to the Company. The Chairman is responsible for facilitating open conversations and dialogue at Board level and, following an externally led review in 2021, the Board is of the view that the Chairman has been very effective in carrying out this role since the Merger.

Further information
Board of Directors: **P58**

G. The Board is made up of a majority of independent Non-Executive Directors including a very experienced Senior Independent Director in Simon Henry. Given EIG's position as a major shareholder, the Company has entered into a Relationship Agreement with EIG to ensure the Company is able to operate independently and to meet the highest standards of corporate governance.

Further information
Board of Directors: **P58**
Other governance disclosures: **P65**

H. Non-Executive Directors have all committed to devoting sufficient time to the Company to meet their duties. The Company also has robust procedures in place to ensure that proposed new mandates for Non-Executives are thoroughly reviewed to ensure they do not impinge on a Director's ability to discharge their obligations to the Company.

Further information
Board of Directors: **P58**
Nomination Committee report: **P70**

I. The Company Secretary supports the Board and its Committees to ensure they receive accurate and timely information to carry out their function effectively. Where possible, the Leadership Team and the Company Secretary deliver papers to Non-Executive Directors one week in advance of scheduled meetings.

Further information
N/A



Applying the Principles of good governance will support the successful delivery of long-term value for all of our stakeholders.

R. BLAIR THOMAS
Chairman

3 Composition, succession and evaluation

Application of the Main Principles

J.
The Company's Nomination Committee is responsible for ensuring that plans are in place for orderly succession to the Board and senior management positions with due regard to the skills, knowledge, experience and diversity required to execute the Company's strategy.

Further information
Nomination Committee report: **P70**

K.
The Board ensures that Committees are comprised of Non-Executive Directors with a balance of skills, experience and knowledge appropriate for each Committee. Following changes to the Board on completion of the Merger, a full review of Committee composition was undertaken to ensure each Committee was appropriately constituted for the new organisation.

Further information
Board of Directors: **P58**

L.
The Board and its Committees undertook an externally facilitated evaluation in late 2021. Given the significant changes to the Board during the year it was noted by the Directors that, whilst it was too early to draw conclusions in some areas, the Board is satisfied that both the Committees and the Board are performing effectively and to a high standard.

Further information
Nomination Committee report: **P70**

4 Audit, risk and internal control

Application of the Main Principles

M.
The Audit and Risk Committee has met six times since completion of the Merger on 31 March 2021 and has devoted a significant amount of its time to ensuring policies and procedures with respect to internal and external audit are effective. A competitive tender process for the role of external auditor was undertaken in 2021 resulting in the appointment of Ernst & Young LLP as the Company's auditor.

Further information
Audit and Risk Committee report: **P66**

N.
The Board confirms that, in its view, the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Further information
Audit and Risk Committee report: **P66**
Statement of Directors' responsibilities: **P102**

O.
Building on the good foundations from the two legacy companies, the Audit and Risk Committee has endorsed the framework of internal control and risk management for the new Company, which now includes a dedicated Internal Audit function. The Board and the Audit and Risk Committee have assessed the Company's principal risks and have set the Company's risk appetite which the Directors believe is appropriate for the Group's strategy.

Further information
Audit and Risk Committee report: **P66**
Principal risks: **P48**

5 Remuneration

Application of the Main Principles

P.
On completion of the Merger the Remuneration Committee approved a new Remuneration Policy that reflects the size, scale and strategic ambitions of the enlarged organisation. This Policy received the support of 97 per cent of shareholders who voted at the Company's 2021 AGM.

Further information
Directors' remuneration report: **P74**

Q.
Following the approval of the Company's new Remuneration Policy by shareholders at the 2021 AGM, the Remuneration Committee oversaw the roll out of a new Reward Strategy for the Leadership Team and the rest of the organisation. The Committee believes the Policy and Reward Strategy are appropriate to attract, retain and motivate high calibre executives and employees across the organisation.

Further information
Directors' remuneration report: **P74**
Our culture and values: **P20**

R.
The Remuneration Committee exercised independent judgement and discretion when reviewing and authorising remuneration outcomes associated with the legacy Premier Oil organisation and continues to do so when assessing performance under the new Policy. The Committee receives independent advice from Deloitte, who are founding members of the Remuneration Consultants Group (RCG), and have at all times operated under the RCG's voluntary Code of Conduct in dealings with the Committee.

Further information
Directors' remuneration report: **P74**

The role of the Board

The Board is collectively responsible for the governance of the Company on behalf of Harbour Energy's shareholders and is accountable to them for the long-term success of the Company.

The Board governs the Company in accordance with the authority set out in the Company's Articles of Association and in compliance with the Code. Our governance goes beyond regulatory compliance, putting the interests of all our stakeholders at the heart of the Board's decision-making.

Our Articles of Association are available on the Company's website, whilst a copy of the Code can be accessed at www.frc.org.uk.

R. Blair Thomas
Non-Independent Chairman

Linda Z. Cook
Chief Executive Officer

Alexander Krane
Chief Financial Officer

Simon Henry
Senior Independent
Non-Executive Director

Anne Marie Cannon
Independent Non-Executive Director

G. Steven Farris
Non-Independent
Non-Executive Director

Alan Ferguson
Independent Non-Executive Director

Andy Hopwood
Independent Non-Executive Director

Margareth Øvrum
Independent Non-Executive Director

Anne L. Stevens
Independent Non-Executive Director

Board Committees

The Board has established Audit and Risk, Nomination, HSES and Remuneration Committees. Each Committee has formal terms of reference approved by the Board, copies of which can be found on the Company's website. The Company Secretary provides advice and support to the Board and all Board Committees.

Board Committees are authorised to engage the services of external advisers as they deem necessary.

Details of all of the Committees are set out in the relevant sections of this report.



Audit and Risk Committee

Alan Ferguson (Committee Chair)
Anne Marie Cannon
Simon Henry
Margareth Øvrum

Responsibilities

Keeps under review the effectiveness of the Group's risk management and internal control systems and the programme of reviews co-ordinated by Internal Audit and Risk Management; monitors the integrity of the Company's financial statements and the overall fairness of the Annual Report and Financial Statements.



READ MORE
P66



Nomination Committee

R. Blair Thomas (Committee Chair)
Andy Hopwood
Anne L. Stevens

Responsibilities

Considers Board and Committee structure, composition and succession planning and oversees succession planning and development of senior management. It also leads Board-level engagement with the Company's workforce and assesses and monitors the Company's culture in order to ensure its alignment with the Company's purpose, values and strategy.



READ MORE
P70



HSES Committee

Margareth Øvrum (Committee Chair)
Simon Henry
Andy Hopwood
G. Steven Farris

Responsibilities

To monitor and review the Group's HSES strategy – including related to Net Zero – ensuring the policies and systems within the Group are compliant with HSES regulatory requirements. This Committee also monitors the quality and integrity of the Group's internal and external reporting of HSES performance and issues.



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Remuneration Committee

Anne L. Stevens (Committee Chair)
Anne Marie Cannon
Alan Ferguson

Responsibilities

Ensures that there is an appropriate reward strategy in place for Executive Directors with the intention of aligning their interests with those of shareholders. This Committee also oversees reward strategy for senior management.



READ MORE
P74

Leadership Team

The Leadership Team supports the Chief Executive Officer with the development and implementation of Group strategy, management of the operations of the Company including succession planning, financial planning, risk management, internal control, HSES and corporate responsibility.

North Sea operations

International operations

Functional oversight and support

Other governance disclosures

The Company was fully compliant with the UK Corporate Governance Code (the Code) throughout 2021 with the exception of Provision 9 regarding the independence of the Chairman on appointment.

Further details on this and other governance matters are provided below.

Compliance with the Code

Under Provision 9 of the Code, “the chair should be independent on appointment when assessed against the circumstances set out in Provision 10”. R. Blair Thomas, the Company’s Chairman, did not meet the independence criteria of Provision 10 of the Code by virtue of being appointed pursuant to EIG’s right to appoint up to two directors to the Board of Directors under the Relationship Agreement (further details of which are set out below).

Blair has more than 30 years’ experience in the investment management business, with a focus on energy and energy-related infrastructure, and he was a member of the Board of Directors of Chrysaor Holdings Limited between 2017 until completion of the Merger. The Board believes that Blair’s industry experience and knowledge of Chrysaor justified his appointment as Chairman and is of continuing benefit to the Group and shareholders as a whole. The Board is comprised of a majority of independent Non-Executive Directors, including a very experienced Senior Independent Director in Simon Henry. The Independent Non-Executive Directors meet regularly without the EIG-appointed Directors present, with those meetings being chaired by Simon Henry. The Board is therefore of the view that there is sufficient independent challenge and judgement within the boardroom.

Relationship Agreement

Due to its 36.73 per cent shareholding in the Group, EIG (through its wholly owned subsidiary Harbour North Sea Holdings Limited) is deemed a controlling shareholder for the purposes of the Listing Rules. As a result, the Company has entered into a Relationship Agreement with EIG (the Relationship Agreement).

Notwithstanding EIG’s position as a controlling shareholder, the Directors believe the Company is still able to carry on an independent business. The Relationship Agreement took effect on completion of the Merger in March 2021 and will continue in force unless and until EIG and its affiliates cease to own 10 per cent or more of the Ordinary Shares or the voting rights attaching to the Ordinary Shares. EIG may terminate the Relationship Agreement in certain circumstances, including where the Ordinary Shares cease to be admitted to the premium listing segment of the Official List and admitted to trading to the London Stock Exchange’s main market for listed securities. In addition, the Relationship Agreement complies with the independence provisions set out in Listing Rules 6.5.4R and 9.2.2ADR.

Under the Relationship Agreement, EIG is entitled to nominate one non-executive director for appointment to the Board so long as it holds between 10 per cent and 25 per cent of the issued shares of the Company, and two non-executive directors for so long as it holds over 25 per cent of the shares. At the current time, R. Blair Thomas (Chairman) and Steve Farris (Non-Executive Director) are EIG’s nominated appointees. In addition, EIG undertakes that it shall not:

- take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules;
- propose or procure the proposal of a shareholder resolution of the Company which is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- exercise any of its voting rights in the Company in a way that would be inconsistent with, or breach any of the provisions of, the Relationship Agreement;

- influence the day-to-day running of the Company at an operational level and shall allow the Company to operate on an independent basis;
- vote its Ordinary Shares (and shall use its reasonable endeavours to procure that any director appointed by it does not vote his or her shares) in a manner that would prevent the Company from operating and making decisions for the benefit of shareholders of the Company as a whole; and
- act in a manner which would be inconsistent with the independence of the Board being maintained in accordance with the rules of the London Stock Exchange or the FCA applicable to the Company, including the Listing Rules and the UK Corporate Governance Code.

In accordance with the Listing Rules, the Board confirms that, throughout the period under review:

- the Company has complied with the undertakings included in the Relationship Agreement;
- so far as the Company is aware, EIG and its associates have complied with the undertakings in the Relationship Agreement; and
- so far as the Company is aware, EIG has complied with the obligation included in the Relationship Agreement to procure the compliance of its associates with the undertakings in the Relationship Agreement.

Audit and Risk Committee report

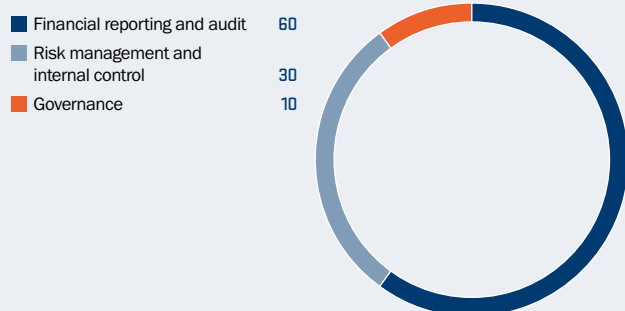
ALAN FERGUSON
Committee Chair



Members ^{1,3}	Meetings attended (eligible to attend)
Alan Ferguson (Committee Chair)	6(6)
Anne Marie Cannon ²	6(6)
Simon Henry	6(6)
Margareth Øvrum	6(6)

- 1 Alan Ferguson, Simon Henry and Margareth Øvrum joined the Committee on completion of the Merger.
- 2 Anne Marie Cannon also served on the Premier Oil Audit and Risk Committee.
- 3 Iain Macdonald, Dave Blackwood and Mike Wheeler served on the Premier Oil Audit and Risk Committee, stepping down on completion of the Merger.

How the Committee spent its time during the year (%)



Role of the Committee

- Monitors the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance and the significant financial reporting judgements they contain.
- Reviews the external auditors' independence and objectivity and the effectiveness and quality of the audit process.
- Monitors and reviews the effectiveness of the Company's risk management and internal control systems, including in particular the identification of emerging risks and the effectiveness of actions taken to mitigate them, together with the results of the programme of reviews of these systems and management's response to the review findings.
- Monitors and reviews the effectiveness and objectivity of the Company's Internal Audit function, the appropriateness of its work plan, the results of reviews undertaken, and the adequacy of management's response to matters raised.
- Develops and implements policy on the engagement of the external auditors to supply non-audit services.
- Monitors the enforcement of the Company's Global Code of Conduct and the adequacy and security of its whistleblowing procedure.

Dear fellow shareholder,

I am pleased to present the **Audit and Risk Committee's (the Committee) report for 2021**. The objective of this report is to provide a summary of the Committee's work in ensuring that the interests of the Company's stakeholders are protected through a robust system of risk management and transparent financial reporting.

I assumed the position of Chair of the Harbour Audit and Risk Committee following the completion of the Merger on 31 March 2021.

Key activities during the year

The Committee held six scheduled meetings during 2021. A further two meetings were held in 2022, prior to the publication of this Annual Report & Accounts. In addition to the members of the Committee listed on this page, meetings of the Committee were normally also attended by the Chief Executive Officer, the President & CEO Europe, the Chief Financial Officer, the Corporate Controller, the VP Internal Audit and Risk Management, the Group General Counsel, the Company Secretary, the Deputy Company Secretary, and the external auditors. Other senior managers are required to attend when significant audit and risk management matters relating to their area of responsibility are considered by the Committee. During the year, the Committee met privately with the VP Internal Audit and Risk Management and with the Company's external auditors. The Committee also undertook an externally facilitated review of its effectiveness on 1 December 2021.

The Committee met for the first time under my leadership in April to recommend the selection of the proposed external auditors to the Board following a competitive audit tender process. The Committee also received presentations on the outcome of the Financial Position and Prospect (FPP) Procedures undertaken as part of the Merger process, the 2020 Auditor Letters issued by both legacy external auditors, future financial and management reporting matters, and the control environment in place following the completion of the Merger. The Committee also reviewed and endorsed the planned schedule of Internal Audits for the year. Finally, the Committee reviewed and subsequently approved a number of amendments to the Committee terms of reference.

Financial judgements and internal control matters

The Committee considered the following significant judgements, estimates and internal control matters in preparing the 2021 Annual Report & Accounts, coming to the following conclusions:

Going concern

The Directors are required to consider the appropriateness of adopting the going concern basis of accounting. The Committee reviewed management's projections of the Group's liquidity position. Key assumptions in the projections included those related to oil and gas prices during the period. The Committee concluded that it is satisfied that the judgements applied in making the assumptions and estimates that underpin the forecasts and projections have been exercised in an appropriate manner. The going concern statement included on page 43 is fair and balanced.

Purchase price accounting

In assessing the purchase price accounting for the Merger, the Committee reviewed and challenged:

- management's key assumptions for valuing the acquired assets. This included approval of management's long-term planning assumptions for crude oil prices of \$65/bbl in real terms and UK NBP gas prices of 60p/therm in real terms, adjusted for the Group's hedging programme;
- valuations of intangible exploration and evaluation (E&E) assets taking into account the various valuations available which comprise financial carrying values, expected monetary valuations from discounted cash flows and potential sale proceeds from disposal initiatives;
- management's key assumptions for decommissioning provisions; and
- recoverability of tax credits associated with the items above.

Impairment of tangible and intangible properties

In assessing indicators of impairment or reversals of previous impairments, the Committee:

- reviewed and challenged management's key assumptions for oil and gas properties, including the long-term planning assumptions and future oil and gas prices; and
- taking account of available market data, approved management's long-term planning assumptions for crude oil prices of \$75/bbl in 2022, \$70/bbl in 2023, and \$65/bbl (in real terms) thereafter and for UK NBP gas prices of 150p/therm in 2022, 100p/therm in 2023 and 60p/therm (in real terms) thereafter, adjusted for the Group's hedging programme.

The Committee was satisfied that the most significant assumptions on which the amount of the impairment charge is based are future commodity prices, the discount rate applied to the forecast future cash flows and the decommissioning provisions. The Committee considered the disclosure of the sensitivity of the impairment charge to changes in the commodity prices, as set out in note 12 to the financial statements on page 139, to be appropriate.

The Committee noted that estimates of the Group's oil and gas proven and probable reserves prepared by independent reservoir engineers were within one per cent of management's estimates.

The Committee assessed the carrying values of E&E assets and whether any indicators of impairment exist in relation to these assets. The Committee reviewed the oil and gas resources estimates and maturation reports from management and satisfied itself that the resource movements in the year and balances at year-end were appropriately prepared and supported and that the corresponding E&E asset carrying balances and income statement charges were aligned with the resources reports. Details of the Group's intangible E&E assets are provided in note 11 to the financial statements on page 138.

Oil and gas reserves and resources

The Committee considered reports from management on the process applied to determine the oil and gas reserves and resources estimates, addressing in particular the extent to which the methodology and techniques applied by the Company were generally accepted industry practice, whether the methodology and techniques applied were consistent with those applied in prior years, and the experience and expertise of the managers who prepared and reviewed the estimates. The Committee noted that estimates of the Group's oil and gas proven and probable reserves prepared by independent reservoir engineers were within one per cent of management's estimates.

The Committee discussed with management the main reasons for the difference between the two estimates and was satisfied that it was appropriate to apply management's estimates for the purpose of preparing the financial statements.

Provisions for decommissioning

The Committee discussed with management the estimation process and the basis for the principal assumptions underlying the cost estimates for future decommissioning activity, noting in particular the reasons for any major changes in estimates as compared with the previous year. The Committee was satisfied that the approach applied was fair and reasonable. The Committee was also satisfied that the combination of discount and contracted rig rates used to calculate the provision was appropriate. Further information on decommissioning provisions is provided in note 20 to the financial statements on page 145.

Taxation

The Committee discussed with management their projections of probable UK taxable profits and noted that these projections include existing producing assets and certain currently unsanctioned UK development projects. The projections use underlying assumptions which are consistent with those used in the asset impairment review and support the recognition of a net deferred tax asset. Further details of the deferred tax asset and the assumptions used to estimate the amount of tax recoverable in respect of tax losses and allowances are provided in note 8 to the financial statements on page 135.

The Committee spent considerable time during the year reviewing the significant financial reporting judgements and key accounting estimates associated with the Company's full and half-year results. In this work the impact of climate change and the energy transition was considered recognising in particular the uncertainty around the scale and timing of such impacts. The Committee reviewed, in particular, judgements and key accounting estimates for the Merger, the impairment and decommissioning provision assessments, the appropriateness of the financial modelling work that supported the going concern recommendations, and the clarity and completeness of disclosures in the financial statements. More detail about the work of the Committee in relation to financial reporting judgements can be found in the panel opposite.

During the year, the Committee received reports on the outcome of the Internal Audits conducted over the period. The audits reviewed included treasury controls, cyber security and UK financial controls in the legacy Premier business, and the project to implement a Company-wide Enterprise Management System (EMS). In reviewing these reports the Committee took note of any significant findings and the closeout of the actions agreed as a result of these audits. The Committee also reviewed and endorsed the Internal Audit plan for 2022.

Through the year the Committee also received presentations on risk management matters in support of its duty to monitor and review the effectiveness of the Company's risk management and internal control systems. Presentations included the control environment in place on the completion of the Merger; the risk management framework being implemented across the business; mapping of the sources of assurance to assure effective control across key risk areas; ethics and compliance matters; and a proposal to develop an Audit and Assurance policy document. There was also a 'deep dive' presentation on cyber security as the first of a series of management led presentations to support understanding and alignment on specific risk matters. The Committee also reviewed the processes in place for understanding the principal and emerging risks facing the business, in support of the Board's review during the year.

Audit and Risk Committee report continued

In the March 2022 meeting, the Committee completed its annual review of the effectiveness of the Company's risk management and internal control systems so as to be able to approve the statements on the risk management framework in the Risk management section of the Strategic Report on page 46. It also completed its annual review of the processes in place to prepare the Annual Report & Accounts in order to support the Statement of Directors' responsibilities on page 102.

Risk management and internal control

The Committee is responsible for reviewing the effectiveness of the Company's risk management and internal control systems (also known as its risk management framework). The framework is discussed more fully on pages 44 to 46 of the Risk management section.

The framework includes specific internal controls governing the financial reporting process and preparation of financial statements. These systems include clear policies, standards and procedures for ensuring that the Company's financial reporting processes and the preparation of its consolidated accounts comply with relevant regulatory reporting requirements. These policies are applied consistently by the corporate finance reporting teams and in each business area involved in the preparation of the financial results.

Management representations covering compliance with relevant policies and the accuracy of financial information are collated on a biannual basis. Detailed management accounts for each reporting business unit are prepared monthly and subject to management review. These reports detail the performance of the business and support the preparation and processes for external financial reporting.

Internal Audit

On the completion of the Merger, the Committee endorsed management's recommendation for an Internal Audit function, reflecting the increased size, complexity and risk profile of the enlarged business. The function is resourced through an external co-source arrangement and led and managed by the VP Internal Audit and Risk Management. The Committee reviewed and endorsed the Internal Audit plan for the year and supported its budget and resource requirements. The Internal Audit plan is focused on the most significant risks facing the Company and takes account of other sources of assurance to avoid duplication. During 2021 the COVID-19 pandemic restricted physical access and so most audits were carried out remotely. The Committee received reports on Internal Audit findings at each meeting, noting any significant findings and the closeout of actions agreed as a result of the audits. The Committee met twice with the VP Internal Audit and Risk Management without management present, and the Committee Chair also held private meetings with her in between Committee meetings.

Auditors' independence and objectivity

The Committee is responsible for making recommendations to the Board on the appointment of the Group's external auditors and to oversee the Board's relationship with the external auditors.

Following a competitive tender process between the two incumbent external audit firms prior to the Merger, the Committee recommended to the Board the appointment of Ernst & Young LLP (EY) as the Group's external auditors. The Committee agreed to a more limited tender due to the Merger and the tight timetable to the 2021 Interim Results. The appointment will be effective for up to five years at which point the Company will run a full competitive tender process. Shareholders subsequently approved the appointment of EY at the 2021 AGM to audit the 2021 financial statements. Furthermore, the Committee can confirm that the Company fully complies with the provisions of the Statutory Audit Services Order 2014.

The Committee regularly reviews the independence and objectivity of the auditors which considers the overall relationship between the auditors and the Group. This review considers feedback from the Group's finance function and from the auditors, the nature and extent of non-audit services provided by the auditors, and takes account of the safeguards established by the auditors against loss of audit independence, including rotation of the audit engagement partner which is required every five years.

The Committee believes that certain limited non-audit work may be carried out by the auditors without compromising their independence and objectivity. The allocation of non-audit work is considered by reference to the Company's policy on the provision of non-audit services by the auditors.¹ During 2021, this included services relating to reporting accountant services in respect of the Company's Interim review (£220k), the bond issuance in October 2021 and the performance of certain agreed-upon-procedures engagements. The total non-audit services fee for these activities was £480k. Any non-audit work of this nature requires approval by the Committee. Prior to the Merger, EY provided tax services to Chrysaor which were ceased ahead of the regulatory deadlines on provision of non-audit services. The Committee approves the fees for the full-year audit and half-yearly review after reviewing the scope of work to be performed, and reviews the scope and fees for potential non-audit assignments to the auditors to satisfy itself that the assignments concerned do not give rise to threats to the auditors' independence and objectivity. The global audit fee for the 2021 audit work amounted to £2,018k. Further details of the fees paid are set out in note 5 to the financial statements on page 132.

1 The Company's policy is available in the Audit and Risk section in the Governance area of its website: harbourenergy.com/about-us/governance.

The Committee Chair holds private meetings with the audit partner throughout the year. These meetings provide an opportunity for open discussion with the auditors. In addition the Committee meets with the auditors without management present. Matters discussed included the auditors' assessment of significant financial risks and the performance of management in addressing these risks, the auditors' opinion of management's role in fulfilling obligations for the maintenance of internal controls, the transparency and responsiveness of interactions with management, confirmation that no restrictions have been placed on it by management, maintaining the independence of the audit, and how it has exercised professional challenge.

EY are required to confirm to the Committee that they have both the appropriate independence and objectivity to allow them to continue to serve the Group. The Committee also requires the auditors to confirm that in providing non-audit services, they comply with the Ethical Standards for Auditors issued by the UK Auditing Practices Board. This confirmation was received for 2021.

External audit effectiveness and quality

The Committee has a responsibility for assessing the effectiveness and quality of the audit process.

The Committee reviewed the auditors' work plan at the start of the audit cycle, considering in particular the auditors' assessment of the significant areas of risk in the Group's financial statements. Details of the significant risks and judgement areas can be found on page 67.

For 2021, the significant areas of risk corresponded with the major areas of judgement and estimates identified by the Committee. At the conclusion of the audit, the Committee discussed with the auditors the findings of the audit, including key accounting and audit judgements and estimates, the level of errors identified during the audit, the recommendations made to management by the auditors and management's response. The Committee met privately with the auditors in September 2021 and March 2022 at the conclusion of the 2021 audit.

The Committee also assessed the effectiveness and quality of the audit process, based on its own experience and on feedback from the corporate and business finance teams, and considered in particular:

- the experience and expertise of the audit team;
- the auditors' fulfilment of the agreed audit plan and any variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements;
- the quality of the auditors' recommendations for financial reporting process and control improvements; and
- delivery against commitments made in the tender presentations.

As part of this review, the Committee also sought assessments from management, Committee members and senior finance staff.

Based on its review of the effectiveness and quality of the 2021 audit process and the independence and objectivity of the auditors, the Committee concluded that the auditors' effectiveness and independence have not been impaired in any way and that the audit process was operating effectively, and it has reported accordingly to the Board.

Committee evaluation

As part of the externally facilitated Board and Committee evaluation, the Committee discussed the assessment of its own performance and agreed actions for the coming year. More detail on the evaluation process and outcomes are provided in the Nomination Committee report.

Finally I would like to thank my fellow Committee members and the management team for their efforts and support. This was a challenging year for a new Committee given the need for an audit tender, reverse takeover accounting and a significant purchase price allocation process, while establishing a unified control environment for the new organisation. There is still more to do and areas of focus in 2022 will include further reviews of the planned implementation of a single EMS system and deep dives into a number of principal risk areas such as commodity price exposure and information and cyber security.

On behalf of the Audit and Risk Committee:

ALAN FERGUSON
Committee Chair

Nomination Committee report

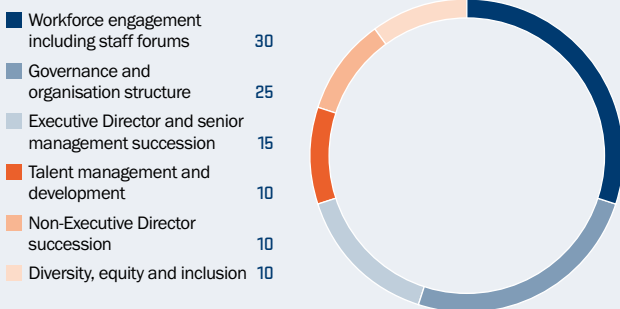
R. BLAIR THOMAS
Committee Chair



Members ^{1,2}	Meetings attended (eligible to attend)
R. Blair Thomas (Committee Chair)	2(2)
Andy Hopwood	2(2)
Anne L. Stevens	2(2)

- R. Blair Thomas, Andy Hopwood and Anne L. Stevens joined the Committee on completion of the Merger.
- Roy A. Franklin, Dave Blackwood, Anne Marie Cannon, Iain MacDonald, Elisabeth Proust and Mike Wheeler served on the Premier Oil Nomination Committee, stepping down on completion of the Merger.

How the Committee spent its time during the year (%)



Role of the Committee

- To plan Board member succession and oversee plans for senior management succession, taking into account the strategy of the Company and the skills, knowledge, diversity and experience required to deliver the strategy; and to oversee the development of a diverse pipeline for succession to Board and senior management positions.
- To keep under review the structure, size and composition of the Board and Committees.
- To lead the process for the annual Board and Committee effectiveness evaluation process and oversee the results and actions.
- To lead the process for Board appointments, ensuring that the procedure is formal, rigorous and transparent, and identifying and nominating candidates for the Board's approval.
- To lead Board-level engagement with the Company's workforce, enabling the workforce to raise matters of concern.
- To assess and monitor the Company's culture in order to ensure that it is aligned with the Company's purpose, values and strategy.

Dear shareholder,

During 2021, the Nomination Committee focused its attention on organisation design and leadership, workforce engagement, Board and Committee evaluation and a review of the Committee's remit and terms of reference.

Board and Committee changes and composition

2021 was a unique year, with an entirely new group of Directors brought together to lead Harbour Energy on completion of the Merger. An external search agency, Spencer Stuart, supported the process with candidates selected set out in the Prospectus and subsequent market announcements prior to completion of the Merger. The process was designed to ensure the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to lead Harbour effectively. The composition of the Committees was also carefully designed to ensure they consist of the appropriate combination of skills, experience, independence, knowledge and diversity, and that non-executive members are not overly committed elsewhere. These processes were completed prior to the Merger and therefore the Committee was not formally involved.

In December 2021 the Committee reviewed the constitution of the Board and Committees, alongside the performance review process for the first eight months of working together post Merger.

Externally facilitated Board and Committee evaluation process

During the year, when reviewing the Committee's terms of reference, it was proposed that the Committee oversee both the process and overall outcomes of the Board, Committee and individual performance evaluation going forward.

In June 2021, the Committee approved a three-year Board development programme with Lintstock selected as the external facilitator. Lintstock worked with the Chairman and Company Secretary to design surveys to support the overall process, including in relation to the performance of the Board, its Committees and individual Directors. These surveys were completed by all Directors. The results were compiled in reports written by Lintstock which were used as a basis for discussion and formulation of action plans.

It is intended that in addition to the surveys, externally facilitated interviews will be held in autumn 2022. Topics identified for further focus in 2022 and beyond included:

- Diversity
- Employee engagement and Company culture
- Board interaction with management below the executive level
- Operational performance and cyber risk
- Succession planning and talent management

The Committee took into account the findings of the evaluation and concluded that each Director continues to contribute effectively. The Committee and the Board are therefore unanimous in recommending all Directors for re-election at the 2022 AGM.

Organisational design and structure

A significant organisation design review project was undertaken following the Merger on 31 March 2021. The Committee oversaw the process and considered the composition of the top three tiers of the organisation, including diversity, and to ensure a balance of staff selected from across legacy organisations as well as new hires.

Workforce engagement

In 2021, the Committee agreed with the establishment of a workforce advisory panel to be used as a basis for engagement in line with the options set out in the UK Corporate Governance Code. Staff in Harbour's operating regions and corporate offices elect representatives to local staff forums. These local forums are facilitated by Human Resources but owned by the staff representatives themselves, under a Forum Charter communicated throughout the Group. The Group Staff Forum, which includes the staff members who chair the Aberdeen, Indonesia, London and Vietnam Forums, meets at least annually with the CEO, Anne Marie Cannon, Andy Hopwood and other members of the Board. The Nomination Committee receives regular updates on the actions arising from the feedback provided and reviews progress achieved. The CEO has committed to holding more frequent informal sessions with the Group Staff Forum throughout the year.

The Group Staff Forum met with members of the Committee and Board in October 2021 and again in January 2022. A range of topics was selected by Forum members, with discussion including the process to merge the organisations, employee development, Company culture, communication and hybrid working. A presentation on executive compensation and alignment with workforce remuneration was also given to Forum members with discussion held afterwards. Outcomes and actions suggested by the Global Staff Forum were reviewed by the Leadership Team, and Nomination Committee, and reported to the Board.

Diversity, equity and inclusion

The Board recognises that diversity, equity and inclusion are essential both for the Board and throughout Harbour. All appointments are made based on merit, experience and performance and whilst actively seeking diversity of skills, gender, social and ethnic backgrounds, cognitive and personal strengths. The Committee's oversight role includes ensuring that diversity, equity and inclusion are integrated into our Business Management System, HR standards and recruitment processes, and remain front of mind as we continue to build Harbour's corporate culture.

The objective of our Board Diversity Policy, which the Committee reviews annually, is to ensure the optimal composition of the Board for successfully delivering the Company's strategy. The Committee's policy is to embrace diversity in its broadest sense, including gender, ethnic and social diversity but without setting formal, measurable objectives at this time.

The Committee is mindful of the Hampton-Alexander target on gender diversity, that women should constitute at least one third of the membership of FTSE 350 company boards. Harbour's Board met the Hampton-Alexander target from completion of the Merger on 31 March 2021 with 36 per cent of the Board being female from that point, including our Chief Executive Officer. As at 16 March 2022, 40 per cent of the Board is female. With regard to senior management gender diversity, women represent 35 per cent of the Leadership Team and its direct reports. As Harbour moves forward into 2022, we expect efforts in the diversity, equity and inclusion area to increase to ensure our approach is fit for the Company's ongoing strategy.

The Committee is fully aware and supportive of the Parker Review recommendations that FTSE 250 boards should include a non-white board director by 2024. One of Harbour's Board members identifies as being from multiple ethnic groups. While we have not set targets in relation to the Parker Review recommendations, and notwithstanding that Harbour meets this recommendation today, this recommendation will also be borne in mind in any future recruitment processes.

Further details of the Board's composition are outlined on pages 58 to 61.

Committee remit

During 2021 the Committee reviewed its terms of reference and recommended to the Board that its scope be widened to include:

- approval of the process, and oversight of the results, of the Board Committees and individual Director performance evaluation; and
- oversight of the Board's governance arrangements including compliance with the UK Corporate Governance Code.

The Board adopted the amended terms of reference in January 2022.

Succession planning

The Committee's remit includes responsibility for reviewing the needs of the Company, both at Executive and Non-Executive levels, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace, including contingency planning for any sudden or unforeseen circumstances. As the new Board continues to establish itself and develop during 2022, the Committee will turn its attention to ensuring that a robust succession plan is in place for all Board positions and key roles in the wider organisation. This work will include a review of the leadership potential of senior executives below Board level to ensure that your Company is equipped with the skills, knowledge and experience to grow and thrive.

R. BLAIR THOMAS Committee Chair

HSES Committee report

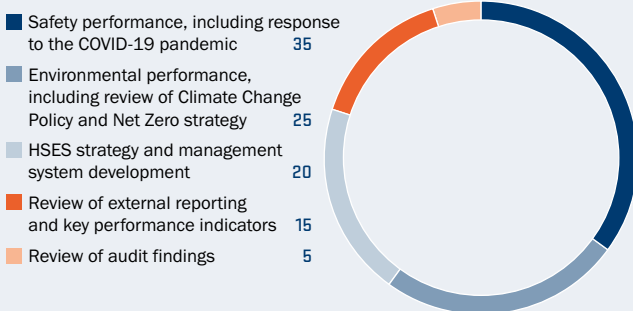
MARGARETH ØVRUM
Committee Chair



Members ^{1,2}	Meetings attended (eligible to attend)
Margareth Øvrum (Committee Chair)	3(3)
Simon Henry	3(3)
Andy Hopwood	3(3)
G. Steven Farris	3(3)

- Margareth Øvrum, Simon Henry, Andy Hopwood and G. Steven Farris joined the Committee on completion of the Merger.
- Dave Blackwood and Elisabeth Proust were members of the Premier Oil HSES Committee, stepping down on completion of the Merger.

How the Committee spent its time during the year (%)



Role of the Committee

- To monitor and review the Group's HSES strategy including related to Net Zero and the energy transition.
- To evaluate the effectiveness of the Group's policies and systems for delivering the Group's HSES strategy.
- To monitor the quality and integrity of the Group's internal and external reporting of HSES performance and issues.
- To assess the policies and systems within the Group for ensuring compliance with HSES regulatory requirements.

Dear shareholder,

HSES (Health, Safety, Environment and Security) is a fundamental part of our business and as Committee Chair, I am pleased to be able to report on the activities of the Board HSES Committee in 2021.

HSES is and always should be Harbour's and my own undisputed priority. Safety is about being accountable, visible and engaged and we need to put safety first in everything we do. Sound environmental management has always been important to the oil and gas industry but the increasing focus on combatting climate change and the energy transition has made this crucial to Harbour's licence to operate. The HSES Committee has and will continue to devote significant time to these topics.

I was appointed by the Board to act as Chair of the HSES Committee, alongside three other Non-Executive Directors. The Committee meets at least three times a year and I report formally to the Board as to how the Committee has discharged its duties. I am also available to discuss these matters with shareholders should they wish to do so.

Key activities during the year

At the first meeting in June 2021, the governance of the HSES Committee was discussed including its terms of reference and annual meeting agenda and work plan.

In line with the agreed standing agenda, at all of its meetings the Committee reviews:

- HSES performance against the Company's HSES key performance indicators (KPIs);
- any serious incidents and high potential incidents (HiPos) that have occurred in the business, receiving reports from management on the specific details of an incident, the root causes, and any remedial actions being taken; and
- the results of HSES focused audits and the status of associated actions raised to close any findings raised.

The impacts of COVID-19 and the Company's response were discussed at each Committee meeting throughout the year. The June 2021 meeting reviewed HSES benchmarking data showing the Company's performance against its peers. The Committee also reviewed 2021 HSES priorities and ensured these and all HSES efforts were properly resourced. Focus areas centred on issuing a standard modified set of Harbour Energy Life Saving

Rules and the introduction of Process Safety Fundamentals, to support Harbour’s strategic goal to be recognised within the industry for process safety excellence.

At its September meeting, the Committee received presentations on key HSES focus areas including:

- safety-critical maintenance work, which highlighted that the backlog of maintenance work was much lower than industry standards; and
- dropped objects management, which has been a focus area across all its regions and operations with active programmes aimed at reducing the frequency of dropped object events by taking a proactive and preventative approach offshore and through the supply chain.

The main focus, however, for the September meeting was the Company’s work in response to climate change and energy transition.

The Committee reviewed the Net Zero 2035 strategy and associated action plan. Discussions covered both emissions reduction initiatives and options for emissions offsetting.

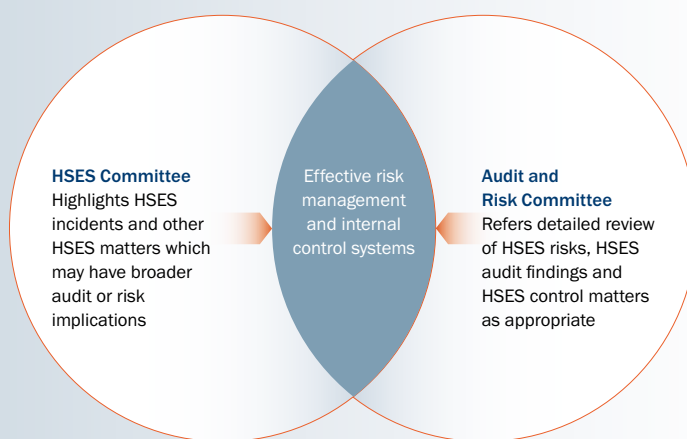
The Company’s Emissions Reduction ‘Hopper’ was presented, with its stated aim to balance stable production with material reductions in emissions from existing operations. A high level summary of emissions reduction projects was presented with management highlighting the efforts being made to galvanise the organisation to bring additional ideas forward to reduce emissions and help meet the Company’s Net Zero goal.

Various strategic considerations with regard to an offsetting programme were discussed, covering both short-term and longer-term offsetting plans and a designed focus on a blend of different offsetting schemes. At the end of the discussion the Committee approved the Net Zero 2035 strategy and plan and, in doing so, re-emphasised to management the importance of the Emissions Reduction Hopper in meeting the Net Zero goal.

The Committee also received detailed presentations on Harbour’s two UK CO₂ Capture and Storage projects that at the time were competing for government funding: the V Net Zero Cluster located in the Humber region and the Scottish Cluster (Acorn Project) in the North East of Scotland, with the Committee giving its endorsement for continuing with both projects.

Relationship between the HSES Committee and the Audit and Risk Committee

The HSES Committee is responsible for HSES strategy and performance, whilst the Audit and Risk Committee monitors and reviews the effectiveness of the Group’s risk management and internal control systems.



The final HSES Committee meeting of 2021 was held in December, with the Committee reviewing HSES plans for 2022, which are focused on six strategic priorities namely:

- Safe Operations
- Process Safety and Learning
- Assurance
- People
- Environment, Social and Governance; and
- Integration

A draft of a proposed new HSES Management System Framework for Harbour Energy, to be published in 2022, was reviewed and endorsed. Following on from the September meeting, at the request of the Committee, there was a more in depth review of emissions reduction projects, both those already implemented and those in various stages of development. Discussion focused on work programmes to reduce flaring and methane emissions and the Committee endorsed ongoing efforts in these areas.

The Committee discussed the Company’s efforts to manage process safety with management, highlighting the tools, leadership training and awareness programmes being implemented to manage major accident risks at Harbour Energy. The Committee also reviewed its effectiveness over the course of the year and discussed plans for HSES engagement in 2022, including plans for direct engagement with the organisation to obtain feedback from various levels of management on HSES performance and strategy, in addition to scheduled Committee meetings.

In early 2022, members of the Committee and other Non-Executive Directors held a virtual visit with key operations and other staff from the Company’s Aberdeen office. We intend to continue with this direct engagement at least annually.

MARGARETH ØVRUM
Committee Chair

Directors' remuneration report

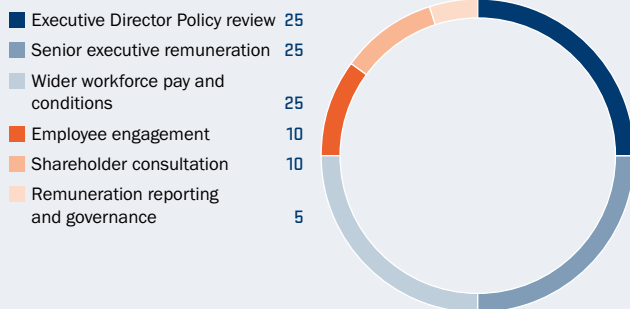
ANNE L. STEVENS
Committee Chair



Members ^{1,3}	Meetings attended (eligible to attend)
Anne L. Stevens (Committee Chair)	6(6)
Anne Marie Cannon ²	6(6)
Alan Ferguson	6(6)

- 1 Anne L. Stevens and Alan Ferguson joined the Harbour Energy Remuneration Committee on completion of the Merger.
- 2 Anne Marie Cannon also served on the Premier Oil Remuneration Committee.
- 3 Mike Wheeler and Roy A. Franklin served on the Premier Oil Remuneration Committee, stepping down on completion of the Merger.

How the Committee spent its time during the year (%)



Role of the Committee

- Develop and maintain a Remuneration Policy that rewards fairly and responsibly, and attracts, retains and motivates employees to enable the Company to meet its objectives, taking into account the long-term interests of employees, shareholders and other long-term stakeholders.
- Consider and approve the remuneration arrangements for the Chairman, the Executive Directors and other senior executives as determined by the Committee.
- Exercise oversight of the pay and performance conditions across the Group.

Compliance statement

- This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in the auditors' opinion, those parts of the report have been properly prepared in accordance with the above regulations. The Chair's Annual Statement and the Policy Report are not subject to audit. The sections of the Annual Report on Remuneration that are subject to audit are indicated accordingly.

Dear shareholder,

On behalf of the Board, I am pleased to present the first Directors' Remuneration Report for Harbour Energy, which was formed on 31 March 2021 following the Merger of Premier Oil and Chrysaor.

Following the completion of the Merger, all Non-Executive Directors, other than Anne Marie Cannon, stepped down from the Premier Oil Board and a new Board and Remuneration Committee for Harbour Energy were appointed. Our immediate area of focus as a new Committee was to design the remuneration framework for the Executive Directors, and Harbour Energy's first Directors' Remuneration Policy was published in our Notice of AGM for the 2021 AGM. We were pleased that over 97 per cent of our shareholders were supportive of the Policy and voted in favour of the resolution at the AGM on 23 June 2021. The Policy is reproduced on pages 77 to 85 for information only.

This report sets out how the Policy operated in 2021 and how we intend to implement it for 2022. Together with this Annual Statement, it will be put to an advisory vote at the AGM on 11 May 2022.

Directors' Remuneration Policy

The Merger of Premier Oil and Chrysaor to form Harbour Energy created the largest UK listed independent oil and gas company, which in its first year has delivered a solid set of financial and non-financial results.

Our strategy is to continue building a global diversified oil and gas company by reinvesting in our existing asset base, while aiming to establish material production in another region over time. In 2021, the Company safely produced 175 kboepd and delivered free cash flow of \$678 million. 2021 has seen successful drilling at a number of sites, supporting future production. In addition, the exit from Brazil and the Falkland Islands has ensured the alignment of the portfolio with our strategy. The integration of Premier Oil and Chrysaor is already leading to significant synergies, which will increase over the near term. We have a diverse portfolio of growth projects and a strategy for additional, disciplined M&A, with a sustainable dividend policy and debt repayment, all underpinned by a continued focus on safety and progress towards Net Zero by 2035. The Company

has exciting potential for the future, enabled by our high quality asset base, financial flexibility and capacity to consider a wide range of growth opportunities.

As part of our transformation, in early 2021 we appointed three new Executive Directors with extensive skills, expertise and sector knowledge, able to lead us as we execute our future strategy to create a leading, global, independent oil and gas company. Many of our sector peers, with whom we compete for talent, are located outside the UK where pay practices vary. This includes several key competitors in the US where pay levels in the market are commonly higher. It was important that our Policy allowed us to offer reward packages that were competitive in the US and internationally, in order to attract the top global talent in our sector. At the same time, we were aware of the expectations of UK institutional investors and we worked hard to develop an approach which balanced these different factors.

Our Policy has enabled us to offer the right reward packages to attract FTSE 100 calibre executives with extensive global sector experience, which is critical to support our further growth over the three-year life of the Policy. The Policy consists of competitive fixed pay, an annual bonus assessed against a corporate scorecard and a Long Term Incentive Plan (LTIP) focused on the delivery of long-term returns to shareholders. It also contains the best practice features expected by UK shareholders including three-year bonus deferral, a two-year holding period for LTIP awards, discretion, malus and clawback provisions, a post-employment shareholding requirement in line with current views of best practice and pensions that are aligned to the wider workforce. A summary table can be found on page 81.

Prior to the 2021 AGM we consulted with shareholders holding approximately 80 per cent of the issued share capital to seek their views on the Policy, and we were pleased with the levels of support expressed during that process. We will continue to engage regularly with our shareholders on the executive remuneration framework to ensure we continue to receive their support.

Implementation of the Remuneration Policy in 2021

2021 annual bonus

The 2021 annual bonus was based on a scorecard of performance measures with five categories: safety & environment,

operations, growth, capital deployment and financial. In terms of performance, cash flow generation was particularly strong and greenhouse gas emissions from our operations were better than forecast. We also made good progress on our capital programme. On the other hand, oil and gas production was lower than external guidance and some other targets were not met. Overall, the scorecard outcome was 33 per cent of maximum for Executive Directors. Full details of the measures and targets, together with the actual performance outcome for each measure, are provided on page 90.

The Committee reviewed the result of the formulaic outcome in the context of wider Company and individual performance to determine whether the payout levels were appropriate. Overall, we were impressed with the management team's delivery of critical work streams to support the Company's transition following the Merger, made especially challenging by the global pandemic. We therefore concluded that the scorecard outcome was appropriate. In line with the new Policy, 50 per cent of the bonus will be deferred into shares for three years.

2019 LTIP

None of our current Executive Directors participated in the 2019 LTIP. However, certain former Premier Oil Executive Directors participated in the Premier Oil Performance Share Awards (PSAs) and Restricted Share Awards (RSAs) granted in 2019, whose performance period ended on 31 December 2021.

The PSAs were based on three-year total shareholder return (TSR) relative to a comparator group of international oil and gas sector peers. Premier ranked between 15th and 16th in the comparator group, therefore the awards lapsed in full. The Committee considered the underlying performance of the Company and concluded that the outcome was appropriate.

The RSAs were subject to continued employment and to the achievement of a financial underpin based on the reduction of the ratio of net debt to EBITDA, as agreed with the Company's lenders. The same underpin applied to the 2018 RSAs, and at the time of determining vesting for that award, the Premier Oil Remuneration Committee judged that the underpin had not been met. This was in light of the Company's financial position at that time and on the basis that, while technically no breach had

occurred, waivers had been agreed with creditors in light of the proposed transaction with Chrysaor, and without these waivers these covenants would have been expected to be breached. The Harbour Energy Remuneration Committee considered the appropriate treatment for the 2019 RSAs and concluded the same assessment that was made for the 2018 awards was equally applicable, and that in view of the general performance of Premier Oil prior to the Merger and the experience of creditors and shareholders during the vesting period, it was not appropriate for the 2019 RSAs to vest. Consequently, all awards lapsed in full.

Remuneration for 2022

The Committee reviewed salary levels in late 2021 and determined that no change in base salaries for Executive Directors should be made given that salaries had been set at completion of the Merger following a full benchmarking exercise. No changes will be made to variable pay opportunity levels.

The annual bonus will continue to be based on a balanced scorecard of measures. The Committee reviewed the scorecard in late 2021 and determined that the broad framework continued to be appropriate. Some small changes were made to the weightings including an increase to the metric related to greenhouse gas emissions. The full list of measures and weightings is provided on page 99.

The Executive Directors are granted performance shares which measure the Company's TSR compared to the FTSE 100 and an oil and gas comparator group. During the year the Committee considered whether it would be appropriate to introduce a third measure to the LTIP in response to feedback from some shareholders. It was determined that, while this may be suitable in future years, it was not appropriate for 2022 awards while the business continues to settle following the Merger. Furthermore, the Committee noted that our current use of relative TSR measures is consistent with the market practice for our sector and had not been an area of significant concern for shareholders. The Committee will however keep the inclusion of a financial or strategic performance measure into the LTIP under review for the future. If the Committee decided to introduce an additional measure the intention would be to consult with shareholders in advance. The Committee reviewed the TSR comparator groups in late 2021 and determined that no changes

Directors' remuneration report continued

were required. Consequently, the same comparators that were used in the 2021 LTIP will apply to the 2022 awards.

Wider workforce considerations

Under its terms of reference, the Committee has oversight of the remuneration arrangements for the wider workforce. In addition to the executive remuneration review, in 2021 the Company refreshed its reward strategy for the broader workforce to align employees to the new Harbour Energy reward framework. Our reward strategy enables us to provide attractive, competitive fixed and variable pay supported by a generous benefits package.

The reward strategy review was a significant project consisting of multiple stages. The Company carried out an extensive job mapping exercise to align our employees to a common grading structure, and this new structure underpins the whole reward framework at Harbour Energy. All the elements of the package were reviewed individually in the context of market positioning, and to ensure they aligned with our reward philosophy. We considered which elements from the legacy Chrysaor and Premier Oil packages should be retained, based on how valued they were within the business, and added some new features to ensure we are able to especially reward our high performers. The review also ensured there was appropriate alignment between the arrangements for the Executive Directors and the rest of the workforce.

The review was led by Human Resources, with significant input from the Executive Directors, and the Committee provided its feedback at multiple stages. The Company carried out an extensive communication programme to relaunch the reward strategy in late 2021 and early 2022 and was pleased with the positive response from employees. The Committee commended the Human Resources team for such a successful delivery of the project in an ambitious timeframe. We will continue to consult regularly with employees on reward and other matters and as part of this, in line with the UK Corporate Governance Code, we will seek to understand the views of employees on executive pay. This was a topic of discussion at a meeting of the Company's Global Staff Forum in January 2022 which included the CEO, our Senior Independent Director and a member of the Committee.

During the meeting the Forum members had the opportunity to engage with Directors on executive remuneration, amongst other topics.

Diversity and equality are embedded into all our policies and processes, and the Committee ensures that our policies and practices across the business are fair and consistent. We conduct analysis across our business to ensure both men and women are being paid equally for the same or similar work, and our first Gender Pay Gap report for Harbour Energy will be published in early 2022.

Board changes

As announced on 2 February 2022, Phil Kirk stepped down from his role as President & CEO Europe with effect from 28 February 2022. After a successful handover process, he has been placed on garden leave until 31 July 2022. Phil Kirk will continue to receive salary and contractual benefits up to 31 July 2022. He will receive a lump sum payment of £351,200 in lieu of his remaining notice period (six months from 1 August 2022). Phil will remain eligible to receive his 2021 annual bonus as outlined on page 91 but he will not receive a 2022 LTIP award. The Remuneration Committee has agreed that he will be treated as a good leaver in respect of his 2021 LTIP award and 2022 annual bonus. These awards will be subject to performance conditions and time pro-rating.

Full details of Phil Kirk's remuneration arrangements on departure are disclosed on page 89.

Former Executive Directors of Premier Oil

Richard Rose served as Interim CEO from 1 January 2021 until completion of the Merger, stepping down from the Board on 15 April 2021. Details of his remuneration received up to that date are included in this report.

Richard Rose's remuneration arrangements on departure were in line with the approved Premier Oil directors' remuneration policy. He received a payment in lieu of his 12-month notice period, a single redundancy payment of £237,543 (inclusive of his statutory redundancy entitlement) and a contribution of £5,500 plus VAT towards legal fees incurred in connection with his departure. As disclosed in last year's report, he also received a retention payment of £350,000 (gross) less the aggregate value of all gross monthly salary supplements paid to him as Interim CEO and Finance Director, and the gross 2020 annual bonus. He was not eligible for any bonus in respect of 2021.

Richard Rose was treated as a good leaver for all outstanding share awards. Under the good leaver provisions of the rules of the 2017 LTIP at that time, Deferred Bonus Awards vested in full on termination. His 2018 PSAs and RSAs and 2019 PSAs and RSAs lapsed as performance conditions and financial underpins were not met. His 2016 Deferred Share Award granted under the 2009 LTIP vested in its entirety at the normal vesting date on 1 January 2022. The remaining tranches of his 2017 RSA will vest in their entirety at their normal vesting dates and a two-year holding period will continue to apply.

In conclusion

2021 was a year of significant change for the Company and the Board is confident that the hard work and commitment of the Executive Directors, management team and wider workforce have placed Harbour Energy in a strong position as we continue to execute our strategy and deliver financial growth. We believe that our Remuneration Policy supports the achievement of our objectives and will drive the delivery of long-term shareholder returns.

The Committee is always pleased to receive feedback from our shareholders and, in addition to holding formal consultations, we welcome your feedback throughout the year. We hope we can count on your support for this Remuneration Report at the upcoming AGM.

On behalf of the Committee, I would like to thank all our stakeholders for their continuing support.

ANNE L. STEVENS
Committee Chair

Policy Report

This section of the Remuneration Report sets out the current Remuneration Policy (Policy) for Harbour Energy plc (the Company, or Harbour), which was approved by shareholders on 23 June 2021. The Policy applies to payments made from 23 June 2021 and is next due for renewal at the 2024 AGM; as such it is reproduced here for information only. Details of how we intend to operate this Policy for the 2022 financial year are set out as part of the statement from the Remuneration Committee Chair on pages 74 to 76. As announced on 2 February 2022, Phil Kirk stepped down from his role as Executive Director with effect from 28 February 2022, therefore the Policy Report has been updated to reflect Phil's departure.

Key principles of our Remuneration Policy

The objective of the Remuneration Policy is to ensure it supports shareholder interests, reinforces the business strategy and promotes long-term sustainable success. Overall, the Committee aims to ensure that pay rewards all employees fairly and responsibly for their contributions. Remuneration packages are intended to be sufficiently competitive to attract, retain and motivate individuals with the deep sector knowledge and extensive listed company experience required to achieve the Group's objectives and thereby enhance shareholder value. In addition, the Committee aims to ensure that the Remuneration Policy does not raise environmental, operational, social, safety or governance risks by inadvertently motivating irresponsible behaviours.

Premier Oil plc merged with Chrysaor Holdings Limited on 31 March 2021 (the Merger) to form Harbour Energy plc. The Group's strategy is to create a leading, global, independent oil and gas company through investment in its high quality, large-scale asset base in the UK and broad international growth, leading to a more balanced and diversified portfolio and delivering value for shareholders.

At the time of the Merger, the Committee reviewed the existing Directors' Remuneration Policy to consider its ongoing appropriateness in the context of the Group's strategy, purpose and values. In particular, the Policy required the capability to attract FTSE 100 or Fortune 50 calibre global talent who are critical to delivering high performance and growth and returning value to shareholders. Many sector peers, with whom Harbour competes for talent, are located outside the UK where pay practices vary. The Policy was therefore designed in a way that ensures pay is competitive for a global oil and gas company with a strong focus on pay for performance, while being structured to reflect the expectations of UK institutional investors. The Policy framework meets all of the best practice expectations of a UK plc, but pay levels have been set to recognise the Executive Directors' deep sector experience and proven track record of delivering large-scale initiatives at international oil and gas companies and to reflect the global nature of the talent market in our sector.

Committee process in determining the Remuneration Policy

As outlined above, following the Merger, the Committee undertook a detailed review of the Remuneration Policy to ensure that our Policy was appropriate to support the new Company. The process the Committee went through was as follows:

- the Committee considered the Company's strategy to create a leading, global, independent oil and gas company and the changes required to the Policy to ensure that we were able to recruit and retain executives of the calibre required to deliver this strategy and drive high levels of performance;
- the Committee sought advice from its independent remuneration consultant in developing the Policy including in relation to current investor sentiment;
- when determining the new Policy the Committee ensured it addressed the factors of Provision 40 of the Code, namely clarity, simplicity, risk, predictability, proportionality and alignment to culture;
- the Committee reviewed the wider workforce remuneration and incentives to ensure the approach to executive remuneration is appropriate in this context;
- the Committee consulted with Executive Directors and other relevant members of senior management on the proposed changes to the policy; and
- the Committee conducted a full consultation exercise with major shareholders (representing over 75 per cent of shares in issue) and investor bodies on the changes.

The Committee was mindful in its deliberations on the new Remuneration Policy of any potential conflicts of interest and sought to minimise them through an open and transparent internal consultation process, by seeking independent advice from its external advisers and by undertaking a full shareholder consultation exercise.

Directors' remuneration report continued

Executive Director Policy

The Policy for Executive Directors is set out below:

Salary	
Purpose and link to strategy	<ul style="list-style-type: none">■ To provide an appropriate level of salary to support recruitment and retention of Executive Directors of the calibre required to deliver the Group's strategy, and with due regard to the role and the individual's responsibilities and experience
Operation	<ul style="list-style-type: none">■ Typically reviewed annually with reference to Company and individual performance, each executive's responsibilities and experience, the external market for talent, and salary increases across the Group■ Salaries are reviewed taking into account market practice at other oil and gas sector companies in the UK and internationally and UK-listed companies of a similar size to Harbour■ Salary increases are normally effective 1 January
Opportunity	<ul style="list-style-type: none">■ Whilst there is no maximum salary, increases will normally be in line with the typical increases awarded to other employees in the Group■ However, increases may be above this level in certain circumstances such as:<ul style="list-style-type: none">- Where an Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience- Where an Executive Director has been promoted or has had a change in responsibilities- Where the size and complexity of the Company has changed materially- Where there has been a significant change in market practice
Performance metrics	<ul style="list-style-type: none">■ Not applicable
Pension	
Purpose and link to strategy	<ul style="list-style-type: none">■ To help provide a competitive pension provision, facilitating the recruitment and retention of high-calibre Executive Directors to execute the Group's strategy
Operation	<ul style="list-style-type: none">■ Executive Directors are eligible to participate in the Company's defined contribution personal pension plan and/or receive an equivalent cash supplement■ The only pensionable element of pay is salary
Opportunity	<ul style="list-style-type: none">■ Executive Directors will receive pension contributions and/or an equivalent cash supplement in line with the contribution for the majority of the UK workforce. Pensions for existing Executive Directors are currently set at 15 per cent of base salary, the lower end of the current range for the Company's UK workforce. If the pension range of the Company's UK workforce changes then pension provision for Executive Directors would normally also change in line with the wider workforce
Performance metrics	<ul style="list-style-type: none">■ Not applicable
Benefits	
Purpose and link to strategy	<ul style="list-style-type: none">■ To provide a benefits package competitive in the market for talent and to support the wellbeing of employees
Operation	<ul style="list-style-type: none">■ Executive Directors receive a competitive benefits package, which may include medical and dental insurance, car allowance, life assurance, income protection cover, personal accident insurance, expatriate benefits, relocation allowance, health checks and a subsidised gym membership■ Where an Executive Director has been required to re-locate to perform their role they may be provided with additional benefits to reflect their circumstances, which may include items such as a housing allowance, flights home and tax equalisation. Such benefits will be determined taking into account our expatriate policy for other employees who are moving from their home location to take up their role■ Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual Director
Opportunity	<ul style="list-style-type: none">■ Set at a level which the Committee considers appropriate for the role, location and individual circumstances
Performance metrics	<ul style="list-style-type: none">■ Not applicable

All-employee share plans

Purpose and link to strategy	<ul style="list-style-type: none"> ■ To encourage share ownership in Harbour and increase the alignment of the Executive Directors' interests to those of stakeholders
Operation	<ul style="list-style-type: none"> ■ Executive Directors may participate in any all-employee share plans operated by the Company on the same terms as other employees ■ UK-based employees (including UK-based Executive Directors) may be invited to participate in the following tax advantaged share plans: <ul style="list-style-type: none"> – Share Incentive Plan (SIP), under which employees may buy partnership shares using gross pay and the Company may then grant matching shares. Under the SIP, free shares may also be granted. Dividends may accrue on any shares and be automatically reinvested – Save As You Earn (SAYE) scheme under which employees are invited to make regular monthly contributions over three or five years to purchase shares through options which may be granted at a discount
Opportunity	<ul style="list-style-type: none"> ■ Under the SIP, participants may participate up to HMRC prescribed limits ■ Under the SAYE, employees may save up to HMRC prescribed limits ■ For any other all-employee plan operated, Executive Directors may participate on the same basis as other employees
Performance metrics	<ul style="list-style-type: none"> ■ Not applicable

Annual bonus

Purpose and link to strategy	<ul style="list-style-type: none"> ■ To reinforce the delivery of key short-term financial and operational objectives and, through the deferred share element, help ensure alignment with shareholders and support retention
Operation	<ul style="list-style-type: none"> ■ Performance is normally measured on an annual basis for each financial year against stretching but achievable financial and non-financial targets, comprising key performance indicators (KPIs), and other corporate objectives ■ Performance measures, weightings and targets are set at the beginning of the year and weighted to reflect business priorities ■ A proportion, normally at least 50 per cent, of any annual bonus earned is deferred in shares for three years ■ Deferred Share Awards may be granted in such form as determined by the Committee in accordance with the LTIP rules including in the form of conditional shares and nil cost options ■ Dividend equivalents may accrue on Deferred Bonus Awards granted under the LTIP and be paid on those shares which vest. Dividend equivalent payments made under this Policy will be made in shares ■ Annual bonus payouts and deferred shares are subject to malus and clawback in the event of material misstatement of the Company's financial results, gross misconduct, material error in the calculation of performance conditions or other conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit ■ The Committee may exercise malus and clawback until the later of: (i) two years from the payment of the bonus or the vesting of the shares, or (ii) the completion of the second audit after payment/vesting
Opportunity	<ul style="list-style-type: none"> ■ Up to 200 per cent of salary in respect of a financial year ■ Normally 50 per cent of the maximum pays out for target performance ■ Normally 0 per cent of the maximum pays out for threshold performance but the Committee may increase this to up to 25 per cent of maximum if this is considered appropriate
Performance metrics	<ul style="list-style-type: none"> ■ Performance is normally assessed against a corporate scorecard encompassing several performance categories, which may include some or all of Safety, Environment, Operations, Growth/Capital Deployment, and Financial. Other measures may also be incorporated if this is considered appropriate ■ Normally, the Committee would not expect the weighting for any performance category in the corporate scorecard to be higher than 50 per cent. However, it retains discretion to adjust weightings to align with the business plan for each year ■ The Committee retains the discretion to adjust outcomes in the event that they are not considered reflective of the underlying business performance and/or wider circumstances over the vesting period

Directors' remuneration report continued

Long-term incentives

The Harbour Energy 2017 Long Term Incentive Plan (LTIP) – Performance Share Awards

Purpose and link to strategy	<ul style="list-style-type: none"> ■ To support alignment with shareholders by reinforcing the delivery of returns to shareholders, with a focus on relative stock market out-performance over the long term, and with due regard for the underlying financial and operational performance of the Company
Operation	<ul style="list-style-type: none"> ■ The Committee may grant Performance Share Awards annually ■ Awards may be in the form of nil or nominal priced options or conditional shares ■ Performance Share Awards normally vest based on performance assessed over a period not shorter than three years ■ Awards vesting are normally subject to a minimum two-year Holding Period such that the total time horizon is at least five years (normally on a net of tax basis) ■ Dividend equivalents may accrue on Performance Share Awards. Dividend equivalent payments made under this Policy will be made in shares ■ All Performance Share Awards are subject to malus and clawback in the event of a material misstatement of the Company's financial results, gross misconduct, material error in the calculation of performance conditions or other conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit ■ The Committee may exercise malus and clawback until the later of: (i) two years from the vesting date or (ii) the completion of the second audit after vesting
Opportunity	<ul style="list-style-type: none"> ■ Performance Share Awards may be granted up to 300 per cent of salary ■ 25 per cent of the award will normally vest for threshold performance, with full vesting for stretch performance. Vesting increases on a straight-line basis between threshold and stretch
Performance metrics	<ul style="list-style-type: none"> ■ The Committee will select performance measures and determine their weighting for each cycle to ensure that they continue to be linked to the delivery of Company strategy ■ The Committee retains the discretion to adjust the vesting outcomes in the event that these are not considered reflective of the underlying business performance and/or wider circumstances over the vesting period

CFO recruitment award **This section relates to a one-off award only and does not enable the grant of future awards of this nature**

Purpose and link to strategy	<ul style="list-style-type: none"> ■ To enable the recruitment of a high quality candidate to the role of CFO to support the execution of the Group's strategy
Operation	<ul style="list-style-type: none"> ■ The Committee may grant a one-off Conditional Share Award under the LTIP in the form of conditional shares to the CFO shortly after the approval of the Policy ■ This award will vest based on continued employment on 1 April 2024 ■ Shares received will be subject to a minimum two-year Holding Period to 1 April 2026 (on a net of tax basis) ■ Dividend equivalents may accrue on the award. Dividend equivalent payments made under this Policy will be made in shares ■ The award is subject to malus and clawback as outlined above under the LTIP section
Opportunity	<ul style="list-style-type: none"> ■ The award will have the value of £1 million at the date of grant
Performance metrics	<ul style="list-style-type: none"> ■ Subject to continued employment

Share ownership

Purpose and link to strategy	<ul style="list-style-type: none"> ■ Enhances the Executive Directors' alignment with shareholders' long-term interests while in employment and for a period following departure through the building up of a significant shareholding in the Company
Operation	<ul style="list-style-type: none"> ■ The Executive Directors are expected to build up, and maintain, ownership of the Company's shares worth 300 per cent of salary for the CEO and 250 per cent of salary for the other Executive Directors ■ Shares owned outright (including by persons closely associated), shares held in the Share Incentive Plan, and any unvested share awards which are no longer subject to performance (net of taxes) will normally count towards this requirement ■ The Executive Directors are also expected to retain no less than 50 per cent of the net value of shares vesting under the Company's long-term incentive plans until such a time that the share ownership requirement is met ■ On cessation of employment, Executive Directors are expected to retain their minimum shareholding requirement immediately prior to departure for two years. Where their shareholding at departure is below the minimum requirement, the Executive Director's actual shareholding is expected to be retained for two years ■ Shares acquired from own resources are excluded from the post-cessation shareholding requirement. The Committee retains discretion to exclude other shares from the post-cessation shareholding requirement if it considers it to be appropriate ■ The Committee intends to operate an appropriate enforcement mechanism of the post-cessation shareholding requirement. The Committee retains discretion to waive the post-cessation shareholding requirement if it is not considered to be appropriate in the specific circumstances of an Executive Director's departure
Opportunity	<ul style="list-style-type: none"> ■ Not applicable
Performance metrics	<ul style="list-style-type: none"> ■ Not applicable

Summary of changes to the Policy

A summary of the material changes to the Policy compared to the 2020 policy is set out below:

Change to the Policy	Reason for change
Increase in annual bonus opportunity from 120 per cent of salary to 200 per cent of salary and increase in LTIP opportunity from 200 per cent of salary to 300 per cent of salary	<ul style="list-style-type: none"> ■ Ensures pay is competitive for a global oil and gas company, supporting the recruitment of high calibre international talent to drive the Group's strategy following the Merger ■ Reflects the material increase in the size of the Group ■ Drives the delivery of strong performance, linked to stretching targets
Provision for a one-time recruitment award to be made to the new Chief Financial Officer	<ul style="list-style-type: none"> ■ Supports the recruitment of a high calibre Chief Financial Officer with the necessary global expertise to support the execution of the Group's strategy
Increase in share ownership guideline for the CEO from 250 per cent of salary to 300 per cent (no change for other Executive Directors)	<ul style="list-style-type: none"> ■ Shareholding guideline set at a level equal to the annual LTIP opportunity for each Executive Director ■ Ensures an appropriate alignment with the long-term interests of shareholders

Other minor changes have been made to the wording of the Policy to aid operation and to increase clarity.

Further details on the Policy

Selection of performance conditions

For the annual bonus, the Committee believes that a mix of financial and non-financial targets is most appropriate for the Group. The use of a corporate scorecard encompassing several performance categories ensures delivery of business milestones in a number of key areas. Performance under the LTIP will typically include a focus on relative stock market out-performance over the long term, in line with common practice in the oil and gas sector, providing a strong indication of the Group's long-term financial growth and the returns delivered to its shareholders.

The Committee retains discretion to amend a performance condition provided that any amended performance condition will be fairer, a more effective incentive and not materially less demanding than the original target was when set.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed (i) before 14 May 2014; (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than at the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

Remuneration Policy for other employees

When determining the Policy, the Committee reviewed wider workforce remuneration and incentives to ensure the approach to executive remuneration was compatible in this context. As a result of the Merger, the frameworks in place for legacy Premier Oil plc and Chrysaor employees will be reviewed, to harmonise arrangements where needed and ensure pay continues to appropriately motivate and reward the workforce. The Committee will continue to consider the approach to executive remuneration in this context.

The Company's policy for all employees is to provide remuneration packages which reward them fairly and responsibly for their contributions. In addition to a competitive salary, employees are typically eligible for a performance-related bonus, pension and a number of benefits, including expatriate benefits where relevant. In the UK, employees are eligible to receive at least the same proportion of salary in pension contributions as the Executive Directors, in line with UK best practice. The specific bonus framework varies by job level and scope to ensure annual incentives support motivation and retention accordingly.

The Leadership Team and other senior leaders participate in the same annual bonus plan and Long Term Incentive Plan as for Executive Directors. Performance is assessed on the same criteria for all, though opportunity levels vary as appropriate. These schemes provide a clear link between pay and performance, ensuring that superior remuneration is paid only if superior performance is delivered.

We have historically operated SIP and SAYE share schemes, to foster a sense of ownership in the Company and to increase the alignment of interests across stakeholders. Participation levels among Premier Oil plc employees in these plans have historically been strong, outperforming market norms.

Directors' remuneration report continued

Incentive plan discretions

The Committee operates the Company's incentive plans according to their respective rules and the Remuneration Policy, and in accordance with the Listing Rules and HMRC rules where relevant. The rules of the Long Term Incentive Plan (the Harbour 2017 Long Term Incentive Plan) were approved by shareholders at the 2017 AGM and amended at the 2020 AGM. Further proposed amendments were approved by shareholders at the 2021 AGM to reflect the new Policy.

In line with common market practice, the Committee retains discretion as to the operation and administration of these incentive plans, including with respect to:

- who participates;
- the timing of grant and/or payment;
- the size of an award and/or payment and any other terms of the award (within the plan and Policy limits approved by shareholders);
- form of award (e.g. nil cost option or conditional award);
- the manner in which awards are settled;
- the choice of (and adjustment of) performance measures and targets in accordance with the Remuneration Policy and the plan rules;
- in exceptional circumstances, amendment of any performance conditions applying to an award, provided the new performance conditions are considered fair and reasonable and are not materially less challenging than the original performance targets when set;
- discretion relating to the measurement of performance or other condition in the event of a variation of share capital, change of control, special dividend, distribution or any other corporate event which may affect the current or future value of an award;
- determination of a good leaver (in addition to any specified categories) for incentive-plan purposes, based on the plan rules and the appropriate treatment under the plan rules;
- determination of the operation of the post-vesting holding period; and
- adjustments required in certain circumstances (e.g. rights issues, share buybacks, special dividends, other corporate events, etc.).

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration for the relevant year. As appropriate, it might also be the subject of consultation with the Company's major shareholders.

Minor changes

The Committee may make minor amendments to the Policy set out above (if required for legal, regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without requiring prior shareholder approval for that amendment.

Illustration of application of the Executive Directors' Remuneration Policy

The performance scenario charts opposite show the estimated remuneration that could be received by the current Executive Directors for 2021, both in absolute terms and as a proportion of the total package under different performance scenarios. The assumptions underlying each performance scenario are detailed in the table below:

Remuneration receivable for different performance scenarios

	Minimum	On-target	Maximum	Maximum with share price growth
Fixed pay	<ul style="list-style-type: none"> ■ 2022 salary, as disclosed on page 99 of this report ■ Estimated housing benefits of £120,000 for the CEO and £60,000 for the CFO¹ ■ Pension contribution of 15 per cent of salary 			
Annual bonus	Nil payout	Payout of 50 per cent of maximum (100 per cent of salary)	Payout of 100 per cent of maximum (200 per cent of salary)	As per maximum
Long Term Incentive Plan	Nil payout	Performance Share Awards vest at 25 per cent of maximum	Performance Share Awards vest in full (300 per cent of salary for the CEO and 250 per cent of salary for other Executive Directors)	As per maximum with a 50 per cent share price increase over three years

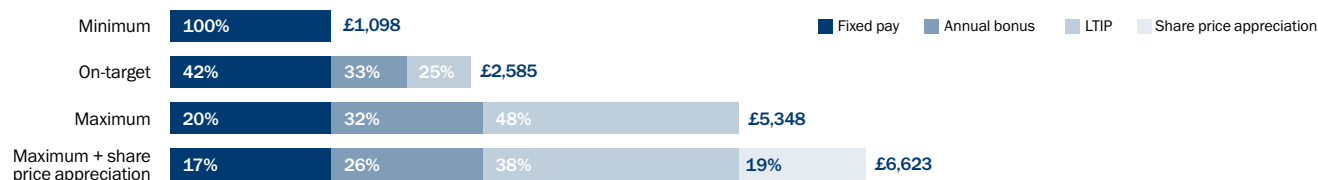
Note:

¹ No prior year benefits data is available. Maximum value of housing benefits as disclosed on page 87 of this report. Other benefits (including tax equalisation for the CEO) are not easily estimated and have been excluded.

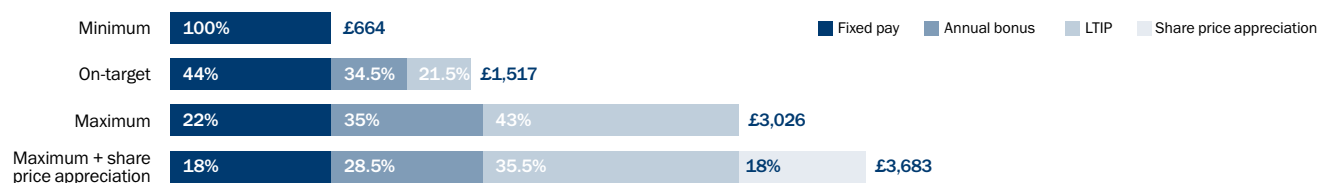
The charts below illustrate the potential reward opportunities for the current Executive Directors for the four performance scenarios.

The CFO's recruitment award has not been included in these scenario charts on the basis that it does not form part of the ongoing Policy.

Chief Executive Officer (£'000s)



Chief Financial Officer (£'000s)



Note:

1 The valuation of annual bonus and Performance Share Awards (PSAs) for the on-target and maximum scenarios excludes share price appreciation, any dividend accrual and the impact of any scale back of awards. PSAs vest after three years subject to TSR performance and continued employment. PSAs are subject to a Holding Period ending on the fifth anniversary of the date of grant of the awards.

Approach to remuneration of Executive Directors on recruitment

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre and global experience to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- New Executive Directors will normally receive a base salary, benefits and pension contributions in line with the Policy described above and would also be eligible to join the bonus and long-term incentive plans up to the limits set out in the Policy.
- In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be disclosed as appropriate in the Remuneration Report for the relevant year.
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities.
- When determining any such 'buyout', the guiding principle would be that awards would generally be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate.
- The maximum level of variable remuneration which may be awarded (excluding any 'buyout' awards referred to above) in respect of recruitment is 500 per cent of salary, which is in line with the current maximum limit under the annual bonus and LTIP.
- Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits). Should an Executive's employment be terminated without cause by the Group, repatriation costs may be met by the Group.
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards. If an Executive Director is appointed following an acquisition of, or merger with, another company, legacy terms and conditions that are of higher value than provided in the Policy would normally be honoured.

To facilitate any buyout awards outlined above, the Committee may grant awards to a new Executive Director: (i) relying on the exemption in the Listing Rules which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval; or (ii) under any other appropriate Company incentive plan.

Directors' remuneration report continued

Service contracts and exit payments and change of control provisions

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate Directors of the quality required to manage the Company. The service contract of each Executive Director may be terminated on 12 months' notice in writing by either party. Executive Directors' contracts are available to view at the Company's registered office.

Details of the service contracts of the current Executive Directors are as follows:

Director	Contract date	Unexpired term of contract
Linda Z. Cook	01.04.2021	Rolling contract
Alexander Krane	01.04.2021	Rolling contract

The Company will consider termination payments in light of the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. In such an event, the remuneration commitments in respect of the Executive Director contracts could amount to one year's remuneration based on salary, benefits in kind and pension rights during the notice period, together with payment in lieu of any accrued but untaken holiday leave, if applicable.

There are provisions for termination with less than 12 months' notice by the Company in certain circumstances. If such circumstances were to arise, the Executive Director concerned would have no claim against the Company for damages or any other remedy in respect of the termination. The Committee would apply general principles of mitigation to any payment made to a departing Executive Director and will honour previous commitments as appropriate, considering each case on an individual basis.

The table below summarises how Performance Share Awards under the Harbour Energy 2017 Long Term Incentive Plan and annual bonus awards are typically treated in different leaver scenarios and on a change of control. Whilst the Committee retains overall discretion on determining 'good leaver' status, it typically defines a 'good leaver' in circumstances such as retirement with agreement of the Company, ill health, disability, death, redundancy, or part of the business in which the individual is employed or engaged ceasing to be a member of the Group.

Event	Timing of vesting/award	Calculation of vesting/payment
Annual bonus/Deferred Bonus Awards		
'Good leaver'	Annual bonus is normally paid at the same time as to continuing employees but may be paid on departure in compassionate circumstances Unvested Deferred Bonus Awards vest on the normal vesting date (or, at the Committee's discretion, on cessation of employment) The Committee has discretion not to defer part of the bonus earned in the year of leaving	Annual bonus is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked before cessation of employment Unvested Deferred Bonus Awards will vest in full
'Bad leaver'	Not applicable	Individuals lose the right to their annual bonus and unvested Deferred Bonus Awards
Change of control ¹	Annual bonus is paid and unvested Deferred Bonus Awards vest on the date of change of control	Annual bonus is paid only to the extent that any performance conditions have been satisfied, and will normally be pro-rated for the proportion of the financial year worked to the effective date of change of control unless the Committee determines otherwise Unvested Deferred Bonus Awards will vest in full
Performance Share Awards		
'Good leaver'	Awards vest on the normal vesting date subject to the Holding Period (or earlier at the Committee's discretion)	Unvested awards normally vest to the extent that any performance conditions have been satisfied over the full performance period (or a shorter period at the Committee's discretion) The number of unvested awards is normally reduced pro-rata to take into account the proportion of the vesting period not served
'Bad leaver'	Unvested awards lapse Any vested shares subject to the Holding Period are forfeited by bad leavers who leave due to gross misconduct, but remain and are released at the end of the Holding Period for other bad leavers (e.g. following resignation)	N/A
Change of control ¹	Awards vest on the date of the event	Unvested awards normally vest to the extent that any performance conditions have been satisfied and a pro-rata reduction applies for the proportion of the vesting period not completed unless the Committee determines otherwise

Note:

¹ In certain circumstances, the Committee may determine that unvested Deferred Bonus Awards and Performance Share Awards will not vest on a change of control but will instead be replaced by an equivalent grant of a new award, as determined by the Committee, in the new company.

The leaver treatment for the CFO's recruitment award will be in line with the provisions for the Performance Share Awards outlined above. Upon exit or change of control, SAYE and SIP awards will be treated in line with the plan rules.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee retains discretion to settle other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by the Executive Director in connection with the termination of employment, outplacement support, where the Company wishes to enter into a settlement agreement (as provided for below) and, in which case, the individual is required to seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

External appointments

Executive Directors are entitled to accept non-executive director appointments outside the Company and retain any fees received providing that the Board's prior approval is obtained.

Consideration of employment conditions elsewhere in the Company

The Committee engages with the wider workforce by taking account of feedback from employee engagement opportunities such as the Group Staff Forum. The Committee considers the pay and conditions elsewhere in the Company, including how Company-wide pay tracks against the market. When determining salary and pension for Executive Directors, the Committee takes account of salary increases and pension contributions across the Group, particularly for those employees based in the UK. The Committee ensures that our policies and practices across the business are fair and consistent, and support diversity and equality. Further, the Company seeks to promote and maintain good relationships with employee representative bodies – including trade unions – as part of its employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates.

Consideration of shareholder views

The Committee aims to ensure that the Policy serves shareholder interests and is aligned with the Group's business strategy, market practice and evolving best practice. The Committee Chair consulted with major shareholders and proxy advisers in developing this Remuneration Policy, and will also from time-to-time engage to discuss the Remuneration Policy more generally. The Committee considers all feedback received from such consultations, as well as guidance from shareholder representative bodies more generally, to help to ensure the Policy is aligned with shareholder views.

Non-Executive Director Remuneration Policy

Non-Executive Directors have letters of appointment effective for a period of three years, subject to annual re-election by shareholders at each Annual General Meeting (AGM) in accordance with the UK Corporate Governance Code. All letters of appointment have a notice period of three months and provide for no arrangements under which any Non-Executive Director is entitled to receive remuneration upon the early termination of his or her appointment. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

The Company's Articles of Association provide that the remuneration paid to Non-Executive Directors is to be determined by the Board within limits set by the shareholders. The Policy for the Chairman and Non-Executive Directors is as follows:

Non-Executive Director fees

Purpose and link to strategy	<ul style="list-style-type: none"> ■ To provide fees that allow Harbour to attract and retain Non-Executive Directors of the highest calibre that add value to our business
Operation	<ul style="list-style-type: none"> ■ Fees for Non-Executive Directors are normally reviewed at least every two years ■ Fees are set with reference to UK and international oil and gas sector companies and UK-listed companies of a similar size to Harbour ■ Fees paid to the Chairman are determined by the Committee, while the fees of the other Non-Executive Directors are determined by the Board ■ Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate ■ Fee increases are normally effective 1 January ■ The Non-Executive Director fees are summarised on page 99 of this report ■ Reasonable costs in relation to travel and accommodation for business purposes are reimbursed to the Chairman and Non-Executive Directors. The Company may meet any tax liabilities that may arise on such expenses ■ A travel allowance may be provided where intercontinental travel is required to attend a meeting ■ The Chairman and Non-Executive Directors are not entitled to participate in any of the Group's incentive plans or pension plans ■ Additional benefits may be provided to Non-Executive Directors if considered appropriate
Opportunity	<ul style="list-style-type: none"> ■ Non-Executive Director fees are set at a level that is considered appropriate in the light of relevant market practice and the size/complexity of the role ■ Aggregate fees are within the limit approved by shareholders in the Articles of Association
Performance metrics	<ul style="list-style-type: none"> ■ Not applicable

Approach to Non-Executive Director recruitment remuneration

In the case of hiring or appointing a new Non-Executive Director, the Committee will follow the Policy as set out in the table above.

Annual Report on Remuneration

Committee membership and operation

Harbour Energy plc Committee members ²	Date of appointment to the Committee	Meetings attended (eligible to attend)
Anne L. Stevens (Committee Chair)	31 March 2021	6(6)
Anne Marie Cannon ¹	17 May 2017	6(6)
Alan Ferguson	31 March 2021	6(6)

Notes:

1 Anne Marie Cannon was also a member of Premier Oil's Remuneration Committee prior to the Merger.

2 Mike Wheeler and Roy A. Franklin also served on Premier Oil's Remuneration Committee. Both Roy and Mike stepped down from the Committee on completion of the Merger.

Committee terms of reference

The Committee acts within written terms of reference which are reviewed regularly and published on the Company's website harbourenergy.com. The terms of reference were reviewed in 2018 with amendments made in order to comply with the 2018 UK Corporate Governance Code. Minor amendments were also made in August 2020 and September 2021.

The main responsibilities of the Committee include:

- determining the Remuneration Policy for Executive Directors and senior management and engaging with the Company's principal shareholders thereon;
- determining the individual remuneration packages for each Executive Director and any changes thereto;
- approving the remuneration package of the Chairman;
- considering the design of, and determining targets for, the annual bonus plan;
- reviewing and recommending to the Board the establishment of any new employee share plans and any material amendments to the Company's existing share plans;
- determining the overall quantum and performance conditions for long-term incentive awards;
- reviewing pension arrangements, service agreements and termination payments for Executive Directors and senior management;
- approving the Directors' Remuneration Report, ensuring compliance with related governance provisions and legislation;
- reviewing the Gender Pay Gap report;
- reviewing bonus outcomes for the Group, including Executive Directors; and
- considering the remuneration policies and practices across the Group.

Advisers

Following the Merger to form Harbour Energy plc, the Remuneration Committee received advice from independent Remuneration Committee advisers Deloitte LLP. Deloitte LLP were appointed by the Committee in March 2021 following a competitive tender process. Before the Merger, the Committee also received advice from Aon, who served as an interim Remuneration Committee adviser.

The fees charged for the provision of independent advice to the Committee during the year were £103,900 from Deloitte LLP, £37,005 from Aon and £21,077 from Bryan Cave Leighton Paisner (BCLP). Other than in relation to advice on remuneration, Deloitte LLP provided support to management in relation to corporate tax, indirect tax, payroll taxes, and Internal Audit plus other related services.

Deloitte are founding members of the Remuneration Consultants Group and voluntarily operated under its Code of Conduct in dealings with the Committee. The Committee is satisfied that the Deloitte and Aon engagement teams, who provided remuneration advice to the Remuneration Committee, do not have connections with Harbour Energy plc or its Directors that may impair their independence.

During the year, the Committee also took advice from the Chief Executive Officer and other members of management. Their attendance at Remuneration Committee meetings was by invitation from the Committee Chair to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. No Director was present for any discussions that related directly to their own remuneration.

Voting on remuneration matters

Votes received at the 2021 AGM in respect of approval of the Annual Report on Remuneration along with votes received on the Directors' Remuneration Policy are set out below:

Resolution	Votes FOR and % of votes cast	Votes AGAINST and % of votes cast	Votes WITHHELD
Annual Report on Remuneration (2021 AGM) ¹	14,913,939,666	98.85%	173,270,899
Directors' Remuneration Policy (2021 AGM)	14,593,098,273	97.19%	421,903,633

Note:

1 The vote on the Annual Report on Remuneration at the 2021 AGM was for the 2020 Premier Oil Remuneration Report.

Single total figure of remuneration for Executive Directors (audited)

Executive Directors ^{1,2}	Year	Salary £'000	Taxable benefits ³ £'000	Pension ⁴ £'000	Other payments ⁵ £'000	Total fixed remuneration £'000	Bonus £'000	LTIP £'000	Total variable remuneration £'000	Other variable ⁶ £'000	Total remuneration £'000
Linda Z. Cook	2021	637.5	275.3	94.2	-	1,007.0	422.7	-	422.7	4,548.6	5,978.3
	2020	-	-	-	-	-	-	-	-	-	-
Alexander Krane	2021	386.3	62.2	50.0	-	498.5	255.4	-	255.4	1,000	1,753.9
	2020	-	-	-	-	-	-	-	-	-	-
Former Executive Directors											
Phil Kirk	2021	450.0	17.0	59.4	-	526.4	396.0	-	396.0	-	922.4
	2020	-	-	-	-	-	-	-	-	-	-
Richard Rose ⁷	2021	150.5	7.0	18.6	0.6	176.7	-	-	-	259.9	436.6
	2020	360.8	22.4	64.1	1.8	449.1	45.1	-	45.1	-	494.2

Notes to 2021 figures (unless stated):

- Linda Z. Cook and Phil Kirk were appointed to the Board when Harbour Energy plc formed on 31 March 2021. Phil Kirk stepped down from the Board on 28 February 2022.
- Alexander Krane was appointed to the Board on 15 April 2021. He replaced Richard Rose, interim Chief Executive Officer and Finance Director, who stepped down from the Board on the same day.
- The Executive Directors receive a benefits package aligned with the approach for other employees. In 2021, Linda Z. Cook and Alexander Krane relocated from the US and Norway respectively to join Harbour Energy and they are entitled to receive the same expatriate benefits as other employees relocating internationally. They both elected not to take the full expatriate benefits available to them, and their benefits are therefore limited to housing costs and two return flights home per year. Linda Z. Cook received £58,073 in respect of housing costs in the year while Alexander Krane received £30,000. As outlined in the Notice of 2021 AGM, Linda Z. Cook and Alexander Krane's housing will be paid for by the Company up to a value of approximately £120,000 p.a. and £60,000 p.a. respectively. The arrangements for Linda Z. Cook will be in place for an initial three-year period and the arrangements for Alexander Krane will be in place for two years. The Committee considers it appropriate to provide this benefit for a period of time given they have both been required to re-locate to take up their roles. Linda Z. Cook's benefit figure also includes £200,097 in respect of tax equalisation payments. As outlined in the Notice of 2021 AGM, her remuneration will be tax equalised for an initial three-year period to ensure she is not required to pay more tax in the UK than she would do in the US, in line with the policy for all international assignees. Alexander Krane's benefit figure also includes £23,582 in respect of tax equalisation payments for this housing allowance.
- Richard Rose's pension figure includes a combination of pension contributions to the defined contribution scheme and a salary supplement. Current Executive Directors receive their pension as a cash supplement that is aligned to the rate of the workforce.
- Other payments comprise Share Incentive Plan (SIP) awards only. SIP awards are valued as the number of Matching Awards granted, multiplied by the share price at the date of award.
- Linda Z. Cook received a buyout award to compensate for the loss of incentive arrangements she had as part of her employment at EIG, the terms of which required her incentives be relinquished on departure. This buyout award was made on a like-for-like basis, at a level equal to the value forfeited and with vesting according to the same timescales. Malus and clawback conditions apply. Alexander Krane received a one-off award, which was detailed in the Policy and approved by shareholders at the 2021 AGM. The award will vest on the third anniversary of grant with a two-year post-vesting holding period and malus and clawback conditions apply. Neither Linda Z. Cook's nor Alexander Krane's awards have further performance conditions.
- The Company made a gross payment of £447,990 in lieu of Richard Rose's notice period not worked. Richard Rose also received a single redundancy payment of £237,543 (inclusive of his statutory redundancy entitlement) and a retention payment of £350,000 (gross) less the aggregate value of all gross monthly salary supplements paid to him as Interim CEO and Finance Director, and the gross 2020 annual bonus. Further details of payments made to him are set out on page 89.

Directors' remuneration report continued

Single total figure of remuneration for Non-Executive Directors (audited)

Non-Executive Directors^{1,2}	Year	Base fees⁶ £'000	Additional payments⁷ £'000	Travel allowance⁸ £'000	Expenses⁹ £'000	Total remuneration £'000
R. Blair Thomas (Chairman) ⁵	2021	225.0	-	5.0	-	230.0
	2020	-	-	-	-	-
Simon Henry	2021	105.0	21.3	-	-	126.3
	2020	-	-	-	-	-
Anne Marie Cannon ³	2021	102.5	-	-	-	102.5
	2020	64.8	-	-	-	64.8
G. Steven Farris	2021	71.2	-	5.0	8.4	84.6
	2020	-	-	-	-	-
Alan Ferguson	2021	90.0	21.3	-	-	111.3
	2020	-	-	-	-	-
Andy Hopwood	2021	78.8	-	-	-	78.8
	2020	-	-	-	-	-
Margareth Øvrum	2021	86.2	-	-	0.3	86.5
	2020	-	-	-	-	-
Anne L. Stevens	2021	86.2	21.3	15.0	-	122.5
	2020	-	-	-	-	-
Former Non-Executive Directors of Premier Oil plc^{4,10}						
Roy A. Franklin (Chairman)	2021	43.2	-	-	0.4	43.6
	2020	173.0	-	-	1.9	174.9
Dave Blackwood	2021	16.2	-	-	-	16.2
	2020	62.1	-	-	-	62.1
Iain Macdonald	2021	16.2	-	-	-	16.2
	2020	64.8	-	-	-	64.8
Elisabeth Proust	2021	13.5	-	-	-	13.5
	2020	40.5	-	-	0.2	40.7
Mike Wheeler	2021	16.2	-	-	-	16.2
	2020	54.9	-	-	-	54.9

Notes to 2021 figures (unless stated):

- R. Blair Thomas, Simon Henry, G. Steven Farris, Alan Ferguson, Andy Hopwood and Anne L. Stevens joined the Board on 31 March 2021.
- Margareth Øvrum joined the Board on 1 April 2021.
- Anne Marie Cannon was appointed to the Board of Premier Oil plc on 1 February 2014. Her remuneration shown in the table above is for the full financial year.
- The former Non-Executive Directors of Premier Oil plc (Roy A. Franklin, Dave Blackwood, Iain Macdonald, Elisabeth Proust and Mike Wheeler) stepped down from the Board on 31 March 2021.
- The Base Fees for R. Blair Thomas are paid to Harbour Direct Holdings Limited.
- In addition to Basic Fees for acting as a Non-Executive Director, Base Fees include amounts payable for acting as a member or Chair of a Committee, and fees for the Senior Independent Director role. Further detail on the level of these fees is set out on page 99. The Chairman and former Chairman waived their fees for acting as Chair of the Nomination Committee.
- Additional payments include upfront fees for work undertaken by Non-Executive Directors in advance of the Merger.
- In accordance with the Remuneration Policy approved by shareholders in June 2021, Steve Farris and Anne L. Stevens received an allowance for intercontinental travel during the year.
- Amounts disclosed relate to taxable travel and accommodation expenses paid to Non-Executive Directors in respect of qualifying services during the year.
- Former Non-Executive Directors of Premier Oil plc remained available to support with the transition for three months after they stepped down from the Board. They continued to receive fees during this period which were as follows: £43,248 for Roy A. Franklin, £16,218 for Iain Macdonald, Dave Blackwood and Mike Wheeler, and £13,515 for Elisabeth Proust.

Payments for loss of office and payments to former Directors (audited)

Richard Rose

Richard Rose served as an Executive Director of the Company up to and including 15 April 2021.

Richard Rose's remuneration arrangements on departure were in line with the approved Premier Oil plc directors' remuneration policy. He received a payment in lieu of his 12-month notice period of £447,990, a single redundancy payment of £237,543 (inclusive of his statutory redundancy entitlement) and a contribution of £5,500 plus VAT towards legal fees incurred in connection with his departure. As disclosed in Premier Oil's 2020 directors' remuneration report, he also received a retention payment of £350,000 (gross) less the aggregate value of all gross monthly salary supplements paid to him as Interim CEO and Finance Director, and the gross 2020 annual bonus. He was not eligible for any bonus in respect of 2021.

Richard Rose was treated as a good leaver for all outstanding share awards. Under the good leaver provisions of the rules of the 2017 LTIP, Deferred Bonus Awards vested in full on termination. His 2018 PSAs and RSAs and 2019 PSAs and RSAs lapsed as performance conditions and underpins were not met. His 2016 Deferred Share Award granted under the 2009 LTIP vested in its entirety at the normal vesting date on 1 January 2022. The remaining tranches of his 2017 RSA will vest in their entirety at their normal vesting dates and a two-year holding period will continue to apply. His entitlements under the Share Incentive Plan and the SAYE scheme have been dealt with in accordance with the relevant plan rules.

No further LTIP awards were made to Richard Rose and he will continue to hold a number of shares in the Company following the termination of his employment until October 2022.

Remuneration for outgoing Executive Director

Phil Kirk

As announced on 2 February 2022, Phil Kirk stepped down from his role as Executive Director with effect from 28 February 2022. After a successful handover process, he has been placed on gardening leave until 31 July 2022. Phil Kirk will continue to receive salary and contractual benefits up to 31 July 2022. He will receive a lump sum payment of £351,200 in lieu of his remaining notice period (six months from 1 August 2022). He will also receive a contribution of £5,000 plus VAT towards legal fees incurred in connection with his departure.

Phil Kirk will remain eligible for an annual bonus in respect of 2021 as outlined on page 91. His 2021 annual bonus will be subject to deferral with awards released on the normal vesting date, in line with plan rules. In respect of his 2022 annual bonus, the Remuneration Committee has agreed that he will be eligible for a pro-rated award up to 28 February 2022. The bonus will be calculated and paid in line with the normal timescales in cash.

In line with our Directors' Remuneration Policy, the Remuneration Committee has treated Phil Kirk as a good leaver in relation to his 2021 LTIP award. The award will be treated in accordance with the plan rules and will remain subject to performance conditions and will be pro-rated for time over the vesting period up to cessation of employment. The award will be released on its normal vesting date and remain subject to malus and clawback. The holding period will continue to apply as will post-employment shareholding guidelines. In line with best practice, he will not be eligible for a 2022 LTIP award.

Directors' remuneration report continued

2021 Annual bonus outcome (audited)

The maximum bonus opportunity for Executive Directors for 2021 was 200 per cent of salary. The scorecard below summarises the Group's performance against the financial and operational targets (on a pro forma basis) set by the Board for 2021 that are used to determine the level of bonus awarded.

Category	Metric	Weighting	2021 Performance	Scorecard		
				Threshold	Target	Stretch
Safety & environment (25%)	Safety Incident Rate TRIR incident rate/million hours, 12 month rolling average	10%	1.30	1.10	0.90	0.70
	Process Safety Tier 1 and Tier 2 events	5%	2	3	2	1
	GHG Emissions k tonnes CO ₂ e	10%	1,755	2,124	1,865	1,772
Operations (30%)	Oil and gas production kboepd	15%	190	201	214	230
	Unit Operating Cost \$/boe	15%	15.2	15.0	14.5	13.5
Growth (10%)	Reserves Replacement 2P, CPR, %	10%	<60	60	75	100
Capital deployment (20%)	Expenditure vs AFE %	10%	105	115	100	85
	Reserves vs AFE %	5%	71	80	100	120
	Initial Production vs AFE %	5%	97	80	100	120
Financial (15%)	Free Cash Flow Million \$, pre-financing, pre-tax	15%	1,453	850	974	1,100

Summary of performance

Note: The metrics in the 2021 Scorecard were set on a pro forma basis – including a full year of Premier – and therefore will differ from the figures elsewhere in this document which are on a 'reported' basis (only nine months of Premier).

Safety & environment

- Safety Incident Rate: The Total Recordable Injury Rate target on the scorecard was not met; injuries were predominantly a result of poor situational awareness
- Process Safety: There were two Tier 1 and Tier 2 events during the year, resulting in an 'on target' performance. These events related to a gas release on the West Lobe platform (Indonesia) and the overflow of a diesel tank at Solan (UK); both of these events were classified as Tier 2
- GHG Emissions: Emissions for the year were 1,755 kt CO₂e, better than our target due to a combination of operational improvements and project delays

Operations

- Production: Production was below target as a result of project delays and unplanned maintenance outages
- Unit Operating Costs: Unit costs were higher than target, mainly as a result of production at below-target levels

Growth

- Reserves Replacement (excluding the impact of the Premier Merger): The outcome was below target with the largest impact being the reduction in reserves relating to the Tolmount project drilling results

Capital deployment

- Expenditure vs AFE: Outcome was near target, reflecting good cost performance demonstrated on drilling and development projects during the year
- Reserves vs AFE: Outcome was below target, impacted by the reserves downgrade at Tolmount and also unsuccessful exploration drilling in the UK and Norway
- Initial Production vs AFE: Outcome was near target, reflecting good initial production from the new wells in our drilling programme

Financial

- Free cash flow: Cash flow was higher than the target, largely driven by higher than anticipated commodity prices

The calculated score was 66 per cent of the target bonus (where the target bonus is 100 per cent of salary and the maximum is 200 per cent of salary). The Committee considered this score and approved bonus payouts for the Executive Directors on that basis, pro-rated to reflect time served during the year.

Amounts paid to Executive Directors are set out below. In line with the Remuneration Policy, 50 per cent of the bonus paid to the Executive Directors will be deferred into shares for three years.

	Bonus as a % of maximum	Total value £ '000s	Cash amount £ '000s	Amount deferred into shares £ '000s
Directors^{1,2}				
Linda Z. Cook	33%	422.7	211.4	211.3
Alexander Krane	33%	255.4	127.7	127.7
Former Director				
Phil Kirk	33%	396.0	198.0	198.0

Notes:

- 1 The bonuses awarded to Linda Z. Cook and Alexander Krane are pro-rated amounts to reflect time served during the year.
- 2 Richard Rose was not eligible to participate in the 2021 annual bonus award as he stepped down from the Board on 15 April 2021.

Directors' remuneration report continued

LTIP awards vesting in respect of the year ended 31 December 2021 (audited)

In March 2022, the Committee assessed the performance targets for LTIP awards granted in 2019 with a vesting date of 14 March 2022. The performance period for these awards ran from 1 January 2019 to 31 December 2021 with the outcomes being as follows:

- Performance Share Awards (PSAs):** Vesting levels for the PSAs granted in 2019 are subject to the Company's Total Shareholder Return (TSR) over the performance period relative to a comparator group of 17 international oil and gas sector peers as set out below. During the performance period, one comparator company delisted and was removed from the comparator group. The Company's TSR over the Performance Period was minus 80 per cent resulting in a ranking between 15th and 16th within the comparator group. Under the Group's Remuneration Policy, 25 per cent of an award vests for median performance, 100 per cent for upper decile performance and pro-rata vesting in between. The Company's ranking within the comparator group for the 2019 PSA meant that the awards lapsed in full.

2019 comparator group: Aker BP ASA, Beach Energy Limited, Cairn Energy PLC, DNO ASA, Energean PLC, EnQuest plc, Genel Energy plc, Gulf Keystone Petroleum Limited, Kosmos Energy, Lundin Petroleum, Maurel & Prom, Nostrum Oil & Gas plc, Ophir Energy plc, Pharos Energy, Rockhopper Exploration plc, Santos Ltd, Tullow Oil plc.

- Restricted Share Awards (RSAs):** Vesting levels for the RSAs granted in 2019 are subject to a financial underpin based on the reduction of the ratio of net debt to EBITDA, as agreed with the Company's lenders. The same underpin applied to 2018 RSAs, and at the time of determining vesting for that award, the Premier Oil Remuneration Committee judged that the underpin had not been met. This was in light of the Company's financial position at that time and on the basis that, while technically no breach had occurred, waivers had been agreed with creditors in light of the proposed transaction with Chrysaor, and without these waivers these covenants would have been expected to be breached. The Harbour Energy Remuneration Committee considered the appropriate treatment for the 2019 RSAs and concluded that the same assessment that was made for the 2018 awards was equally applicable, and that in view of the general performance of Premier Oil prior to the Merger and the experience of creditors and shareholders during the vesting period, it was not appropriate for the 2019 RSAs to vest.

LTIP awards granted during the year ended 31 December 2021 (audited)

For the awards granted to Executive Directors under the 2017 LTIP plan during 2021, the performance condition is based 100 per cent on relative TSR performance conditions against two peer groups. The structure has been summarised below:

Performance element	Weighting	Minimum performance	Mid performance	Maximum performance	Performance period
Relative TSR performance vs FTSE 100 index ¹	50%	25% vesting at median performance (50 th percentile)	Linear vesting between minimum and maximum performance	100% vesting if in the upper quartile (75 th percentile)	1 January 2021 – 31 December 2023
Relative TSR vs bespoke peer group of oil and gas companies ²	50%				

Notes:

1 Constituents of the FTSE 100 as at the start of the performance period on 1 January 2021.

2 Selected oil and gas peer group, including European and US independent oil and gas companies. The group consists of the following 17 companies:

Company	2020	2021	Company	2020	2021
Aker BP	✓	✓	Lundin Energy	✓	✓
Apache Corp	✗-->---	✓	Marathon Oil	✗-->---	✓
BP	✗-->---	✓	Murphy Oil	✗-->---	✓
Cairn Energy	✓	✓	Royal Dutch Shell	✗-->---	✓
Diversified Gas & Oil	✗-->---	✓	Seplat Energy	✗-->---	✓
Energean	✓	✓	Tullow Oil	✓	✓
Genel Energy	✓	✓	Vermillion Energy	✗-->---	✓
Hess	✗-->---	✓	John Wood Group	✗-->---	✓
Kosmos Energy	✓	✓			

Details of the awards made to the three Executive Directors are as follows:

Executive Directors	Grant date	Number of shares awarded	Type of award	Face value (% of salary)	Face value ¹
Linda Z. Cook	30 June 2021	674,103	Performance Share Award	300%	£2,550,000
Alexander Krane	30 June 2021	346,965	Performance Share Award	250%	£1,312,500
Former Director					
Phil Kirk	30 June 2021	396,531	Performance Share Award	250%	£1,500,000

Note:

1 Face value was calculated using the average of the mid-market closing prices for the five dealing days preceding the award date (on a post-consolidation basis) being £3.7828 per share.

Other awards granted in the year (audited)

Linda Z. Cook received a buyout award to compensate for the loss of performance-based incentives she held as part of her employment at EIG, the terms of which required the award to be relinquished on departure. This buyout award was made on a like-for-like basis and vests one-third per year on the first, second and third anniversary of award, reflecting the payout profile for the forfeited awards. Malus and clawback conditions apply. In the event that a vesting of shares under the buyout award would give rise to the prospect of an obligation under Rule 9 of The Takeover Code, the Company will settle the vesting in cash, as allowed under the terms of the award.

Her forfeited award was valued at around \$8 million using the historical annual average of payouts from 2017-2020 (noting the payout for 2020 was zero, which brought down the average), with this average multiplied by three to reflect each of the three years that awards were due to vest. Basing the value of the buyout on the historical average is expected to give a lower value than using future performance. The Committee is fully satisfied that this buyout is appropriate and that its terms reflect an appropriate like-for-like basis with the remuneration forfeited. The outcome of the calculation was individually verified, and the Committee is satisfied of its accuracy.

Alexander Krane received a one-off award, which was detailed in the Policy and approved by shareholders at the 2021 AGM. The award will vest on the third anniversary of grant with a two-year post-vesting holding period. Malus and clawback conditions apply. Details of the awards are set out below:

Executive Directors	Grant date	Number of shares awarded	Type of award	Face value (% of salary)	Face value	Vesting date	Performance conditions
Linda Z. Cook ¹	4 May 2021	1,155,852	Conditional Share Award	536%	£4,554,058	In equal thirds on: 4 May 2022 4 May 2023 4 May 2024	None
Alexander Krane ²	30 June 2021	264,354	Conditional Share Award	190%	£1,000,000	1 April 2024	None

Notes:

1 Linda Z. Cook's award face value was calculated using the Volume Weighted Average Price during the month of April 2021, being £0.197 per share (pre-consolidation). The number of shares above has been restated on a post-consolidation basis.

2 Alexander Krane's award face value was calculated using the average of the mid-market closing prices for the five dealing days preceding the award date (on a post-consolidation basis) being £3.7828 per share.

Directors' remuneration report continued

Outstanding share awards

2017 Long Term Incentive Plan (2017 LTIP)

As at 31 December 2021, Linda Z. Cook, Phil Kirk, Alexander Krane and Richard Rose held the following outstanding Performance Share Awards (PSAs), Conditional Share Awards (CSAs) and Restricted Share Awards (RSAs) under the 2017 LTIP:

Directors	Award type ²	Date of grant	Awards held at 1 January 2021			Awards held at 31 December 2021		Market price of shares on date of award	Earliest vesting date ³
			Granted	Lapsed	Vested	Granted	Lapsed		
Linda Z. Cook	CSA 2021-24	04.05.21	-	1,155,852	-	-	1,155,852	393.53p	04.05.22
	PSA 2021-24	30.06.21	-	674,103	-	-	674,103	378.28p	30.06.24
			-	1,829,955	-	-	1,829,955		
Alexander Krane	CSA 2021-24	30.06.21	-	264,354	-	-	264,354	378.28p	01.04.24
	PSA 2021-24	30.06.21	-	346,965	-	-	346,965	378.28p	30.06.24
			-	611,319	-	-	611,319		
Former Directors									
Phil Kirk	PSA 2021-24	30.06.21	-	396,531	-	-	396,531	378.28p	30.06.24
			-	396,531	-	-	396,531		
Richard Rose ¹	PSA 2018-21	15.03.18	43,272	-	43,272	-	-	1430.6p	15.03.21
	PSA 2019-22	14.03.19	39,350	-	12,024	-	27,326	1573.2p	14.03.22
	RSA 2018-21	15.03.18	4,945	-	4,945	-	-	1430.6p	15.03.21
	RSA 2019-22	14.03.19	4,497	-	2,050	-	2,447	1573.2p	14.03.22
			92,064	-	62,291	-	29,773		

Notes:

- Awards shown as lapsed for Richard Rose illustrate the impact of time pro-rating following cessation of his employment on 15 April 2021. Awards and prices are shown on a post-consolidation basis.
- Any vested awards (except for Linda Z. Cook's 2021 Conditional Share Award) are subject to a two-year holding period such that the total time horizon is five years.
- Vesting outcomes for PSAs and RSAs that vested on 15.03.21 were determined by the Premier Oil Remuneration Committee in March 2021 in respect of the performance period running between 1 January 2018 and 31 December 2020. As noted in the Premier Oil 2020 Directors' Remuneration Report, the PSAs did not meet the minimum performance threshold and therefore there was nil vesting, and the underpin for the RSAs was deemed not to have been met, and all awards duly lapsed.

2009 Long Term Incentive Plan (2009 LTIP)

On 4 March 2019, the Committee determined that the Equity Pool and Performance Share Awards granted to Executive Directors on 1 January 2016 should vest. Details of the vesting outcomes are set out on page 98 of the Company's 2018 Annual Report. 50 per cent of the vested awards were released immediately with the remaining 50 per cent being granted as a Deferred Share Award subject to a further three-year deferral period. The table below sets out details of the Executive Directors' outstanding awards under the 2009 LTIP.

Former Director	Award type	Date of grant	Awards held at 1 January 2021			Awards held at 31 December 2021		Market price of shares on date of award	Earliest vesting date
			Granted	Lapsed	Vested	Granted	Lapsed		
Richard Rose	Deferred Share Award	01.01.19	7,574	-	-	-	7,574	1573.2p	01.01.22

Deferred Bonus Awards

As at 31 December 2021 the following Deferred Bonus Awards were held in respect of the deferred element of the annual bonus awarded for the years ending 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020.

Former Director	Date of grant	Awards held at 1 January 2021			Awards held at 31 December 2021		Market price of shares on date of award ¹	Earliest vesting date (or date of leaving) ²
		Granted	Lapsed	Vested	Granted	Lapsed		
Richard Rose	15.03.18	6,453	-	-	6,453	-	1430.6p	15.03.21
	14.03.19	3,705	-	-	3,705	-	1573.2p	15.04.21
	25.06.20	9,675	-	-	9,675	-	1023.6p	15.04.21
	25.03.21	-	4,326	-	4,326	-	521.2p	15.04.21
		19,833	4,326	-	24,159	-		

Notes:

- The average of the closing prices of a Premier Oil share over the five dealing days immediately preceding the award date (on a post-consolidation basis).
- The 2019, 2020 and 2021 Awards for Richard Rose vested on cessation of his employment on 15 April 2021.

All-employee share schemes

The Executive Directors may also participate, on the same terms as all other eligible employees, in a Share Incentive Plan (SIP) and a Savings Related Share Option Scheme (SAYE Scheme). Executive Directors' interests under the SAYE Scheme are shown below:

Former Director	Date of grant	Exercisable dates	Acquisition price per share	Options held at 1 January 2021	Granted	Exercised	Lapsed	Options held at 31 December 2021
Richard Rose	05.05.20	01.06.23 – 30.11.23	553.4p	3,252	–	–	3,252	–

Shares held beneficially in the SIP by the Executive Directors during the financial year were as follows:

Former Director	Shares held on 1 January 2021	Total Partnership Shares purchased in 2021 at prices between £0.19695 and £0.2975	Total Matching Shares awarded in 2021 at prices between £0.19695 and £0.2975	Shares held on 31 December 2021	Partnership and Matching Shares acquired between 1 January and 16 March 2022
Richard Rose ¹	37,228	2,693	2,693	42,614	–

Note:

1 Richard Rose participated in the plan until his leaving date of 15 April 2021.

Statement of Directors' shareholdings and scheme interests (audited)

The table below summarises the Directors' interests in shares, including unvested awards under employee share schemes, as at 31 December 2021. Further details of all outstanding awards are provided on pages 93 to 95.

Directors	Own shares at 31 December 2021 (or date of leaving) ¹	Unvested shares subject to continued employment at 31 December 2021 (or date of leaving) ²	Unvested shares subject to performance at 31 December 2021 ³	Unvested SAYE options at 31 December 2021
Linda Z. Cook	8,919,424	1,155,852	674,103	–
Alexander Krane	–	264,354	346,965	–
R. Blair Thomas	14,836,700	–	–	–
Simon Henry	10,000	–	–	–
Anne Marie Cannon ⁴	500	–	–	–
G. Steven Farris	400,662	–	–	–
Alan Ferguson	14,203	–	–	–
Andy Hopwood	–	–	–	–
Margareth Øvrum	–	–	–	–
Anne L. Stevens	30,000	–	–	–
Former Directors⁶				
Phil Kirk	13,217,698	–	396,531	–
Richard Rose ⁵	21,884	7,574	29,773	–
Roy A. Franklin	3,000	–	–	–
Dave Blackwood	500	–	–	–
Iain Macdonald	1,153	–	–	–
Elisabeth Proust	500	–	–	–
Mike Wheeler	1,500	–	–	–

Notes:

- Own shares includes shares held by the Director and/or connected persons. For Linda Z. Cook, R. Blair Thomas and G. Steven Farris, this figure includes indirect interests they hold in shares in the Company through certain EIG-managed entities, the Company's major shareholder. Blair is also Chief Executive Officer of EIG and a Director of a number of EIG's wholly owned subsidiaries. Details regarding EIG's shareholding are set out on page 101.
- Unvested shares subject to continued employment comprise Deferred Bonus Awards and Deferred Share Awards under the 2009 LTIP, and Conditional Share Awards awarded to Linda Z. Cook and Alexander Krane in connection with their recruitment. The Deferred Bonus Awards are subject to malus and clawback in the event of a material misstatement of the Company's financial results, gross misconduct or material error in the calculation of performance conditions. The Committee may exercise clawback until the later of: (i) one year from vesting, or (ii) the completion of the next audit after vesting. Alexander Krane's CSA is subject to the malus and clawback provisions set out in the Directors' Remuneration Policy on page 80. The malus and clawback provisions for Linda Z. Cook's buyout award are in line with those set out on page 80 for the Performance Share Awards of the 2017 LTIP.
- Unvested shares for Richard Rose illustrate the impact of time pro-rating following cessation of his employment.
- Anne Marie Cannon purchased 10,000 Premier Oil plc shares on 14 April 2016. The reported interest shown above is on a post-consolidation basis.
- Shares owned outright are reported as at 15 April 2021, the date on which Richard Rose's directorship ceased.
- Shares owned outright are reported as at 31 March 2021, the date on which all the former Premier Oil Non-Executive Directors' directorship ceased.

Directors' remuneration report continued

Awards under all the Company's share schemes may be met using a combination of market purchases, financed by the Company through the Harbour Energy plc Employee Benefit Trust, and newly issued shares. The Company complies with the Investment Association's recommended guidelines on shareholder dilution through employee share schemes: awards under the Group's discretionary schemes which may be satisfied with newly issued shares must not exceed 5 per cent of the Company's issued share capital in any rolling 10-year period, and the total of all awards satisfied with newly issued shares under all plans must not exceed 10 per cent of the Company's issued share capital in any rolling 10-year period.

Directors' shareholding requirements

The Company requires the Executive Directors to retain no less than 50 per cent of the net value of shares vesting under the Company's long-term incentive plans until such a time that they have reached a holding worth 300 per cent of salary (CEO) and 250 per cent of salary (CFO).

Shares owned outright including shares purchased and received from incentive arrangements, shares subject to deferral or a holding period (which are not beneficially owned by the senior executive) net of any relevant tax and social security that would be due, vested but unexercised nil cost options under any share plan, unvested share plan awarded where vesting is not subject to the achievement of any performance conditions or underpins net of any relevant tax and social security and free shares under any UK share incentive plan count towards this requirement.

Based on an average share price of £3.73 during the final three months of 2021, Linda Z. Cook currently holds shares (directly and indirectly) and an unvested Conditional Share Award worth 4,424 per cent of her salary. Alexander Krane holds an unvested Conditional Share Award worth 188 per cent of his salary using the same average price. The Committee notes that Alexander Krane joined the Board on 15 April 2021 and will therefore need time to build up his shareholding.

Under the Company's Remuneration Policy, the shareholding requirement extends for two years post-cessation of employment. Shares purchased by the departed Executive Directors are not covered by the post-cessation requirement.

Executive Director external appointments

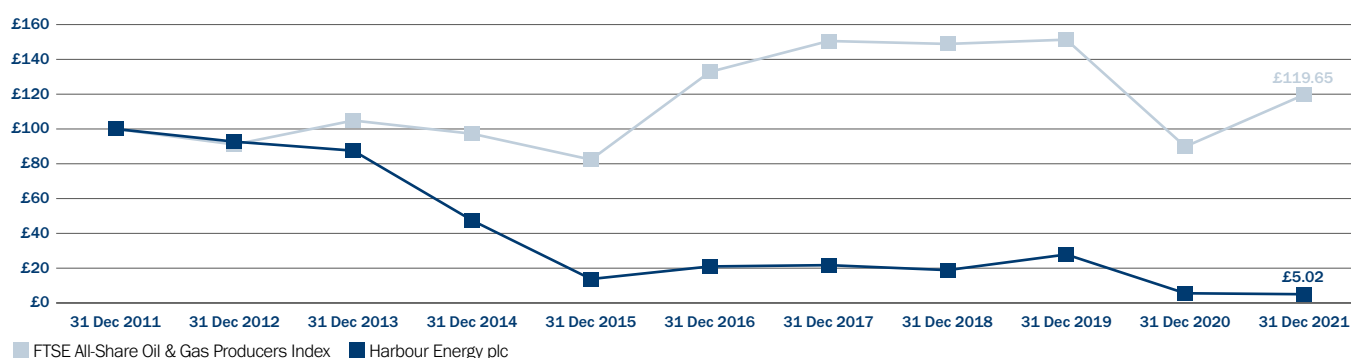
Executive Directors are permitted to accept non-executive appointments outside the Company providing that the Board's approval is obtained. Details of external appointments are set out on pages 58 to 61.

Comparison of Company performance

The chart below compares the value of £100 invested in the Company's shares, including re-invested dividends, on 31 December 2011 compared to the equivalent investment in the FTSE All-Share Oil & Gas Producers Index over the last ten financial years. The FTSE All-Share Oil & Gas Producers Index has been chosen as it comprises companies who are exposed to broadly similar risks and opportunities as the Company.

10-year TSR performance

Value of £100 invested on 31 December 2011:



Note:

1 The closing share price of the Company on 31 December 2021 was 354.00p. On 16 March 2022, being the date of approval of this report, the closing share price was 396.40p.

The table below shows the CEO single figure of remuneration for the past 10 years and corresponding performance under the annual and long-term incentives, as a percentage of maximum.

Year	CEO	CEO single figure of remuneration £'000s	Annual bonus payout as % of maximum	Equity Pool as % of maximum ¹	Restricted Share Award vesting as % of maximum ²	Performance Share Award vesting as % of maximum	Matching Share Award vesting as % of maximum
2012	Simon Lockett	2,728.2	45	0	N/A	90	66
2013	Simon Lockett	1,002.7	24	0	N/A	0	0
2014 ³	Simon Lockett	680.3	39 (pro-rated)	0	N/A	0	0
	Tony Durrant	428.7	40	0	N/A	0	0
2015	Tony Durrant	1,040.4	10	0	N/A	0	0
2016	Tony Durrant	1,404.3	66.5	0	N/A	0	0
2017	Tony Durrant	1,474.3	63.4	0	N/A	0	0
2018	Tony Durrant	1,558.4	54.3	45.1	N/A	75.1	0
2019	Tony Durrant	1,631.1	65	N/A	100	38	N/A
2020 ⁴	Tony Durrant	814.1	10.4	N/A	0	0	N/A
2021 ⁵	Richard Rose	436.6	0	N/A	0	0	N/A
	Linda Z. Cook	5,978.3	33	N/A	N/A	N/A	N/A

Notes:

- 1 Maximum opportunity for the 2016 Equity Pool was 50 per cent of salary.
- 2 The maximum opportunity for the Restricted Share Award was 20 per cent of salary.
- 3 Figures shown for 2014 for Tony Durrant relate to the period during 2014 that he served as Chief Executive Officer: 25 June to 31 December 2014; and for Simon Lockett relate to the period during 2014 that he served as Chief Executive Officer: 1 January to 25 June 2014.
- 4 Tony Durrant stepped down from the Board on 16 December 2020.
- 5 Figures shown for 2021 for Richard Rose relate to the period during 2021 that he served as interim Chief Executive Officer: 1 January 2021 to 31 March 2021; and for Linda Z. Cook relate to the period during 2021 that she served as Chief Executive Officer: 1 April 2021 to 31 December 2021.

Percentage change in Directors' remuneration compared with other employees

The table below shows the percentage change in each Director's remuneration, comprising salary/fees, benefits and annual bonus, and comparable data for the average of all UK-based employees within the Company, between the year ended 31 December 2019 and the year ended 31 December 2020, and between the year ended 31 December 2020 and 31 December 2021.

	Salary / fees		Benefits		Annual bonus ¹	
	2021	2020	2021	2020	2021	2020
Executive Directors						
Linda Z. Cook	-	-	-	-	-	-
Alexander Krane	-	-	-	-	-	-
Non-Executive Directors						
R. Blair Thomas	-	-	-	-	-	-
Simon Henry	-	-	-	-	-	-
Anne Marie Cannon ²	36.78%	22.45%	-	-	-	-
G. Steven Farris	-	-	-	-	-	-
Alan Ferguson	-	-	-	-	-	-
Andy Hopwood	-	-	-	-	-	-
Margareth Øvrum	-	-	-	-	-	-
Anne L. Stevens	-	-	-	-	-	-
Former Executive Directors³						
Phil Kirk	-	-	-	-	-	-
Richard Rose ⁴	49.89%	1.98%	0.00%	0.00%	(100.00%)	(83.65%)
Former Non-Executive Directors⁵						
Roy A. Franklin	0%	2.00%	-	-	-	-
Dave Blackwood	4.17%	17.36%	-	-	-	-
Iain Macdonald	0%	2.04%	-	-	-	-
Elisabeth Proust	0%	-	-	-	-	-
Mike Wheeler	15.28%	3.77%	-	-	-	-
All employees	3.69%	2.51%	26.09%	(3.54%)	98.20%	(69.43%)

Notes:

- 1 Includes cash bonus and amount deferred into shares (amounts above 50 per cent of salary are deferred into shares).
- 2 The increase for Anne Marie Cannon reflects the impact of the new Remuneration Policy approved by shareholders in June 2021.
- 3 Figures for former Directors have been presented on an annualised basis to allow for comparison.
- 4 The increase in salary for Richard Rose reflects his change of role from Finance Director to Interim CEO.
- 5 Increases for Dave Blackwood and Mike Wheeler reflect the impact of additional Committee mandates during the year.

Directors' remuneration report continued

CEO pay ratio

The table below sets out the ratio of the CEO's pay to the lower quartile, median, and upper quartile pay of the Company's UK employees for the past three years.

Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2021	Method A	76.6 : 1	62.3 : 1	40.99 : 1
	Total pay and benefits	£80,077	£98,476	£149,729
	Salary	£58,880	£70,210	£97,340
2020	Method A	10.8 : 1	7.5 : 1	5.1 : 1
	Total pay and benefits	£75,717	£108,225	£160,027
	Salary	£58,140	£81,412	£121,107
2019	Method A	19.8 : 1	11.9 : 1	8.2 : 1
	Total pay and benefits	£82,237	£136,538	£200,076
	Salary	£52,508	£79,465	£124,584

The pay ratio has increased significantly from 2020 to 2021. This is primarily due to Linda Z. Cook's 2021 single total figure of remuneration including a one-off buyout award in respect of remuneration forfeited at her former employer (see page 93). If the buyout were excluded, the pay ratio at the P50 level would fall to 16.1:1. Other factors are her larger total compensation package compared to Tony Durrant, and the higher annual bonus payout for 2021 (33% of maximum) compared to 2020 (10.4% of maximum). No LTIP awards vested in either year, though the Committee expects that where vesting levels vary year-on-year, this will create volatility in the pay ratio in future years. Furthermore, the total pay and benefits for the employee at P50 is lower this year, reflecting organisational changes following completion of the Merger.

The Committee believes that, of the methodologies permitted under the regulations, Method A provides the most statistically accurate representation of the Chief Executive Officer's remuneration relative to the UK workforce. Total pay and benefits (on a full-time equivalent basis) for the people employed at 31 December 2021 have been calculated in line with the 'single figure methodology' used for the Chief Executive Officer. Employees were then ranked to identify each individual at the 25th, 50th and 75th percentiles.

The median pay ratio is consistent with the pay, reward and progression policies for the Company's UK employees as a whole, as we have pay grades benchmarked to the oil and gas industry, a graduated bonus scheme based on these grades. The results are consistent for the professional nature of our workforce and we would not expect to see a disconnect between the CEO pay and the pay of the UK workforce, excluding the one-off buyout award as detailed above.

Relative importance of spend on pay

The table below shows the Company's actual expenditure on shareholder distributions and total employee pay expenditure for the financial years ending 31 December 2020 and 31 December 2021. Total shareholder distribution expenditure is composed of dividends and share buybacks. The Company did not pay a dividend nor re-purchase shares for the financial years ending 31 December 2020 and 31 December 2021.

	2021 \$ million	2020 \$ million	% change
Remuneration paid to or receivable by all employees of the Group ¹	317.1	219.5	44%
Distributions to shareholders by way of dividend ²	-	-	-
Distributions to shareholders by way of share buyback	-	-	-

- Notes:**
- 1 Remuneration for all employees reflects the impact of the Merger in 2021.
 - 2 This table reflects expenditure during the 2021 financial year. As set out on page 7 of this Report, the Company intends to pay an annual dividend of \$200m (subject to shareholder approval) with the first distribution due in May 2022.

Implementation of Executive Director Remuneration Policy for 2022

This section sets out the proposed implementation of the Directors' Remuneration Policy in 2022.

Salary

The salaries of the Executive Directors are reviewed annually to ensure they remain appropriate. Following a review in December 2021, the Remuneration Committee determined not to increase salaries. Opposite are the base salaries of the Executive Directors effective from 1 January 2022.

Directors	Position	Salary from 1 April 2021 £	Salary from 1 January 2022 £	Percentage increase %
Linda Z. Cook	Chief Executive Officer	850,000	850,000	0%
Alexander Krane	Chief Financial Officer	525,000	525,000	0%
Former Executive Director				
Phil Kirk ¹	President & CEO Europe	600,000	600,000	0%

Note:

1 Phil Kirk stepped down from the Board on 28 February 2022.

Pension and benefits

There are no changes intended to the pensions and benefits provided to Executive Directors.

Annual bonus

The Executive Director annual bonus corporate scorecard, setting out measures for 2022, is summarised below. Individual performance targets are considered to be commercially sensitive and will be disclosed in next year's Annual Report & Accounts.

Category	Targets	Weighting (% of maximum corporate bonus opportunity)
1. Safety & environment	Safety incident rate, Process safety, GHG emissions	35%
2. Operations	Production and unit operating costs	30%
3. Growth & capital deployment	Expenditure against budget, Reserves against budget	20%
4. Financial	Free cash flow	15%

Long Term Incentive Plan

The Committee intends to grant LTIP awards to Executive Directors of value equal to 300 per cent of salary for the CEO and 250 per cent of salary for the Chief Financial Officer in line with the Policy. The award will continue to be assessed against relative TSR, with 50 per cent of the award being assessed against the FTSE 100 index and 50 per cent against a bespoke oil and gas peer group. After a review of the current bespoke peer group for 2021, the Committee determined not to make any changes for 2022 given that no companies had materially changed in size or delisted (at the time of this report). The comparator group will therefore be as listed on page 92. The structure of the award will be threshold vesting (25 per cent of maximum) for performance in line with the median and maximum vesting for performance in line with the upper quartile.

Non-Executive Director remuneration

No increases are proposed for Non-Executive Director fees during 2022, as summarised in the table below:

Basic fees	£
Chairman all-inclusive fee	300,000
Other Non-Executive Directors' base fee	85,000
Supplementary fees	
Senior Independent Director	30,000
Chair of Audit and Risk Committee	
Chair of Remuneration Committee	20,000
Chair of Health, Safety, Environment and Security Committee	
Chair of Nomination Committee (N.B. waived by the Chairman)	
Member of Audit and Risk Committee	15,000
Member of Remuneration Committee	
Member of Health, Safety, Environment and Security Committee	
Member of Nomination Committee	10,000

For and on behalf of the Remuneration Committee:

ANNE L. STEVENS
Committee Chair
16 March 2022

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the audited Group and parent company financial statements and Auditors' Report for the year ended 31 December 2021. There are certain disclosure requirements which form part of the Directors' Report and are included elsewhere in this Annual Report. The location of information incorporated by reference into this Directors' Report is set out on the next page.

Dividend

The Board is proposing a dividend of 11 cents per Ordinary Share (2020: nil) to be paid in GBP at the spot rate prevailing on the record date. This dividend is subject to shareholder approval at the AGM, to be held on 11 May 2022. If approved, the dividend will be paid on 18 May 2022 to shareholders on the register as of 8 April 2022 (the record date).

Annual General Meeting

The Company anticipates that the next AGM will be held on 11 May 2022. The Notice of the AGM, together with details of all resolutions which will be placed before the meeting, will be published in due course and will be available online.

Directors

The Directors of the Company as at 16 March 2022 are shown on pages 58 to 61. Changes to the Directors during the year and up to the date of this report are set out below:

Name	Role	Effective date of resignation or appointment
Resignations		
Phil Kirk	Executive Director	28 February 2022
Richard Rose	Executive Director	15 April 2021
Roy A. Franklin	Chairman	31 March 2021
Dave Blackwood	Non-Executive Director	31 March 2021
Mike Wheeler	Non-Executive Director	31 March 2021
Elisabeth Proust	Non-Executive Director	31 March 2021
Appointments		
Alexander Krane	Executive Director	15 April 2021
Margareth Øvrum	Non-Executive Director	1 April 2021
R. Blair Thomas	Chairman	31 March 2021
Linda Z. Cook	Executive Director	31 March 2021
Phil Kirk	Executive Director	31 March 2021
Simon Henry	Non-Executive Director	31 March 2021
G. Steven Farris	Non-Executive Director	31 March 2021
Alan Ferguson	Non-Executive Director	31 March 2021
Andy Hopwood	Non-Executive Director	31 March 2021
Anne L. Stevens	Non-Executive Director	31 March 2021

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a General Meeting of shareholders. The Company's Articles of Association contain provisions regarding the appointment, retirement and removal of Directors.

A Director may be appointed by an ordinary resolution of shareholders in a General Meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. The Directors may appoint a Director during any year provided that the individual stands for election by shareholders at the next AGM. Further detail regarding the appointment and replacement of Directors is included in the Corporate Governance Report.

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company. Details of the Matters Reserved for the Board are set out on the Company's website.

Indemnification of Directors and insurance

During the financial year, the Company had in place an indemnity to each of its Directors and the Company Secretary under which the Company will, to the fullest extent permitted by law and to the extent provided by the Articles of Association, indemnify them against all costs, charges, losses and liabilities incurred by them in the execution of their duties. The indemnity was in force for all Directors who served during the year. The Company also has Directors' and Officers' liability insurance in place.

Share capital

Details of the Company's issued share capital, together with details of any movement in the issued share capital during the year, are shown in note 24 to the consolidated financial statements on page 155. The Company has one class of Ordinary Shares which carries no right to fixed income. Each share carries the right to one vote at General Meetings of the Company.

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares, subject to an appropriate authority being given to the Directors by shareholders in a General Meeting and any conditions attaching to such authority. The current authority, approved at the General Meeting held on 23 June 2021, for the allotment of relevant securities is for a nominal amount of up to (i) £6,170 and (ii) equity securities up to a nominal amount of £12,340 less the nominal amount of any shares issued under part (i) of the authority.

In addition to the authority given at the 2021 AGM, at the General Meeting held on 15 June 2017, in connection with the Company's refinancing which was completed on 28 July 2017 shareholders authorised the Directors to allot Ordinary Shares in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary Shares in the Company up to a nominal amount of £59,039,247.10. This authority is specific to the issue of shares pursuant to the terms of the Company's refinancing. Further details are contained in the Circular to Shareholders dated 30 May 2017, a copy of which can be accessed in the Shareholder Information section of the Company's website.

There are no specific restrictions on the size of a holding nor on the transfer of shares, both of which are governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of employee share schemes are set out in note 25 to the consolidated financial statements on page 156. The voting rights in relation to the shares held within the Employee Benefit Trust are exercisable by the Trustee but it has no obligation to do so. Details of the number of shares held by the Employee Benefit Trust are set out in note 24 to the financial statements on page 155. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

American Depositary Receipt programme

Harbour Energy plc has a sponsored Level 1 American Depositary Receipt (ADR) programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one Ordinary Share of the Company. The ADRs trade on the US over-the-counter market under the symbol HBRIY.

Significant shareholdings

As at 16 March 2022, the Company had received notification from the institutions below, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of their significant holdings of voting rights (3 per cent or more) in its Ordinary Shares:

Name of shareholder	Date of notification to the stock exchange	Notified number of voting rights ¹	Notified percentage of voting rights	Nature of holding
Harbour North Sea Holdings, Ltd	09.04.2021	6,798,223,348	36.73%	Direct
GIC Private Limited	11.03.2022	110,822,599	11.97%	Indirect
FMR LLC	16.11.2021	48,533,713	5.24%	Indirect
Marshfield Advisers, LLC	08.04.2021	879,431,317	4.75%	Direct

1. Notified number of voting rights in issue at the time of the announcement to the market.

Hedging and risk management

Details of the Group's hedging and risk management are provided in the Financial review on page 38. A further disclosure has been made in note 23 to the consolidated financial statements on pages 151 to 155, related to various financial instruments and exposure of the Group to price, credit, liquidity and cash flow risk.

Significant agreements

The following significant agreements will, in the event of a change of control of the Company, be affected as follows:

- under the up to \$4.5 billion senior secured revolving borrowing base facility agreement between, among others, the Company, certain subsidiaries of the Company and a syndicate of financial institutions, upon a change of control (save for certain exceptions), each lender has the right to serve notice, and following a short prescribed period after such notice, all of that lender's commitments under the agreement would be cancelled and all amounts owing to it would become immediately due and payable; and
- the Group has outstanding senior unsecured High Yield Bond notes totalling \$500 million due 2026. Upon a change of control (save for certain exceptions), each noteholder will have the right to require Harbour Energy plc to repurchase all or any part of that holder's notes at a premium, together with accrued interest.

Political donations

No political donations were made during the year (2020: \$nil).

Significant events since 31 December 2021

Details of significant events since the balance sheet date are contained in note 30 to the financial statements on page 163.

Information set out in the Strategic Report

The Strategic Report set out on pages 2 to 55 provides a comprehensive review of the performance of the Company's operations for the year ended 31 December 2021 and the potential future developments of those operations. The Strategic Report also includes details of the Company's principal risks during the year. Information regarding the Company's policy applied during the year relating to diversity, equity and inclusion, employee engagement, career development and promotion of staff including employment of disabled persons is included within the Social and Governance sections of the ESG review in the Strategic Report on pages 34 and 35. In addition, information regarding the Company's greenhouse gas emissions is also included in the Environment section of the ESG review in the Strategic Report on pages 32 to 33. In accordance with s414C(11) of the Companies Act 2006, the Directors have chosen to set out the information outlined above, required to be included in the Directors' Report, in the Strategic Report.

The Strategic Report and the Directors' Report together include the 'management report' for the purposes of the FCA's Disclosure & Transparency Rules (DTR 4.1.8R).

Information set out elsewhere in this Annual Report

Information regarding the Company's governance arrangements is included in the Corporate Governance Report and related Board Committee reports on pages 62 to 99. These sections of the report are incorporated into this report by reference.

For the purposes of Listing Rule 9.8.4C R, the information required to be disclosed by Listing Rule 9.8.4 R can be found in the following locations:

Listing Rule sub-section	Item	Location
9.8.4 (1)	Interest capitalised	Note 7 to the financial statements, page 134
9.8.4 (5)	Waiver of emoluments by a director	Directors' Remuneration Report, page 88
9.8.4 (14)	Controlling shareholder	Corporate Governance Report, page 65

Audit information

Each of the persons who is a Director at the date of approval of this Annual Report and Financial Statements confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all reasonable 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 auditors are aware of that information.

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

RACHEL RICKARD
Company Secretary
16 March 2022

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable United Kingdom law and regulations.

Group financial statements

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group financial statements are required to be prepared in accordance with UK-adopted International Accounting Standards.

In preparing the Group and parent company financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether International Accounting Standards in conformity with the requirements of the Companies Act 2006 / applicable UK Accounting Standards, including FRS 101, 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 appropriate to presume that the Company and/or the Group will not continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website **harbourenergy.com**.

Directors' responsibility statement (DTR 4.1)

The Directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the Annual Report & Accounts, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks that they face; and
- that they consider the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 16 March 2022 and is signed on its behalf by:

LINDA Z. COOK

Chief Executive Officer

Independent auditors' report to the members of Harbour Energy plc

Opinion

In our opinion:

- Harbour Energy plc's Group financial statements and parent company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Harbour Energy plc (the parent company) and its subsidiaries (the Group) for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2021	Balance sheet as at 31 December 2021
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 10 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards and International Financial Reporting Standards (IFRSs). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

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. For the purposes of our evaluation of the Directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting, we:

- confirmed our understanding of management's going concern assessment process in conjunction with our walkthrough of the Group's financial close process, and engaged with management to confirm all relevant assumptions were considered;
- tested the integrity of management's going concern model by ensuring the forecasts were consistent with the budget approved by the Board and with other areas of the audit such as impairment assessments;
- obtained the cash flow forecasts prepared by management for the Group, including the base case and downside scenarios;
- challenged the key assumptions included in the model, including management's oil and gas price assumptions. Our assessment of these price assumptions included a comparison of management's price assumptions with recent broker and consultant estimates together with estimates used by other market participants, including those estimates that forecast the potential impact of the climate transition risks;
- evaluated the reasonableness of all other key assumptions, such as production profiles and operating and capital expenditure forecasts, through assessing their consistency with other areas of the audit, including impairment assessments. We ensured these assumptions were consistent with the budget approved by Harbour Energy's Board;

Independent auditors' report to the members of Harbour Energy plc continued

- reviewed the Group's loan agreements, ensuring that the cash outflows relating to interest and repayments are consistent with the agreements, that no covenants have been breached and that there is no forecast covenant breach in either the base case or downside case scenarios during the going concern period;
- reviewed management's reverse stress test in order to identify what factors would lead to the Group not meeting the financial covenants during the going concern period, including the minimum liquidity requirement as set in the Reserve Based Lending loan agreement, and assessed the likelihood of such a scenario;
- where relevant, we challenged the likelihood of management's ability to execute mitigating actions such as removal of non-committed capex, as required, to continue its business activities under a downside scenario and under the scenarios in the reverse stress test;
- evaluated the impact of Russia's invasion of Ukraine on the Group's operations and on the going concern assessment; and
- evaluated the appropriateness of the going concern disclosures in the Group financial statements to determine whether they are accurate and in line with IAS 1 – Presentation of financial statements – and our expectations given the above procedures performed.

Based on the procedures performed, we observed that the key assumptions underpinning the base case scenario, specifically the oil and gas prices, are within the range of recent brokers and consultants' estimates, and production profiles are consistent with the assumptions in our audit work on impairment and oil and gas reserves. In the downside cases modelled by management, we observed that there remained liquidity headroom before taking into account the mitigating actions management have identified and that under these cases the Group operates within the requirements of its financial covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for the period up to 30 June 2023.

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none">■ We performed an audit of the complete financial information of seven components and audit procedures on specific balances for a further nine components.■ The components where we performed full or specific audit procedures accounted for 98% of Adjusted EBITDA, 100% of Revenue and 82% of Total assets.
Key audit matters	<ul style="list-style-type: none">■ Accounting associated with the Reverse Takeover (RTO) and Purchase Price Allocation (PPA) process.■ Oil and gas reserves estimation including reserves used in the calculation of depreciation, depletion and amortisation, impairment testing and the assessment of the recoverability of deferred tax assets.■ Impairment of tangible oil and gas properties and associated goodwill.
Materiality	<ul style="list-style-type: none">■ We determined materiality for the Group to be \$57 million (2020: \$102 million) which is 2.4% of Adjusted EBITDA (\$2,384 million). Adjusted EBITDA is earnings before interest, tax, depreciation, impairments and amortisation (\$2,129 million), excluding exploration cost write off (\$255 million) but including exploration and evaluation expenses and new ventures (\$50 million) (Adjusted EBITDA).
First year audit transition	<ul style="list-style-type: none">■ The year ended 31 December 2021 is our first year as auditor of the newly formed Harbour Energy group following completion of the Reverse Takeover at the end of March 2021. EY were the previous auditors of Premier Oil plc and PwC were the previous auditors of Chrysaor, the accounting acquirer.■ As part of our audit transition activities, we undertook reviews of the predecessor auditor files related to the audit of Chrysaor to review the working papers in relation to significant audit risk matters, to identify and assess the judgements exercised over these risks and to assess the nature, timing and extent of audit procedures performed by the predecessor auditor in forming the prior year audit opinion.■ Prior to signing the interim review opinion, we performed procedures to understand and walk through the key processes in place for the newly formed group.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors such as the potential for and history of material misstatements when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 88 reporting components of the Group, we selected 16 components covering entities within the United Kingdom, Vietnam and Indonesia, which represent the principal business units within the Group.

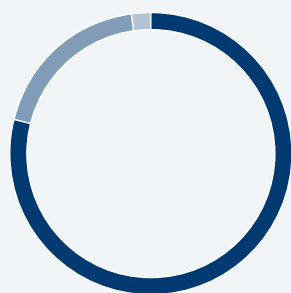
Of the 16 components selected, we performed an audit of the complete financial information of 7 components (full scope components) which were selected based on their size or risk characteristics. For the remaining 9 components (specific scope components), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 98% of the Group's Adjusted EBITDA, 100% of the Group's Revenue and 82% of the Group's Total Assets. For the current year, the full scope components contributed 79% of the Group's Adjusted EBITDA, 80% of the Group's Revenue and 71% of the Group's Total Assets. The specific scope components contributed 19% of the Group's EBITDA, 20% of the Group's Revenue and 11% of the Group's Total Assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. The primary team also performed specified procedures over six reporting components specifically on exploration asset balances.

Of the remaining 72 components that together represent 2% of the Group's Adjusted EBITDA, none are individually greater than 1.7% of the Group's Adjusted EBITDA, For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

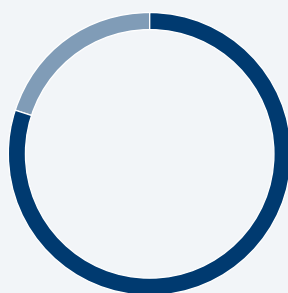
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Adjusted EBITDA



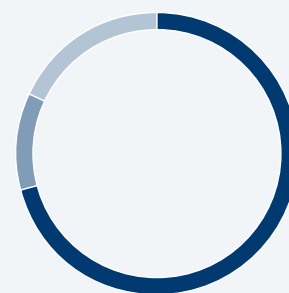
■ Full scope components	79%
■ Specific scope components	19%
■ Other procedures	2%

Revenue



■ Full scope components	80%
■ Specific scope components	20%
■ Other procedures	0%

Total assets



■ Full scope components	71%
■ Specific scope components	11%
■ Other procedures	18%

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the seven full scope components, audit procedures were performed on all of these by the component audit teams in United Kingdom, Vietnam and Indonesia. For the nine specific scope components, the audit work for three of these was performed by the primary audit team and for the other six the work was performed by component auditors in United Kingdom, Vietnam and Indonesia. For these six specific scope components, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

As the 2021 audit of Harbour Energy plc is an initial audit, we performed additional procedures to ensure we exercised sufficient oversight over the components. As the previous auditors of Premier Oil, we had performed oversight procedures on these entities previously, including site visits to Indonesia and Vietnam. For the Chrysaor components in the United Kingdom we performed two separate site visits as described below.

Under normal circumstances, the lead audit partner and other senior members of the primary audit team would visit the component teams on a rotational basis during the audit cycle. During the current year's audit cycle, visits were undertaken by the primary audit team to the component team in the United Kingdom (92% of Adjusted EBITDA), both prior to and subsequent to the year-end date. This component team performs the procedures over 10 out of 13 full and specific scope entities in scope in the United Kingdom. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meetings, and reviewing relevant audit working papers on risk areas.

Due to the ongoing travel restrictions and lockdowns in place during the year it was not possible to perform an in-person site visit to the components in Indonesia and Vietnam. The strategy to evaluate, review and oversee the work of the component teams in Indonesia (4% of Adjusted EBITDA) and Vietnam (2% of Adjusted EBITDA) included the following procedures:

- held a virtual planning event, with members of all component teams in attendance, in order to discuss the audit approach and relevant business updates;
- increased the frequency of our dialogue with our component teams throughout the audit cycle;
- reviewed key workpapers prepared by component teams in areas of particular risk such as impairment and revenue recognition through the interactive capability of EY Canvas, our global audit workflow tool, or share-screen functionality; and
- virtually attended closing meetings held between EY component teams and local management in order to discuss the audit status and any issues arising.

These procedures, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Harbour Energy plc. The Group has determined that the most significant future impacts from climate change on their operations will be from the shift in demand for oil and gas in the future as the world transitions towards a low carbon economy. Additionally, on the supply side, the oil and gas sector may be subject to new climate change regulations or supply chain challenges that increase costs and impact the decommissioning of high emitting assets. These are explained in the ESG review on page 32, which includes the required Task Force on Climate-related Financial Disclosures and on page 55 in the principal risks, which form part of the 'Other information', rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in Note 2 – Accounting Policies, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of IFRS. In Note 2 to the financial statements a description has been provided on how climate change risks have been considered in the key judgements and estimates in the financial statements.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 32 and 55 and the Group's commitment to be Net Zero (Scope 1 and 2) by 2035 have been appropriately reflected in the estimation of oil and gas reserves and the impairment assessments for oil and gas assets. Details of climate related procedures and findings are included within our key audit matters opposite. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting associated with the Merger and PPA

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Refer to the Audit and Risk Committee Report (page 67); Accounting policies (page 119); and Note 14 of the Consolidated Financial Statements (page 142).</p> <p>Although Premier legally acquired Chrysaor through the issuance of shares, Chrysaor is considered the accounting acquirer on the basis that it took control of the enlarged group. Reverse takeovers that involve two operating entities of significant scale are rare and involve a number of technical accounting considerations.</p> <p>The recognition of Premier's assets and liabilities at fair value involve a number of judgemental estimates, including the valuation of oil and gas properties, exploration and evaluation assets and the recognition of deferred tax assets which rely on the use of certain key assumptions. These include the estimation of future oil and gas prices, a future production profile and an appropriate discount rate.</p>	<p>Our audit response was executed by the primary audit team. We performed the following audit procedures with respect to management's accounting for the transaction:</p> <ul style="list-style-type: none"> ■ reviewed the underlying agreements and evaluated the commercial substance of the transaction in order to assess whether the transaction was a business combination; ■ recalculated management's assessment of 'consideration transferred' based on the terms of the arrangement and publicly available share price data; ■ in auditing the valuation of 'acquired' tangible oil and gas assets we focused on the following areas: <ul style="list-style-type: none"> – Price: in conjunction with EY valuations specialists, we assessed the appropriateness of oil and gas price assumptions through comparison with the estimates of market participants, including those estimates that forecast the potential impact of the climate transition risks; – discount rate: in conjunction with EY valuations specialists, we assessed the appropriateness of management's discount rates based on an independent re-calculation of the Group's weighted average cost of capital; and – other assumptions (including production and cost estimates): compared management's assumptions to those audited as part of our 2020 audit of Premier and assessed the appropriateness of any significant changes. ■ assessed the appropriateness of management's methodology of assigning fair value to exploration assets, including the appropriateness of key assumptions applied throughout; ■ reviewed the 'reverse acquisition' accounting requirements in order to assess management's measurement and presentation of equity balances; ■ tested the appropriateness of management's deferred tax asset (DTA) recoverability assessment through reconciliation of the underlying cash flow forecasts to the audited asset valuation models; ■ assessed the valuation of Premier's debt based on the terms of the agreed settlement as well as the appropriateness of management's accounting in respect of the subsequent settlement; ■ evaluated the appropriateness of management's decommissioning discount rates based on comparison with recent government bond rates and compared management's decommissioning cost estimates to those audited during our 2020 year-end audit of Premier, assessing the appropriateness of any significant changes; ■ given the judgemental nature of the PPA exercise, we considered the potential for management bias throughout the execution of our procedures. Whilst our audit procedures included the determination of reasonable ranges which assessed the risk of over and understatement of recognised assets and liabilities, we remained alert to the potential incentive to reduce the extent of goodwill recognised on acquisition; ■ reviewed management's proposed IFRS 3 disclosures and assessed their appropriateness in disclosing the key judgements applied in measuring the fair value of acquired assets and liabilities; and ■ audited any material adjustments made to the provisional PPA during a maximum period of one year from the acquisition date and assessed whether, in line with IFRS 3 requirements, those additional assets or liabilities were based on new information obtained about facts and circumstances that existed at the acquisition date. 	<p>The Merger constituted a 'reverse takeover' of Premier by Chrysaor and has therefore been accounted for as a reverse acquisition in accordance with IFRS 3, Business Combinations. As a result, Premier is fully consolidated in the financial statements with effect from 31 March 2021, and all results prior to this date represent those of Chrysaor only.</p> <p>We reported to the Audit and Risk Committee that, based on our testing performed, we consider the key assumptions applied by management in its PPA exercise to be reasonable. Following the execution of our PPA audit procedures, we did not identify any positions adopted by management that were indicative of management bias. The accounting for and disclosure of the transaction in the financial statements are in line with IFRS 3.</p> <p>The provisional PPA fair values were finalised at year-end. We concluded that the final amounts recognised were reasonable and the adjustments to the provisional PPA met the IFRS 3 criteria.</p>

Independent auditors' report to the members of Harbour Energy plc continued

Oil and gas reserve estimation

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Refer to the Audit and Risk Committee Report (page 67); Accounting policies (page 119); and Additional information on page 173.</p> <p>At 31 December 2021, Harbour reported 487.5 million barrels of oil equivalent (mboe) of proven and probable (2P) reserves (2020: 451.2 mboe).</p> <p>The estimation and measurement of oil and gas reserves impacts many material elements of the financial statements including depreciation, depletion and amortisation (DD&A), impairment, going concern, decommissioning provisions and DTA recoverability.</p> <p>Auditing the estimation of oil and gas reserves is complex, as there is significant estimation uncertainty in assessing the quantities of reserves and resources in place. Estimation uncertainty is further elevated given the transition to a low-carbon economy which could impact life-of-field assumptions and increase the risk of underutilised or stranded oil and gas assets. Also, given the estimation of oil and gas reserves is complex, there is a risk that inappropriate management bias influences the estimates.</p> <p>Management's 2P reserves estimates are prepared by an internal specialist whilst an external specialist is engaged for the purpose of assessing the appropriateness of management's internal estimate.</p>	<p>Our audit response was performed by the primary audit team. Our procedures covered 100% of reserve volumes with a direct impact on the financial statements. We performed the following audit procedures with respect to management's estimation of oil and gas reserves:</p> <ul style="list-style-type: none"> ■ confirmed our understanding of Harbour's oil and gas reserve estimation process as well as the control environment implemented by management; ■ reconciled the opening reserves balances to the prior year reserves estimate for Chrysaor and assessed the addition in reserves as a result of the acquisition of Premier; ■ assessed the appropriateness of reliance on management's internal and external reserve specialists by performing procedures to evaluate their competence and objectivity; ■ met with management's internal and external specialists to understand the basis, and therefore appropriateness, of variances between the two sets of estimates; ■ where variances of a technical nature were identified, we utilised the knowledge and expertise of an EY partner from our Financial Accounting Advisory Services practice with significant oil and gas reserves expertise and valuation experience to assess the nature of the variance and appropriateness of management's estimate; ■ we recalculated net entitlement production that reflect the terms of production sharing contracts for the relevant fields and is derived from reserves prepared by internal specialists and assessed by external specialists; ■ investigated all material volume movements from management's prior period estimate together with lack of movement where changes were expected based on our understanding of the Group's operations and findings from other areas of our audit; ■ in light of Harbour's pledge to reach Net Zero for Scope 1 and 2 emissions by 2035 (equity share), we considered the extent of reserves recognised that are due to be produced beyond 2035 in assessing the potential impact of the climate transition risk and energy transition on the recognition of Harbour's reserves; and ■ ensured reserve volumes were consistently applied throughout all relevant accounting processes including DD&A, impairment, going concern, decommissioning provisions and DTA recoverability. 	<p>We reported to the Audit and Risk Committee in its March 2022 meeting that, based on our testing performed, we had not identified any errors or factual inconsistencies with reference to Harbour's oil and gas reserve estimates that would materially impact the financial statements and that, as a result, we consider the reserve estimates to be appropriate.</p> <p>90% of Harbour's 2P reserves are expected to be produced by 2035. We do not believe that Harbour's 2P reserves as at 31 December 2021, as well as associated tangible oil and gas properties, are significantly exposed to climate transition risks.</p>

Impairment of tangible oil and gas properties and associated goodwill

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Refer to the Audit and Risk Committee Report (page 67); Accounting policies (page 119); Notes 10 and 12 of the Consolidated Financial Statements (pages 137 and 139).</p>	<p>Our audit response was executed by the primary audit team and Aberdeen, Indonesia and Vietnam component audit teams, covering all assets at risk of material impairment. We performed the following audit procedures with respect to management's impairment assessment:</p>	<p>We reported to the Audit and Risk Committee in its March 2022 meeting that, based on our testing performed, we considered the current period impairment charge to be fairly stated. The key assumptions used within the impairment models were within a reasonable range.</p>
<p>In the current period, management noted impairment indicators for certain of the Group's assets and recorded a pre-tax impairment charge of \$117 million (2020: \$644 million).</p>	<ul style="list-style-type: none"> ■ confirmed our understanding of Harbour's impairment process, as well as the control environment implemented by management; ■ considered the internal and external sources of information included in IAS 36 to identify any potential indicators of impairment loss and/or reversal, specifically any sustained increase or decrease in long term oil and gas prices compared to the prior year; 	
<p>Management prepares the tangible asset impairment tests under the Fair Value Less Cost to Sell methodology. The models include a number of accounting estimates and judgements including: future oil and gas prices; discount rates; inflation rates; production forecasts; operating expenditures; and capital expenditures for each CGU. Changes to any of these key inputs could lead to a potential impairment or a reversal of impairment, hence this is considered a key audit matter. Following the identification of indicators of impairment for five of the Group's CGUs, these were tested for impairment in the period.</p>	<ul style="list-style-type: none"> ■ following identification of indicators of impairment in respect of five CGUs, we obtained the discounted cash flow model and tested the model integrity; ■ in conjunction with our EY valuations specialists, we assessed the appropriateness of management's oil and gas price assumptions through comparison with the estimates of market participants. Reflective of a narrowing of the range of long-term oil price forecasts, management elected to revise its long-term Brent oil price assumption to \$65/bbl (real) (2020: \$60/bbl, real) during the current period. Our assessment of management's long-term oil price assumption considered the estimates of recognised consultants, including those that reflect the potential impact of the transition to a Net Zero economy on future prices; ■ in conjunction with our EY valuations specialists, we assessed the appropriateness of management's impairment discount rates based on an independent re-calculation of the Group's weighted average cost of capital; ■ tested management's production profiles through reconciliation to the results of our testing in respect of reserve estimation; ■ tested the appropriateness of other cash flow assumptions such as opex, capex and decommissioning spend by comparing against Board-approved plans and actual costs incurred; we compared inflation and FX rates to recent market forecasts to assess their reasonableness; ■ performed procedures to understand how management intend to achieve their planned Scope 1 and 2 emissions reductions and whether these actions have been reflected in the cash flow forecasts in the corporate model that underpins management's impairment assessment; ■ performed headroom analysis for the material profit making CGUs as part of our assessment of the goodwill balance; and ■ performed independent testing of carbon prices to assess reasonableness of the carbon price forecasts used in the cash flow models. 	

Our application of materiality

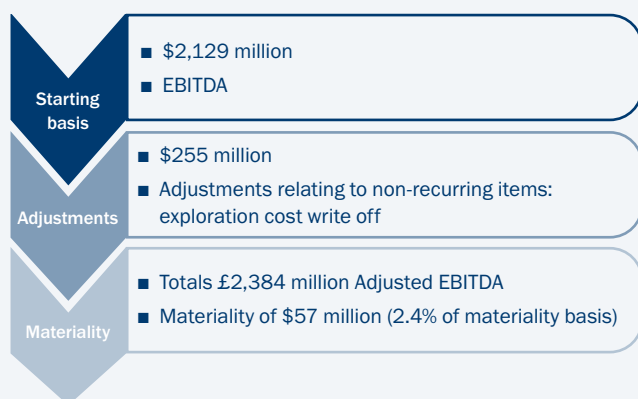
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be \$57 million which is 2.4% of earnings before interest, tax, depreciation, impairments and amortisation (\$2,129 million), excluding exploration cost write off (\$255 million) but including exploration and evaluation expenses and new ventures (\$50 million) (Adjusted EBITDA). We believe that Adjusted EBITDA represents a measure that is of particular focus to shareholders and is closely linked to both the metric used in the covenant included in the Group's major loan agreement and the key performance indicator for the Group (EBITDAX). Measures such as Adjusted EBITDA are a primary indicator of company valuation and cash flow generation across the upstream oil and gas sector. For the 2020 audit of Chrysaor Holdings Limited, PwC determined materiality to be \$102 million which represented 1% of Total Assets.

We determined materiality for the parent company to be \$37.9 million (2020: \$10.0 million), which is 0.5% (2020: 0.5%) of Total Assets. There has been a significant increase in Total Assets since the prior period due to the Reverse Takeover that occurred during the year.



During the course of our audit, we reassessed initial materiality and found no reason to change from our original assessment at planning.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely \$28.5 million. We have set performance materiality at this percentage due to 2021 being the first period for our audit of the newly formed Harbour Energy listed Group as well as our quantitative and qualitative assessment of prior year misstatements, our assessment of the Group's overall control environment, and consideration of relevant changes in market conditions during the period. Performance materiality for the 2020 audit of Chrysaor Holdings Limited was set by PwC at \$76.5 million, being 75% of planning materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$5.7 million to \$18.5 million. For the 2020 audit of Chrysaor Holdings Limited, PwC allocated materiality to in-scope components in the range of \$75 million to \$90 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of \$2.9 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report as set out on pages 2 to 102, including the Strategic Report, Governance and Additional Information sections, 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 this report, we do not express any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us;
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns;
- 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.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- directors' statement with regards to the appropriateness of adopting the going concern basis of accounting as set out on pages 43 and 102;
- directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate as set out on pages 43 and 47;
- directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as set out on pages 43 and 102;
- directors' statement on fair, balanced and understandable as set out on page 102;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 48;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 68; and
- the section describing the work of the Audit and Risk Committee as set out on page 66.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities as set out on page 102, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which Harbour Energy plc operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, relating to health and safety, employee matters, environmental, and bribery and corruption practices. We understood how the Group is complying with those frameworks by making enquiries of management, legal counsel and the Company Secretary. We corroborated the results of our enquiries through our review of Board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies and noted there was no contradictory evidence.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the degree of incentive, opportunity and rationalisation that may exist to undertake fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We engaged our forensics specialists in assisting our assessment of the susceptibility of the Group's financial statements to fraud. We have determined there is a risk of fraud associated with management override in manual revenue journals that do not follow the expected process. We performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations, including specific instructions to full scope components. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management, Internal Audit, component management at all full and specific scope components; and focused testing, including in respect of management override through manual revenue journals and specific searches derived from forensic investigations experience.
- Based on the results of our audit procedures, there were no significant instances of non-compliance with laws and regulations identified at the Group or component level.

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

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Company on 22 April 2021 to audit the Group and parent company financial statements for the year ending 31 December 2021 and for subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ended 31 December 2021.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

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 auditors' 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.

ANDREW SMYTH (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
16 March 2022

Consolidated income statement

For the year ended 31 December

	Note	2021 \$ million	2020 \$ million
Revenue	4	3,478.8	2,413.6
Other income	4	139.2	24.2
Cost of operations		(2,453.2)	(1,847.2)
Impairment of property, plant and equipment	12	(117.2)	(644.0)
Impairment of goodwill	10	-	(411.4)
Exploration and evaluation expenses and new ventures	5	(49.8)	(13.2)
Exploration costs written-off	5	(255.0)	(160.8)
General and administrative expenses		(102.5)	(48.6)
Operating profit/(loss)	5	640.3	(687.4)
Finance income	7	48.8	11.4
Finance expenses	7	(374.6)	(301.7)
Profit/(loss) before taxation		314.5	(977.7)
Income tax (expense)/credit	8	(213.4)	199.3
Profit/(loss) for the financial year		101.1	(778.4)

Consolidated statement of comprehensive income

For the year ended 31 December

	2021	2020
	\$ million	\$ million
Profit/(loss) for the financial year	101.1	(778.4)
Items that may be subsequently reclassified to income statement in subsequent periods		
Fair value losses on cash flow hedges	(3,583.8)	(173.7)
Tax credit on cash flow hedges	1,433.2	71.3
Currency exchange differences	(5.7)	27.4
Total other comprehensive loss for the financial year, net of tax	(2,156.3)	(75.0)
Total comprehensive loss for the financial year	(2,055.2)	(853.4)
Attributable to equity holders of the parent	(2,055.2)	(853.4)

Earnings per share

For the year ended 31 December

	Note	2021	2020
		cents	cents
Basic and diluted	9	11.6	(110.4)

Consolidated balance sheet

As at 31 December

	Note	2021 \$ million	2020 \$ million
Assets			
Non-current assets			
Goodwill	10	1,327.1	990.0
Other intangible assets	11	873.7	454.1
Property, plant and equipment	12	7,246.7	6,522.4
Right-of-use assets	13	551.5	132.2
Deferred tax assets	8	1,938.4	-
Other receivables	16	263.0	3.6
Other financial assets	22	10.1	90.4
Total non-current assets		12,210.5	8,192.7
Current assets			
Inventories	15	211.4	160.5
Trade and other receivables	16	1,342.2	461.3
Other financial assets	22	41.8	222.6
Cash and cash equivalents	17	698.7	445.4
Total current assets		2,294.1	1,289.8
Total assets		14,504.6	9,482.5
Equity and liabilities			
Equity			
Share capital	24	171.1	0.1
Share premium		1,504.6	910.0
Capital redemption reserve		8.1	-
Merger reserve		677.4	-
Cash flow hedge reserve		(2,062.1)	80.2
Costs of hedging reserve		1.5	9.8
Currency translation reserve		98.3	104.0
Retained earnings/(accumulated losses)		74.6	(36.8)
Total equity		473.5	1,067.3
Non-current liabilities			
Borrowings	21	2,823.7	2,160.3
Provisions	20	5,022.6	4,020.8
Deferred tax	8	187.1	1,031.4
Trade and other payables	19	32.3	29.8
Lease creditor	13	489.2	80.8
Other financial liabilities	22	1,373.6	52.5
Total non-current liabilities		9,928.5	7,375.6
Current liabilities			
Trade and other payables	19	873.6	540.3
Borrowings	21	62.3	21.5
Lease creditor	13	165.1	60.1
Provisions	20	358.6	190.2
Current tax liabilities		116.8	153.3
Other financial liabilities	22	2,526.2	74.2
Total current liabilities		4,102.6	1,039.6
Total liabilities		14,031.1	8,415.2
Total equity and liabilities		14,504.6	9,482.5

The notes on pages 119 to 165 form part of these financial statements.

The financial statements on pages 114 to 165 were approved by the Board of Directors on 16 March 2022 and signed on its behalf by:

ALEXANDER KRANE

Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December

	Share capital \$ million	Share premium \$ million	Merger reserve \$ million	Capital redemption reserve \$ million	Cash flow hedge reserve ¹ \$ million	Costs of hedging reserve ¹ \$ million	Currency translation reserve \$ million	(Accumulated losses)/ retained earnings \$ million	Total equity \$ million
As at 1 January 2020	0.1	910.0	-	-	176.1	16.3	76.6	729.8	1,908.9
Loss for the financial year	-	-	-	-	-	-	-	(778.4)	(778.4)
Share-based payments	-	-	-	-	-	-	-	11.8	11.8
Other comprehensive profit/(loss)	-	-	-	-	(95.9)	(6.5)	27.4	-	(75.0)
At 31 December 2020	0.1	910.0	-	-	80.2	9.8	104.0	(36.8)	1,067.3
Shares issued in settlement of D loan notes	-	134.7	-	-	-	-	-	-	134.7
Reverse takeover	171.0	(527.2)	635.9	8.1	-	-	-	-	287.8
Settlement of Premier's debt ²	-	987.1	41.5	-	-	-	-	-	1,028.6
Profit for the financial year	-	-	-	-	-	-	-	101.1	101.1
Share-based payments	-	-	-	-	-	-	-	13.4	13.4
Purchase of ESOP Trust shares	-	-	-	-	-	-	-	(3.1)	(3.1)
Other comprehensive loss	-	-	-	-	(2,142.3)	(8.3)	(5.7)	-	(2,156.3)
At 31 December 2021	171.1	1,504.6	677.4	8.1	(2,062.1)	1.5	98.3	74.6	473.5

1 Disclosed net of deferred tax.

2 Debt settlement relates to the issuance of shares in partial settlement of Premier's debt.

The Merger constituted a 'reverse takeover' of Premier by Chrysaor and has therefore been accounted for as a reverse acquisition in accordance with IFRS 3 Business Combinations. The effect on the statement of changes in equity is that the capital structure (Share capital and Share premium) is a continuation of the legal acquirer (Premier Oil plc), whilst the remaining reserves reflect the accounting acquirer (Chrysaor Holdings Limited).

Consolidated statement of cash flows

For the year ended 31 December

	Note	2021 \$ million	2020 \$ million
Net cash inflow from operating activities	27	1,614.2	1,373.4
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(176.5)	(88.3)
Expenditure on property, plant and equipment		(437.4)	(457.6)
Expenditure on non-oil and gas intangible assets		(30.0)	(52.2)
Cash acquired on business combinations	14	97.4	-
Receipts for sub-lease income		7.4	-
Expenditure on business combinations – contingent consideration		-	(12.5)
Expenditure on business combinations – deferred consideration		(46.0)	-
Finance income received		14.1	7.4
Net cash outflow from investing activities		(571.0)	(603.2)
Cash flows from financing activities			
Repayment of senior debt	21	(697.5)	(774.0)
Repayment of junior debt	21	(400.0)	-
Repayment of financing arrangement	21	(9.3)	(1.6)
Repayment of Exploration Financing Facility	21	(14.7)	(8.7)
Repayment of short-term debt arising on business combination	21	(1,276.5)	-
Repayment of hedging liabilities arising on business combination		(48.5)	-
Proceeds from new borrowings – Exploration Financing Facility	21	45.9	12.8
Proceeds from new borrowings – senior debt	21	1,617.5	157.5
Proceeds from new borrowings – High Yield Bond	21	500.0	-
Purchase of ESOP Trust shares		(3.1)	-
Lease payments	13	(160.4)	(60.5)
Redemption of loan notes	21	(135.7)	(77.1)
Interest paid and bank charges		(204.9)	(147.8)
Net cash outflow from financing activities		(787.2)	(899.4)
Net increase/(decrease) in cash and cash equivalents		256.0	(129.2)
Effect of exchange rates on cash and cash equivalents		(2.7)	1.4
Cash and cash equivalents at 1 January		445.4	573.2
Cash and cash equivalents as at 31 December	17	698.7	445.4

Notes to the consolidated financial statements

1. Corporate information

The consolidated financial statements of Harbour Energy plc (Harbour or the Company, formerly Premier Oil plc) for the year ended 31 December 2021 which comprise the Company and all its subsidiaries (the Group), were authorised for issue in accordance with a resolution of the Directors on 16 March 2022. Harbour Energy plc is a limited liability company incorporated in Scotland and listed on the London Stock Exchange. The Company's registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, United Kingdom.

In October 2020, Harbour Energy Limited entered into an agreement with Premier Oil plc (Premier) regarding an all-share Merger between Premier and Harbour Energy Limited's subsidiary, Chrysaor Holdings Limited (Chrysaor). Under the terms of the Merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquiror for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The transaction completed on 31 March 2021, whereupon Premier, being the legal acquirer and accounting acquiree, changed its name from Premier Oil plc to Harbour Energy plc.

The Merger constituted a 'reverse takeover' of Premier by Chrysaor and has therefore been accounted for as a reverse acquisition in accordance with IFRS 3 Business Combinations. As a result, Premier is fully consolidated in the financial statements with effect from 31 March 2021, and all results prior to this date represent those of Chrysaor only.

The Group's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK and Norwegian Continental Shelves, Indonesia, Vietnam and Mexico.

2. Accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards. The analysis used by the Directors in adopting the going concern basis considers the various plans and commitments of the Group as well as various sensitivity and reverse stress test analyses. Further details are within the Financial review and Viability Statement.

The Group financial statements are presented in US Dollars (\$) and all values are rounded to the nearest \$0.1 million except where otherwise stated.

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments) which have been measured at fair value.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021. All accounting policies are consistent with those adopted and disclosed in Chrysaor's 2020 Annual Report and Financial Statements, other than where new policies have been adopted, and the comparatives are those of Chrysaor.

In addition, following the Merger with Premier and its material FPSO lease arrangements, the Group has adopted its leasing accounting policy in relation to lease arrangements of a joint operation, see Leases.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2021. Subsidiaries are those entities over which the Group has control. Control is achieved where the Group has the power over the subsidiary, is exposed, or has rights to variable returns from the subsidiary and has the ability to use its power to affect its returns. All subsidiaries are 100 per cent owned by the Group and there are no non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries acquired to bring the accounting policies used into line with those used by other members of the Group.

All intercompany balances have been eliminated on consolidation.

Impact of climate change on the financial statements and related disclosures

Judgements and estimates made in assessing the impact of climate change and the energy transition

The Group monitors global climate change and energy transition developments and plans accordingly. Management recognises there is a general high level of uncertainty about the speed and scale of impacts which, together with limited historical information, provides significant challenges in the preparation of forecasts and plans with a range of possible future scenarios.

The Group's strategic ambition is to achieve Net Zero by 2035 through several opportunities, including operational improvements, UK offshore electrification, UK Carbon Capture and Storage (CCS) and the eventual cessation of production of mature fields. Where the Group cannot reduce its Scope 1 and 2 emissions, it will invest in carbon offsets to achieve the goal of Net Zero. All new economic investment decisions include the cost of carbon and opportunities are assessed on their climate-impact potential and alignment with Harbour Energy's Net Zero goal, taking into consideration both GHG volumes and intensity. Emissions reduction incentives are part of staff remuneration and annual bonus schemes (refer to Remuneration Committee report). Additionally, the cost of borrowing is tied to our gross operated CO₂ emissions performance, with GHG metrics being linked to our RBL interest expense, further incentivising our emissions reduction targets.

Notes to the consolidated financial statements continued

2. Accounting policies continued

As a result, climate change and the energy transition have the potential to significantly impact the accounting estimates adopted by management and therefore the valuation of assets and liabilities reported on the balance sheet. On an ongoing basis management continues to assess the potential impacts on the significant judgements and estimates used in the financial statements. Estimates adopted in the preparation of the financial statements reflect management's best estimate of future market conditions where, in particular, commodity prices can be volatile. Notwithstanding the challenges around climate change and the energy transition, it is management's view that the financial statements are consistent with the disclosures in the Strategic Report.

Impairment of property, plant and equipment, and goodwill

The energy transition has the potential to significantly impact future commodity and carbon prices which would, in turn, affect the recoverable amount of property, plant and equipment and goodwill. In the current period, management's estimates of real long-term commodity price assumptions when testing for impairment were \$65/bbl (2020: \$60/bbl) and 60p/therm (2020: 40p/therm) for Brent crude and UK NBP gas, respectively. The real long-term price assumption for the UK regulatory price of carbon is £55/tonne. The scenarios which reflect the potential impact of the energy transition continue to be developed and with respect to potential investment criteria, in particular, a carbon price hurdle of \$100/tonne is used in combination with other investment parameters. Such assumptions are inherently uncertain and may ultimately differ from the actual amounts.

See [key sources of estimation uncertainty: recoverability of oil and gas assets and goodwill for further information](#) including sensitivity analysis in relation to reasonably possible changes in price assumptions. Asset impairments were recognised during 2021 as a result of underlying reservoir performance. In 2020, impairments were recognised on both assets and goodwill as a result of the prior commodity price assumptions. See notes 10 and 12 for further information.

Property, plant and equipment – depreciation and expected useful lives

The energy transition has the potential to reduce the expected useful lives of assets and consequently accelerate depreciation charges. No changes have been identified or recognised to date.

See [accounting policy: property, plant and equipment for further information](#).

Intangible assets – exploration and evaluation assets

The energy transition has the potential to affect the future development or viability of exploration and evaluation prospects. A significant portion of the Group's exploration and evaluation assets relates to prospects that could be tied back to existing infrastructure and hence require less capital investment and are less exposed to the impacts of the energy transition compared to large frontier developments. At each balance sheet date, all exploration and evaluation prospects are reviewed against the Group's financial framework to ensure that the continuation of activities is planned and expected.

See [judgements: exploration and evaluation expenditure and note 11 for further information](#).

Decommissioning cost and provisions

The energy transition may accelerate the decommissioning of assets which would result in an increase in the carrying value of associated decommissioning provisions. Whilst the Group currently expects to incur decommissioning costs over the next 40 years, we anticipate the majority of costs will be incurred between the next 10 to 20 years which will reduce the exposure to the impact of the energy transition. Decommissioning cost estimates are based on the known regulatory and external environment. These cost estimates and recoverability of associated deferred tax may change in the future, including as a result of the energy transition.

On the basis that all other assumptions in the calculation remain the same, a 10 per cent increase in the cost estimates, and a 10 per cent reduction in the applied discount rates used to assess the final decommissioning obligation, would result in increases to the decommissioning provision of approximately \$622 million and \$93 million respectively. This change would be principally offset by a change to the value of the associated asset unless the asset is fully depreciated, in which case the change in estimate is recognised directly within the income statement.

See [key sources of estimation uncertainty: decommissioning costs for further information](#).

Segment reporting

The Group's activities consist of one class of business – the acquisition, exploration, development and production of oil and gas reserves and related activities, and are split geographically and managed in two business units: namely 'North Sea' and 'International'.

Joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Exploration and production operations are usually conducted through joint arrangements with other parties. The Group reviews all joint arrangements and classifies them as either joint operations or joint ventures depending on the rights and obligations of each party to the arrangement and whether the arrangement is structured through a separate vehicle. The Group's interest in joint operations, such as exploration and production arrangements, are accounted for by recognising its:

- Assets, including its share of any assets held jointly.
- Liabilities, including its share of any liabilities incurred jointly.
- Revenue from the sale of its share of the output arising from the joint operation.
- Expenses, including its share of any expenses incurred jointly.

A joint venture, which normally involves the establishment of a separate legal entity, is a contractual arrangement whereby the parties that have joint control of the arrangement have the rights to the arrangement's net assets. The results, assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. During 2021, the Group did not have any interests in joint ventures.

Where the Group transacts with its joint operations, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

Foreign currency translation

Each entity in the Group determines its own functional currency, being the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements are presented in US Dollars.

Transactions recorded in foreign currencies are initially recorded in the entity's functional currency by applying an average rate of exchange. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the transaction and subsequently not retranslated.

On consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly exchange rates for the year. Equity is held at historic cost and is not retranslated. The resulting exchange differences are recognised as other comprehensive income or expense and are transferred to the Group's translation reserve.

When an overseas operation is disposed of, such translation differences relating to it are recognised as income or expense.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of completion of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at acquisition.

The identifiable assets, liabilities and contingent liabilities acquired that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.
- Lease arrangements that represent leases as defined by IFRS 16 Leases are recognised and measured in accordance with IFRS 16 Leases.
- Liabilities or equity instruments related to the replacement by the Group of an acquirer's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum of one year.

Goodwill

In the event of a business combination or acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, the acquisition method of accounting is applied. Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. If however, the fair value of the purchase consideration transferred is lower than the fair value of the identifiable assets and liabilities acquired, the difference is recognised in the income statement as negative goodwill. Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is treated as an asset of the relevant entity to which it relates and accordingly non-US Dollar goodwill is translated into US Dollars at the closing rate of exchange at each reporting date.

2. Accounting policies continued

Goodwill, as disclosed in note 10, is not amortised but is reviewed for impairment at least annually by assessing the recoverable amount of the CGUs to which the goodwill relates. Where the carrying amount of the CGU and related goodwill is higher than the recoverable amount of the CGU, an impairment loss is recognised in the income statement. The recoverable amounts of the CGUs have been determined on a fair value less costs to sell basis. Impairment losses relating to goodwill cannot be reversed in future periods. Goodwill acquired through business combinations has been allocated to two CGUs, being North Sea and International.

Oil and gas assets

(a) Intangible assets

Exploration and evaluation assets

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting having regard to the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources.

Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

Licence and property acquisition costs

Licence and property acquisition costs paid in connection with a right to explore in an existing exploration area are capitalised as exploration and evaluation costs within intangible assets.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. If no future activity is planned or the related licence has been relinquished or has expired, the carrying value of the property acquisition costs is written-off through the income statement. Upon recognition of proven reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, costs directly associated with the exploration are capitalised as exploration and evaluation intangible non-current assets until the exploration is complete and the results have been evaluated. If no potential commercial resources are discovered, the exploration asset is written-off.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written-off through the income statement.

When proven reserves of oil or natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties within development and production assets. No amortisation is charged during the exploration and evaluation phase.

Farm-outs – in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

(b) Property, plant and equipment – oil and gas assets

Oil and gas development and production assets are accumulated generally on a field-by-field basis. This represents expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including Exploration & Evaluation (E&E) expenditures incurred in finding commercial reserves transferred from intangible E&E assets, as outlined in accounting policy (a) above, which is capitalised as oil and gas properties within development and production assets.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

An item of development and production expenditure and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written-off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

Depreciation of producing assets

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is provided generally on a field-by-field basis, using the unit of production method by reference to the ratio of production in the year and the related commercial proven and probable reserves of the field, taking into account future development expenditures necessary to bring those reserves into production. When there is a change in the estimated total recoverable proven and probable reserves of a field, that change is accounted for in the depreciation charge over the revised remaining proven and probable reserves.

(c) Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for using the acquisition method when the assets acquired and liabilities assumed constitute a business.

Transactions involving the purchase of an individual field interest, or a group of field interests, that do not constitute a business, are treated as asset purchases irrespective of whether the specific transactions involve the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or oil and gas properties disposed of and any surplus is recorded as a gain on disposal in the income statement.

(d) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. The amount recognised is the present value of the estimated future expenditure. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas property. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is dealt with from the start of the financial year as an adjustment to the opening provision and the oil and gas property. The unwinding of the discount is included as a finance cost.

Non-oil and gas assets

(a) Property, plant and equipment – fixtures and fittings and office equipment

Fixtures and fittings and office equipment is stated at cost less accumulated depreciation and impairment. Depreciation is provided for on a straight-line basis at rates sufficient to write off the cost of the assets less any residual value over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

- Fixtures and fittings: up to 10 years.
- Office furniture and equipment: up to 5 years.

(b) Intangible assets

Intangible assets, which principally comprise IT software, are carried at cost less any accumulated amortisation. These assets are amortised on a straight-line basis over their useful economic lives of up to three years.

Impairment of non-current assets (excluding goodwill)

In accordance with IAS 36, impairment tests are carried out on items of property, plant and equipment and intangible assets where there is an indicator of impairment, or an indicator identified that a prior year impairment may have reversed or decreased. Such indications may be based on events or changes in the market environment, or on internal sources of information.

Impairment indicators

Property, plant and equipment and intangible assets with finite useful lives are only tested for impairment when there is an indication that they may be impaired. This is generally the result of significant changes to the environment in which the assets are operated or when asset performance is significantly lower than expected.

The main impairment indicators used by the Group are described below:

- External sources of information:
 - significant changes in the economic, technological, political or market environment in which the entity operates or to which an asset is dedicated;
 - fall in demand; and
 - changes in commodity prices and exchange rates.
- Internal sources of information:
 - evidence of obsolescence or physical damage;
 - significantly lower than expected production or cost performance;
 - reduction in reserves and resources, including as a result of unsuccessful results of drilling operations;
 - pending expiry of licence or other rights; and
 - in respect of capitalised exploration and evaluation costs, lack of planned future activity on the prospect or licence.

2. Accounting policies continued

Measurement of recoverable amount

The CGU applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single CGU where the cash inflows of each field are interdependent. The carrying value of each CGU is compared against the expected recoverable amount of the asset, which is primarily determined based on the fair value less cost of disposal method where the fair value is determined from the estimated present value of the future net cash flows expected to be derived from production of commercial reserves. Standard valuation techniques are used based on the discount rates that reflect the specific characteristics of the operating entities concerned; discount rates are determined on a post-tax basis and applied to post-tax cash flows.

Any impairment loss is recorded in the consolidated income statement under 'Impairment of property, plant and equipment'. Impairment losses recorded in relation to property, plant and equipment may be subsequently reversed if the recoverable amount of the assets subsequently increases above carrying value. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised in prior periods.

Financial instruments

(a) Financial assets

The Group uses two criteria to determine the classification of financial assets: the Group's business model and contractual cash flow characteristics of the financial assets. Where appropriate the Group identifies three categories of financial assets: amortised cost, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVOCI).

Financial assets held at amortised cost

Financial assets held at amortised cost are initially measured at fair value except for trade debtors which are initially measured at cost. Both are subsequently carried at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is presented within finance income in the income statement.

Cash and cash equivalents

Cash at bank and in hand in the balance sheet comprise cash deposits with banks and in hand.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from 'default events' that are possible within the next 12 months (a 12-month ECL).

Default events could include:

- payment default, i.e. the failure to pay principal or interest when it falls due for payment;
- prospective default, when payment is not yet due, but it is clear that it will not be capable of being paid when it does fall due; and
- covenant default, when the borrower fails to keep a promise (a covenant) that it has made in the contract.

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs as allowed under IFRS 9. Provision rates are calculated based on estimates including the probability of default by assessing counterparty credit ratings, as adjusted for forward-looking factors specific to the debtors, the economic environment and the Group's historical credit loss experience.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would otherwise not consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

(b) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Borrowings and loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(c) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps, commodity option contracts and commodity swap arrangements, to hedge its foreign currency risks, interest rate risks and commodity price risks respectively. Derivative financial instruments are initially recognised and subsequently remeasured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with the Group's risk management policies. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instrument are recognised within the income statement.

Cash flow hedges

The effective portion of gains and losses arising from the remeasurement of derivative financial instruments designated as cash flow hedges are deferred within other comprehensive income and subsequently transferred to the income statement in the period the hedged transaction is recognised in the income statement. When a hedging instrument is sold or expires, any cumulative gain or loss previously recognised in other comprehensive income remains deferred until the hedged item affects profit or loss or is no longer expected to occur. Any gain or loss relating to the ineffective portion of a cash flow hedge is immediately recognised in the income statement. Hedge ineffectiveness could arise if volumes of the hedging instruments are greater than the hedged item of production, or where the credit-worthiness of the counterparty is significant and may dominate the transaction and lead to losses.

(d) Fair values

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Under IFRS 9, embedded derivatives are not separated from a host financial asset, and are classified based on their contractual terms and the Group's business model.

Equity

(i) Share capital

Share capital includes the total net proceeds, both nominal and share premium, on the issue of ordinary and preference shares of the Company.

(ii) Capital redemption reserve

The capital redemption reserve represents the nominal value of shares transferred following the Company's purchase of them.

(iii) Merger reserve

On 31 March 2021, Harbour Energy plc (formerly Premier Oil plc) acquired Chrysaor Holdings Limited as part of a reverse acquisition. Under the terms of the Merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquirer for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The Merger reserve primarily represents Premier's opening balance on the legal reserve plus the fair value of the assets and liabilities acquired by Chrysaor.

(iv) Cash flow hedge reserve

The cash flow hedge and cost of hedging reserves represent gains and losses on derivatives classified as effective cash flow hedges. Upon the designation of option instruments as hedging instruments, the intrinsic and time value components are separated, with only the intrinsic component being designated as the hedging instrument and the time value component is deferred in other comprehensive income as a 'cost of hedging'.

(v) Currency translation reserve

This reserve comprises exchange differences arising on consolidation of the Group's operations with a functional currency other than US Dollar.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. The Group has share-based awards that are equity and cash settled as defined by IFRS 2. The fair value of the equity-settled awards has been determined at the date of grant of the award allowing for the effect of any market-based conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. For cash-settled awards, a liability is recognised for the goods or service acquired.

Notes to the consolidated financial statements continued

2. Accounting policies continued

This is measured initially at the fair value of the liability. The fair value of the liability is subsequently remeasured at each balance sheet date until the liability is settled, and at the date of settlement, with any changes in fair value recognised in the income statement.

Inventories

All inventories, except for petroleum products, are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on a first-in, first-out basis. Petroleum products and underlift and overlift positions are measured at net realisable value using an observable year-end oil or gas market price, and are included in other debtors or creditors respectively.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of lease term and useful life. The Group recognises right-of-use assets and lease liabilities on a gross basis and the recovery of lease costs from joint operations' partners is recorded as other income.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Group assuming leases run to full term. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

The lease payments are discounted using the Group's incremental borrowing rates of between 1.5 per cent and 5.9 per cent, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group where possible:

- uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, for example term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

For lease arrangements where all partners of a joint operation are considered to share the primary responsibility for lease payments under a lease contract, the Group recognises its share of the respective right-of-use asset and lease liability. This situation is most common where the parties of a joint operation co-sign the lease contract. The Group recognises a gross lease liability for leases entered into on behalf of a joint operation where it has primary responsibility for making the lease payments. In such instances, if the arrangement between the Group and the joint operation represents a finance sublease, the Group recognises a net investment in sublease for amounts recoverable from non-operators whilst derecognising the respective portion of the gross right-of-use asset. The gross lease liability is retained on the balance sheet. The net investment in sublease is classified as either trade and other receivables or long-term receivables on the balance sheet according to whether or not the amounts will be recovered within 12 months of the balance sheet date. Finance income is recognised in respect of net investment in subleases.

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the income statement.

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full when the related facilities are installed. The amount provided is the present value of the estimated future restoration cost. A non-current asset is also recognised. Any changes to estimated costs or discount rates are dealt with prospectively.

The Group recognises provision for the estimated CO₂ emissions costs when actual emissions exceed the emission rights granted and still held. When actual emissions exceed the amount of emission rights granted, provision is recognised for the exceeding emission rights based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

Group retirement benefits

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

The Group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Trade payables

Initial recognition of trade payables is at fair value. Subsequently they are stated at amortised cost.

Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity, not in the income statement.

(ii) Deferred tax

Deferred taxation is recognised in respect of all timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised.
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date. The carrying amount of the deferred income tax asset 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 Group reassesses any unrecognised deferred tax assets each year taking into account changes in oil and gas prices, the Group's proven and probable reserves and resources profile and forecast capital and operating expenditures.
- Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Group to make a single net payment.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Group satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Revenue associated with the sale of crude oil, natural gas, and natural gas liquids (NGLs) is measured based on the consideration specified in contracts with customers with reference to quoted market prices in active markets, adjusted according to specific terms and conditions as applicable according to the sales contracts. The transfer of control of oil, natural gas, natural gas liquids and other items sold by the Group occurs when title passes at the point the customer takes physical delivery. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

Over/underlift

Differences between the production sold and the Group's share of production result in an overlift or an underlift. Overlift and underlift are valued at net realisable value using an observable year-end oil or gas market price and included within payables or receivables respectively. Movements during the accounting period are recognised within cost of sales.

Notes to the consolidated financial statements continued

2. Accounting policies continued

Interest income

Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

New accounting standards and interpretations

The Group adopted new and revised accounting standards and interpretations relevant to its business and effective for accounting periods beginning on or after 1 January 2021, including:

IBOR reform and the effects on financial reporting

The International Accounting Standards Board (IASB) issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The IASB identified two groups of accounting issues that could have financial reporting implications. In 2019, the IASB issued its initial amendments in Phase 1 of the project, applicable to 2020 reporting, covering reporting in the period before the replacement of an existing interest rate benchmark with an alternative RFR (Risk Free Rate). This addressed hedge accounting requirements: the highly probable requirement; prospective assessments; and separately identifiable risk components. The Group assessed the requirements of Phase 1 which applied for the first time in 2020, none of which had any impact on the financial statements of the Group because there is no material hedge accounting of interest rate exposures. Phase 2 addresses financial reporting when an existing interest rate benchmark is replaced with an alternative RFR, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).

On 1 January 2021, the Group has adopted the amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 Leases that are mandatory for application for the financial year. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative RFR. Phase 2 provides practical expedients and reliefs in relation to modifications of financial instruments and leases that arise from transition of IBORs to RFRs and further relief to hedge accounting requirements.

The adoption of the amended standards did not result in any material impact on the financial statements of the Group predominantly since hedge accounting is applied to commodity-based hedging activities.

US LIBOR will cease publication after 30 June 2023 and will be replaced by SOFR (Secured Overnight Financing Rate). The Group has variable rate RBL borrowings that reference US LIBOR, which are partially hedged using interest rate swaps also linked to US LIBOR. The Group has agreed with the relevant counterparties that the timing and terms for the transition of the swap contracts to SOFR will be aligned with the borrowings to reduce any future impact on the financial statements after transition.

The following table shows the financial instruments held by the Group as at 31 December 2021 which are referenced to US LIBOR that will transition to SOFR by 30 June 2023.

	Nominal value \$ million
RBL borrowings financial liabilities	
USD 1M LIBOR	482.5
USD 3M LIBOR	405.0
USD 6M LIBOR	1,550.0
	2,437.5
Derivatives	
Interest rate swaps USD 6M LIBOR	700.0

The nominal values in the table above also represent the carrying values of the RBL as at 31 December 2021.

The other pronouncements did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Accounting standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed opposite. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1 – Presentation of Financial Statements – classification of liabilities as current or non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The Group does not consider this amendment to have significant impact on the classification of its liabilities as either current or non-current when the standard becomes effective on 1 January 2023.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3 to update the reference to the 2018 Conceptual Framework. The amendments add an exception to the recognition principle for liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21 and clarify existing guidance for contingent assets. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the International Accounting Standards Board issued Definition of Accounting Estimates, which amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies, with the distinction important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

On 7 May 2021, the IASB issued amendments to IAS 12 Income Taxes. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments listed above are not expected to have a material impact on the Group.

Critical accounting judgements and estimates

The preparation of the Group's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. In particular, the Group has identified the following areas where significant judgement, estimates and assumptions are required.

Critical accounting judgements

- The application of the going concern basis of accounting (see 'Basis of preparation' section on page 119);
- carrying value of intangible exploration and evaluation assets, in relation to whether commercial determination of an exploration prospect had been reached;
- carrying value of property, plant and equipment regarding assessing assets for indicators of impairment;
- decommissioning costs, relating to the timing of when decommissioning would occur; and
- tax and recognition of deferred tax assets, relating to the extent to which future taxable profits are included in the assessment of recoverability.

Notes to the consolidated financial statements continued

2. Accounting policies continued

Key sources of estimation uncertainty

Details of the Group's critical accounting estimates are set out in these financial statements and are considered to be:

- Purchase Price Allocation that involved a number of judgemental estimates in regard to fair value of assets and liabilities acquired from Premier;
- carrying value of property, plant and equipment, where the key assumptions relate to oil and gas prices expected to be realised and 2P production profiles;
- decommissioning costs where the key assumptions relate to the discount and inflation rates applied, applicable rig rates and expected timing of cessation of production (COP) on each field; and
- tax and recognition of deferred tax assets, where key assumptions relate to oil and gas prices expected to be realised, and production profiles.

Further information is provided in the Audit and Risk Committee report on pages 66 to 69.

3. Segment information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the Group's business segments, has been identified as the Chief Executive Officer.

The Group's activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves and related activities, and are split geographically and managed in two regions, namely 'North Sea' and 'International'. The North Sea segment includes the UK and Norwegian Continental Shelves, and the 'International' segment includes Indonesia, Vietnam and Mexico.

Information on major customers can be found in note 4.

Income statement

	2021 \$ million	2020 \$ million
Revenue		
North Sea	3,268.2	2,413.6
International	210.6	-
Total Group revenue	3,478.8	2,413.6
Other income		
North Sea	139.0	24.2
International	0.2	-
Total Group revenue and other income	3,618.0	2,437.8
Group operating profit/(loss)		
North Sea	699.3	(687.4)
International	(59.0)	-
Total Group operating profit/(loss)	640.3	(687.4)
Finance income	48.8	11.4
Finance expenses	(374.6)	(301.7)
Profit/(loss) before taxation	314.5	(977.7)
Income tax (expense)/credit	(213.4)	199.3
Profit/(loss) for the financial year	101.1	(778.4)

Balance sheet

	2021 \$ million	2020 \$ million
Segment assets		
North Sea	13,325.8	9,482.5
International	1,178.8	-
Total assets	14,504.6	9,482.5

	2021 \$ million	2020 \$ million
Segment liabilities		
North Sea	(13,379.6)	(8,415.2)
International	(651.5)	-
Total liabilities	(14,031.1)	(8,415.2)

Other information

	2021 \$ million	2020 \$ million
Capital expenditure		
North Sea	640.7	556.3
International	68.4	-
Total capital expenditure	709.1	556.3

	2021 \$ million	2020 \$ million
Depreciation, depletion and amortisation		
North Sea	1,299.8	1,222.1
International	71.2	-
Total depreciation, depletion and amortisation	1,371.0	1,222.1

	2021 \$ million	2020 \$ million
Exploration and evaluation expenses and new ventures		
North Sea	45.4	13.2
International	4.4	-
Total exploration and evaluation expenses and new ventures	49.8	13.2

Exploration costs written-off of \$255.0 million (2020: \$160.8 million) comprise \$133.9 million (2020: \$nil) related to the International segment, in connection with the Group's exits from exploration acreage in Brazil and the Sea Lion project in the Falkland Islands, and \$121.1 million (2020: \$160.8 million) of write-offs in the North Sea business unit, primarily related to uncommercial drilling results from the Dunnottar, Jerv and Ilder exploration wells, and UK licence relinquishments.

4. Revenue and other income

	2021 \$ million	2020 \$ million
Crude oil sales	2,023.4	1,430.1
Gas sales	1,264.0	805.2
Condensate sales	163.6	138.4
Hydrocarbon revenue	3,451.0	2,373.7
Tariff income	27.2	24.1
Other revenue	0.6	15.8
Total revenue from production activities	3,478.8	2,413.6
Other income	139.2	24.2
Total revenue and other income	3,618.0	2,437.8

Revenue of \$4,996.0 million (2020: \$1,624.6 million) was from contracts with customers. This excludes realised hedging losses on crude and gas sales in the year of \$1,517.2 million (2020: \$789.0 million gain).

Notes to the consolidated financial statements continued

4. Revenue and other income continued

Other income mainly represents mark to market and realised gains on EUA emissions hedges of \$51.0 million (2020: \$0.3 million), a \$40.0 million receipt from ConocoPhillips in relation to an adjustment to consideration relating to Chrysaor's purchase of the ConocoPhillips UK business in 2019 (2020: \$nil), \$17.5 million in respect of Research and Development Expenditure credits (2020: \$nil) and \$26.0 million partner recovery on IFRS 16 lease accounting (2020: \$23.9 million).

Approximately 84 per cent (2020: 95 per cent) of the revenues were attributable to sales to energy trading companies of the Shell group.

The revenues for 2021 include the nine months of oil and gas production from the Premier business following the all-share Merger described in note 14.

5. Operating profit

Stated after charging/(crediting):

	Note	2021 \$ million	2020 \$ million
Movement in over/underlift balances and hydrocarbon inventories		9.6	(119.9)
Production, insurance and transportation costs		1,085.5	754.2
Gas purchases		28.4	-
Royalties		3.8	-
Depreciation of oil and gas assets	12	1,204.1	1,168.9
Depreciation of non-oil and gas assets	12	5.5	5.7
Amortisation of non-oil and gas intangible assets	11	26.1	17.2
Depreciation of right-of-use oil and gas assets	13	153.9	50.6
Depreciation of right-of-use non-oil and gas assets	13	10.5	6.2
Amortisation of capacity rights	11	1.6	1.7
Capitalisation of IFRS 16 lease depreciation on oil and gas assets	13	(30.7)	(28.2)
Impairment of property, plant and equipment	12	117.2	644.0
Impairment of goodwill	10	-	411.4
Onerous contract provision	20	(2.3)	18.5
Exploration and evaluation expenditure and new ventures		49.8	13.2
Exploration costs written-off	11	255.0	160.8
Remeasurement of royalty valuation		(0.5)	1.3
Remeasurement of acquisition completion adjustments		-	0.4
Remeasurement – loss/(gain) on termination of lease		0.3	(0.5)
Auditors' remuneration			
Audit fees			
Fees payable to the Company's auditor for the Company's Annual Report & Accounts		2.3	0.7
Audit of the Company's subsidiaries pursuant to legislation		0.5	0.5
Non audit fees			
Other services pursuant to legislation – interim review		0.3	-
Other services ¹		0.4	0.6

¹ Other services in 2021 primarily relate to reporting accountant services provided by EY in respect of the acquisition or other corporate transactions. These services are typically provided by a company's auditors, and the Audit and Risk Committee concluded that shareholder value was best served by appointing our auditors for this work.

Exploration and evaluation expenditure and new ventures of \$49.8 million (2020: \$13.2 million) includes \$14.4 million (2020: \$nil) of early project costs on new ventures incurred in respect of the Group's interest in Carbon Capture and Storage (CCS) projects.

Expenses related to both short-term and low value lease arrangements are considered to be immaterial for reporting purposes.

The Company has a policy on the provision of non-audit services by the auditor which is aimed at ensuring their continued independence. This policy is available on the Group's website. The use of the external auditor for services relating to accounting systems or financial statement preparations is not permitted, as are various other services that could give rise to conflicts of interest or other threats to the auditors' objectivity that cannot be reduced to an acceptable level by applying safeguards.

6. Staff costs

	2021 \$ million	2020 \$ million
Wages and salaries	223.8	146.4
Social security costs	27.9	21.5
Pension costs	28.2	18.6
Other staff costs including benefits	37.2	33.0
	317.1	219.5
	2021 Number	2020 Number
Offshore based	589	373
Office and administration	1,218	676
	1,807	1,049

Staff costs above are recharged to joint venture partners where applicable, or are capitalised to the extent that they are directly attributable to capital or decommissioning projects. The above costs include share-based payments as disclosed in note 25.

All employees were engaged in the acquisition, exploration, development and production of oil and gas reserves, and energy transition activities.

The Group operates two defined contribution schemes and one defined benefit pension scheme for which further details are provided in note 26.

Notes to the consolidated financial statements continued

7. Finance income and finance expenses

	2021 \$ million	2020 \$ million
Finance income		
Bank interest receivable	0.9	2.8
IFRS 9 modification impact	13.9	-
Lease finance income	3.2	-
Finance income on deferred revenue	1.2	-
Realised gains on foreign exchange forward contracts	10.0	3.9
Gain on derivatives	14.5	-
Exchange differences and other gains	1.9	-
Other interest	3.2	4.7
	48.8	11.4
Finance expenses		
Interest payable on Reserve Based Lending and junior facilities	101.6	98.5
Interest payable on loan notes	5.6	25.4
Interest payable on High Yield Bond	5.7	-
Other interest and finance expenses	16.6	5.9
Realised losses on interest rate swaps	2.4	0.7
Derivative losses	14.6	-
Lease interest	22.3	7.2
Foreign exchange losses	65.2	40.0
Bank and financing fees	63.4	36.1
Unwinding of discount on deferred consideration	-	0.1
Unwinding of discount on decommissioning and other provisions	78.0	87.8
	375.4	301.7
Finance costs capitalised during the year	(0.8)	-
	374.6	301.7

Bank and financing fees include an amount of \$38.9 million (2020: \$17.0 million) relating to the amortisation of arrangement fees and related costs capitalised against the Group's long-term borrowings (note 21).

Net other interest includes an \$11.6 million charge (2020: \$4.9 million) which represents interest under a financing arrangement (note 21).

The amount of finance costs capitalised was determined by applying the weighted average rate of finance costs applicable to the borrowings of the Group of 3.7 per cent to the expenditures on the qualifying assets.

Effective March 2021, the Group extended the maturity of its RBL facility from December 2025 to November 2027. The amended terms did not represent a substantial modification to the terms of the facility and, therefore, the debt was not derecognised. A modification gain of \$13.9 million (2020: \$nil) was recognised on amendment of the facility.

8. Income tax

The major components of income tax expense/(credit) for the years ended 31 December 2021 and 2020 are:

	2021 \$ million	2020 \$ million
Current income tax expense		
UK corporation tax	202.2	355.7
Overseas tax	(5.2)	(18.2)
Adjustments in respect of prior years	(4.9)	(1.9)
Total current income tax expense	192.1	335.6
Deferred tax expense/(credit)		
UK corporation tax	7.7	(545.6)
Overseas tax	(10.3)	13.0
Adjustments in respect of prior years	23.9	(2.3)
Total deferred tax expense/(credit)	21.3	(534.9)
Tax expense/(credit) in the income statement	213.4	(199.3)
The tax expense/(credit) in the income statement is disclosed as follows:	213.4	(199.3)
Income tax expense/(credit) on continuing operations	213.4	(199.3)
The tax (credit) in the statement of comprehensive income is as follows:	(1,433.2)	(71.3)
Tax (credit) on cash flow hedges	(1,433.2)	(71.3)

A reconciliation between total tax expense/(credit) and the profit/(loss) before taxation multiplied by the statutory rate of corporation tax and supplementary charge applying to UK oil and gas production operations for the years ended 31 December 2021 and 2020 is as follows:

	2021 \$ million	2020 \$ million
Profit/(loss) before taxation	314.5	(977.7)
Profit/(loss) before taxation at 40.0% (2020: 40.0%)	125.8	(391.1)
Effects of:		
– Expenses not deductible for tax purposes	56.8	176.6
– Interest not deductible for supplementary charge	13.1	7.6
– Adjustments in respect of prior years	19.0	(4.2)
– Movement in unrecognised deferred tax assets	27.4	17.3
– Income not taxable	–	(5.7)
– Impact of losses relieved at different rates	4.0	20.7
– Investment allowance	(32.7)	(20.5)
Total tax expense/(credit) reported in the consolidated income statement	213.4	(199.3)

The tax expense/(credit) reconciliation has been prepared based on the statutory rate of taxation applying to UK oil and gas production because the majority of Group profit was generated on the UK Continental Shelf.

The future effective tax rate is impacted by the mix of jurisdictions in which the Group operates. The UK statutory tax rate for oil and gas production operations is expected to remain a primary influence on the effective tax rate.

Deferred tax

The principal components of deferred tax are set out in the following tables:

	2021 \$ million	2020 \$ million
Deferred tax assets	1,938.4	–
Deferred tax liabilities	(187.1)	(1,031.4)
Total deferred tax	1,751.3	(1,031.4)

Notes to the consolidated financial statements continued

8. Income tax continued

The origination of and reversal of temporary differences are, as shown in the next table, related primarily to movements in the carrying amounts and tax base values of expenditure and the timing of when these items are charged and/or credited against accounting and taxable profit.

	Note	Accelerated capital allowances \$ million	Decommissioning \$ million	Losses \$ million	Fair value of derivatives \$ million	Other \$ million	Overseas \$ million	Total \$ million
As at 1 January 2020		(3,160.6)	1,588.9	-	(128.9)	53.0	(1.6)	(1,649.2)
Deferred tax credit		532.8	25.8	-	-	(10.7)	(13.0)	534.9
Comprehensive income		-	-	-	71.3	-	-	71.3
Foreign exchange		(22.7)	26.0	-	0.5	1.1	(1.4)	3.5
Additions from business combinations and joint arrangements		-	-	-	-	8.1	-	8.1
As at 31 December 2020		(2,650.5)	1,640.7	-	(57.1)	51.5	(16.0)	(1,031.4)
Additions from business combinations and joint arrangements	14	(569.0)	564.0	1,530.6	8.4	15.2	(183.1)	1,366.1
Deferred tax expense		385.9	(178.2)	(216.1)	3.6	(26.8)	10.3	(21.3)
Comprehensive income		-	-	-	1,433.2	-	-	1,433.2
Foreign exchange		13.5	(13.6)	-	4.0	(1.1)	1.9	4.7
As at 31 December 2021		(2,820.1)	2,012.9	1,314.5	1,392.1	38.8	(186.9)	1,751.3

The Group's deferred tax assets as at 31 December 2021 are recognised to the extent that taxable profits are expected to arise against which the tax assets can be utilised. The Group assessed the recoverability of its UK ring fenced losses and allowances using corporate assumptions which are consistent with the Group's impairment assessment and business combination accounting (note 14). Based on those assumptions, the Group expects to fully utilise its recognised UK tax losses and allowances. The recovery of the Group's UK decommissioning deferred tax asset is additionally supported by the ability to carry back decommissioning tax losses and set these against ring fence taxable profits of prior periods.

The Group has unrecognised UK tax losses and allowances as at 31 December 2021 of approximately \$343.1 million (2020: \$12.5 million) in respect of ring fence losses, \$104.4 million (2020: \$nil) in respect of ring fence investment allowance and \$741.5 million (2020: \$203.2 million) in respect of non-ring fence losses.

The Group also has unrecognised tax losses of approximately \$212.8 million (2020: \$nil) in respect of its International operations. These losses include amounts of \$148.5 million which will expire, primarily within five years.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, based on UK tax legislation which provides exemption for foreign dividends from the scope of UK corporation tax, where relevant conditions are satisfied.

Changes in tax rate

Legislation was introduced in UK Finance Act 2021 to increase the main rate of UK corporation tax for non-ring fence profits from 19 per cent to 25 per cent from 1 April 2023. This change did not have a material impact on the Group as the UK profits are primarily subject to the UK ring fence tax rate.

9. Earnings per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) after tax and the weighted average number of Ordinary Shares in issue during the period. Basic and diluted earnings per share are calculated as follows:

	2021 \$ million	2020 \$ million
Earnings/(loss) for the period		
Earnings/(loss) for the purpose of basic earnings per share	101.1	(778.4)
Effect of dilutive potential Ordinary Shares	-	-
Earnings/(loss) for the purpose of diluted earnings per share	101.1	(778.4)
Number of shares (millions)		
Weighted average number of Ordinary Shares for the purpose of basic earnings per share	871.2	705.0
Dilutive potential Ordinary Shares	1.3	-
Weighted average number of Ordinary Shares for the purpose of diluted earnings per share	872.5	705.0
Earnings/(loss) per share (cents)		
Basic	11.6	(110.4)
Diluted	11.6	(110.4)

The weighted number of average shares in the comparative period and prior to the acquisition date is based on number of shares of the legal acquiree multiplied by the exchange ratio established in the Merger agreement. From the date of acquisition the weighted number of Ordinary Shares are that of the legal acquirer.

The effect of equity warrants and certain share options outstanding at 31 December 2021 were anti-dilutive as their exercise price was greater than market price and, therefore, was not included in the calculation of diluted earnings/(loss) per share.

10. Goodwill

	Note	2021 \$ million	2020 \$ million
Cost and net book value			
At 1 January		990.0	1,404.3
Additions	14	339.3	-
Impairment charge		-	(411.4)
Finalisation of 2019 business combination		-	(5.3)
Currency translation adjustment		(2.2)	2.4
At 31 December 2021		1,327.1	990.0

Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets.

The goodwill balance consists of balances arising from the completion of the all-share Merger between Premier Oil plc and Chrysaor Holdings Limited in March 2021, on Chrysaor Holdings Limited's acquisition of the ConocoPhillips UK business, and of the UK North Sea assets from Shell, which completed on 30 September 2019 and 1 November 2017 respectively.

Goodwill acquired through business combinations has been allocated to two groups of cash-generating units (CGUs), being North Sea, of \$1,278.1 million (2020: \$990.0 million) and International, of \$49.0 million (2020: \$nil), and these are therefore the lowest levels at which goodwill is reviewed.

Impairment testing of goodwill

In accordance with IAS 36 Impairment of Assets, goodwill has been reviewed for impairment at the year-end. In assessing whether goodwill has been impaired, the carrying amount of the CGU for goodwill is compared with its recoverable amount.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. At the year-end, the Group tested for impairment in accordance with accounting policy and no impairment was identified (2020: impairment of \$411.4 million).

Determining recoverable amount

The recoverable amounts of the CGU and fields have been determined on a fair value less costs to sell basis. The key assumptions used in determining the fair value are often subjective, such as the future long-term oil and gas price assumption, or the operational performance of the assets. Discounted cash flow models comprising asset-by-asset life of field projections using Level 3 inputs (based on IFRS 13 fair value hierarchy) have been used to determine the recoverable amounts. The cash flows have been modelled on a post-tax and post-decommissioning basis, inflated at 2 per cent per annum from 1 January 2024, and discounted at the Group's post-tax discount rate of between 8 and 10.5 per cent (2020: 8 per cent). Risks specific to assets within the CGU are reflected within the cash flow forecasts.

Key assumptions used in calculations

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. The first two years reflect the market forward prices curves transitioning to a long-term price thereafter. The long-term commodity prices used were \$65 per barrel for crude and 60p per therm for gas, which are inflated at 2 per cent per annum from 1 January 2024.

Production volumes are based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques and they are assessed at least annually by management and by an independent consultant. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Operating expenditure, capital expenditure and decommissioning costs, which have been inflated at 2 per cent per annum from 1 January 2024, are derived from the Group's business plan.

Notes to the consolidated financial statements continued

10. Goodwill continued

The discount rate reflects management's estimate of the Group's country-based Weighted Average Cost of Capital (WACC), considering both debt and equity. The cost of equity is derived from an expected return on investment by the Group's investors, and the cost of debt is based on its interest-bearing borrowings. Segment risk is incorporated by applying a beta factor based on publicly available market data. The discount rate is based on an assessment of a relevant peer group's post-tax WACC.

Foreign exchange rates are based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

Sensitivity to changes in assumptions used in calculations

The Group has run sensitivities on its long-term commodity price assumptions, which have been based on long-range forecasts from external financial analysts, using alternate long-term price assumptions, and discount rates. These are considered to be reasonably possible changes for the purposes of sensitivity analysis. No impairment arose on the Group's goodwill under any of the sensitivity scenarios.

11. Other intangible assets

	Note	Oil and gas assets \$ million	Non-oil and gas assets \$ million	Capacity rights \$ million	Total \$ million
Cost					
At 1 January 2020		425.2	40.0	10.0	475.2
Additions		90.1	50.2	-	140.3
Reduction in decommissioning asset	20	(3.0)	-	-	(3.0)
Disposals		-	-	-	-
Transfers to property, plant and equipment		32.6	-	-	32.6
Unsuccessful exploration written-off		(160.8)	-	-	(160.8)
Currency translation adjustment		7.2	4.7	0.3	12.2
At 31 December 2020		391.3	94.9	10.3	496.5
Additions		210.0	30.2	-	240.2
Additions from business combinations and joint arrangements	14	596.7	0.4	-	597.1
Increase in decommissioning asset	20	10.4	-	-	10.4
Transfers to property, plant and equipment		(139.5)	-	-	(139.5)
Prior capitalised costs expensed		-	(4.7)	-	(4.7)
Unsuccessful exploration written-off		(255.0)	-	-	(255.0)
Currency translation adjustment		(0.5)	(1.4)	(0.1)	(2.0)
At 31 December 2021		813.4	119.4	10.2	943.0
Accumulated amortisation					
At 1 January 2020		-	16.0	5.6	21.6
Charge for the year		-	17.2	1.7	18.9
Currency translation adjustment		-	1.6	0.3	1.9
At 31 December 2020		-	34.8	7.6	42.4
Charge for the year		-	26.1	1.6	27.7
Currency translation adjustment		-	(0.7)	(0.1)	(0.8)
At 31 December 2021		-	60.2	9.1	69.3
Net book value					
At 31 December 2020		391.3	60.1	2.7	454.1
At 31 December 2021		813.4	59.2	1.1	873.7

The exploration write-off of \$255.0 million (2020: \$160.8 million), which relates to costs associated with licence relinquishments and uncommercial well evaluations, is net of a \$6.3 million credit (2020: \$nil) relating to the effect of changes in decommissioning provisions on oil and gas intangible assets previously written-off.

An increase to decommissioning assets of \$10.4 million (2020: decrease of \$3.0 million) was made during the year as a result of an update to decommissioning estimates (note 20).

Non-oil and gas assets relate primarily to Group IT software. The capacity rights represent National Transmission System (NTS) entry capacity at Bacton and Teesside acquired as part of the business combination completed in 2017. These rights have a remaining useful life of one year and are amortised on a contractual volume basis.

12. Property, plant and equipment

	Note	Oil and gas assets \$ million	Fixtures, fittings and office equipment \$ million	Total \$ million
Cost				
At 1 January 2020		9,258.3	21.1	9,279.4
Additions		414.9	1.1	416.0
Transfers to intangible assets		(32.6)	-	(32.6)
Increase in decommissioning asset	20	257.6	-	257.6
Currency translation adjustment		97.8	0.6	98.4
At 31 December 2020		9,996.0	22.8	10,018.8
Additions		464.5	4.4	468.9
Additions from business combinations and joint arrangements	14	1,814.3	4.2	1,818.5
Transfers from intangible assets		139.5	-	139.5
Disposals		-	(0.3)	(0.3)
Decrease in decommissioning asset	20	(357.8)	-	(357.8)
Currency translation adjustment		(34.5)	(0.3)	(34.8)
At 31 December 2021		12,022.0	30.8	12,052.8
Accumulated depreciation				
At 1 January 2020		1,613.1	9.8	1,622.9
Charge for the year		1,168.9	5.7	1,174.6
Impairment charge		644.0	-	644.0
Currency translation adjustment		54.2	0.7	54.9
At 31 December 2020		3,480.2	16.2	3,496.4
Charge for the year		1,204.1	5.5	1,209.6
Impairment charge		117.2	-	117.2
Disposals		-	(0.1)	(0.1)
Currency translation adjustment		(16.6)	(0.4)	(17.0)
At 31 December 2021		4,784.9	21.2	4,806.1
Net book value				
At 31 December 2020		6,515.8	6.6	6,522.4
At 31 December 2021		7,237.1	9.6	7,246.7

During the year, the Group recognised a pre-tax impairment charge of \$117.2 million (post-tax \$70.3 million) (2020: pre-tax \$644.0 million; post-tax \$386.4 million) within the income statement. This represents a write-down of property, plant and equipment assets of \$108.7 million (2020: \$712.1 million) and a pre-tax impairment of \$8.5 million (2020: \$68.1 million credit) in respect of revisions to decommissioning estimates on the Group's non-producing assets with no remaining net book value (see note 20).

The impairment to property, plant and equipment arises primarily due to cessation of production from the Millom field, part of the Group's East Irish Sea assets, and from a single CGU in the UK North Sea, driven primarily by underlying reservoir performance. Impairments on property, plant and equipment are reversible in the future.

Key assumptions used in calculations

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

The Group uses the fair value less cost of disposal method (FVLCD) to calculate the recoverable amount of the cash-generating units (CGU) consistent with a level 3 fair value measurement (see note 22). In determining the recoverable value, appropriate discounted-cash-flow valuation models were used, incorporating market-based assumptions. Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. Individual field price differentials are then applied. The first two years reflect the market forward prices curves transitioning to a long-term price from 2024, thereafter inflated at 2 per cent per annum. The long-term commodity prices used were \$65 per barrel for crude and 60p per therm for gas.

Notes to the consolidated financial statements continued

12. Property, plant and equipment continued

Production volumes are based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques, assessed at least annually by management. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Operating expenditure, capital expenditure and decommissioning costs are derived from the Group's business plan. The discount rate reflects management's estimate of the Group's Weighted Average Cost of Capital (WACC), see note 10 for further details. Foreign exchange rates are based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

Reductions or increases in the long-term oil and gas prices of 10 per cent are considered to be reasonably possible changes for the purpose of sensitivity analysis. Decreases to the long-term oil and gas prices specified above would result in a further post-tax impairment of \$73.3 million. A 10 per cent increase in the long-term oil and gas price deck would reduce the post-tax impairment charge by \$35.7 million. Considering the discount rates, the Group believes a 1 per cent increase in the post-tax rate is considered to be a reasonable possibility for the purpose of sensitivity analysis. A 1 per cent increase in the post-tax rate would lead to a further post-tax impairment of \$28.3 million, and a 1 per cent decrease in the post-tax rate would reduce the post-tax impairment charge by \$31.1 million. The impairment was calculated as detailed above.

A decrease in the decommissioning assets of \$357.8 million (2020: increase of \$257.6 million) was made during the year as a result of both new obligations and an update to the decommissioning estimates (note 20).

Further information on additions from business combinations and joint arrangements can be found in note 14.

Included within property, plant and equipment additions of \$468.9 million (2020: \$416.0 million) are associated cash flows of \$437.4 million (2020: \$457.6 million) and non-cash flow movements of \$31.5 million (2020: (\$41.6 million)), represented by a \$9.0 million increase in capital accruals (2020: \$58.2 million decrease) and \$22.5 million of capitalised lease depreciation (2020: \$16.6 million).

13. Leases – right-of-use assets

(i) This note provides information for leases where the Group is a lessee:

Right-of-use assets	2021 \$ million	2020 \$ million
Land and buildings	78.0	54.9
Drilling rigs	54.9	75.6
FPSO	407.8	-
Equipment	10.8	1.7
	551.5	132.2

Lease liabilities	2021 \$ million	2020 \$ million
Current	165.1	60.1
Non-current	489.2	80.8
	654.3	140.9

Additions of \$612.5 million, which arise primarily from business combinations (see note 14) of \$567.9 million and \$42.7 million from a new drilling rig contract, were made to the right-of-use assets during the year (2020: \$nil).

The significant portion of the Group's lease liabilities represent lease arrangements for FPSO vessels on the Catcher and Chim São assets.

The lease liabilities and associated right-of-use-assets have been calculated by reference to in-substance fixed lease payments in the underlying agreements incurred throughout the non-cancellable period of the lease along with periods covered by options to extend the lease where the Group is reasonably certain that such options will be exercised. When assessing whether extension options were likely to be exercised, assumptions are consistent with those applied when testing for impairment.

(ii) The consolidated income statement includes the following amounts relating to leases:

	2021 \$ million	2020 \$ million
Depreciation charge of right-of-use assets		
Land and buildings – non-oil and gas assets	10.5	6.2
Land and buildings – oil and gas assets	1.1	1.0
Drilling rigs	44.8	48.3
FPSO	102.1	–
Equipment	5.9	1.3
	164.4	56.8
Capitalisation of IFRS 16 lease depreciation		
Drilling rigs	(27.2)	(27.4)
Equipment	(3.5)	(0.8)
Depreciation charge included within consolidated income statement	133.7	28.6

Of the \$30.7 million (2020: \$28.2 million) capitalised IFRS 16 lease depreciation, \$22.5 million (2020: \$16.6 million) has been capitalised within property, plant and equipment and \$8.2 million (2020: \$11.6 million) within provisions (note 20).

	Note	2021 \$ million	2020 \$ million
Lease interest (included in finance expenses)	7	22.3	7.2

The total cash outflow for leases in 2021 was \$160.4 million (2020: \$60.5 million).

14. Business combinations and acquisition of interests in joint arrangements

Business combinations during the year ended 31 December 2021

In October 2020, Harbour Energy Limited entered into an agreement with Premier regarding an all-share Merger between Premier and Harbour Energy Limited's subsidiary, Chrysaor Holdings Limited. Under the terms of the Merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquirer for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The transaction completed on 31 March 2021, whereupon Premier, being the legal acquirer and accounting acquiree, changed its name from Premier Oil plc to Harbour Energy plc (Harbour).

The Merger constituted a 'reverse takeover' of Premier by Chrysaor and has therefore been accounted for as a reverse acquisition in accordance with IFRS 3 Business Combinations. As a result, Premier is fully consolidated in the financial statements with effect from 31 March 2021, and all results prior to this date represent those of Chrysaor only.

Premier was an upstream exploration and production company with its primary assets located in the UK North Sea, Vietnam and Indonesia. The Merger brought together two complementary businesses and created the largest independent oil and gas company listed on the London Stock Exchange with a strong balance sheet and significant international growth opportunities.

A Purchase Price Allocation (PPA) exercise has been performed under which the identifiable assets and liabilities of Premier were recognised at fair value.

Notes to the consolidated financial statements continued

14. Business combinations and acquisition of interests in joint arrangements continued

The fair values of the net identifiable liabilities as at the date of acquisition are as follows:

	Fair value \$ million
Assets	
Exploration, evaluation and other intangible assets	597.1
Property, plant and equipment – oil and gas assets	1,814.3
Property, plant and equipment – non-oil and gas assets	4.2
Property, plant and equipment – right-of-use assets	567.9
Long-term receivables	258.8
Deferred tax	1,549.2
Inventories	15.2
Trade and other receivables	291.0
Derivative financial instruments	9.2
Cash and cash equivalents	97.4
	5,204.3
Liabilities	
Trade and other payables	(317.5)
IFRS 16 lease liabilities	(637.8)
Deferred tax	(183.1)
Provision for decommissioning	(1,683.0)
Derivative financial instruments	(153.7)
Short-term debt	(2,219.3)
Deferred income	(33.6)
Other provisions	(34.5)
	(5,262.5)
Fair value of identifiable net liabilities acquired	(58.2)
Fair value of shares acquired	285.7
Transaction cost adjustments	(4.6)
Cost of acquisition	281.1
Goodwill recognised	339.3

A provisional PPA exercise was completed and presented within the Group's 2021 Half-Year results. As is permitted under IFRS 3 Business Combinations, if during a maximum measurement period of one year from the acquisition date, the Group identifies additional assets or liabilities based on new information obtained about facts and circumstances that existed at the acquisition date, then those assets and liabilities should be recognised at that date.

As a result, the decommissioning provision has increased by \$130.2 million from that presented in the provisional PPA presented in the Half-Year results, and the deferred tax asset increased by \$40.4 million, resulting in a net increase to goodwill of \$89.8 million.

The fair values of the oil and gas assets and intangible assets acquired have been determined using valuation techniques based on discounted cash flows using forward curve commodity prices and estimates of long-term prices consistent with those applied by management when testing assets for impairment, a discount rate based on market observable data and cost and production profiles generally consistent with the 2P reserves acquired with each asset. Where applicable other observable market information has also been used. The decommissioning provisions recognised have been estimated based on Harbour's internal estimates with reference to observable market data, including rig rates.

The fair value of debt facilities has been determined based on the total fair value of cash paid and new shares issued to creditors to satisfy Premier's historical debt arrangements.

The consideration was measured using the closing market price of Premier's Ordinary Share capital and the number of shares in issue immediately before the acquisition date. The transaction cost adjustments relate to share-based payment charges accruing prior to 31 March 2021 and certain transaction costs settled by Premier on behalf of Chrysaor which have been recognised as an expense within general and administrative expenses.

Goodwill of \$339.3 million has been recognised on the acquisition, representing the excess of the total consideration transferred over the fair value of the net assets acquired. The goodwill arises principally because of the following factors:

1. The ability to deliver cost synergies as a result of combining the two businesses.
2. The avoidance of costs that would otherwise have been incurred by Chrysaor as a result of an initial stock exchange listing.
3. The expertise and experience of the acquired business, particularly with respect to fulfilling the obligations of a UK listed entity.
4. The requirement to recognise deferred tax liabilities for the difference between the assigned fair values and the tax bases of assets acquired.

None of the goodwill is deductible for corporation tax.

Acquisition related costs of \$13.5 million and \$26.5 million were incurred by the Group and recognised as an expense within general and administrative expenses within 2020 and 2021 respectively.

From the date of acquisition, the acquired business contributed \$815.6 million of revenue and a loss of \$89 million to the profit before tax from continuing operations of the Group. Had the acquisition completed at 1 January 2021, the business would have contributed revenue of \$1,078.5 million in the year to 31 December 2021, and a loss of \$93.9 million towards the profit before tax.

15. Inventories

	2021 \$ million	2020 \$ million
Hydrocarbons	65.4	34.1
Consumables and subsea supplies	146.0	126.4
	211.4	160.5

Inventories of consumables and subsea supplies include a provision of \$8.5 million (2020: \$8.9 million) where it is considered that the net realisable value is lower than the original cost.

Inventories recognised as an expense during the year ended 31 December 2021 amounted to \$3.3 million (2020: \$3.3 million). These expenses are included within production costs.

16. Trade and other receivables

	2021 \$ million	2020 \$ million
Trade debtors	364.0	189.5
Underlift position	147.5	93.1
Other debtors	74.1	98.7
Prepayments and accrued income	677.4	61.0
Corporation tax receivable	79.2	19.0
	1,342.2	461.3

Trade debtors are non-interest bearing and are generally on 20 to 30 days' terms. As at 31 December 2021, there were no trade receivables that were past due (2020: \$nil).

Prepayments and accrued income mainly comprise amounts due, but not yet invoiced, for the sale of oil and gas. Other debtors mainly relate to amounts due from joint venture partners.

The carrying value of the trade and other receivables are equal to their fair value as at the balance sheet date.

Non-current	2021 \$ million	2020 \$ million
Net investment in sublease	52.9	–
Decommissioning funding asset	67.1	–
Long-term employee benefit plan surplus	0.8	–
Other receivables	142.2	3.6
	263.0	3.6

Notes to the consolidated financial statements continued

16. Trade and other receivables continued

Other long-term receivables include \$120.7 million in cash held in escrow accounts for expected future decommissioning expenditure in Indonesia, Vietnam and Mauritania (2020: \$nil).

The decommissioning funding asset relates to the Decommissioning Liability Agreement entered into with E.ON whereby E.ON agreed to part fund Premier's share of decommissioning the Johnston and Ravenspurn North assets. Under the terms of the agreement, E.ON will reimburse 70 per cent of the decommissioning costs between a range of £40 million to £130 million based on Premier's net share of the total decommissioning cost of the two assets. This results in maximum possible funding of £63 million from E.ON. At 31 December 2021, a long-term decommissioning funding asset of \$67.1 million has been recognised utilising the year-end \$/£ exchange rate and underlying assumptions consistent with those used for the corresponding decommissioning provision.

17. Cash and cash equivalents

	2021 \$ million	2020 \$ million
Cash at bank and in hand	698.7	445.4

Included within cash at bank and in hand balances is \$23.9 million (2020: \$nil) held as security for the Mexican letters of credit and performance bonds relating to Andaman (Indonesia) E&E licences.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Group only deposits cash with major banks of high quality credit standing.

18. Commitments

Capital commitments

As at 31 December 2021, the Group had commitments for future capital expenditure amounting to \$451.1 million (2020: \$231.1 million). Where the commitment relates to a joint arrangement, the amount represents the Group's net share of the commitment. Where the Group is not the operator of the joint arrangement then the amounts are based on the Group's net share of committed future work programmes.

19. Trade and other payables

	2021 \$ million	2020 \$ million
Current		
Trade payables	120.9	108.5
Overlift position	76.7	20.0
Other payables	148.6	105.7
Accruals	482.4	272.0
Deferred income	45.0	34.1
	873.6	540.3
Non-current		
Other payables	27.6	29.8
Deferred income	4.7	-
	32.3	29.8

Other payables, within both current, \$24.1 million (2020: \$46.0 million) and non-current \$nil (2020: \$24.4 million), includes the present value of additional completion payments payable to ConocoPhillips Company as part of the acquisition of the ConocoPhillips UK business. The remaining amount is payable in late 2022.

Deferred income includes \$20.8 million in relation to the closing year-end fair value payable to FlowStream. In June 2015, Premier received \$100.0 million from FlowStream in return for granting them 15 per cent of production from the Solan field until sufficient barrels have been delivered to achieve the rate of return within the agreement. This balance is being released to the income statement within revenue as barrels are delivered to FlowStream from production from Solan. The estimated fair value includes unobservable inputs and is level 3 in the IFRS 13 hierarchy and is held at fair value through profit and loss. The balance has reduced by \$12.8 million since the completion of the Merger reflecting the impact of barrels delivered to FlowStream and a change in estimate following an increase in the long-term oil price assumption resulting in a debit to the income statement within finance expense.

Deferred income of \$16.1 million (2020: \$nil) is expected to be delivered to FlowStream within the next 12 months and has been classified as a current liability, with the balance of \$4.7 million classified as non-current liabilities.

20. Provisions

	Note	Decommissioning provision \$ million	Other \$ million	Total \$ million
At 1 January 2020		3,949.8	-	3,949.8
Additions		29.9	18.5	48.4
Changes in estimates – increase to oil and gas tangible decommissioning assets		227.7	-	227.7
Changes in estimates – decrease to oil and gas intangible decommissioning assets		(3.0)	-	(3.0)
Amounts used		(142.0)	(5.4)	(147.4)
Amounts recovered from prior owner		4.0	-	4.0
Interest on decommissioning lease		(1.4)	-	(1.4)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset		(11.6)	-	(11.6)
Unwinding of discount		87.8	-	87.8
Currency translation adjustment		55.9	0.8	56.7
At 31 December 2020		4,197.1	13.9	4,211.0
Additions		17.1	1.0	18.1
Additions from business combinations and joint arrangements	14	1,683.0	34.5	1,717.5
Changes in estimates – decrease to oil and gas tangible decommissioning assets		(381.0)	-	(381.0)
Changes in estimates – increase to oil and gas intangible decommissioning assets		14.3	-	14.3
Changes in estimates – credit to income statement		-	(2.3)	(2.3)
Changes in estimates on oil and gas tangible assets – debit to income statement		8.5	-	8.5
Changes in estimates on oil and gas intangible assets – credit to income statement		(6.3)	-	(6.3)
Amounts used		(225.9)	(9.2)	(235.1)
Interest on decommissioning lease		(0.7)	-	(0.7)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset		(8.2)	-	(8.2)
Release of royalty provision (note 22)		-	(10.2)	(10.2)
Unwinding of discount		78.0	-	78.0
Currency translation adjustment		(22.2)	(0.2)	(22.4)
At 31 December 2021		5,353.7	27.5	5,381.2
		Non-current liabilities	Current liabilities	Total
Classified within		\$ million	\$ million	\$ million
At 31 December 2020		4,020.8	190.2	4,211.0
At 31 December 2021		5,022.6	358.6	5,381.2

Of the \$17.1 million (2020: \$29.9 million) decommissioning provision additions, \$14.7 million (2020: \$29.9 million) relates to oil and gas tangible assets, and \$2.4 million (2020: nil) to oil and gas intangible assets.

Notes to the consolidated financial statements continued

20. Provisions continued

The Group provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. The Group currently expects to incur decommissioning costs over the next 40 years, the majority of which are anticipated to be incurred between the next 10 to 20 years. Decommissioning provisions are discounted at a risk-free rate of between 0.9 per cent and 1.8 per cent (2020: 1.2 per cent and 2.1 per cent) and the unwinding of the discount is presented within finance costs.

These provisions have been created based on internal and third party estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. In addition, the timing of decommissioning liabilities will depend upon the dates when the fields become economically unviable, which in itself will depend on future commodity prices and climate change, which are inherently uncertain.

Other provisions relate to a provision for an onerous contract in respect of the termination cost of the rig which had been operating on the Schiehallion field, but no future approved activities have resulted in the contract being terminated. Also included within other provisions is a termination benefit provision in Indonesia of \$25.3 million (2020: \$nil), where the Group operates a Service, Severance and Compensation pay scheme under a Collective Labour Agreement with the local workforce.

21. Borrowings and facilities

The Group's borrowings are carried at amortised cost.

	2021 \$ million	2020 \$ million
Reserve Based Lending facility	2,312.0	1,448.6
Junior facility	–	396.4
High Yield Bond	489.5	–
10% Unsecured D loan notes 2027	–	264.8
Exploration Financing Facility	44.6	14.1
Other loans	39.9	37.5
	2,886.0	2,161.4
Classified within		
Non-current liabilities	2,823.7	2,160.3
Current liabilities	62.3	21.5
	2,886.0	2,181.8
Non-current assets (deferred fees)	–	(0.1)
Current assets (deferred fees)	–	(20.3)
	2,886.0	2,161.4

The deferred fees shown in current and non-current assets reflect the expected amortisation of fees within earlier periods where there is no expected repayment of principal.

Interest of \$17.4 million (2020: \$2.8 million) on the Reserve Based Lending facility (RBL), High Yield Bond and Exploration Financing Facility (EFF) had accrued by the balance sheet date and has been classified within accruals.

The key terms of the RBL facility are:

- term extended to 23 November 2027;
- facility size now at \$4.5 billion (with \$0.75 billion accordion option);
- debt availability currently at \$3.32 billion;
- debt availability to be redetermined on an annual basis;
- interest at USD LIBOR plus a margin of 3.25 per cent, rising to a margin of 3.5 per cent from November 2025;
- the incorporation of a margin adjustment linked to carbon emission reductions; and
- the syndication group now stands at 19 banks.

The \$400 million junior facility was fully repaid and cancelled in October 2021 through issuance of a \$500 million High Yield Bond. The remaining proceeds were used to pay legal fees and pay down some of the drawn debt on the senior facility. The bond was issued under Rule 144A and has a tenor of five years to maturity. The coupon was set at 5.50 per cent and interest is payable semi-annually.

Certain fees are also payable, including fees on available commitments at 40 per cent of the applicable margin and commission on letters of credit issued at 50 per cent of the applicable margin.

Since 2019, Chrysaor has been operating within an Exploration Financing Facility, currently for NOK 1 billion, in relation to part-financing the exploration activities of Chrysaor Norge AS. At the balance sheet date, the amount drawn down on the facility was NOK 396 million/\$44.9 million (2020: NOK 124 million/\$14.5 million).

A further \$77.2 million of arrangement fees and related costs were capitalised in 2021 following amendments to the RBL facility which became effective from March 2021, related to replacement of Premier's debt prior to completion of the Merger. In addition, \$10.9 million of arrangement fees and related costs were capitalised as part of the issuance of the High Yield Bond in October 2021, and \$0.4 million capitalised following further drawdowns on the EFF. These amounts are being amortised over the term of the relevant arrangement. At 31 December 2021, \$136.0 million of arrangement fees and related costs remain capitalised (2020: \$72.5 million), of which \$43.6 million are due to be amortised within the next 12 months (2020: \$20.4 million).

During the year \$38.9 million (2020: \$17.0 million) of arrangement fees and related costs have been amortised and are included within financing costs. Also included is a \$13.9 million modification gain (2020: nil) following a maturity extension of the RBL debt prior to the completion of the Merger.

At the balance sheet date, the outstanding RBL balance excluding incremental arrangement fees and related costs was \$2,438 million (2020: \$1,918 million including the \$400 million junior facilities). As at 31 December 2021, \$884 million remained available for drawdown under the RBL facility.

On 15 March 2021, a partial cash redemption of the 10 per cent unsecured D loan notes of \$135.7 million took place, and on 30 March 2021, the outstanding balance of the D loan notes, with a principal and accrued interest value of \$134.7 million, was exchanged for 16,186,811 F Ordinary Shares of £0.0001 each.

The Group has facilities to issue up to \$1.25 billion of letters of credit, of which \$796 million was in issue as at 31 December (2020: \$557 million), mainly in respect of future abandonment liabilities.

Other loans represent a commercial financing arrangement with Baker Hughes (formerly BHGE), covering a three-year work programme for drilling, completion and subsea tie-in of development wells on Harbour's operated assets. As part of the deal, Baker Hughes contributes to the costs of the work programme by funding a portion of the capital expenditure, in exchange for a greater exposure to returns, as well as risks, should certain targets and success criteria, both operational and geological, be met. Interest on this financing arrangement has been calculated using the effective interest method with reference to the expected cash flows, using an estimated reserve case.

Notes to the consolidated financial statements continued

21. Borrowings and facilities continued

The table below details the change in the carrying amount of the Group's borrowings arising from financing cash flows.

	\$ million
Total borrowings as at 1 January 2020	2,822.7
Repayment of senior debt	(774.0)
Repayment of financing arrangement	(1.6)
Repayment of Exploration Financing Facility	(8.7)
Proceeds from drawdown of borrowing facilities	157.5
Proceeds from Exploration Financing Facility	12.8
Loan notes redemption	(77.1)
Arrangement fees and related costs on senior debt paid and capitalised	(18.4)
Currency translation adjustments	0.8
Loan notes interest capitalised	25.4
Financing arrangement interest payable	5.0
Amortisation of arrangement fees and related costs	17.0
Total borrowings as at 31 December 2020	2,161.4
Repayment of senior debt	(697.5)
Repayment of junior debt	(400.0)
Short-term debt arising on business combination	(2,219.3)
Repayment of debt – equity allocation to borrowings	942.8
Repayment of debt – cash allocation to borrowings	1,276.5
Conversion of D loan notes to equity	(134.7)
IFRS 9 modification gain	(13.9)
Repayment of financing arrangement	(9.3)
Repayment of Exploration Financing Facility loan	(14.7)
Proceeds from drawdown of borrowing facilities	1,617.5
Proceeds from Exploration Financing Facility loan	45.9
Proceeds from issue of High Yield Bond	500.0
Loan notes redemption	(135.7)
Arrangement fees and related costs on senior debt paid and capitalised	(77.2)
Arrangement fees and related costs on High Yield Bond capitalised	(10.9)
Arrangement fees and related costs on Exploration Financing Facility loan capitalised	(0.4)
Currency translation adjustment on Exploration Financing Facility loan	(0.6)
Loan notes interest capitalised	5.6
Financing arrangement interest payable	11.6
Amortisation of arrangement fees and related costs	38.9
Total borrowings as at 31 December 2021	2,886.0

22. Other financial assets and liabilities

The Group held the following financial instruments at fair value at 31 December 2021. The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy, except for the royalty valuation, which includes estimates based on unobservable inputs and is level 3 in the IFRS 13 hierarchy.

	31 December 2021		31 December 2020	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
Measured at fair value through profit and loss				
Royalty consideration	-	-	3.0	-
Foreign exchange derivatives	0.9	(2.2)	-	-
Interest rate derivatives	3.3	-	-	-
Fair value of embedded derivative within gas contract	-	(11.5)	-	-
Carbon swaps	36.6	(15.6)	-	-
	40.8	(29.3)	3.0	-
Measured at fair value through other comprehensive income				
Commodity derivatives	1.0	(2,496.9)	191.6	(74.2)
Foreign exchange derivatives ¹	-	-	12.6	-
Carbon swaps ¹	-	-	15.4	-
	1.0	(2,496.9)	219.6	(74.2)
Total current	41.8	(2,526.2)	222.6	(74.2)
Measured at fair value through profit and loss				
Royalty consideration	-	-	6.7	-
Interest rate derivatives	8.3	-	-	-
	8.3	-	6.7	-
Measured at fair value through other comprehensive income				
Commodity derivatives	1.8	(1,373.6)	72.8	(48.5)
Interest rate derivatives ¹	-	-	-	(4.0)
Carbon swaps ¹	-	-	10.9	-
	1.8	(1,373.6)	83.7	(52.5)
Total non-current	10.1	(1,373.6)	90.4	(52.5)
Total current and non-current	51.9	(3,899.8)	313.0	(126.7)

1 The accumulated gains and losses relating to carbon swaps, interest rate and foreign exchange derivatives recognised in the hedge reserve as at 31 December 2020 have been recycled to the income statement in the current period, along with gains and losses arising in the year to 31 December 2021.

Part of the consideration received on the sale of Chrysaor's interest in a pre-production development in 2015 to Premier was a royalty interest, which prior to 2021 was recognised on the balance sheet as a financial asset. Subsequent to the Merger with Premier to form Harbour Energy plc, the royalty agreement was terminated in May 2021.

Fair value measurements

All financial instruments that are initially recognised and subsequently remeasured at fair value have been classified in accordance with the hierarchy described in IFRS 13 Fair Value Measurement. The hierarchy groups fair value measurements into the following levels based on the degree to which the fair value is observable.

- **Level 1:** fair value measurements are derived from unadjusted quoted prices for identical assets or liabilities.
- **Level 2:** fair value measurements include inputs, other than quoted prices included within level 1, which are observable directly or indirectly.
- **Level 3:** fair value measurements are derived from valuation techniques that include significant inputs not based on observable data.

Notes to the consolidated financial statements continued

22. Other financial assets and liabilities continued

	Financial assets		Financial liabilities	
	Level 2 \$ million	Level 3 \$ million	Level 2 \$ million	Level 3 \$ million
As at 31 December 2021				
Fair value of embedded derivative within gas contract	-	-	(11.5)	-
Commodity derivatives	2.8	-	(3,870.5)	-
Foreign exchange derivatives	0.9	-	(2.2)	-
Carbon swaps	36.6	-	(15.6)	-
Interest rate derivatives	11.6	-	-	-
	51.9	-	(3,899.8)	-
	Financial assets		Financial liabilities	
	Level 2 \$ million	Level 3 \$ million	Level 2 \$ million	Level 3 \$ million
As at 31 December 2020				
Royalty valuation	-	9.7	-	-
Commodity derivatives	264.4	-	(122.7)	-
Foreign exchange derivatives	12.6	-	-	-
Carbon swaps	26.3	-	-	-
Interest rate derivatives	-	-	(4.0)	-
	303.3	9.7	(126.7)	-

There were no transfers between fair value levels in the year. The movements in the year associated with financial assets and liabilities measured in accordance with level 3 of the fair value hierarchy are shown below:

	Financial assets		Financial liabilities	
	2021 \$ million	2020 \$ million	2021 \$ million	2020 \$ million
Fair value as at 1 January	9.7	12.1	-	(12.5)
Additions from business combinations and joint arrangements	(10.2)	-	(4.2)	-
Settlements	-	(1.1)	-	12.5
Gains and (losses) recognised in the income statement	0.5	(1.3)	4.2	-
Fair value as at 31 December	-	9.7	-	-

The agreement with the sellers of the UK North Sea assets purchased by the Group in 2017 included contingent consideration dependent on future commodity prices. The final contingent payment was settled in full during 2020.

Fair value movements recognised in the income statement on financial instruments are shown below:

	2021 \$ million	2020 \$ million
Income/(expense) included in the income statement		
Remeasurement of royalty valuation	0.5	(1.3)
	0.5	(1.3)

Fair values of other financial instruments

The following financial instruments are measured at amortised cost and are considered to have fair values different to their book values.

	2021		2020	
	Book value \$ million	Fair value \$ million	Book value \$ million	Fair value \$ million
High Yield Bond	(489.5)	(483.0)	-	-
Long-term borrowings – loan notes	-	-	(264.8)	(299.0)
	(489.5)	(483.0)	(264.8)	(299.0)

The fair values of the loan notes are within level 2 of the fair value hierarchy and have been estimated by discounting all future cash flows by the relevant market yield curve at the balance sheet date adjusted for an appropriate credit margin. The fair values of other financial instruments not measured at fair value including cash and short-term deposits, trade receivables, trade payables and floating rate borrowings equate approximately to their carrying amounts.

Cash flow hedge accounting

The Group uses a combination of fixed price physical sales contracts and cash-settled fixed price commodity swaps and options to manage the price risk associated with its underlying oil and gas revenues. As at 31 December 2021, all of the Group's cash-settled fixed price commodity swap derivatives have been designated as cash flow hedges of highly probable forecast sales of oil and gas.

The following table indicates the volumes, average hedged price and timings associated with the Group's financial commodity derivatives. Volumes hedged through fixed price contracts with customers for physical delivery are excluded.

Position as at 31 December 2021	2022	2023	2024	2025
Oil volume hedged (thousand bbls)	18,798	7,300	-	-
Weighted average hedged price (\$/bbl)	61.15	61.05	-	-
Gas volume hedged (million therms)	1,472	1,334	483	90
Weighted average hedged price (p/therm)	51p	41p	43p	45p

As at 31 December 2021, the fair value of net financial commodity derivatives designated as cash flow hedges, all executed under ISDA agreements with no margining requirements, was a net payable of \$3,867.7 million (2020: net receivable of \$141.7 million) and net unrealised pre-tax losses of \$3,454.2 million (2020: gains \$113.0 million) were deferred in other comprehensive income in respect of the effective portion of the hedge relationships. Amounts deferred in other comprehensive income will be released to the income statement as the underlying hedged transactions occur. As at 31 December 2021, net deferred pre-tax losses of \$2,495.9 million (2020: gains \$117.4 million) are expected to be released to the income statement within one year.

23. Financial risk factors and risk management

The Group's principal financial assets and liabilities comprise trade and other receivables, cash and short-term deposits accounts, trade payables, interest bearing loans and derivative financial instruments. The main purpose of these financial instruments is to manage short-term cash flow and price exposures and raise finance for the Group's expenditure programme. Further information on the Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of capital management policies in the Strategic Report.

Risk exposures and responses

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are market risks comprising commodity price risk, interest rate risk and foreign currency risk, liquidity risk, and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised in this note.

The Group's senior management oversees the management of financial risks. The Group's senior management ensures that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments mainly affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2021 and 2020.

Notes to the consolidated financial statements continued

23. Financial risk factors and risk management continued

The sensitivity analyses have been prepared on the basis that the number of financial instruments are all constant. The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the composition of the Group's financial instruments at the balance sheet date and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant profit before tax item and/or equity is the effect of the assumed changes in respective market risks for the full year based on the financial assets and financial liabilities held at the balance sheet date.
- The sensitivities indicate the effect of a reasonable increase in each market variable. Unless otherwise stated, the effect of a corresponding decrease in these variables is considered approximately equal and opposite.
- Fair value changes from derivative instruments designated as cash flow hedges are considered fully effective and recorded in shareholders' equity, net of tax.
- Fair value changes from derivatives and other financial instruments not designated as cash flow hedges are presented as a sensitivity to profit before tax only and not included in shareholders' equity.

(a) Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas products. On a rolling basis, the Group's policy is to hedge the commodity price exposure associated with 50 to 70 per cent of the next 12 months' production ('year 1'), between 40 and 60 per cent of 'year 2' production, from 'year 3' up to 50 per cent of production and from 'year 4' up to 40 per cent of production. The Group manages these risks through the use of fixed price contracts with customers for physical delivery and derivative financial instruments including fixed price swaps and options.

The following table summarises the impact on the Group's pre-tax profit and equity from a reasonably foreseeable movement in commodity prices on the fair value of commodity based derivative instruments held by the Group at the balance sheet date.

As at 31 December 2021		Effect on profit before tax \$ million	Effect on equity \$ million
	Market movement		
Brent oil price	USD 10/bbl increase	-	(156.6)
Brent oil price	USD 10/bbl decrease	-	156.6
NBP gas price	GBP 0.1/therm increase	-	(208.9)
NBP gas price	GBP 0.1/therm decrease	-	208.9

As at 31 December 2020		Effect on profit before tax \$ million	Effect on equity \$ million
	Market movement		
Brent oil price	USD 10/bbl increase	-	(123.3)
Brent oil price	USD 10/bbl decrease	-	123.3
NBP gas price	GBP 0.1/therm increase	-	(261.9)
NBP gas price	GBP 0.1/therm decrease	-	261.9

(b) Interest rate risk

Floating rate borrowings comprise loans under the RBL facility which incurs interest fixed either one month, three months or six months in advance at USD LIBOR plus a margin of 3.25 to 3.5 per cent. Fixed rate borrowings at 31 December 2021 comprise a High Yield Bond which incurs interest at 5.5 per cent per annum (at 31 December 2020 fixed rate borrowings comprised a series of shareholder loan notes which incurred interest at 10 per cent per annum). Floating rate financial assets comprise cash and cash equivalents which earn interest at the relevant market rate. The Group monitors its exposure to fluctuations in interest rates and uses interest rate derivatives to manage the fixed and floating composition of its borrowings.

The interest rate financial instruments in place at the balance sheet date are shown below:

As at 31 December 2021

Derivative	Currency	Period of hedge	Terms
Interest rate swaps	\$700 million	June 20 – June 25	Average 0.5561%

As at 31 December 2020

Derivative	Currency	Period of hedge	Terms
Interest rate swaps	\$700 million	June 20 – June 25	Average 0.5561%

The interest rate and currency profile of the Group's interest-bearing financial assets and liabilities are shown below:

	Cash at bank \$ million	Fixed rate borrowings \$ million	Floating rate borrowings \$ million	Total \$ million
As at 31 December 2021				
US Dollar	477.9	(489.5)	(2,351.9)	(2,363.5)
Pound Sterling	201.0	-	-	201.0
Norwegian Krone	14.6	-	(44.6)	(30.0)
Other	5.2	-	-	5.2
	698.7	(489.5)	(2,396.5)	(2,187.3)
As at 31 December 2020				
US Dollar	414.6	(264.8)	(1,882.5)	(1,732.7)
Pound Sterling	27.3	-	-	27.3
Norwegian Krone	3.3	-	(14.1)	(10.8)
Other	0.2	-	-	0.2
	445.4	(264.8)	(1,896.6)	(1,716.0)

The following table illustrates the indicative pre-tax effect on profit and equity of applying a reasonably foreseeable increase in interest rates to the Group's financial assets and liabilities at the balance sheet date.

	Market movement	Effect on profit before tax \$ million	Effect on equity \$ million
2021			
US Dollar interest rates	+100 basis points	(1.6)	-
2020			
US Dollar interest rates	+100 basis points	(15.0)	25.2

(c) Foreign currency risk

The Group is exposed to foreign currency risk primarily arising from exchange rate movements in US Dollar against Pound Sterling. To mitigate exposure to movements in exchange rates, wherever possible financial assets and liabilities are held in currencies that match the functional currency of the relevant entity. The Group has subsidiaries with functional currencies of Pound Sterling, US Dollar, Norwegian Krone, Mexican Pesos and Brazilian Reals. Exposures can also arise from sales or purchases denominated in currencies other than the functional currency of the relevant entity; such exposures are monitored and hedged with agreement from the Board.

The Group enters into forward contracts as a means of hedging its exposure to foreign exchange rate risks. As at 31 December 2021, the Group had £20.0 million hedged at a forward rate of \$1.3903/£1 for the period to January 2022 and EUR18.4 million hedged at forward rates of between EUR1.1926 and EUR1.2030/£1 for the period January 2022 to December 2022.

As at 31 December 2020, the Group had £135.0 million hedged at forward rates of between \$1.2321 and \$1.2990/£1 for the period January 2021 to November 2021.

The following table demonstrates the sensitivity to a reasonably foreseeable change in US Dollar against Pound Sterling with all other variables held constant, of the Group's profit before tax (due to foreign exchange translation of monetary assets and liabilities). The impact of translating the net assets of foreign operations into US Dollars is excluded from the sensitivity analysis.

	Market movement	Effect on profit before tax \$ million	Effect on equity \$ million
2021			
US Dollar/Pound Sterling	10% strengthening	284.5	-
US Dollar/Pound Sterling	10% weakening	(284.5)	-
2020			
US Dollar/Pound Sterling	10% strengthening	163.8	18.5
US Dollar/Pound Sterling	10% weakening	(163.8)	(18.5)

Notes to the consolidated financial statements continued

23. Financial risk factors and risk management continued

(d) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and derivative financial instruments.

The Group only sells hydrocarbons to recognised and creditworthy parties, typically the trading arm of large, international oil and gas companies. An indication of the concentration of credit risk on trade receivables is shown in note 4, whereby the revenue from one customer exceeds 84 per cent of the Group's consolidated revenue.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are internationally recognised banking institutions and are considered to represent minimal credit risk.

There are no significant concentrations of credit risk within the Group unless otherwise disclosed, and credit losses are expected to be near to zero. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

(e) Liquidity risk

The Group monitors the amount of borrowings maturing within any specific period and expects to meet its financing commitments from the operating cash flows of the business and existing committed lines of credit.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 and 2020 based on contractual undiscounted payments.

As at 31 December 2021	Within 1 year \$ million	1 to 2 years \$ million	2 to 5 years \$ million	Over 5 years \$ million	Total \$ million
Non-derivative financial liabilities					
Reserve Based Lending facility	85.8	758.4	1,569.5	305.8	2,719.5
High Yield Bond	27.3	27.5	582.5	-	637.3
Exploration Financing Facility	45.8	-	-	-	45.8
Other loans	17.7	12.7	20.9	3.3	54.6
Trade and other payables	913.7	32.2	-	-	945.9
Lease obligations	181.7	127.8	309.4	97.4	716.3
	1,272.0	958.6	2,482.3	406.5	5,119.4
Derivative financial liabilities					
Net-settled commodity derivatives	2,496.8	1,090.6	283.1	-	3,870.5
Net-settled foreign exchange derivatives	2.2	-	-	-	2.2
Net-settled carbon derivatives	15.6	-	-	-	15.6
Total as at 31 December 2021	3,786.6	2,049.2	2,765.4	406.5	9,007.7
As at 31 December 2020					
Non-derivative financial liabilities					
Reserve Based Lending facility	53.0	73.1	1,595.9	-	1,722.0
Junior facility	22.3	175.2	225.2	45.7	468.4
Loan notes	-	-	-	507.9	507.9
Exploration Financing Facility	14.7	-	-	-	14.7
Other loans	7.3	14.9	31.3	5.8	59.3
Trade and other payables	673.6	29.8	-	-	703.4
Lease obligations	60.1	44.9	23.8	31.5	160.3
	831.0	337.9	1,876.2	590.9	3,636.0
Derivative financial liabilities					
Net-settled commodity derivatives	74.2	20.4	28.0	-	122.6
Net-settled interest rate derivatives	-	-	4.1	-	4.1
Total as at 31 December 2020	905.2	358.3	1,908.3	590.9	3,762.7

The maturity profiles in the above tables reflect only one side of the Group's liquidity position and will be recorded in the income statement against future production and revenue which are recognised on the balance sheet as assets. Interest bearing loans and borrowings and trade payables mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant and equipment and working capital such as inventories. These assets are considered part of the Group's overall liquidity risk.

24. Called up share capital

Allotted, called up and fully paid	2021		2020	
	Number	\$ million	Number	\$ million
Ordinary Shares of 0.002p each	925,532,639	-	-	-
Ordinary non-voting deferred shares of 12.4999p each	925,532,639	171.1	-	-
F Ordinary Shares of £0.01 each	-	-	4,994,624	0.1
G Ordinary Shares of £0.40 each	-	-	18,900	-
M Ordinary Shares of £0.01 each	-	-	9,865	-
		171.1		0.1

The rights and restrictions attached to the Ordinary Shares are as follows:

- **Dividend rights:** the rights of the holders of Ordinary Shares shall rank pari passu in all respects with each other in relation to dividends.
- **Winding up or reduction of capital:** on a return of capital on a winding up or otherwise (other than on conversion, redemption or purchase of shares) the rights of the holders of Ordinary Shares to participate in the distribution of the assets of the Company available for distribution shall rank pari passu in all respects with each other.
- **Voting rights:** the holders of Ordinary Shares shall be entitled to receive notice of, attend, vote and speak at any General Meeting of the Company.

The rights and restrictions attached to the non-voting deferred shares are as follows:

- They will have no voting or dividend rights and, on a return of capital or on a winding up of the Company, will have the right to receive the amount paid up thereon only after holders of all Ordinary Shares have received, in aggregate, any amounts paid up on each Ordinary Share plus £10 million on each Ordinary Share. The Non-Voting Deferred Shares will not give the holder the right to receive notice of, nor attend, speak or vote at, any general meeting of the Company.

Issue of Ordinary Shares

In March 2021, the Company completed a subdivision of each of the existing 12.5 pence Ordinary Shares, subdividing them into:

- one Ordinary Share with a nominal value of 0.0001 pence each; and
- one Non-voting Deferred Share with a nominal value of 12.4999 pence each.

Following the subdivision of shares, the Company issued 14,253,203,210 shares in consideration for the acquisition of Chrysaor Holdings Limited. In addition to the consideration shares, 3,331,916,120 shares were issued to former creditors of the Company in connection with the restructuring of the Company's debt, as announced on 16 December 2020.

On 25 June 2021, the Company undertook a consolidation of its shares whereby 1 new Ordinary Share of 0.002 pence each was issued for every 20 existing Ordinary Shares of 0.0001 pence each previously held. As at 31 December 2021, the Company had 925,532,639 shares of 0.002 pence each in issue.

Purchase and cancellation of own shares

During 2021, none of the Company's Ordinary Shares were re-purchased or cancelled.

Own shares	2021 \$ million
At 1 January 2021	-
Additions from business combinations and joint arrangements	0.6
Purchase of ESOP Trust shares	3.3
Release of shares	(0.2)
At 31 December 2021	3.7

The own shares represent the net cost of shares in Harbour Energy plc purchased in the market or issued by the Company into the Harbour Energy plc Employee Benefit Trust. This ESOP Trust holds shares to satisfy awards under the Group's share incentive plans. At 31 December 2021, the number of Ordinary Shares of 0.002 pence each held by the Trust was 775,523.

Notes to the consolidated financial statements continued

25. Share-based payments

The Group currently operates a Long Term Incentive Plan (LTIP) for certain employees and a Share Incentive Plan and a Save As You Earn scheme for UK-based and expatriate employees only.

For the year ended 31 December 2021, the total cost recognised by the Company for share-based payment transactions was \$13.4 million. A credit of \$13.4 million has been recorded in retained earnings for all equity-settled payments of the Company. Like other elements of remuneration, this charge is processed through the time-writing system which allocates cost, based on time spent by individuals, to various entities within the Harbour Energy plc group. Part of this cost is therefore recharged to the relevant subsidiary undertakings, part is capitalised as directly attributable to capital projects and part is charged to the income statement as operating costs, pre-licence exploration costs or general and administration costs.

Details of the various share incentive plans currently in operation are set out below.

2017 Long Term Incentive Plan (2017 LTIP)

The Long Term Incentive Plan (LTIP) was introduced as discretionary share awards granted to employees. The following types of award have been granted under the 2017 LTIP:

- Performance Share Awards (PSA): vesting is subject to a Performance Target, normally measured over a three-year period from 1 January based on Total Shareholder Return (TSR) relative to a peer group of companies and aligns to longer-term strategic objectives.
- Restricted Share Awards (RSA): aligns to the primary objective of balance sheet recovery, independent of other performance objectives and vesting of awards is subject to a financial underpin and continued employment.
- Conditional Share Awards (CSAs): one-off retention awards where vesting is only subject to continued employment.
- Premier Value Share Plan (PVSP) awards: the PVSP is made up of two awards, Base Awards and Multiplier Awards. Under the PVSP, annual awards of time-vesting restricted shares (Base Awards) and three-year performance-vesting shares (Performance Multiplier Awards) may be made, with performance-vesting shares subject to achievements of Premier's delivery of long-term shareholder return.
- Deferred Bonus Share Plan (DBSP) awards: certain employees are required to defer a portion of their annual bonus into shares which vest over a three-year period subject to continued employment.

All LTIP awards are granted in the form of nil-cost options or conditional share awards and therefore there is no exercise price payable on the exercise of these awards.

No RSA or PVSP awards were granted in 2021.

For further details of the LTIP awards, including the performance conditions of the PSAs granted in 2021, please refer to the Directors' Remuneration Report.

The following table shows the movement in the number of LTIP awards:

	2021 (million)
Outstanding at 1 January	-
Additions from business combinations and joint arrangements ¹	31.2
Granted pre-share consolidation	23.1
Vested pre-share consolidation	(0.6)
Forfeited pre-share consolidation	(0.8)
20 to 1 share consolidation	(50.3)
Granted post-share consolidation	18.0
Vested post-share consolidation	-
Forfeited post-share consolidation	(0.1)
Outstanding at 31 December²	20.5

¹ Includes DBSP awards.

² This includes 0.2 million cash settled awards at 31 December 2021, which are revalued using the year-end share price.

LTIP awards totalling 0.03 million shares (adjusted for the 20 to 1 share consolidation) were vested during the period. The weighted average remaining contractual life of the LTIP awards at 31 December 2021 was 2.0 years.

Key assumptions used to calculate the fair value of awards

The fair value of awards which are subject to a TSR condition, such as the PSAs, is determined using a Monte Carlo simulation. The fair value of all other awards is calculated using the share price at the date of grant, adjusted for dividends not received during the vesting period.

The following table lists the inputs to the model used in respect of the PSA awards granted during the financial year.

	2021
Share price at date of grant	£3.60 – £3.77
Dividend yield	0%
Expected term	1.5 years – 3.0 years
Risk free rate	0.1% – 0.5%
Share price volatility of the Company	70%

The weighted average fair value of the PSA awards granted in 2021 was \$1.57.

Expected volatility was determined by reference to both the historical volatility of the Company and the historical volatility of a group of comparable quoted companies over a period in line with the expected term assumption.

Share Incentive Plan

Under the Share Incentive Plan employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one basis. 62,688 matching shares were awarded to employees in 2021.

Save As You Earn (SAYE) scheme

Under the SAYE scheme, eligible employees with one month or more continuous service can join the scheme. Employees can save to a maximum of £500 per month through payroll deductions for a period of three or five years after which time they can acquire shares at up to a 20 per cent discount. No SAYE options were granted in 2021.

	2021	
	Options (million)	Weighted average exercise price
Outstanding at 1 January	-	-
Additions from business combinations and joint arrangements	10.3	£5.82
20 to 1 share consolidation	(9.8)	-
Granted during the year	-	-
Lapsed during the year	(0.1)	£6.01
Exercised during the year ¹	-	-
Outstanding as at 31 December	0.4	£5.78

1 No Ordinary Shares were issued under the SAYE scheme during 2021.

No SAYE options were exercised during 2021. The SAYE options outstanding at 31 December 2021 had exercise prices ranging from £5.53 to £20.09 and a weighted average remaining contractual life of 1.9 years.

Notes to the consolidated financial statements continued

26. Group pension schemes

Balance sheet

	2021 \$ million	2020 \$ million
UK funded pension scheme	0.8	-
Total surplus in balance sheet	0.8	-
	2021 \$ million	2020 \$ million
UK unfunded pension scheme	0.7	-
Total liability in balance sheet	0.7	-

Unfunded pensions

The Group is paying an unfunded pension to a former director of Premier in the UK in regard to which annual increases and a reversionary spouse's pension apply on the same basis as to pensions paid under the Scheme.

On the same actuarial basis as used to assess the Scheme's pension costs, the present value as at 31 December 2021 of the future payments projected to be made in respect of UK unfunded pensions is \$0.7 million.

Funded pensions

The Group operates a defined benefit pension scheme in the UK – The Retirement and Death Benefits Plan (the Scheme), primarily inflation-linked annuities based on an employee's length of service and final salary. The Scheme is closed to new members.

The disclosures set out below are based on calculations carried out as at 31 December 2021 by a qualified independent actuary. The figures have been prepared in compliance with IAS 19 Employee Benefits.

The Scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to beneficiaries. The Trustee of the Scheme is required to act in the best interest of the Scheme's beneficiaries. The appointment of trustee directors is determined by the trust documentation.

The liabilities of the defined benefit Scheme are measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit credit method. This amount is reflected in the surplus or the deficit in the balance sheet. The projected unit credit method is an accrued benefits valuation method in which the Scheme liabilities make allowance for the projected earnings.

The liabilities set out in this note have been calculated using membership data current as at 31 December 2021. The results of the calculations and the assumptions adopted are shown below.

As at 31 December 2021, contributions are payable to the Scheme by the Group at the rates set out in the schedule of contributions signed by the trustees on 23 March 2021. Under this schedule, the Company contributes on a monthly basis at the rate of 30 per cent of the aggregate of members' pensionable salaries.

Principal assumptions

	At 31 December 2021	At 31 December 2020
Discount rate	1.8% p.a.	-
RPI inflation	3.4% p.a.	-
CPI inflation	2.4% p.a.	-
Rate of increase in salaries	3.4% p.a.	-
Rate of increase in pensions in payment: LPI (max 5%)	3.3% p.a.	-
Mortality	S3PA Light CMI_2020 with 0.5% IAMI and 1.25% long term	-
Proportion married	80%	-
Withdrawals	No allowance	-
Cash commutation	75% of maximum tax-free cash	-
Life expectancy of male aged 65 now	23.6	-
Life expectancy of male aged 65 in 20 years	24.8	-
Life expectancy of female aged 65 now	25.1	-
Life expectancy of female aged 65 in 20 years	26.5	-

Asset breakdown – the major Scheme assets as a percentage of total Scheme assets are:

	2021 %	2020 %
Equities	41.2	–
Gilts	29.3	–
Corporate bonds	29.1	–
Cash	0.4	–
Total	100.0	–

Reconciliation of funded status and amount recognised in balance sheet:

	2021 \$ million	2020 \$ million
Fair value of Scheme assets	(55.4)	–
Present value of defined benefit obligation	39.4	–
Surplus	(16.0)	–
Unrecognised amount due to effect of IFRIC 14 ¹	15.2	–
Defined benefit asset recognised in balance sheet	(0.8)	–

1 The trustees have certain rights to grant benefit increases to members and accordingly it has been concluded the Group does not have an unconditional right to the surplus by way of a refund.

Statement of amount recognised in the income statement:

	2021 \$ million	2020 \$ million
Current service cost	0.1	–
Net interest on the net defined benefit liability (asset)	–	–
Total	0.1	–

Reconciliation of defined benefit obligation:

	2021 \$ million	2020 \$ million
Opening present value of defined benefit obligation	–	–
Additions from business combinations and joint arrangements	41.5	–
Service cost	0.1	–
Interest cost	0.5	–
Actuarial (gains)/losses from changes in demographic assumptions	–	–
Actuarial (gains)/losses from changes in financial assumptions	(1.7)	–
Changes due to experience adjustments	0.4	–
Benefits paid	(1.1)	–
Currency translation effects	(0.3)	–
Closing defined benefit obligation	39.4	–

Reconciliation of fair value of assets:

	2021 \$ million	2020 \$ million
Opening present value of Scheme assets	–	–
Additions from business combinations and joint arrangements	53.4	–
Interest income	0.6	–
Return on assets less interest income	2.9	–
Benefits paid	(1.1)	–
Currency translation effects	(0.4)	–
Closing fair value of Scheme assets	55.4	–
Actual return on Scheme assets	3.5	–

Notes to the consolidated financial statements continued

26. Group pension schemes continued

Statement of amount recognised in comprehensive income:

	2021 \$ million	2020 \$ million
(Gain)/loss from changes in the financial assumptions for value of Scheme liabilities	(1.7)	-
(Gain)/loss from changes in the demographic assumptions for value of Scheme liabilities	-	-
Changes due to experience adjustments	0.4	-
Return on assets (excluding amounts included in net interest on the net defined benefit liability (asset))	(2.9)	-
Change in the effect of the asset ceiling excluding amounts included in net interest on the net defined liability	4.2	-
Currency translation effects	0.1	-
Other comprehensive income	0.1	-

Statement of amount recognised in profit and loss and other comprehensive income:

	2021 \$ million	2020 \$ million
Amount recognised in profit and loss	0.1	-
Other comprehensive income	0.1	-
Total comprehensive loss	0.2	-

Sensitivity of balance sheet at 31 December 2021

The results of the calculations are sensitive to the assumptions used. The balance sheet position revealed by IAS 19 calculations must be expected to be volatile, principally because the market value of assets (with significant exposure to equities) is being compared with a liability assessment derived from corporate bond yields.

The below table shows the sensitivity of the IAS 19 balance sheet position to small changes in some of the assumptions. Where one assumption has been changed all the other assumptions are kept as disclosed above.

	Revised (surplus)/deficit \$ million	Change from disclosed (surplus)/deficit \$ million
Discount rate less 0.1% p.a.	(15.4)	0.6
RPI inflation and linked assumptions plus 0.1% p.a.	(15.5)	0.5
Members living one year longer than assumed	(14.5)	1.5

Projected components of pension costs for period to 31 December 2022

Because of the significant volatility in investment markets, it is difficult to project forward the IAS 19 figures for the next year with confidence. The following projections should therefore be treated with caution. Assumptions implicit in the following projections are:

- the interest on the defined benefit liability/(asset) from 31 December 2021 is 1.8% p.a.;
- contributions to the Scheme will continue throughout 2022 in accordance with the current Schedule of Contributions in place at the date of signing this report; and
- there will be no changes to the terms of the Scheme.

The amounts recognised in the components of pension expense are:

	2022 \$ million
Current service cost	0.1
Interest on defined benefit liability/(asset)	-
Net actuarial (gain)/loss recognised	-
Total	0.1

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit schemes are to make specified contributions. Payments to the defined contribution schemes are charged as an expense as they fall due. The total cost charged to income of \$28.2 million (2020: \$18.6 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

27. Notes to the statement of cash flows

Net cash flows from operating activities consist of:

	2021 \$ million	2020 \$ million
Profit/(loss) before taxation	314.5	(977.7)
Finance cost, excluding foreign exchange	309.4	261.7
Finance income, excluding foreign exchange	(48.8)	(7.5)
Depreciation, depletion and amortisation	1,371.0	1,222.1
Impairment of property, plant and equipment	117.2	644.0
Impairment of goodwill	-	411.4
Taxes paid	(279.8)	(189.6)
Share-based payments	8.4	11.8
Decommissioning payments	(244.8)	(162.1)
Onerous contract provision	(2.3)	18.5
Exploration costs written-off	255.0	160.8
Write-off of non-oil and gas assets	4.7	-
Pre-Merger costs	7.0	-
Remeasurement of acquisition completion adjustments	-	0.4
Onerous contract payments	(9.2)	(5.4)
(Increase)/decrease in royalty consideration receivable	(0.5)	2.4
Loss/(gain) on termination of IFRS 16 lease	0.3	(0.5)
Loss on disposal of asset	0.1	-
Movement in realised cash flow hedges not yet settled	361.6	(5.6)
Unrealised foreign exchange loss	57.3	34.7
Working capital adjustments:		
- Increase in inventories	(13.0)	(11.2)
- (Increase)/decrease in trade and other receivables	(607.4)	41.5
- Increase/(decrease) in trade and other payables	13.5	(76.3)
Net cash inflow from operating activities	1,614.2	1,373.4

Notes to the consolidated financial statements continued

27. Notes to the statement of cash flows continued

Reconciliation of net cash flow to movement in net borrowings:

	2021 \$ million	2020 \$ million
Proceeds from drawdown of borrowing facilities	(1,617.5)	(157.5)
Proceeds from issue of High Yield Bond	(500.0)	-
Short-term debt arising on business combination	2,219.3	-
Repayment of debt – equity allocation to borrowings	(942.8)	-
Repayment of debt – cash allocation to borrowings	(1,276.5)	-
Conversion of D loan notes to equity	134.7	-
Proceeds from Exploration Financing Facility loan	(45.9)	(12.8)
Repayment of senior debt	697.5	774.0
Repayment of junior debt	400.0	-
Loan notes redemption	135.7	77.1
IFRS 9 modification gain	13.9	-
Repayment of Exploration Financing Facility loan	14.7	8.7
Repayment of financing arrangement	9.3	1.6
Arrangement fees and related costs capitalised	88.5	18.4
Financing arrangement interest payable	(11.6)	(4.9)
Amortisation of arrangement fees and related costs capitalised	(38.9)	(17.1)
Currency translation adjustment on EFF loan	0.6	(0.8)
Loan notes interest capitalised	(5.6)	(25.4)
Movement in total borrowings	(724.6)	661.3
Movement in cash and cash equivalents	253.3	(127.8)
(Increase)/decrease in net borrowings in the year	(471.3)	533.5
Opening net borrowings	(1,716.0)	(2,249.5)
Closing net borrowings	(2,187.3)	(1,716.0)

Analysis of net borrowings

	2021 \$ million	2020 \$ million
Cash and cash equivalents	698.7	445.4
Reserve Based Lending facility	(2,312.0)	(1,448.6)
High Yield Bond	(489.5)	-
Junior facility	-	(396.4)
Exploration Financing Facility	(44.6)	(14.1)
Net debt	(2,147.4)	(1,413.7)
Shareholder loan notes	-	(264.8)
Financing arrangement	(39.9)	(37.5)
Closing net borrowings	(2,187.3)	(1,716.0)

28. Related party disclosures

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

Before year-end the Company entered into a secondment agreement with EIG to second two EIG employees to work for Harbour for an initial period of up to six months from 1 December 2021. The secondment agreement provides that the secondees will work for Harbour on a substantially full-time basis which may be terminated or extended with the agreement of the parties. The secondees, who are both familiar with Harbour's business and assets, will provide the Company with additional support and expertise on a temporary basis.

Directors and Executive remuneration

The remuneration of Directors during the year is set out in the Directors' Remuneration Report.

Remuneration of key management personnel, including Directors of the Group, is shown below:

	2021 \$ million	2020 \$ million
Salaries and short-term benefits	18.6	13.6
Payments made in lieu of pension contributions	0.7	0.8
Pension benefits	-	0.1
	19.3	14.5

Note:

2021 data includes remuneration of key management personnel for the Chrysaor Holdings Group in the three months to 31 March 2021.

29. Dividends

A dividend of \$100.0 million is proposed for the year ended 31 December 2021 (2020: \$nil).

30. Post balance sheet events

As announced on 2 February 2022, Phil Kirk stepped down from his role as Executive Director with effect from 28 February 2022.

The Group has assessed and will continue to assess the implications of the events in Ukraine. Currently there is considered to be no material impact to Group's financial performance or position.

The Company confirmed that the Directors intend to submit a proposal to shareholders at the Company's forthcoming Annual General Meeting for a general authority to purchase the Company's own Ordinary Shares. The Directors believe that the Board should be afforded the flexibility to be able to buy back the Company's shares when it is in the best interests of shareholders to do so and will result in an increase in earnings per share. The resolution will specify the maximum number of shares that can be acquired (approximately 15 per cent of the issued of Ordinary share capital) and the minimum and maximum prices at which they may be bought. Any share purchased under the authority granted by the resolution will either be cancelled or may be held as treasury shares. In accordance with the Listing Rules, a further announcement would be made by the Company in the event that the Directors intend to commence a programme to repurchase shares.

Notes to the consolidated financial statements continued

31. Investments and amounts due from subsidiary undertakings

At 31 December 2021, the subsidiary undertakings of the Company which were all wholly owned were:

Name of company	Area of operation	Country of incorporation	Main activity
Premier Oil Group Holdings Limited (i)	UK	UK (iii)	Intermediate holding company
Premier Oil Group Limited	UK	UK (vi)	Intermediate holding company
Premier Oil Finance (Jersey) Limited (i)	Jersey	Jersey (vii)	Investment management
Premier Oil Holdings Limited	UK	UK (iii)	Intermediate holding company
Premier Oil Overseas BV	Netherlands	Netherlands (viii)	Intermediate holding company
Premier Oil UK Limited	UK	UK (vi)	Exploration, production & development
Premier Oil E&P Holdings Limited	UK	UK (iii)	Intermediate holding company
Premier Oil E&P UK Limited	UK	UK (iii)	Exploration, production & development
Premier Oil E&P UK EU Limited	UK	UK (iii)	Exploration, production & development
Premier Oil E&P UK Energy Trading Limited	UK	UK (iii)	Gas trading
Premier Oil Barakuda Limited	Indonesia	UK (iii)	Exploration, production & development
Premier Oil Natuna Sea BV	Indonesia	Netherlands (viii)	Exploration, production & development
Premier Oil Vietnam Offshore BV	Vietnam	Netherlands (viii)	Exploration, production & development
Premier Oil (Vietnam) Limited	Vietnam	British Virgin Islands (ix)	Exploration, production & development
Premier Oil Andaman Limited	Indonesia	UK (iii)	Exploration, production & development
Premier Oil Andaman I Limited	Indonesia	UK (iii)	Exploration, production & development
Premier Oil ANS Limited	Alaska	UK (iii)	Exploration, production & development
Premier Oil Exploration and Production Limited	Falkland Islands	UK (iii)	Exploration, production & development
Premier Oil do Brasil Petróleo e Gás Ltda	Brazil	Brazil (x)	Exploration, production & development
Premier Oil Exploration and Production Mexico S.A.de C.V.	Mexico	Mexico (xi)	Exploration, production & development
Premier Oil Mexico Recursos S.A. de C.V.	Mexico	Mexico (xi)	Exploration, production & development
Premier Oil South Andaman Limited	Indonesia	UK (iii)	Exploration, production & development
Premier Oil Tuna BV	Indonesia	Netherlands (viii)	Exploration, production & development
Ebury Gate Limited	Guernsey	Guernsey (xii)	Risk Mitigation Services
EnCore (NNS) Limited	UK	UK (iii)	Intermediate holding company
EnCore Oil Limited	UK	UK (iii)	Intermediate holding company
FP Mauritania A BV	Mauritania	Netherlands (viii)	Decommissioning activities
FP Mauritania B BV	Mauritania	Netherlands (viii)	Decommissioning activities
Premier Oil (EnCore Petroleum) Limited	UK	UK (iii)	Intermediate holding company
Premier Oil ANS Holdings Limited	UK	UK (iii)	Intermediate holding company
Premier Oil Aberdeen Services Limited	UK	UK (iii)	Service company
Premier Oil and Gas Services Limited	UK	UK (iii)	Service company
Premier Oil Exploration (Mauritania) Limited	Mauritania	Jersey (vii)	Decommissioning activities
Premier Oil Far East Limited	Singapore	UK (iii)	Service company
Premier Oil Mauritania B Limited	Mauritania	Jersey (vii)	Decommissioning activities
Premier Oil Mexico Holdings Limited	UK	UK (iii)	Intermediate holding company
Premier Oil Vietnam 121 Limited	Vietnam	UK (iii)	Exploration, production & development
Premier Oil Mexico Investments Limited	UK	UK (iii)	Intermediate holding company
Chrysaor Holdings Limited (i)	UK	Cayman Islands (xiv)	Intermediate holding company
Chrysaor E&P Limited	UK	UK (ii)	Intermediate holding company
Chrysaor Production Holdings Limited	UK	UK (ii)	Intermediate holding company
Chrysaor Resources (UK) Holdings Limited	UK	UK (ii)	Intermediate holding company
Chrysaor E&P Finance Limited	UK	UK (ii)	Financing company
Chrysaor E&P Services Limited	UK	UK (ii)	Service company
Chrysaor North Sea Limited	UK	UK (ii)	Exploration, production & development
Chrysaor Limited	UK	UK (ii)	Exploration, production & development
Chrysaor CNS Limited	UK	UK (ii)	Exploration, production & development
Chrysaor Norge AS	Norway	Norway (iv)	Exploration, production & development
Chrysaor Resources (Irish Sea) Limited	UK	UK (ii)	Exploration, production & development
Chrysaor Marketing Limited	UK	UK (ii)	Gas trading
Chrysaor Energy Limited	UK	UK (ii)	Non-trading

Name of company	Area of operation	Country of incorporation	Main activity
Chrysaor Production Limited	UK	UK (ii)	Intermediate holding company
Chrysaor Production (U.K.) Limited	UK	UK (ii)	Exploration, production & development
Chrysaor Petroleum Company U.K. Limited	UK	UK (ii)	Exploration, production & development
Chrysaor (U.K.) Theta Limited	UK	UK (ii)	Exploration, production & development
Chrysaor (U.K.) Alpha Limited	UK	UK (ii)	Exploration, production & development
Chrysaor (U.K.) Beta Limited	UK	UK (ii)	Exploration, production & development
Chrysaor Developments Limited	UK	UK (ii)	Exploration, production & development
Chrysaor Petroleum Limited	UK	UK (ii)	Exploration, production & development
Chrysaor (U.K.) Sigma Limited	UK	UK (ii)	Exploration, production & development
Chrysaor (U.K.) Zeta Limited	UK	UK (ii)	Non-trading intermediate holding company
Chrysaor (U.K.) Delta Limited	UK	UK (ii)	Non-trading intermediate holding company
Premier Oil Belgravia Holdings Limited	UK	UK (iii)	Non-trading Intermediate holding company
Chrysaor (U.K.) Eta Limited	UK	UK (ii)	Non-trading
Premier Oil Belgravia Limited	UK	UK (iii)	Non-trading
Premier Oil Ebury Limited	UK	UK (iii)	Non-trading
Premier Oil Exploration Limited	UK	UK (vi)	Non-trading
Premier Oil Buton BV	Netherlands	Netherlands (viii)	Non-trading
Premier Oil International Holding BV	Netherlands	Netherlands (viii)	Non-trading
Premier Oil Vietnam North BV	Netherlands	Netherlands (viii)	Non-trading
Harbour Energy Developments Limited	–	UK (ii)	Dormant company
Chrysaor Supply & Trading Limited (formerly Harbour Energy Limited)	–	UK (ii)	Dormant company
Chrysaor (U.K.) Lambda Limited	–	ROI (v)	Dormant company
Chrysaor Investments Limited	–	UK (ii)	Dormant company
Harbour Energy Production Limited	–	UK (ii)	Dormant company
Harbour Energy Services Limited	–	UK (ii)	Dormant company
Chrysaor (U.K.) Britannia Limited	–	UK (ii)	Dormant company
EnCore (VOG) Limited	–	UK (iii)	Dormant company
EnCore CCS Limited	–	UK (iii)	Dormant company
EnCore Natural Resources Limited	–	UK (iii)	Dormant company
EnCore Oil and Gas Limited	–	UK (iii)	Dormant company
Premier Oil B Limited	–	UK (iii)	Dormant company
Premier Oil Bukit Barat Limited	–	UK (iii)	Dormant company
Premier Oil CCS Limited	–	UK (iii)	Dormant company
Premier Oil Congo (Marine IX) Limited	–	Jersey (vii)	Dormant company
Premier Oil Exploration and Production (Iraq) Limited	–	UK (iii)	Dormant company
Premier Oil Exploration ONS Limited	–	UK (iii)	Dormant company
Premier Oil Investments Limited	–	UK (iii)	Dormant company
Premier Oil ONS Limited	–	UK (iii)	Dormant company
Premier Oil Pakistan Offshore BV	–	Netherlands (viii)	Dormant company
Premier Oil Pacific Limited	–	Hong Kong (xiii)	Dormant company
Premier Oil Philippines Limited	–	Netherlands (viii)	Dormant company
Premier Overseas Holdings Limited	–	UK (iii)	Dormant company
XEO Exploration plc	–	UK (iii)	Dormant company

Notes:

- (i) Held directly by the Company. All other companies are held through a subsidiary undertaking.
- (ii) Registered office – Brettenham House, Lancaster Place, London, United Kingdom, WC2E 7EN.
- (iii) Registered office – 23 Lower Belgrave Street, London, United Kingdom, SW1W 0NR.
- (iv) Registered office – Haakon VII's gate 1, 4th Floor, 0161 Oslo, Norway.
- (v) Registered office – Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.
- (vi) Registered office – 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN.
- (vii) Registered office – IFC 5, St Helier, Jersey, JE1 1ST.
- (viii) Registered office – Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands.
- (ix) Registered office – Commerce House, Wickhams Cay 1, Road Town, Tortola, VG1110.
- (x) Registered office – Rua Lauro Müller, 116 – Sala 3201, Botafogo, Rio de Janeiro – CEP: 22.290-160, Brazil.
- (xi) Registered office – Presidente Masaryk 111, Piso 1, Polanco V Seccion, Mexico City, CP 11560, Mexico.
- (xii) Registered office – Level 5, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ.
- (xiii) Registered office – 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (xiv) Registered office – Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111.

Company balance sheet

As at 31 December

	Note	2021 \$ million	2020 \$ million
Assets			
Non-current assets			
Investments in subsidiaries	3	4,965.6	565.5
Long-term employee benefit plan surplus	7	0.8	1.0
Long-term receivables	4	2,782.6	-
Total non-current assets		7,749.0	566.5
Current assets			
Trade and other receivables	4	4.8	1,403.8
Total current assets		4.8	1,403.8
Current liabilities			
Trade and other payables	5	(10.9)	(2.9)
Derivative financial instruments		-	(40.9)
Borrowings	6	-	(204.4)
Net current(liabilities)/assets		(6.1)	1,155.6
Non-current liabilities			
Borrowings	6	(489.5)	-
Long-term employee benefit plan deficit	7	(0.7)	(0.8)
Net assets		7,252.7	1,721.3
Equity and reserves			
Share capital	9	171.1	171.1
Share premium account		1,504.6	517.5
Retained earnings		762.6	650.3
Other reserves		4,814.4	382.4
Total equity and reserves		7,252.7	1,721.3

Profit for the year ending 31 December 2021 was \$104.3 million (2020: \$20.4 million).

The financial statements, including the notes, of Harbour Energy plc (registered number SC234781) on pages 166 to 169 were approved by the Board of Directors on 16 March 2022 and signed on its behalf by:

ALEXANDER KRANE
Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December

	Share capital \$ million	Share premium \$ million	Merger reserve \$ million	Capital redemption reserve \$ million	Retained earnings \$ million	Total equity \$ million
As at 1 January 2020	156.5	499.4	374.3	8.1	619.0	1,657.3
Issue of Ordinary Shares	14.6	18.1	-	-	1.9	34.6
Purchase of ESOP Trust shares	-	-	-	-	(1.5)	(1.5)
Profit for the financial year	-	-	-	-	20.4	20.4
Provision for share-based payments	-	-	-	-	11.3	11.3
Pension costs – actuarial gains	-	-	-	-	0.3	0.3
Movement in cash flow hedges	-	-	-	-	(1.1)	(1.1)
At 1 January 2021	171.1	517.5	374.3	8.1	650.3	1,721.3
Merger shares issued	-	-	4,432.0	-	-	4,432.0
Debt settlement non top-up	-	987.1	-	-	-	987.1
Profit for the financial year	-	-	-	-	104.3	104.3
Provision for share-based payments	-	-	-	-	13.1	13.1
Purchase of ESOP Trust shares	-	-	-	-	(4.9)	(4.9)
Movement in cash flow hedges	-	-	-	-	(0.2)	(0.2)
At 31 December 2021	171.1	1,504.6	4,806.3	8.1	762.6	7,252.7

Notes to the Company financial statements

1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. These financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to accounting standards issued but not yet effective or implemented, share-based payment information, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

The financial statements have been prepared on a going concern basis. Further information relating to the going concern assumption is provided in the Financial review on page 38.

Where required, the equivalent disclosures are given in the consolidated financial statements. Key sources of estimation uncertainty disclosure are provided in the Accounting policies and in relevant notes to the consolidated financial statements as applicable. Details of the Company's share-based payment schemes are provided in note 25 of the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out on pages 119 to 130 to the consolidated financial statements except as noted below. Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2. Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2021 of \$104.3 million (2020: \$20.4 million).

Other comprehensive expense for the year was \$0.2 million (2020: \$0.8 million).

The auditors' remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

3. Fixed asset investments

Cost and net book value	2021 \$ million
At 1 January	565.5
Additions	4,400.1
At 31 December	4,965.6

As a result of the all-share Merger between Premier and Chrysaor on 31 March 2021 Premier legally acquired Chrysaor through the issuance of 14,253,203,210 consideration shares at a price of 22.4p per share (\$0.3087 per share).

A list of all investments in subsidiaries held at 31 December 2021, including the name and type of business, the country of operation and the country of incorporation or registration, is given in note 31 to the consolidated financial statements.

4. Receivables

Current	2021 \$ million	2020 \$ million
Amounts owed by subsidiary undertakings	0.3	1,399.3
Other receivables	-	4.5
Prepayments	4.5	-
	4.8	1,403.8

Non-current	2021 \$ million	2020 \$ million
Amounts owed by subsidiary undertakings	2,782.6	-
	2,782.6	-

Amounts owed by subsidiary undertakings include loans that are interest bearing and are repayable on demand, although the Company has confirmed that it has no current intention to call on the loans until at least 12 months from the date of the approval of these financial statements.

The carrying value reflects an impairment provision required under IFRS 9, which was calculated using the Group's 12-month probability of default.

The carrying values of the Company's debtors approximate their fair value.

5. Trade and other payables

	2021 \$ million	2020 \$ million
Derivative financial instruments – warrants	–	0.7
Amounts owed to subsidiary undertakings	1.7	–
Other creditors	1.4	–
Accruals	7.8	2.2
	10.9	2.9

The carrying values of the Company's creditors approximate their fair value.

6. Borrowings

	2021		2020	
	Book value \$ million	Fair value \$ million	Book value \$ million	Fair value \$ million
High Yield Bond	(489.5)	(483.0)	–	–
Retail bonds	–	–	(204.4)	(160.1)

In October 2021 the Company issued a \$500 million High Yield Bond under Rule 144A and has a tenor of five years to maturity. The coupon was set at 5.5 per cent and interest is payable semi-annually.

The borrowings at 31 December 2020 relate to £150.0 million of UK retail bonds, which were put in place as part of a £500.0 million Euro Medium Term Notes (EMTN) programme. On completion of the Merger with Chrysaor in March 2021, these were settled via a combination of cash and equity.

The carrying value of the bonds are stated in the Company balance net of the unamortised portion of the debt arrangement fee of \$10.5 million (2020: \$0.4 million).

7. Long-term employee benefit plan

Defined benefit schemes

The Company operates a defined benefit scheme in the UK – The Retirement and Death Benefits Plan (the Scheme). Further details of the Scheme are disclosed in note 26 of the consolidated financial statements.

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme. Further details of this scheme are provided in note 26 of the consolidated financial statements.

8. Commitments and guarantees

At the year-end date the Company (together with certain subsidiary undertakings) guaranteed the Group's borrowing facilities, which comprise:

- \$4.5 billion Reserve Based Lending facility, of which \$1.25 billion is available for drawing letters of credit; and
- \$500 million High Yield Bond.

9. Share capital

Further details of these items are disclosed in note 24 of the consolidated financial statements.

10. Dividends

A dividend of \$100.0 million is proposed for the year ended 31 December 2021 (2020: \$nil).

UK Government payment reporting

For the year ended 31 December

Basis of preparation

The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The aim of the regulations is to enhance the transparency of the payments made by companies in the extractive sector to host governments in the form of taxes, bonuses, royalties, fees and support for infrastructure improvements.

This consolidated report provides information in accordance with DTR 4.3A in respect of payments made by the Company and its subsidiaries to governments for the year ended 31 December 2021 and in compliance with the Reports on Payments to Governments Regulations 2014 (SI 2014/3209), as amended by the Reports on Payments to Governments (Amendment) Regulations 2015 (SI 2015/1928).

The payments disclosed are based on where the obligation for the payment arose: payments levied at a project level have been disclosed at a project level and payments levied at a corporate level have been disclosed on that basis.

The payments disclosed are for the 12 month period ending 31 December 2021.

Within the UK Regulations, a project is defined as being the operational activities which are governed by a single contract, licence, lease, concession or a similar legal agreement. The Company undertakes extractive activities in different types of fiscal petroleum regimes and therefore the types of payments disclosed vary from country to country. For the purposes of our reporting, for the UK, individual licences have been grouped into geographical hubs and are classified as projects; for the Falkland Islands, Brazil and Norway we have classified each individual licence as a project, whereas for Indonesia, Vietnam and Mexico each PSC arrangement has been classified as a project.

All of the payments disclosed have been made to national governments, either directly or through a Ministry or Department, or to a national oil company, who have a working interest in a particular licence. For projects where we are the operator we have disclosed the full payment made on behalf of the project; where we have a non-operated interest we have not disclosed payments made on our behalf by another party.

In line with the UK Regulations, where a payment or a series of related payments do not exceed \$118,336 (£86,000), they have not been disclosed. Where the aggregate payments made in the period for a project or country are less than \$118,336 we have not disclosed the payments made for this project or country.

Our total economic value distributed to all stakeholders can be found on page 34 of the Annual Report.

Reporting currency: Payments disclosed in this report have been disclosed in US Dollars, consistent with the rest of the 2021 Annual Report. Where actual payments have been made in a currency other than US Dollars, they have been translated using the prevailing exchange rate when the payment was made.

Production entitlements in barrels: Includes non-cash royalties and state non-participating interest paid in barrels of oil or gas out of the Group's working interest share of production in a licence. The figures disclosed are on a cash paid liftings basis.

Income taxes: This represents cash tax calculated on the basis of profits including income or capital gains and taxes on production. Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebate received from the government or revenue authority during the year. Income taxes do not include fines and penalties. In accordance with the UK Regulations, payments made in relation to sales, employee, environmental or withholding taxes have not been disclosed.

Dividends: This includes dividends that are paid in lieu of a production entitlement or royalty. It does not include any dividends paid to a government as an ordinary shareholder.

Royalties: This represents cash royalties paid to governments during the year for the extraction of oil or gas. The terms of the royalties are described within our PSCs and can vary from project to project within one country. Export duties paid in kind have been recognised within the royalties category. The cash payment of royalties occurs in the year in which the tax has arisen.

Bonus payments: This represents any bonus paid to governments during the year, usually as a result of achieving certain milestones, such as a signature, discovery or production bonuses.

Licence fees: This represents licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments). For 2021, this also includes the exit fee paid for the operated Brazil licence 717.

Infrastructure improvement payments: This represents payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a PSC or a discretionary payment for building/improving local infrastructure such as roads, bridges and ports.

Country	Licence/company level	Production entitlements bbls '000s	Production entitlements \$ '000s	Income taxes \$ '000s	Royalties; cash only \$ '000s	Dividends \$ '000s	Bonus payments \$ '000s	Licence fees \$ '000s	Infrastructure improvement payments \$ '000s	Total \$ '000s
Brazil	CE-M-717-R11	-	-	-	-	-	-	41,103	-	41,103
	Total Brazil	-	-	-	-	-	-	41,103	-	41,103
Falkland Islands	Sea Lion	-	-	-	-	-	-	400	-	400
	Corporate	-	-	-	-	-	-	1,080	-	1,080
	Total Falkland Islands	-	-	-	-	-	-	1,480	-	1,480
Indonesia	Natuna Sea Block A	4,097	250,779	55,990	-	-	-	-	-	306,769
	Total Indonesia	4,097	250,779	55,990	-	-	-	-	-	306,769
Mexico	Block 11	-	-	-	-	-	-	837	-	837
	Block 13	-	-	-	-	-	-	837	-	837
	Total Mexico	-	-	-	-	-	-	1,674	-	1,674
Norway	Corporate	-	-	(20,440)	-	-	-	-	-	(20,440)
	Total Norway	-	-	(20,440)	-	-	-	-	-	(20,440)
United Kingdom	Central North Sea	-	-	(747)	-	-	-	6,843	-	6,096
	Southern North Sea	-	-	(11,240)	-	-	-	1,625	-	(9,615)
	East Irish Sea	-	-	-	-	-	-	1,800	-	1,800
	West of Shetland	-	-	-	-	-	-	193	-	193
	Other	-	-	-	-	-	-	247	-	247
	Corporate	-	-	257,778	-	-	-	-	-	257,778
	Total UK	-	-	245,791	-	-	-	10,708	-	256,499
Vietnam	Chim Sáo	202	14,040	-	-	-	450	-	-	14,490
	Corporate	-	-	13,097	8,636	-	-	-	-	21,733
	Total Vietnam	202	14,040	13,097	8,636	-	450	-	-	36,223
Total Group		4,299	264,819	294,438	8,636	-	450	54,965	-	623,308

UK Government payment reporting continued

For the year ended 31 December

Country	Government	Production entitlements bbls '000s	Production entitlements \$ '000s	Income taxes \$ '000s	Royalties (cash only) \$ '000s	Dividends \$ '000s	Bonus payments \$ '000s	Licence fees \$ '000s	Infrastructure improvement payments \$ '000s	Total \$ '000s
Brazil	National Petroleum Agency	-	-	-	-	-	-	41,103	-	41,103
	Total Brazil	-	-	-	-	-	-	41,103	-	41,103
Falkland Islands	Falkland Islands Government – Department of Mineral Resources	-	-	-	-	-	-	1,480	-	1,480
	Total Falkland Islands	-	-	-	-	-	-	1,480	-	1,480
Indonesia	SKK Migas	4,097	250,779	-	-	-	-	-	-	250,779
	Directorate General of Taxes	-	-	55,990	-	-	-	-	-	55,990
	Total Indonesia	4,097	250,779	55,990	-	-	-	-	-	306,769
Mexico	Fondo Mexicano del Petróleo para la Estabilización y el Desarrollo (FMP)	-	-	-	-	-	-	666	-	666
	Servicio de Administración Tributaria (SAT)	-	-	-	-	-	-	1,008	-	1,008
	Total Mexico	-	-	-	-	-	-	1,674	-	1,674
Norway	Tax authorities (Skatteetaten)	-	-	(20,440)	-	-	-	-	-	(20,440)
	Total Norway	-	-	(20,440)	-	-	-	-	-	(20,440)
United Kingdom	HM Revenue & Customs	-	-	245,791	-	-	-	-	-	245,791
	Oil & Gas Authority	-	-	-	-	-	-	10,010	-	10,010
	The Crown Estate	-	-	-	-	-	-	456	-	456
	Crown Estate Scotland	-	-	-	-	-	-	242	-	242
	Total UK	-	-	245,791	-	-	-	10,708	-	256,499
Vietnam	Petro Vietnam	202	14,040	-	-	-	450	-	-	14,490
	HCM Tax Department	-	-	13,097	4,790	-	-	-	-	17,887
	Vung Tau Customs Office	-	-	-	3,846	-	-	-	-	3,846
	Total Vietnam	202	14,040	13,097	8,636	-	450	-	-	36,223
Total Group	4,299	264,819	294,438	8,636	-	450	54,965	-	623,308	

Group 2P reserves and 2C resources

For the year ended 31 December

	North Sea ¹			International ¹			Total ¹		
	Oil and NGLs mmbbls	Gas bcf	Total mmboe ²	Oil and NGLs mmbbls	Gas bcf	Total mmboe ²	Oil and NGLs mmbbls	Gas bcf	Total mmboe ²
2P reserves (working interest)									
At 31 December 2020 ³	234.1	1,136.1	451.2	-	-	-	234.1	1,136.1	451.2
Acquisition ⁴	42.8	323.5	102.9	12.7	126.9	36.1	55.5	450.4	139.0
Revisions ⁵	(11.7)	(114.3)	(33.6)	(0.3)	(26.1)	(5.0)	(11.9)	(140.5)	(38.6)
Production	(33.4)	(136.9)	(59.8)	(1.3)	(16.0)	(4.2)	(34.7)	(152.9)	(64.1)
At 31 December 2021	231.8	1,208.4	460.7	11.2	84.8	26.9	242.9	1,293.2	487.5
2P reserves (entitlement)⁶									
At 31 December 2021	231.8	1,208.4	460.7	8.8	64.0	20.5	240.6	1,272.4	481.1
2C contingent resources (working interest)									
At 31 December 2021	220.0	516.1	309.2	115.5	207.8	151.2	335.5	723.9	460.4

1 Volumes reflect internal estimates. ERCE as a competent independent person has audited the Group's 2P net entitlement and working interest reserves as at 31 December 2021 and ERCE considers these to be fair and reasonable as per the SPE Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information. ERCE has also audited c. 80 per cent of the Group's 2C contingent resources as at 31 December 2021 and is of the opinion that Harbour's estimates are fair and reasonable. Further, ERCE believes that if its audit had included all of Harbour's 2C resources then it would have been able to express the same opinion.

2 Conversion of gas volumes from bcf to boe is determined using an energy conversion of 5.8 mmbtu per boe. Fuel gas is not included in these estimates.

3 2P reserves as at 31 December 2020 reflect internal estimates of Chrysaor's reserves as at that date.

4 Acquisition volumes reflects Premier's volumes acquired following the completion of the Merger on 31 March 2021. Acquisition volumes have been adjusted from Premier year-end 2020 estimates through deduction of production from Q1 2021 and removal of fuel gas, which Harbour does not include in 2P reserves estimates.

5 The most material 2P reserves revision is related to the Tolmount field based on the outcome of the 2021 development drilling programme.

6 Harbour's net entitlement 2P reserves are lower than its working interest 2P reserves for its International assets, reflecting the terms of the Production Sharing Contracts.

The Group provides for amortisation of costs relating to evaluated properties based on direct interests on an entitlement basis, which incorporates the terms of the PSCs in Indonesia and Vietnam. On an entitlement basis, reserves were 481.1 mmboe as at 31 December 2021. This was calculated at 31 December 2021, using the following oil and gas price assumptions: \$75/bbl and 150p/therm in 2022, \$70/bbl and 100p/therm in 2023 and \$65/bbl and 60p/therm in real terms thereafter.

Worldwide licence interests

As at 31 December 2021

United Kingdom

Operated producing assets

Location	Asset	Operator	Harbour equity	Associated fields/ discoveries
Armada Area	Armada, Everest & Lomond	Harbour	100.0%	Includes Armada, Everest, Lomond, Drake, Fleming, Hawkins & Maria
Catcher Area	Catcher	Harbour	50.0%	Includes Catcher, Burgman, Varadero & Laverda
Greater Britannia Area	Britannia	Harbour	58.7%	
	Brodgar	Harbour	93.8%	
	Callanish	Harbour	83.5%	
	Enochdhu	Harbour	50.0%	
J-Area	J-Block & Jasmine	Harbour	67.0%	
	Jade	Harbour	67.5%	
West of Shetland	Solan	Harbour	100.0%	
Southern North Sea	Johnston	Harbour	50.1%	
	Tolmount	Harbour	50.0%	
East Irish Sea ¹	Dalton, Millom & Calder	Harbour	100.0%	

1. Managed on our behalf by Spirit Energy.

Non-operated producing assets

Location	Asset	Operator	Harbour equity	Associated fields/ discoveries
West of Shetland	Clair	BP	7.5%	
	Schiehallion	BP	10.0%	
Central North Sea	Alder	Ithaca	26.3%	
	Buzzard	CNOOC	21.7%	
	Elgin, Franklin & West Franklin	Total	19.3%	
	Erskine	Ithaca	32.0%	
	Glenelg	Total	33.3%	
	Nelson	Shell	1.7%	
	Beryl & Ness Area	Apache	19.7%-49.1%	Includes Beryl, Buckland, Callater, Ness, Nevis, Skene & Storr
Southern North Sea	Galleon	Shell	8.4%	
	Ravenspurn North	Perenco	28.8%	

Note:

These lists are not exhaustive. Harbour Energy also holds a number of operated and non-operated interests in fields on the UK Continental Shelf that have ceased production and are in or are entering decommissioning, as well as operated exploration, appraisal and pre-development interests.

Infrastructure

Asset	Operator	Harbour equity
Rivers Terminal	Harbour Energy ¹	100.0%
Brent Pipeline System	TAQA	1.6%
Sullom Voe Terminal	EnQuest	1.0%
CATS Pipeline	Kellas Midstream	0.7%
ETS Pipeline	Kellas Midstream	10.0%
SAGE System	Ancala Midstream	19.7%
SEAL Pipeline	Shell	10.8%
SILK Pipeline	Total	16.0%
GAEL Pipeline (Northern)	Ineos	4.0%
GAEL Pipeline (Southern)	Ineos	13.4%
West of Shetland Pipeline System	BP	2.7%
Glen Lyon FPSO	BP	8.2%

1. Operated by Spirit Energy on behalf of Harbour.

Norway

Location	Asset	Operator	Harbour equity	Associated fields/ discoveries
PL038D	Block 15/12	OKEA	35.0%	Grevling
PL956	Block 25/8	Vår Energi	15%	
PL973	Block 15/12	Harbour	50.0%	
PL973B	Block 15/12	Harbour	50.0%	
PL974	Block 15/12	OKEA	40.0%	Storskrynten
PL1032	Blocks 2/7 and 2/10	Lundin	40.0%	
PL1033	Blocks 1/9 and 2/7	OMV	40.0%	
PL1034	Block 15/12	Harbour	60.0%	
PL1046	Blocks 24/3, 24/6, 25/1 & 25/4	Harbour	40.0%	
PL1058	Blocks 6307/1 and 6407/10	Equinor	40.0%	
PL1060	Blocks 6407/8 and 6407/9	Equinor	20.0%	
PL1066	Block 6507/3	Aker BP	50.0%	Galtvort
PL1087	Blocks 2/2 & 2/5	Harbour	50.0%	
PL1089	Blocks 1/5 & 1/6	Lundin	50.0%	
PL1092	Blocks 15/6 & 9	Lundin	50.0%	
PL1093	Blocks 16/4, 5, 6, 8 & 9	Harbour	50.0%	
PL1113	Blocks 6407/8, 9 & 11	Neptune	30.0%	
PL1114	Blocks 6407/7. 8, 10 & 11	Harbour	40.0%	

Other worldwide licences

Licence	Blocks	Operator	Harbour equity	Associated fields/ discoveries
Falkland Islands				
PL003a	14/14 (part) & 14/19 (part)	Rockhopper	4.5%	
PL003b	14/14 (part) & 14/19 (part)	Rockhopper	6.9%	
PL004a	14/15 (part), 14/20, 15/11 (part) & 15/16 (part)	Harbour	36.0%	Isobel Deep
PL004b	14/15 (part)	Harbour	36.0%	Beverley, Casper South & Zebedee
PL004c	14/15 (part)	Harbour	36.0%	
PL032	14/5, 14/10	Harbour	60.0%	Casper North, Sea Lion
PL033	15/1 (part) & 15/6 (part)	Harbour	60.0%	
Indonesia				
South Andaman	South Andaman	Mubadala Petroleum	20.0%	
Andaman I	Andaman I	Mubadala Petroleum	20.0%	
Andaman II	Andaman II	Harbour	40.0%	
Natuna Sea	Block A	Harbour	28.67%	Anoa, Gajah Baru, Naga, Pelikan, Bison, Iguana & Gajah Puteri
Tuna Block	Tuna Block	Harbour	50.0%	Kuda Laut, Singa Laut
Mauritania				
PSC (Chinguetti)	Deepwater Blocks 4 & 5	Petronas	8.1%	Chinguetti
Mexico				
Mexico Block 7	7	Talos	25.0%	Zama
Mexico Block 11	11	Harbour	100.0%	
Mexico Block 13	13	Harbour	100.0%	
Mexico Block 30	30	WDEA	30.0%	
Vietnam				
Block 12W	12W	Harbour	53.1%	Chim Sáo

Glossary

AGM	Annual General Meeting	IPIECA	International Petroleum Industry Environmental Conservation Association
ALARP	As low as reasonably practicable	ISAs (UK)	International Standards on Auditing (UK)
bbl	Barrel	IVC	Investor Code
BBtud	Billion British thermal units per day	kboepd	Thousand barrels of oil equivalent per day
Bcf	Billion cubic feet	KPI	Key performance indicator
BIG-P	Bison, Iguana and Gajah Puteri	LDAR	Leak detection and repair programmes
BMS	Business Management System	LNG	Liquefied natural gas
boe	Barrel(s) of oil equivalent	LOPC	Loss of primary containment
BRINDEX	The Association of British Independent Oil Exploration Companies	LTIP	Long Term Incentive Plan
CAGR	Compound annual growth rate	LTIR	Lost Time Injury Rate (relating to Harbour's employees and contractors, and operated assets only)
CGU	Cash-generating unit	LWDC	Lost work day cases
Chrysaor	Chrysaor Holdings Limited and subsidiaries	M&A	Mergers and acquisitions
COP	Cessation of production	The Merger	All share merger between Premier Oil plc and Chrysaor Holdings Limited, effective 31 March 2021 via a reverse takeover
CPRs	Competent Person Reports	mmbbls	Million barrels
DD&A	Depreciation, depletion and amortisation	mmboe	Million barrels of oil equivalent
DTA	Deferred tax asset	MODU	Mobile Offshore Drilling Unit
E&E	Exploration and evaluation	MSA	Matching Share Awards
E&P	Exploration and production	mscf	Thousand standard cubic feet
EBITDA	Earnings before interest, tax, depreciation and amortisation	mt	Metric tonne
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration	MTC	Medical treatment cases
EIA	Environmental Impact Assessment	NOK	Norwegian Krone
EIS	Environmental Impact Statement	NSTA	North Sea Transition Authority
EMTN	Euro Medium Term Notes	OGA	Oil and Gas Authority
EPA	Equity Pool Awards	ORB	Order Book of Retail Bonds
ERM	Enterprise risk management	PB3	OPT PB3 PowerBuoy®
ESG	Environmental, social and governance	Premier	Premier Oil plc and subsidiaries
ExCo	Executive Committee	PSA	Performance Share Awards
FDP	Field development plan	PSC	Production sharing contract
FEED	Front end engineering and design	PVSP	Premier Value Share Plan
FPSO	Floating production, storage and offtake vessel	RSA	Restricted Share Award
FVOCI	Fair value through other comprehensive income	RWDC	Restricted work day cases
FVTPL	Fair value through profit or loss	SAYE	Save As You Earn
GBP	Pound Sterling	SDGs	UN Sustainable Development Goals
GHG	Greenhouse gas	SIP	Share Incentive Plan
GRI	Global Reporting Initiative	SPA	Sale and Purchase Agreements
GSA	Gas Sales Agreement	Tcf	Trillion cubic feet
HiPo	High potential incidents	TCFD	Task Force on Climate-related Financial Disclosures
HiPoR	High Potential Incident Rate	te	Tonnes
HSES	Health, safety, environment and security	TRIR	Total Recordable Injury Rate
HSFO	High Sulphur Fuel Oil	TSR	Total shareholder return
IAS	International Accounting Standards	UNGC	UN Global Compact
IASB	International Accounting Standards Board	USD	US Dollar
IEA	International Energy Agency	USPP	US Private Placement
IFRIC	IFRS Interpretations Committee	WTI	West Texas Intermediate
IFRSs	International Financial Reporting Standards	2C	Best estimate of contingent resources
IOGP	International Association of Oil and Gas Producers	2P	Proven and probable reserves

Non-IFRS measures

Harbour uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures, which are presented within the Financial review, are defined below:

- **Capital investment:** Depicts how much the Group has spent on purchasing fixed assets in order to further its business goals and objectives. It is a useful indicator of the Group's organic expenditure on oil and gas assets, and exploration and appraisal assets, incurred during a period.
- **DD&A per barrel:** Depreciation and amortisation of oil and gas properties for the period divided by working interest production. This is a useful indicator of ongoing rates of depreciation and amortisation of the Group's producing assets.
- **EBITDAX:** Earnings before tax, interest, depreciation and amortisation, impairments, remeasurements, onerous contracts and exploration expenditure. This is a useful indicator of underlying business performance.
- **Free Cash Flow:** Operating cash flow less cash flow from investing activities less interest and lease payments.
- **Leverage ratio:** Net Debt/EBITDAX.
- **Liquidity:** The sum of cash and cash equivalents on the balance sheet and the undrawn amounts available to the Group on our principal facilities. This is a key measure of the Group's financial flexibility and ability to fund day-to-day operations.
- **Net Debt:** Total senior and junior debt, High Yield Bond and Exploration Financing Facility (net of the carrying value of unamortised fees) less cash and cash equivalents recognised on the consolidated balance sheet. This is an indicator of the Group's indebtedness and contribution to capital structure.
- **Operating cost per barrel:** Direct operating costs (excluding over/underlift) for the period, including tariff expense, insurance costs and mark-to-market movements on emissions hedges, less tariff income, divided by working interest production. This is a useful indicator of ongoing operating costs from the Group's producing assets.

Shareholder information

Registrar

All enquiries concerning your shareholding should be directed to Equiniti:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
United Kingdom

Telephone: 0371 384 2030

Telephone number from outside UK:
+44 (0)371 384 2030

Calls are charged at the standard geographic rate and will vary by provider.

Calls outside the United Kingdom will be charged at the applicable international rate.

Lines are open 8.30am – 5.30pm Monday to Friday, excluding public holidays in England and Wales.

Email: For enquiries about shareholdings, send a secure email to us regarding your enquiry from our 'Help pages' on the Shareview website www.shareview.co.uk.

Share portal

As a shareholder you have direct access to an online share portal operated by Equiniti at www.shareview.co.uk. You can access the share portal with your Shareholder Reference Number (SRN) which can be found on your share certificate. The portal provides a range of services, free of charge, to help you to administer your shareholding quickly and efficiently by allowing you to:

- check your share balance;
- change your address details;
- choose to receive electronic shareholder communications;
- set up or amend a dividend mandate so dividends can be paid directly to your bank account; and
- buy and sell Harbour Energy plc shares using the dealing service operated by Equiniti.

Dividend history

Details of dividend payments made are included within the Shareholder Information section of the Investors area of the Company website: harbourenergy.com

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (DRIP) which enables shareholders to buy the Company's shares on the London Stock Exchange with their cash dividend. Further information about the DRIP is available from Equiniti.

Tax on dividends from April 2022

From April 2022, UK residents will pay tax on any dividends received over the £2,000 dividend allowance at the following rates:

- 8.75 per cent on dividend income within the basic rate band.
- 33.75 per cent on dividend income within the higher rate band.
- 39.35 per cent on dividend income within the additional rate band.

Dividends received on shares held in an Individual Savings Account (ISA) will continue to be tax free.

E-communications

Shareholders have the option to receive communications including annual reports and notices of meetings electronically. This is a faster, more environmentally friendly and, for Harbour Energy plc, a more cost-effective way for shareholders to receive annual reports and other statutory communications as soon as they are available.

To register for this service, please visit the share portal: www.shareview.co.uk. You will need your 11 digit Shareholder Reference Number which can be found on documents that you have been sent by Equiniti. Once registered, Harbour Energy plc will communicate with you via email rather than post.

Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice, including offers to buy Harbour Energy plc shares at inflated prices, or offers of free reports about the Company. More information can be found at www.fca.org.uk/consumers/scams and in the Shareholder Information section of the Investors area of the Company website: harbourenergy.com.

American Depositary Receipt programme

Harbour Energy plc has a sponsored Level 1 American Depositary Receipt (ADR) programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one Ordinary Share of the Company. The ADRs trade on the US over-the-counter market under the symbol HBRIY. When dividends are paid to shareholders, the Depositary converts such dividends into US Dollars, net of fees and expenses, and distributes the net amount to ADR holders.

Registered Depositary Receipt holders can trade, access account balances and transaction history, find answers to frequently asked questions and download commonly needed forms online at www.adrbnymellon.com. To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the United States, please call 001-201-680-6825.

You may also send an email enquiry to shrrelations@cpushareownerservices.com or visit the website at www.computershare-na.com/bnym_adr.



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