CHRYSAOR

Annual Report and Accounts

31 DECEMBER 2019

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Corporate Information 3

Group Strategic Report

(1) 2019 Review 5

(2) Market Review 9

(3) Vision, Organisation and Culture 10

(4) Business Model 14

(5) Business Strategy 16

(6) Key Performance Indicators 20

(7) Operations Report 22

(8) Financial Report 36

(9) Sustainability 43

(10) Risk Management 48

(11) Principal Risks 50

(12) Corporate Responsibility 55

Corporate Governance

(13) The Board 63

(14) Governance and Compliance 66

(15) Regulatory Compliance 71

Directors' Report and Financial Statements

(16) Directors' Report 73

Independent Auditors' Report 76

Consolidated Income Statement and Consolidated Statement of Comprehensive Income 82

Company Income Statement and Company Statement of Comprehensive Income 83

Consolidated Balance Sheet 84

Company Balance Sheet 85

Consolidated Statement of Changes in Equity 86

Company Statement of Changes in Equity 87

Consolidated Statement of Cash Flows 88

Company Statement of Cash Flows 89

Notes to the Financial Statements 90

Glossary 138

Corporate Information

Directors

Linda Cook	(Non-Executive Chairman)
Phil Kirk	(Chief Executive Officer)
Andrew Osborne	(Chief Financial Officer)
Mark Brown	(Non-Executive Director)
Bob Edwards	(Non-Executive Director)
Steven Farris	(Non-Executive Director)
John Hogan	(Non-Executive Director) (resigned 4 September 2019)
Andrew Jamieson	(Non-Executive Director)
R Blair Thomas	(Non-Executive Director)
Terence Jupp	(Non-Executive Director) (appointed 4 September 2019)
David Powell	(Non-Executive Director) (appointed 4 September 2019)

Secretary

Howard Landes

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Group Strategic Report

1. 2019 Review

Chrysaor is the UK's leading North Sea independent oil and gas group and largest net producer, having successfully completed two major multibillion-dollar acquisitions in the last two financial years.

2019 was an exceptionally busy period; delivering material value creation from the major North Sea portfolio acquired in November 2017, combined with the acquisition of ConocoPhillips UK which completed in September 2019.

Chrysaor is now operator for two-thirds of its production. The Group's total production from its balanced portfolio is split fifty-fifty between oil and gas. Furthermore, it has a highly diverse asset base, with a material interest in 11 UKCS producing hubs and therefore no dependency on any single field.

Acquisition and Integration

Through the ConocoPhillips UK acquisition, Chrysaor took over operatorship of two additional production hubs: the Greater Britannia Area and J-Area in the UK Central North Sea. It also acquired assets in the East Irish Sea, together with a non-operated interest in the Clair Field, West of Shetland. Chrysaor has also assumed responsibility for completing a major decommissioning project on end-of-life assets in the UK Southern North Sea, which is expected to be materially complete by 2022.

Chrysaor has significantly progressed the medium-term integration project to combine the pre-existing Chrysaor and recently acquired businesses. This will complete in 2021 and will deliver a common operating model and systems platform allowing for increased efficiency and future scalability.

Operational Performance

The Group's operational performance was good throughout 2019. Chrysaor's high quality asset portfolio is capable of producing in excess of 200,000 barrels of oil equivalent per day (200 mboepd). Annualised production for 2019 was 137 mboepd (2018: 105 mboepd), which reflects a full year of the former Chrysaor business production of 43 million barrels of oil equivalent (mmboe) and three months of the newly acquired business production of 7 mmboe. Daily production in 4Q 2019, which included three months of production from the ConocoPhillips assets, was 191 mboepd. 2019 production was split 44 percent operated and 56 percent non-operated with 54 percent liquids and 46 percent gas. These ratios are also reflected through the Group's proven and probable (2P) reserves providing significant portfolio risk diversification.

The Group has 2P oil and gas reserves of 551 mmboe as at 1 January 2020 (2018, as at 1 January 2019: 327 mmboe) with a further significant contingent and prospective resource base providing near field development, appraisal and exploration opportunities for production growth and reserve replacement.

The acquisition of ConocoPhillips UK has brought together two strong and proactive Health, Safety, Environmental and Quality (HSEQ) cultures both delivering good performance by industry standards. These shared high standards and performance expectations have facilitated the first steps of the organisational integration process through the adoption of common HSEQ Policies, Lifesaving Rules and a Group HSEQ strapline which summarises the common values held by both: *"Nothing is so urgent or important that we cannot take the time to do it safely, with care for the environment and in a way we can all be proud of".*

Both organisations have substantially achieved the 2019 HSEQ goals and objectives set out in their respective HSEQ plans and annual scorecard including good safety performance by industry standards, completion of the annual HSEQ plan and continued good control of the backlog of maintenance hours.

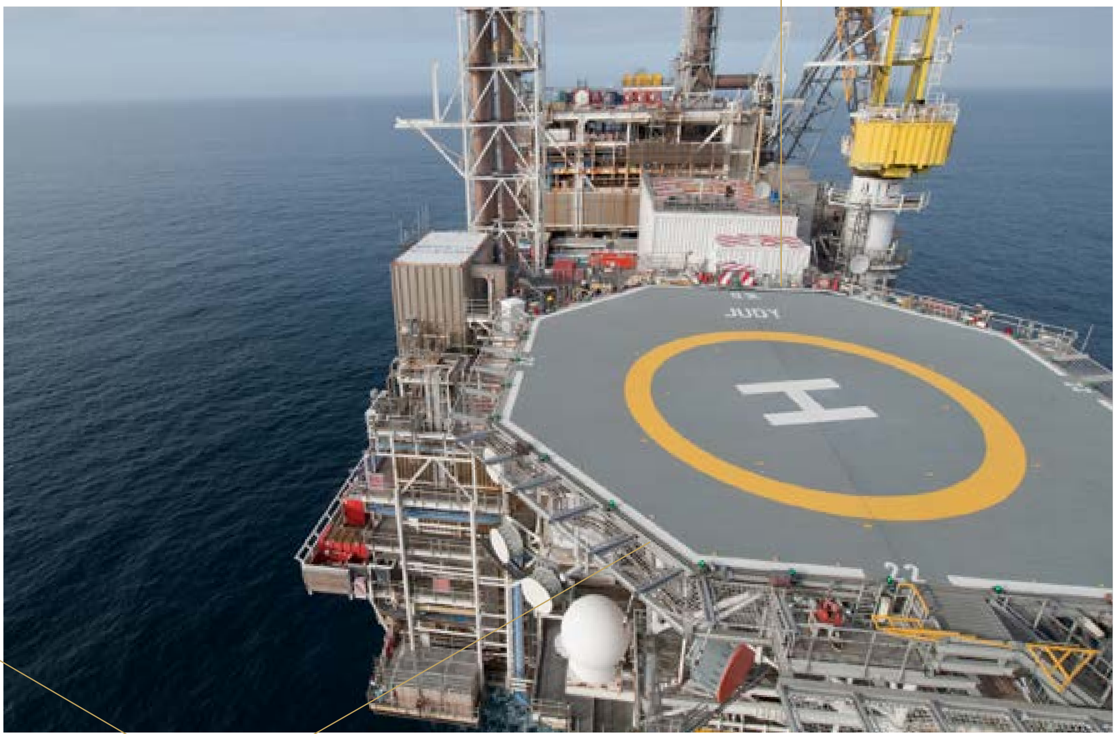
Financial Performance

Financial performance was strong as the business generated operating cash flow, less capital expenditure, of $1.0 billion (2018: $1.1 billion). Versus the prior year, cash flow was supported by favourable oil prices and an active hedging programme but offset by a materially lower gas price environment.

Focused control on operating costs was a significant factor in cash generation, with operating costs per barrel at $11.5/boe (2018: $12.6/boe). Capital investment for the year was $0.6 billion (2018: $0.4 billion).

Net debt at year-end was $1.9 billion (2018: $0.5 billion). The Reserves Based Lending (RBL) senior facility was increased to $3 billion to fund the ConocoPhillips UK acquisition. The facility also has a $1 billion accordion feature for future growth opportunities.

The Group continues to seek to optimise its capital structure, liquidity and access to funding in line with its growth aspirations and improved credit status. As part of the ongoing process, the Group intends to refinance the existing RBL facility on more favourable terms during the second quarter of 2020. The proposed amendments will not only focus on bringing the facility more in line with the Group's immediate peer group and so increase borrowing base availability but will also include innovative energy transition and carbon strategy performance measures.



Growth Activity

During the year, capital investment in growth activity was significant, spread across operated and non-operated assets. Drilling activity consisted of: on the Armada hub, the Hawkins and Seymour Horst development wells; on J-Area, two development wells on the Jasmine field and the Merida appraisal well; on Greater Britannia Area, the H4 well; on Buzzard, the new DC2 Northern Terrace development together with an infill programme on the existing field; on Elgin/Franklin, the EIF and FIC wells; and on Beryl, the Storr and Buckland BKA wells.

Capital investment will continue through 2020, with drilling programmes across operated and non-operated assets in support of production. However, the level of activity will be materially reduced compared to our original plans due to the impact of the Coronavirus (COVID-19). Our focus is the safety of our staff and offshore asset operations, reducing offshore complexity, and therefore keeping risk to a minimum while retaining financial flexibility as the community, the industry and global markets deal with the challenges of the pandemic.

Activities in exploration and appraisal were complemented during the year by the award of three licences in the UK 31st Licensing Round and an application for nine licences in the 32nd Round.

Chrysaor has also recently expanded its presence in Norway. In January 2019, Chrysaor Norway was awarded two licences in the Norwegian 2018 Awards in Predefined Areas (APA) Round, followed by a further eight in the 2019 APA Round in January 2020. Chrysaor also exercised an option to increase its equity in the Grevling discovery to 35 percent. In June 2019, the Group was pre-qualified as an operator on the Norwegian Continental Shelf by the Ministry of Petroleum and Energy.

Sustainability

Chrysaor is committed to playing a leading role in the energy transition, while meeting the demand for reliable and safe energy. The Board has adopted an energy and carbon reduction strategy with a set policy and measurable targets. On its operated assets, the Group targets a 30 percent reduction of Scope 1 and 2 emissions by 2025, and 50 percent by 2028, and has set a long-term objective of being net zero across the business.

The Group recognises that the oil and gas industry must collaborate to tackle the global energy challenge. Chrysaor has partnered with several UK operators and service companies to support the new Net Zero Solutions Centre in Aberdeen. The centre's objective is to accelerate the development and implementation of new technologies to decarbonise offshore operations. This is in support of the Industry's Roadmap, which aims to develop the UK Continental Shelf as the first net zero oil and gas basin globally by 2035.

Chrysaor is founding partner of the Acorn Project, a carbon capture and storage project in the UK, based at St Fergus in the North East of Scotland. A joint venture pilot study between Chrysaor, Pale Blue Dot Energy and other major operators, the project's aim is to demonstrate that an economic, at scale solution can be developed within an appropriate regulatory framework. The scope has been extended to incorporate generation of hydrogen from methane. The Acorn Project is part funded by the UK Government and the European Union and it is designated as a European Project of Common Interest (PCI).

Corporate Governance

During the year, Chrysaor adopted the Wates Corporate Governance Principles for large private companies and the Board is actively working to ensure their deployment and observation within the business.

Chrysaor continues to believe that the UK's departure from the European Union (Brexit) is unlikely to have a material effect on its business. Brexit does however increase exposure to various risks including regulatory complexity, political uncertainty, delays in the supply chain and foreign currency movements, all of which may adversely affect operations and financial results.

Board Changes

Terrence Jupp, Harbour Energy Chief Operating Officer and David Powell, Harbour Energy Chief Financial Officer, joined the Chrysaor Board as non-executive directors effective 4 September. John Hogan resigned on the same date.

Outlook

Chrysaor's focus continues to be on delivering safe, reliable operations to protect its people, assets and the environment, and to generate value from within its portfolio. The Group will also work to effectively integrate acquired assets within its existing operations safely and efficiently, and to align under a single Business Management System.

In response to the COVID-19 outbreak, the Group mobilised its Crisis Management and Business Continuity Teams to oversee business operations, with the top priority being the safety of the workforce. The Group has carried out a review of all operational activities for 2020 and will reduce work levels in all locations to do only what is necessary, with the aim of keeping the workforce safe and continuing safe operations, for as long as needed.

Commodity prices have fallen significantly during 2020. The review of operational activities will result in reduced operating expenditure and the Group expects the operating cost per barrel to continue to be below $15/boe. Capital investment will also fall significantly, by at least 30 percent versus original plans, with a deferred drilling programme.

The Group is in a robust financial position with strong cash balances and access to undrawn liquidity provided by its senior debt facility. Even in the current depressed commodity price environment, the Group expects to continue to generate positive free cashflow after interest and tax in 2020, given the strength of its hedge book combined with its cost reduction programme.

In addition, Chrysaor will continue to look at growth and value-driven opportunities primarily in the UK and Norway to create a market-leading North European E&P company that the Group and its stakeholders can be proud of. Vital to this will be engaging in and contributing towards the carbon transition. Chrysaor has the opportunity by geography, and the ability in engineering skills and know-how, to participate along with industry partners in the development of Carbon Capture and Storage and hydrogen generation.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2. Market Review

Commodity prices have declined from a high in late 2018, through 2019 as rising supplies coincided with demand slow-down. Crude oil prices remained largely in a $60-$70/bbl band through 2019.

At the beginning of 2019, crude oil prices were below $55/bbl with fears of stronger US shale growth and the world economy on the verge of a reversal. There were however positive signs in the physical market, where sanctions imposed on Venezuela drew replacement European heavy crude east. With new marine diesel and fuel oil regulations to be imposed on shippers in 2020, refiners were searching for additional distillate-rich crudes like Forties. This resulted in Brent prices rising to the annual high of $74/bbl by April.

As the physical market remained tight, demand fears gathered, and Brent prices fell below $70/bbl for the rest of the year as the market went into backwardation. Weak global economic growth, ongoing US-China trade wars and continued US export growth countered any bullish sentiment provided by physical crude differentials. Thus, through a period of rising geo-political tensions and strong North Sea crude grade performance, 2019 Brent prices averaged $64/bbl.

Turning to gas, UK prices declined significantly in 2019 through oversupply. Due to sustained warm weather, the first half of the year saw gas prices averaging 40p/therm, compared to 55p/therm in the same period in 2018, filling storage to capacity, in a year of record global high temperatures. This heavily impacted the traditional LNG demand centres of Asia, and throughout the year Asia struggled to absorb increased LNG flows from recently commissioned US export projects. Europe then became the balancing point for shipped gas, at a time of full storage, with material increases in Norwegian gas flows to the UK market. The result was an average UK gas price of 29p/therm for the second half of 2019, down 36p/therm on the previous year.

Commodity prices have fallen sharply in early 2020. This price fall has been due to two main causes. Firstly, the failure of OPEC and material non-OPEC producers to agree on production cuts. Secondly, the impact of COVID-19, which is significantly reducing the demand for energy. The combination of these two factors has led to a significant crude oversupply and associated price collapse with Brent currently trading below $30/bbl on the spot market having previously traded down to nearly $20/bbl.

3. Vision, Organisation and Culture

Chrysaor's Vision is to create a market leading North European E&P company that the Group and its stakeholders can be proud of.

Our Core Values and Business Principles reinforce a positive and supportive company culture centred around employee engagement, learning and development, performance management and reward.

Chrysaor is proud of the way we do business and the way we treat our business partners and stakeholders. We have developed a vision and a set of core values and business principles which reinforce our positive and supportive company culture. We believe that through working with competent, innovative and dedicated colleagues, who adhere to our core values and business principles, we will safely deliver our goals and vision.

At the heart of everything Chrysaor does are four values:

Integrity

We believe that doing the right thing in a professional but caring, respectful and honest way promotes and delivers a transparent organisation that stakeholders can trust. We have nothing to hide and believe that the high levels of peer and family accountability we hold ourselves to will stand any scrutiny. We expect our people to be trustworthy, good to their word and reliable in their dealings with each other and our stakeholders, as well as thoughtful, respectful of the opinions of others, and the customs, cultural diversity and regulatory requirements of the locations in which we do business.

Passion

We care passionately about our people, assets and our responsibilities to our stakeholders. We encourage our people to be optimistic and proactive, and to work hard to achieve their goals. We believe that having the courage to work on our own initiative or stand up for what we know is right, is fundamental to achieving success for the Group and ourselves. We will not compromise on our technical or engineering integrity, but firmly believe that a "can do" attitude will help us be more successful.

Innovation

Chrysaor encourages a more creative approach to business. We firmly believe in the importance of facts over opinions and that the best solution is not always the most obvious. Taking the lead to achieve goals is important, but we recognise that success is only possible when people work together in a focused, collegiate and cooperative environment, which carefully recognises and manages risk to achieve the optimal results for the business and ourselves.

Safety

Safety is fundamental to everything we do. It is not a manual or checklist, but it is inherent in every thought and decision. Everyone should be able to go to bed securely after a safe day's work. Accountability for safety rests with all of us.

Chrysaor's Business Principles

Risk Management and Environment

Chrysaor takes a systematic approach to the management of safety, environmental and operational risk. We seek to minimise any negative impact of our business activities and continually look for ways we can improve further.

Integrity and Ethics

The highest standards of integrity are fundamental to the way we conduct business. This ethical approach extends to behaviour in the workplace. We will ensure full compliance with relevant laws and rules. We will observe high standards of corporate governance and are committed to transparency and fair dealing.

Economics

Through being a successful, responsible and profitable company, we can create sustainable shared value and prosperity for stakeholders. We believe that by pursuing business efficiency, we can improve competitiveness and performance.

Excellence

Chrysaor recognises that the delivery of quality work products in all discipline areas is fundamental to its success. The implementation of a systematic means of managing our work processes is critical to achieving business excellence.

Communication

Chrysaor recognises the importance of regular two-way communication with its stakeholders and the added value of listening and responding honestly and responsibly without compromising business confidences. Chrysaor encourages its people and stakeholders to immediately report to management any aspect of the Group's business or operations, which does not or may not meet the high standards set out within our Core Values and Business Principles.

Chrysaor's Organisation

Chrysaor's organisation grew significantly in 2019 following completion of the acquisition of ConocoPhillips UK in 4Q. There were no changes in senior management or divisional heads during the financial year, except for transition and integration-related requirements and activities.

The Group has its head office in London, two offices in Aberdeen at the Capitol building and Rubislaw House, and also offices in Solihull, Birmingham and in Oslo, Norway.

There are approximately 1,200 employees and contractors across the Chrysaor organisation in both the UK and Norway.

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*Signpost: more on Chrysaor's wider stakeholder engagement can be found in the Corporate Responsibility report (**section 12**).*

People Engagement

Chrysaor's culture is based on a community of empowered and passionate people who deliver the Group's Business Principles through its shared Core Values. At Chrysaor, we work hard to set our people up for success, through on-boarding and diverse employee engagement processes.

The Group's aim is to have an open and direct culture of employee engagement where our people are involved, committed and empowered to make a strong contribution to our success.

All teams, whether offshore or onshore, have direct access to Chrysaor's leadership team, who aim to listen and respond honestly, clearly and quickly. Communication within the organisation is seen as a two-way process: actively seeking out and listening to feedback and taking actions where required, is integral to the business.

Chrysaor uses a variety of communication channels and platforms across the business in pursuit of effective employee engagement. These include, but are not limited to:

- **Onboarding** – a roll-out of Chrysaor Core Values and Business Principles; in 2019, all employees who joined Chrysaor were invited to attend an onboarding session.
- **Induction Videos** – leadership messages covering Core Values and Business Principles, Human Resources and Compliance matters.
- **#KeepTalking, #Huddles, Q&A Sessions** – regular weekly and monthly face-to-face sessions with senior management who provide information on key happenings within the business.
- **Town Hall Meetings** – CEO-led quarterly sessions on goals, performance and business matters.
- **Intranet** – group and social information portal; provides access to the Business Management System (BMS).
- **Site Visits & Pre-flight Check-Ins** – site or offshore visits/engagement with personnel.
- **Management Safety Visits** – arranged annually by HSEQ with participation from key contractors and senior management who formally visit all onshore/offshore sites across the business.
- **Lunch & Learns** – monthly lunchtime sessions covering technical and/or non-technical, operational, health and wealth management topics.
- **Training & Development Programmes** – group-wide training plans developed as part of a People Management Programme (PMP).
- **Employee Forum** – attended by representatives from each area of the organisation.
- **Safety Representative Meetings** – quarterly-led sessions with the CEO arranged by HSEQ.
- **Contractors' Forum** – regular meetings with contractors, led by the CEO.
- **Competence & Behavioural Coaching** – for offshore teams.

Safety Training

Chrysaor's management is committed to supporting a culture and organisation which, through working together, maintains and improves a safe system and place of work, both onshore and offshore. The top priority, which is fundamental to everything the Group does, is to protect all colleagues by preventing a Major Accident Event (MAE).

Chrysaor continues to embed industry body Step Change in Safety's 'Safe Working Essentials' (SWE) throughout the organisation, which supports the standardisation of Tool-Box Talks and other key risk management processes across the industry.

We are working to enhance the way SWE behavioural observation conversations held in the workplace are captured. The aim is to identify emerging issues from these interventions to be included with data from other sources of 'weak signals' to enable early identification of potential risks.

All employees and contractors of Chrysaor are expected to, and have the express authority to, stop work if they believe it is unsafe to continue. Chrysaor's Lifesaving Rules provide straightforward guidance to individuals on how to protect themselves and their colleagues while engaged in activities with the highest potential risk. The Safety Leadership training programme that is available on the former ConocoPhillips installations will be deployed across the broader organisation in 2020.

In 1Q 2019, the Group introduced four accident awareness topics from the Step Change in Safety programme across the organisation. These build competence and confidence and promote a systematic approach to the identification and management of safety, environmental and operational Major Accident Hazards (MAH). This campaign has now been completed, but the materials will continue to be used throughout the business to build competence and provide refreshers.

Several MAH courses were held in 2019 at the Royal Air Force Spadeadam facility in Cumbria. These combined classroom theory with full-scale explosion and jet fire demonstrations. Over 550 Chrysaor staff have attended these sessions building a shared common understanding of the importance of major accident hazard management within the business. Subject to COVID-19 restrictions, 12 further courses are planned for 2020 in a demonstration of the Group's ongoing commitment to MAH management.

Chrysaor is determined to keep alive and relevant the lessons learned from the loss of the Piper Alpha Platform in 1988. To support this, the Group is working on enhancements to the Spadeadam courses. These include virtual reality training focusing on MAE prevention, which is now available offshore to augment existing onshore training sessions.

Chrysaor believes that as well as being a legal requirement, a proactive and motivated Elected Safety Representative (ESR) community is invaluable in promoting a safe working environment offshore. Four ESR forums are held onshore each year to bring together Chrysaor Safety Representatives from all facilities. These give ESRs the opportunity to exchange ideas and take part in training designed to enhance their competency and confidence. The session in October was the first forum attended by both Chrysaor and ex-ConocoPhillips ESRs with 37 attendees from all our production and drilling installations.

Regulatory compliance training is provided as part of a broader provision for managers and supervisors accountable for others and for compliance with the Group's statutory obligations. This ensures they are aware of their responsibilities and are competent to meet them.

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4. Business Model

Chrysaor is a full-cycle E&P group with a business model that aims to create and safely deliver value, growth and returns for its investors, through a balanced approach to production and development, combined with exposure to exploration and appraisal activity, as well as acquisitions.

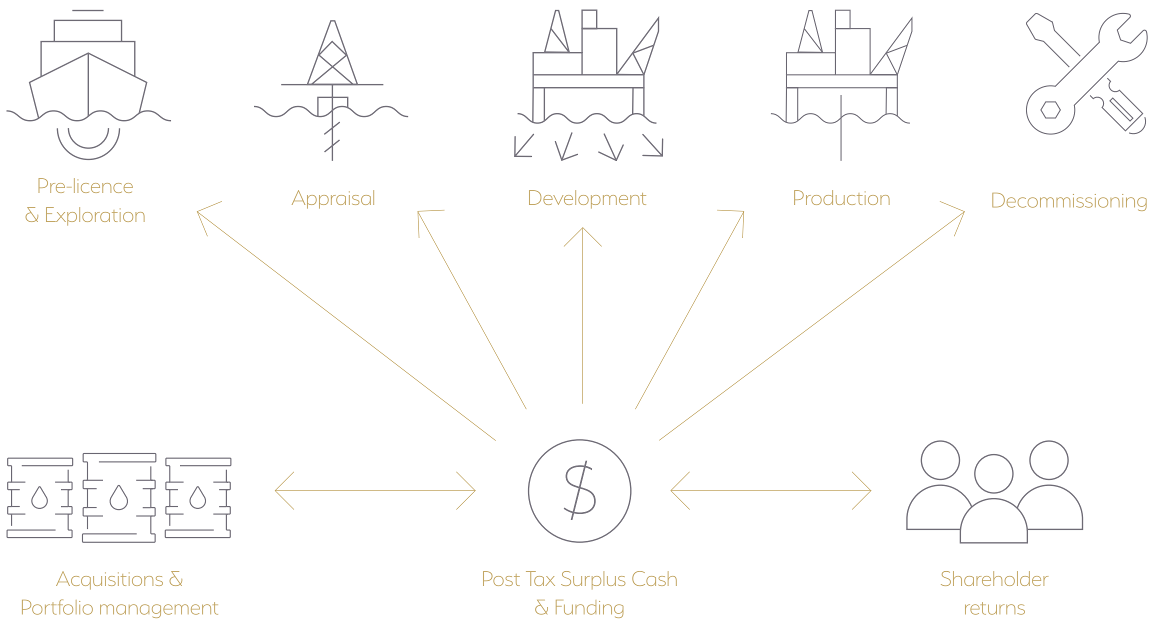
Chrysaor delivers its business model by employing a robust approach to risk management to help deliver its strategic goals. Chrysaor has significant in-house operational expertise managing operated assets and the Group works actively with non-operated asset partners to safely deliver value.

We have created and will maintain a self-sustaining, self-funding Group. This allows us to continuously evaluate opportunities and use innovation to deliver our strategic goals and add long-term sustainable value. Such innovations and opportunities encompass today's climate change challenges, where Chrysaor is engaged as a participant in various technical development and application initiatives. These include carbon capture, hydrogen power and other potential power technologies to help achieve net zero carbon emissions, which will likely be essential to the Group's long-term sustainability and viability.

Chrysaor actively pursues acreage and interests in pre-licence and exploration phases to open up prospectivity and enable discoveries which can deliver potential new reserves, through disciplined organic growth. The subsequent appraisal phase reduces technical and commercial risks from exploration successes. This allows the Group to prove-up reserves and optimise resources ahead of development planning and approval.

The development phase, which involves significant financial investment, converts discoveries into profitable producing assets to realise value through safe and efficient production.

The production portfolio, and focus on a competitive cost base, delivers robust cash flows for self-sustaining reinvestment, further acquisitions, repayment of debt funding or dividends to shareholders.



As an operator, we have an obligation to decommission fields after their economic life is exhausted. Chrysaor regards the execution of the legal and regulatory requirements in the removal of unneeded infrastructure and environmental restoration as a core competence. For Chrysaor, leadership in this field is a commercial opportunity and demonstrates our deep operational competence.

Acquisitions and disposals through prudent portfolio management continue to be essential to Chrysaor's growth. The Group actively screens all potential acquisitions that could provide value enhancing opportunities within the current strategy and operational and financial goals. The key consideration is always "value before growth", which is how we deliver returns to our shareholders.

The Group is funded via a long-term debt facility provided by a syndicate of leading international banks. The balance sheet is managed to provide robust support through commodity cycles, even those as extreme as the present.

The business model vision is ultimately to create and maintain a high-quality and diverse portfolio, which is self-funded and in turn safely creates shareholder returns in the form of capital growth and cash dividend returns to investors.

The business model is fully reflected in the Key Performance Indicators report (section 6) and the corporate performance scorecard. Early lifecycle and development phase activity drives changes in reserves and resources. Capital investment and decommissioning expenditure are tracked across all later lifecycle phases. Production and operating costs per barrel indicators measure the production phase performance. All operational financial performance is aggregated within the operating cashflow measure. Finally operating cashflow with tax, financing and portfolio management are reflected within net debt.

5. Business Strategy

Chrysaor's strategy is to deliver safe and sustainable growth and generate superior shareholder returns by exploring, appraising, developing and commercialising oil and gas resources through organic initiatives and acquisitions across the business life cycle. This strategy consists of five pillars:

1. Safe and Reliable Operations

Chrysaor strives to deliver safe and reliable operations through embedding its Values and Business Principles in the workplace.

Chrysaor is an organisation that demonstrates ***integrity*** and cares ***passionately*** about people. ***Safety*** is fundamental to everything that we do, and we all have a critical role to play in ensuring that we maintain a safe working environment for ourselves and our colleagues both on and offshore.

Achieving our goals is only possible when we work together in an ***innovative***, focused and collaborative way to deliver a level of success we can all be proud of.

We all have the authority and responsibility to stop any activity if we believe it to be unsafe or may compromise our Values.

Our overriding and most critical objective is always to prevent a Major Accident Event on our offshore installations. We all have a role in achieving this.

The Group pursues a rigorous annual Group HSEQ Plan, endorsed by the Leadership Team. The Plan, which was successfully completed in 2019 sets out high-level objectives and specific HSEQ initiatives addressing leadership, communication, competency, compliance and assurance, and other forward-looking priorities. The Plan also supports the delivery of the broader objectives set out in the annual scorecard. The 2019 Plan was successfully completed.

1. Safe and Reliable Operations (continued)

The 2020 Group HSEQ Plan will maintain focus on leading indicator topics that will promote performance improvement and enable staff to perform at their best. A broad-ranging HSEQ audit and assurance programme, systematically completed during the year, supports achievement of the Plan objectives.

Delivery of the Plan is monitored and reviewed regularly by the Leadership Team, Offshore Leadership and Safety Representatives. Two independently facilitated HSEQ Management Reviews are held each year, which meet the requirements of International Standards ISO9001 and ISO14001 and the UK Health & Safety Executive document HS(G)65. These reviews allow open engagement on performance and identify areas for improvement between operational leadership and functional HSEQ staff. The 3Q Management Review was attended by representatives from across the combined organisation including Senior Leadership, Offshore Installation Managers, Asset Managers and Elected Safety Representatives.

Chrysaor continues to invest in improving production efficiency, targeting top quartile performance. We safely and reliably completed maintenance programmes on each of our three legacy operated asset platforms in 2019, resulting in improved platform integrity, higher production efficiency and significantly reduced safety critical and deferred maintenance hours.

The near-term plan is to build on integrity and reliability gains, consolidated in 2018 and 2019, and to drive further improvements in production efficiency, while managing known problem areas through continuous monitoring and preventative maintenance across the combined asset portfolio. This will allow longer-term views on production efficiency and reliability to be formulated that are integral to Chrysaor's carbon strategy.

In relation to the non-operated portfolio, close links with the operators and equity partners have enabled Chrysaor to learn and pass on lessons across a wide operator base, which has led to shared efficiency and reliability improvements.

Chrysaor recruits people who are appropriately experienced and are of a high calibre within their function using strategies and initiatives to ensure a low staff turnover rate. We ensure that people continue to develop through management and technical training and people engagement initiatives, which are aligned with our goals.

The links to the associated Principal Risks (section 11) are: operational safety; asset performance and drilling results; compliance; stakeholder relations; and cyber security.

2. Hub-Led Growth Strategy

Chrysaor employs a hub-led growth strategy to target new, near-field acreage and to attract third parties wishing to access processing and production capacity across our platform and pipeline infrastructure.

In the UK and Norway, Chrysaor entered the 32nd Licensing Round and 2020 APA Round. These applications strategically target areas with the potential for organic growth at the pre-licence phase.

In the UK, Chrysaor applied for nine lincenses and preliminary offers of awards are expected in 3Q 2020. These licences include near-field positions around the operated hubs of Armada, Everest and Lomond and two licences in the J-Area, which would allow targeting of material contingent resources.

On Armada, the Maria Terrace well started producing in February 2019. The drilling rig then moved to the Mabel licence to drill an appraisal well, which was suspended pending further technical reviews. Two further wells were drilled: the Hawkins well, which came on-stream in December 2019 and the Seymour Horst well, which will come on-stream in 1H 2020.

As a result of the acquisition of ConocoPhillips UK, Chrysaor is now operator of two additional hubs in the North Sea which both have third-party tie-in opportunities; the Greater Britannia Area with five producing fields; and the J-Area with four producing fields.

In Norway, one of the potential export routes for the Grevling discovery is through the Armada facilities. Two exploration/appraisal wells, Jerv and Ilder, have been rescheduled from 2020 (due to COVID-19) and they are now planned for 2021. If successful, they could tie-back to the Armada platform.

Links to the associated Principal Risks (section 11) are: commodity prices and foreign exchange; operational safety; and asset performance and drilling results.

3. Maximise Economic Recovery

Chrysaor continually seeks opportunities to maximise value from its portfolio at all stages of the business lifecycle.

As a long-term participant in the UK North Sea, Chrysaor follows the Department for Business, Energy & Industrial Strategy's (BEIS) principles and the Oil & Gas Authority's (OGA) strategic guidance on Maximising Economic Recovery. Activities being planned are viewed through this maximum value recovery lens and can cover wide-ranging commercial, drilling and well optimisation initiatives.

Following the successful replacement of pipeline PL 781 between Erskine and Lomond in 2018, both fields have had the potential to produce at maximum capacity and the Lomond hub performed well during the year. The agreement with the Erskine partners included a cost recovery incentive, related to the period following replacement of the pipeline. This was received in full with the field exceeding its production efficiency target of 85 percent in the 12 months to October 2019.

In 2019, Chrysaor entered into an agreement with the Beryl Area Operator, Apache, to access the Tertiary exploration prospectivity. This step aligned our equity interests with the main Beryl Field, thus removing commercial misalignment and facilitating drilling. The first well in this Tertiary campaign was spudded in December 2019 and was a success.

In the J-Area, work was completed to tie-in the third-party Gannet field to the Judy spur line, while the Talbot development was advanced using an innovative supply chain approach to unlock this previously stranded opportunity. Chrysaor expects to drill an appraisal well on Talbot and then to sanction the project in 2021.

In the Greater Britannia Area, the re-wheel of the late-life compressor was sanctioned to reduce suction pressure. This will benefit Britannia and all its satellite fields over time. A comprehensive well intervention programme was executed across both the J-Area and Greater Britannia Area adding value through re-perforation opportunities and acquiring data to assist with potential infill drilling.

Studies are underway to quantify and characterise the potential for infill well opportunities within the Greater Britannia Area. In parallel, condition assessment and early plans are being formed to frame a possible platform-based rig reactivation.

At a corporate level, the Group has a disciplined hedging programme in place to optimise revenue generation and to manage commodity price volatility.

The links to the associated Principal Risks (section 11) are: disruption to production; asset performance and drilling results; commodity prices and foreign exchange.

4. Build a Sustainable and Profitable Full Cycle E&P Group

Chrysaor, as the UK's largest North Sea net producer, is a leading provider of hydrocarbon to meet the UK's energy supply needs. We invest for the long term, targeting growth and development across all asset lifecycle phases, to maximise economic recovery. We are early engagers in transformational technologies that will deliver the carbon transition.

Chrysaor has been active in the pre-licence phase through award rounds in both the UK and Norway, together with a review of purchased regional seismic data. Exploration and appraisal activities are focused on adding resources for future development in regions, hubs and geologies where the Group has competitive advantage and expertise.

Our development and production activities, most prominently our portfolio drilling programme, focus on incremental near, and in-field drilling. Our aim is to increase and extend economic field life and reduce production decline across our asset base.

Chrysaor has a strong focus on value growth and capital discipline and we apply rigorous, consistent evaluation across organic and acquisition opportunities. We screen our capital investment opportunities to achieve attractive risk-adjusted returns at conservative commodity prices.

Chrysaor employs innovative commercial deals and financing structures to align the interests of stakeholders and to achieve strategic objectives.

For Chrysaor and the industry to be sustainable for the long term, we must adapt and contribute to the reduction of all emissions, particularly greenhouse gases (GHGs) and invest in the potential of carbon capture initiatives. Society demands that our industry embrace the carbon transition and aggressively pursue the public policy objective of net zero carbon.

The links to the associated Principal Risks (section 11) and Sustainability (section 9) are: disruption to production; asset performance and drilling results; commodity prices, foreign exchange and climate change.

5. Financial Strength

Chrysaor has strong operating cashflow from its producing assets. As a result, the Group is financially self-sustaining with sufficient free cashflow to cover capital reinvestment and manage its borrowings even in periods of commodity price downturns.

The Group is financially robust: the portfolio is capable of generating positive cashflow at low commodity prices. This allows the Group to be self-sustaining with free cashflow available for capital reinvestment. Financial management is specifically exercised through revenue hedging activities, and robust cost control, to support the delivery of financial performance in line with the Board-approved budget and plans.

Capital funding for Chrysaor consists of finance from our primary equity sponsor, Harbour Energy (an investment vehicle of EIG Global Energy Partners), other funds managed by EIG and long-term senior and junior debt. The senior debt is a Reserves Based Loan (RBL) facility provided by a syndicate of 19 global financial institutions. The junior debt facility is provided by the Shell Treasury Dollar Company Limited.

Chrysaor extended the senior RBL debt facility to \$3.0 billion, with an option for a further \$1.0 billion accordion during the year to fund the acquisition of the ConocoPhillips UK business. Only \$2.1 billion was drawn on the senior debt at year-end.

Chrysaor continues to enjoy strong support from the international banking community, which is testament both to the quality and diversity of the current portfolio and strength of the management team. We actively engage and work with all our financing partners to realise our strategic objectives.

The links to the associated Principal Risks (section 11) are: disruption to production; commodity prices and foreign exchange; cash flow, liquidity and funding, cyber security and climate change.

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*Signpost: the Operations Report (**section 7**) describes the activities in 2019 and future focus aligned with delivering Chrysaor's strategy*

6. Key Performance Indicators

At Chrysaor, we use an annual performance scorecard to measure the performance of the business across specific financial and statistical yardsticks.

These cover typical industry category measures: HSEQ Plan; safety; asset integrity; production and efficiency; unit costs; cash flow; reserves; as well as qualitative measures on operated drilling and subsea activity performance.

A number of measures are shown in the table below.

Measure	2019	2018
Production (mboepd)	137	105
Costs per barrel ($/boe)	11.5	12.6
Capital investment ($ million)	580	410
Operating cash flow after capital expenditure ($ million)	988	1,098
Net Debt ($ million)	1,890	542
2P Reserves (mmboe)	551	327

Safety

The objective is to provide a visible suite of leading and lagging indicators to ensure operations are run safely and reliably. Underlying these measures are numerous other indicators used by the business to assess overall HSEQ performance.

Chrysaor recorded no hydrocarbon releases in 2019 that could have escalated to a Major Accident Event.

On the legacy business, Total Recordable Incident Frequency (TRIF) is measured separately for both operated and non-operated assets. The operated TRIF rose to 2.1 (2018: 1.4) and the non-operated TRIF remained flat at 0.9. The number of High Potential Events and Oil Pollution Prevention and Control (OPPC) non-compliances rose compared to last year. As a result, the Group has worked with the supplier of its unplanned event investigation and root cause analysis process and supporting software to improve the rigour and usability of both. This, together with a training programme has improved the capability and reach of the process. This has enabled better identification and management of unplanned root causes including the analysis of human factors and identification of the role human behaviours play.

The Group's Incident Review Panel has implemented systems and procedures to verify causal factors of the highest potential unplanned events and others where there are significant learnings of benefit to the wider organisation. This continues to inform the development of an appropriate performance improvement strategy.

Deferred safety critical and maintenance backlog hours showed good control and performance over the year. Chrysaor targeted a total of 1,500 hours of deferred safety critical time and 18,000 hours of maintenance backlog time across the three legacy operated platforms and met both objectives. These targets, based on industry best practice, were governed by the limits of planning and timing for corrective maintenance.

Production

Our objective is to maximise safe production from the existing portfolio, in-fill or development well drilling, well optimising initiatives and acquisitions.

Production was good in 2019 and the portfolio delivered average annualised daily production of 137 mboepd (2018: 105 mboepd) including three months of production from the acquired business. This outturn was within the expected range, despite being affected by Forties Pipeline System (FPS) outages that reduced production by around 10 mboepd.

Average production efficiency improved across the three legacy-operated assets with all platforms carrying out turnarounds or pitstop programmes in the summer. The Lomond hub performed exceptionally well following the pipeline PL 781 partial replacement in 2018, achieving a full cost recovery target from the Erskine partnership. Non-operated assets all provided robust production performance.

At peak uninterrupted production efficiency, the Group is now capable of producing at over 200 mboepd.

Capital Expenditure

Capital investment is a measure of the Group's organic investment through all lifecycle phases. The portfolio is weighted towards producing assets, consequently the bulk of expenditure is on development and producing wells, plus associated infrastructure. Total capital expenditure was $580 million, of which property, plant and equipment expenditure was $497 million (including $17 million of office equipment), while exploration and evaluation expenditure was $83 million.

Costs Per Barrel

In 2019, Chrysaor achieved a unit cost per barrel of $11.5/boe (2018: $12.6/boe) which includes direct operating costs, tariff expenses and insurance. This was underpinned by good cost control and planning within the business.

2020 performance is expected to be at a higher level than 2019 but continuing to be below $15/boe target.

Cash Flow Before Interest and Tax

With this measure we recognise the importance of maintaining and improving the Group's financial position: our balance sheet strength, debt repayment and financing costs and providing shareholders with long-term returns.

Cash flow before interest and tax, which is equivalent to operating cash flow less capital expenditure, was $1.0 billion (2018: $1.1 billion) for the year. Reflected within this is the relatively weak gas price realised in the year, and cash outflows on capital expenditure of $530 million (2018: $350 million).

For 2020, gas prices have continued to be weak, and crude oil prices have been materially negatively impacted by the COVID-19 situation. Even in the current depressed commodity price environment, we expect to generate positive free cashflow after interest and tax. This will be significantly underpinned by the strength of our hedge book and with the reductions in capital and operating expenditure stemming from reduced activity levels.

Net Debt

Net debt (total debt less cash and cash equivalent balances) significantly increased in 2019 from $542 million to $1,890 million reflecting the acquisition of ConocoPhillips UK. In the absence of the acquisition, Chrysaor would have been debt-free the end of 2019.

Despite the commodity price fall in early 2020, higher expected capital and decommissioning expenditure and higher interest costs, we expect Chrysaor to be cash generative in the year albeit lower than 2019. Net debt will reduce accordingly, and the Group does not foresee the need for further borrowings over and above those already in place.

Reserves

This measure quantifies the reserves of hydrocarbons that will provide for our future production. Chrysaor looks continually to increase reserves through enhanced recovery operations, successful drilling results and value-enhancing acquisitions.

At 31 December 2019, proven and probable (2P) reserves were 551 mmboe (2018: 327 mmboe). This reflects the addition of reserves through the acquisition of ConocoPhillips UK. Of this total, the reserves relating to the legacy Shell assets were 324 mmboe and the newly acquired business, 227 mmboe. 2019 production from the legacy Shell assets was 43 mmboe, with an underlying addition of 40 mmboe to these assets in the period. The acquired business produced 7 mmboe in 4Q 2019, post-acquisition in line with pre-acquisition expectations.

Looking ahead to 2020, given the increased relative scale of the Group, and the fact that development programmes will be materially curtailed to reflect the COVID-19 environment, it may not be possible to replace reserves at a level equivalent to expected production.

Energy and Carbon Reduction Strategy

A new measure will be introduced in 2020 that will measure greenhouse gas Scope 1 (direct) emissions from operated assets under Chrysaor's control.

7. Operations Report

Chrysaor's portfolio in the UK and Norway is well diversified and balanced in terms of oil, gas and condensate production, operated and non-operated assets and across several operators.

	Asset	Interest	Operator
Operated	Everest	100.0%	Chrysaor
	Lomond	100.0%	Chrysaor
	Armada	100.0%	Chrysaor
	Joanne	67.0%	Chrysaor
	Judy	67.0%	Chrysaor
	Jade	67.5%	Chrysaor
	Jasmine	67.0%	Chrysaor
	Britannia	58.7%	Chrysaor
	Brodgar	87.5%	Chrysaor
	Callanish	83.5%	Chrysaor
	Enochdhu	50.0%	Chrysaor
	Calder	100.0%	Chrysaor
	Millom	100.0%	Chrysaor
	Dalton	100.0%	Chrysaor
Non–Operated	Alder	26.3%	Ithaca
	Clair	7.5%	BP
	Nicol	18.0%	Premier
	Galleon	8.4%	Shell
	Erskine	32.0%	Chevron
	Beryl & Ness Area	19.7% - 49.1%	Apache
	Buzzard	21.7%	CNOOC
	Elgin/Franklin	14.1% - 14.7%	Total
	Schiehallion	10.0%	BP
Infrastructure	Rivers Terminal	100.0%	Chrysaor
	Brent Pipeline System	0.8%	TAQA
	Sullom Voe Terminal	0.5%	EnQuest
	CATS Pipeline	0.7%	Kellas Midstream
	ETS Pipeline	10.0%	Kellas Midstream

UK

14 operated fields
9 non-operated fields
~ 200 mboed

Norway

11 licences
18 blocks


8°E
12°E
66°N
66°N
PL1066
NORWEGIAN SEA
PL1060
PL1058
64°N
TRONDHEIM
8°E
CLAIR
SULLOM VOE
SCHIEHALLION
P2074
P2408
BRESSAY
PL1046
BERYL
FLOTTA
P2494
BRITANNIA
ARMADA
PL 974
PL 038D
PL 973
PL 973 B
PL 1034
STAVANGER
BUZZARD
NIGG
P2371
P2374
ST FERGUS
CRUDEN BAY
EVEREST
P2383
ABERDEEN
LOMOND
ERSKINE
P2389
P2455
ELGIN &
FRANKLIN
J AREA
P2456
P2399
PL1033
PL1032
P2330
P2485

UK Operated Assets

Chrysaor operates five complexes in the Central North Sea, which are run as three business units or hubs; the Armada, Everest and Lomond fields (all of which are owned 100 percent) comprise one hub and following the acquisition of the ConocoPhillips UK business on 30 September 2019, the J-Area and Greater Britannia Area. Chrysaor has carried out significant development activities to maximise sustainable production across these hubs.

Armada

Chrysaor owns a 100 percent equity in all the Armada hub fields.

Armada is a combined wellhead, production and accommodation platform processing fluids from the Drake, Hawkins and Fleming gas and condensate fields, with UK Sector tiebacks SW and NW Seymour and the Maria fields. Also tied back to this installation is the third-party field Rev (Repsol Norge operated) in the Norwegian Sector.

Under the previous operator, the provisional plan for Armada was to cease production from June 2018, but Chrysaor took the decision to extend the life of the field with additional development drilling and near-field appraisal.

The Maria Terrace well started production in February 2019. With the Crestal well, these two wells, although having been actively constrained as part of a well and reservoir management strategy, produced together at an average of 5 mboepd for the year. This resulted in a significantly higher total production for Armada.

Further opportunities have been matured and drilling was successfully and safely completed on Hawkins and Seymour Horst. Hawkins came on-stream in December 2019 and Seymour Horst is planned for 2Q 2020. An additional opportunity is being developed within the North West Seymour area.

Given the significant change in operational plans for the installation, Chrysaor has reviewed its maintenance and asset integrity plans to ensure equipment reliability matches the new end of field life expectations. Asset life extension projects have been initiated to ensure safe and reliable operation of the facilities beyond the current projected end date. These will be further developed and implemented in future shutdowns.

In 2019, safety and environmental performance continued to be good and the installation completed five years without a lost workday case.

The Armada hub area fields 9.9 mboepd net in 2019 (2018: 4.3 mboepd).

North Everest

Chrysaor owns a 100 percent equity in the Everest field.

The northern part of the field is produced through the North Everest facility. This is a combined wellhead, production and accommodation platform, producing gas and condensate, bridge-linked to the CATS (Central Area Transmission System) riser platform. Chrysaor operates the CATS platform on behalf of the owners (Kellas Midstream Limited).

The installation also processes gas and condensate from the South Everest subsea wells located some 7.1 kilometres south of the North Everest production platform and Everest East Expansion (EEE) wells, located approximately 6.8 kilometres north-east. In 2019, a well intervention campaign including re-perforating and removing wellbore obstructions successfully increased production.

Looking ahead, a further infill development well within the EEE area has been identified and sanctioned, with drilling of the LAD well expected to spud in 2021.

A late life compression project was approved to reduce the inlet pressure of the North Everest process, increase recoverable reserves and extend field life. Re-wheeling of the main gas compressors on each process train will be executed through single train outages, with tie-ins completed in future shutdowns.

Maintenance and asset integrity plans have been reviewed to ensure asset integrity and equipment operability match end-of-field-life expectations. Asset life extension projects have been initiated to ensure safe and reliable operation of the facilities beyond their projected field life. These will be further developed and implemented in future shutdowns.

Everest produced 16.4 mboepd net in 2019 (2018: 14.5 mboepd).

Lomond

Chrysaor owns a 100 percent equity in the Lomond field and a 32 percent equity in the tied-back Erskine field.

Lomond is a combined wellhead, production and accommodation quarters platform, processing gas and condensate from Lomond and the Ithaca-operated Erskine field. Production is exported via infield pipelines to the CATS riser platform at North Everest, from where it is exported to the Forties Pipeline System (FPS) and on to the CATS Terminal at Teesside.

Performance on the Lomond and Erskine processing module significantly improved in 2019 through a targeted improvement project. The Lomond liquid export pipeline (PL781) had not been effectively pigged since 2009, resulting in wax blockages. The pipeline is now routinely pigged using a wax inhibitor with favourable results. An intelligent pigging programme was also completed on the liquid export pipeline. Further programmes are planned for 2020 on the gas export pipeline and Erskine multi-phase line.

A late-life compression project is now underway to reduce the inlet pressure of the Lomond process, increase recoverable reserves and extend field life. Re-wheeling of the main gas compressor is planned for a future turnaround programme (TAR).

Maintenance plans for Lomond will ensure asset integrity and equipment reliability match end of field life expectations. Asset life extension projects have been initiated to ensure safe and reliable operations beyond the projected end of field life date. The commissioning of an additional lifeboat in July, has allowed the platform personnel on board (POB) number to be increased from 63 to 79. The Group is looking to increase this to 95 for hydrocarbon-free periods to facilitate additional working during shutdowns.

Chrysaor continues to develop and progress exploration and growth opportunities, which may further extend asset viability beyond current end of field life.

Lomond and Erskine together produced 12.5 mboepd net during 2019 (2018: 3.1 mboepd).

J-Area

Through acquisition in 2019, Chrysaor now holds a 67 percent equity in the Judy/Joanne and Jasmine fields (previously 36.5 percent) and a 67.5 percent equity in the Jade field (previously 32.5 percent).

J-Area operating efficiency was robust, producing 20.9 mboepd during the year, including the additional equity from 1 October 2019 (2018: 16.4 mboepd).

Judy/Joanne

Commercial oil production and natural gas sales began in 1997. Gas processed on the Judy platform is transported through the CATS pipeline, with oil processing and transportation from Judy to Teesside by way of the J-Area owned spur-line, connecting to the Norpipe pipeline and terminal.

In 2013, a new bridge-linked Judy Riser Platform (JRP) was installed as part of the Jasmine development. The JRP provides additional Judy well slots and hosts the high-pressure processing facilities for the Jasmine field.

In 2019, J-Area achieved a high operating efficiency, retaining top quartile UKCS performance. Its three-yearly major shutdown completing all safety and business critical scopes was carried out in just 44 days.

2020 activities will focus on maintaining high reliability and modifying existing facilities to enable a Talbot appraisal and potential development project. Preparations will also start for the Judy infill drilling campaign, scheduled to follow the 2021 Jade campaign. The plan is to drill four infill wells from the JRP to flow through the existing Judy infrastructure.

Jasmine

Jasmine lies approximately six miles west of the Judy production facility. It comprises a Jasmine Wellhead platform (JWHP) and the Jasmine Living Quarters platform (JLQ), bridge-linked to the JWHP. Hydrocarbons are produced via a multiphase pipeline from the JWHP to the Judy Riser Platform (JRP) for processing.

In 2019, new incremental production was delivered via the Jasmine infill drilling programme. 2019 saw completion of the Jasmine S7 well workover, Joanne North development well and the Merida exploration well with associated exploration success. Ongoing drilling operations continue, with the Joanne North 2 development well expected to come on-stream early in 2020.

The development drilling programme is premised to continue through the next two years, with a further two wells to be developed from the JWHP and exploration of the Dunnottar prospect. Infill drilling targets across the J-Area continue to be matured throughout 2019 and 2020, as part of the hub-led infrastructure development strategy.

The Dunnottar exploration prospect was acquired following the 30th Licensing Round awards. The joint-venture partners for Dunnottar are the same as Judy and Joanne, with Chrysaor holding a 67 percent equity.

Jade

The Jade field, which came onstream in 2002 is a normally unmanned installation located approximately 17 kilometres north of the Judy platform. Hydrocarbons are produced via a multiphase pipeline from the Jade to the Judy platform for processing.

Targeted well intervention in 2019 led to an increase in Jade production volumes. Development plans continue to be matured for an infill and exploration drilling well programme on Jade.

Talbot

The Talbot discovery is a light-oil and associated gas resource opportunity located approximately 14 kilometres south-east of the Judy platform. The Talbot licence was acquired in October 2018 following the 30th Licensing Round. The joint venture partners are the same as Judy and Joanne, with Chrysaor holding a 67 percent equity stake. The Front-End Engineering Design (FEED) milestone for a Talbot development was approved in 4Q 2019 and procurement of long-lead development items commenced. Appraisal and potential development sanction of Talbot is planned in 2021 as a multi-well subsea tie-back to the Judy platform.

Greater Britannia Area

Chrysaor has a range of equity interests between 26.32-87.5 percent in the Greater Britannia Area (GBA), which comprises five fields: Britannia, Brodgar, Callanish, Enochdhu and Alder (with the latter operated by Ithaca Energy). The hub has produced 40.3 mboepd since ownership on 1 October 2019 equivalent to 10.2 mboepd on an annualised basis.

Britannia

Chrysaor owns a 58.7 percent equity in the Britannia field.

Britannia is one of the largest natural gas and condensate fields in the North Sea, and commercial production began in 1998. Condensate is delivered through the Forties Pipeline to an oil stabilisation and processing plant, Kerse of Kinneil, near the Grangemouth Refinery in Scotland. Natural gas is transported through a dedicated Britannia pipeline to the Scottish Area Gas Evacuation (SAGE) facility at St Fergus in Scotland.

Key scopes in 2019 included a five-day planned outage for statutory testing of emergency shutdown devices; asset integrity rectification scopes including replacement of the diesel utility pipework system; the final stages of replacement of the hazardous open drain system and execution of safety critical and rotating equipment maintenance activities across the platform. Significant brownfield execution work was also carried out that includes the repurposing of existing infrastructure to enable a cost-efficient solution to the 100 percent Zennor-owned Finlaggan field development third-party tie-back, where first production is anticipated in 2021.

In 2019 GBA achieved excellent operating efficiency, retaining high top quartile UKCS performance.

Engineering work is progressing to re-wheel the facility booster compressor to further reduce suction pressure. A FEED study is assessing re-activation of the platform drilling rig to enable infill drilling opportunities.

In addition to the future Finlaggan tie-back, four other satellites tie-back to Britannia.

Britannia Satellites

Brodgar/Callanish

Chrysaor owns a 87.5 percent equity in Brodgar and a 83.5 percent equity in Callanish.

Brodgar, discovered in 1985, is located in Block 21/3 of the UKCS. Callanish, discovered in 1999, is located in Blocks 15/29b and 21/4a. The Brodgar gas condensate field and Callanish oil field were developed as a combined project, utilising subsea tiebacks to a processing and utility platform, bridge-linked to the Britannia facilities. Production started in 2008. A further infill well (H4) was drilled and completed on the Brodgar field in October 2019 ahead of schedule, with initial rates circa 18.5 mboepd net. A further infill well (F5) is planned for Callanish in 2021.

Alder

Chrysaor owns a 26.32 percent equity in Alder.

Alder is operated by Ithaca Energy. Development consent for the Alder Field was granted by the UK Government in January 2014. Alder is a high-pressure, high-temperature (HP/HT) gas condensate reservoir located in Block 15/29a of the UKCS. It was discovered in 1975 and lies around 27 kilometres west of the Britannia facilities. First production was achieved in 2016.

Enochdhu

Chrysaor owns a 50 percent equity in Enochdhu.

Development consent for the Enochdhu oil field was granted by the UK Government in 2013. Enochdhu was discovered in 2005 and is located in Block 21/5a of the UKCS approximately eight kilometres south-east of the Callanish subsea manifold. The field was developed as a single-well tieback to Callanish, with first production in 2015.

"Chrysaor has a range of equity interests between 26.32-87.5 percent in the Greater Britannia Area."

East Irish Sea (EIS)

Chrysaor owns a 100 percent equity interest in the East Irish Sea (EIS) assets, which are managed by Spirit Energy under contract. EIS comprises the Calder, Millom and Dalton producing fields and the Rivers Terminal. The hub produced 8.2 mboepd since ownership on 1 October 2019 equivalent to 2.1 mboepd on an annualised basis.

Calder, Darwen and Crossans

Chrysaor has a 100 percent equity in the producing Calder field and the discovered Darwen and Crossans fields.

Managed by Spirit Energy on behalf of Chrysaor, Calder produces sour gas. It was developed with an unmanned platform and three development wells, exporting through a dedicated pipeline to the Rivers Terminal at Barrow-in-Furness, which provides compression, hydrogen sulphide removal and metering. The sweetened gas from Rivers feeds into the Spirit Energy North Morecambe Terminal for further nitrogen removal, gas dehydration and export to the grid.

In 2019 key work in the East Irish Sea embraced base maintenance and integrity scopes for safety and production critical facilities. This included installation of the Calder automatic helideck firefighting and lighting upgrades; completion of onshore turnaround vessel asset integrity; internal and non-invasive inspections; and the return to service of the Rivers Field Gas Compressor following major repairs and overhaul. The operating efficiency for Calder has improved significantly, driven by improved reliability performance from both the Rivers and the North Morecambe Terminals.

Future onshore development options include de-bottlenecking of facilities and Rivers Gas Compression optimisation to manage later-life field pressure reductions. Offshore, options for developing the discovered sour gas fields of Darwen and Crossans are being assessed. These fields would be produced through the Rivers Terminal once the Calder Field begins to decline.

Millom and Dalton

Chrysaor has a 100 percent equity in Millom and Dalton.

Managed by Spirit Energy on behalf of Chrysaor, the sweet natural gas from the Millom and Dalton fields in the East Irish Sea is produced through an unmanned platform and two subsea manifolds. The gas is fed, via Spirit Energy's North Morecambe platform, to the North Morecambe Terminal for compression, dehydration and export to the grid.

Key work in 2019 included base maintenance and integrity scopes for safety and production critical facilities.

Chrysaor continues to work closely with Spirit Energy to optimise the work programme and cost structure and to develop the longer-term strategy for the EIS assets. In particular, we are engaged in improving and maintaining facility operating efficiency and in the development of a joint area plan in conjunction with the Oil and Gas Authority (OGA).

Southern North Sea (SNS)

Following acquisition of the ConocoPhillips UK business, the Chrysaor Group has assumed responsibility for an ongoing decommissioning project on end-of-life assets in the Southern North Sea (SNS). This programme is well advanced and is expected to be materially complete by 2022.

CMS Area

The Caister Murdoch System (CMS) Area consists of the Murdoch, Caister, Boulton, CMS III, Kelvin, Katy and Munro fields. Chrysaor's equity across the area ranges from 39.0-59.5 percent.

Production from the CMS Area ceased in August 2018 and decommissioning is ongoing as part of the wider SNS Area campaign. Decommissioning scope consists of 28 wells to be plugged and abandoned, 582-kilometres of pipelines to be flushed and cleaned and eight platforms to be removed and recycled.

Cleaning of all pipelines, including the 188-kilometre gas and methanol trunk lines, was completed in June 2019 as part of a collaborative flushing campaign with other operators. All platform topsides have also been flushed and disconnected. Well abandonment was completed on the CMS III McAdam wells using the *Valaris 92* rig.

Looking ahead to 2020, the Murdoch complex will transition to cold suspension following completion of well abandonment and the Caister platform is planned for removal. The remaining wells will be plugged and abandoned through to 2022 with platform removals continuing through to 2024.

LOGGS Area

The LOGGS (Lincolnshire Offshore Gas Gathering System) Area consists of the North Valiant, South Valiant, Vanguard, Vulcan, Vampire, Viscount, Saturn, Mimas, Tethys and Jupiter fields. Chrysaor's equity across the area ranges from 20.0-61.1 percent.

Production from the LOGGS Area ceased in August 2018 and decommissioning is ongoing. The decommissioning scope consists of 77 wells to be plugged and abandoned, 573 kilometres of pipelines to be flushed and cleaned and 17 platforms to be removed and recycled.

A further 21 wells were plugged and abandoned in 2019 at North Valiant and Vanguard bringing the total for the LOGGS Area to 51. Pipeline cleaning of the 119-kilometre gas and methanol trunk lines was completed in January 2019 and in August a key milestone was reached when the LOGGS complex was de-manned and transitioned into cold suspension. Platform removals commenced in August 2019 across the LOGGS and Viking Areas with Vulcan UR being removed and transported onshore for recycling.

Two platform removals are planned for 2020. As the SNS-wide campaign continues, the remaining wells will be plugged and abandoned through to 2021 with platform removals continuing through to 2023.

Viking Area

The Viking Area consists of the Viking, Vixen and Victor fields. Chrysaor's equity across the area ranges from 20-50 percent.

Production from Viking ceased in early 2016 and decommissioning is ongoing. The scope of decommissioning consists of around 40 wells to be plugged and abandoned, 495-kilometres of pipelines to be flushed and cleaned and 13 platforms to be removed and recycled. All Viking platforms are in cold suspension with the pipelines flushed and cleaned.

Platform removals started in August 2019 across the LOGGS and Viking Areas with eight installations being removed and transported onshore for recycling. The remaining five platforms will be removed in 2020 with the final two wells also planned for abandonment.

Theddlethorpe Gas Terminal (TGT)

The onshore Theddlethorpe Gas Terminal (TGT) is jointly owned by Chrysaor and BP. Chrysaor's equity is 50 percent.

Production into TGT ceased in August 2018 and decommissioning is ongoing as part of the wider SNS Area campaign. Decommissioning will require transitioning the terminal to cold suspension, demolishing the site to ground level, followed by land remediation and restoration for agricultural use.

TGT was deemed to be hydrocarbon free in December 2019 and was transitioned into cold suspension, ready for demolition. Demolition is expected to commence in 1Q 2020 and will take approximately 18 months to complete. Land remediation and restoration will follow into 2023.


CHRYSAOR

"Chrysaor continues to influence and promote improved performance to add value to its portfolio."

UK Non-Operated Assets

The Chrysaor non-operated ventures team has developed close working relationships with operating and equity partners. Chrysaor has leveraged these relationships to influence and promote improved performance to add value to its portfolio.

Beryl

Chrysaor has a c.39.5 percent interest in the Beryl area. Beryl is operated by Apache, and Chrysaor has equity interests in the Beryl, Buckland, Callater, Ness, Nevis, Skene and Storr fields and a range of exploration licences. Beryl was developed in three phases - the first two developed the oil reserves using a large concrete platform (Beryl Alpha) in the south with a smaller steel platform (Beryl Bravo) to the north. A separate riser platform bridge-linked to Beryl Alpha was installed in 1990 to deal with the third gas phase.

Chrysaor works with the operator to identify and progress infill and near-field targets with a quick turnaround to production. Platform drilling continued in 2019 with two producers and one water injector being drilled on Alpha, and two producers on Bravo. One injector on Bravo was suspended due to wellbore instability issues, but there are already re-entry plans for 1H 2020. Another Bravo producer is expected to be online in 1Q 2020. Three well interventions were completed between both platforms with positive results. A back-to-back platform drilling sequence will see three additional targets being drilled on Bravo before moving back to Alpha in 3Q 2020.

The BK7 (BKA) Buckland field target was drilled, completed and brought online in August 2019. It has already recovered in excess of 1.4 mmboe gross. Storr Phase 1 Development SCN well was drilled and completed in 1H 2019. SCN was brought online in November and performance has been good. Testing of the Cormorant zone is currently planned for 1H 2020, which seeks to unlock further opportunities for appraising two additional field targets, Storr North and Storr South West in 1H 2021 and 1H 2022 respectively.

The Beryl Area exploration strategy continues in the Tertiary play, with the Solar well spudded in December 2019. This is the first of two wells to be drilled under a farm-in agreed in the first half of 2019 between Apache and Chrysaor, which aligned equity with the main Beryl field removing commercial misalignment and facilitating drilling. The second well, targeting the Gamma trend area, is planned for spud towards the end of 2020.

A third Cormorant zone target on the Callater field, CC3, is planned for the first half of 2020. In the 32nd UK Licensing Round award application, Chrysaor joined Apache with submissions for targets on both the Tertiary and Jurassic plays.

The Gair Jurassic exploration target, where Chrysaor holds a c.39.5 percent interest, is being prepared for project sanction. This well is due to be spudded mid-2020, appraising the northern P139 extension of the Garten field, with a potential fast-track development plan targeting first production in late 2020 to early 2021.

Operating efficiency continues to be good on both platforms despite outages and deferred turnaround (TAR) challenges. Bravo platform has been proactively managed to ease produced water handling issues, while constraining some high water cut producers. Chrysaor is also supporting the operator over critical operations and HSEQ areas to improve long-term performance.

The Beryl Area produced 16.6 mboepd in 2019 (2018: 16.6 mboepd).

Bressay

The Bressay field is in Quad 9, East of Shetland. Chrysaor has a 18 percent interest and the field is operated by Equinor. It contains a large potential resource, if an economic solution to the heavy oil development can be found. Lessons from Equinor's Mariner project, another heavy oil development, could prove instructive and are being evaluated.

Buzzard

Chrysaor has a 21.7 percent interest in Buzzard, operated by CNOOC Petroleum Europe. Located in the Outer Moray Firth 100 kilometres north-east of Aberdeen, the field straddles licences P986 and P928 (Blocks 19 and 20). Buzzard's facilities comprise four bridge-linked steel platforms, which support wellhead and production facilities, utilities/living quarters, and a further Hydrogen Sulphide stripping (PS) platform.

A second issue with corrosion under insulation (CUI) was discovered within the P platform resulting in a 17-day outage in October. This was offset by an excellent first half to 2019.

Buzzard was exposed to Forties Pipeline System (FPS) restrictions in August. The operator conducted a 7-day turnaround (TAR) in September to cover safety critical equipment with all work carried out in the planned time period.

Buzzard's significant remaining reserves are being developed through two sanctioned infill drilling and subsea tie-back projects of the Northern area. The campaign started in 4Q 2018 from the wellhead platform, targeting multiple low-risk volumes within the main field. The first three wells were sanctioned together in the attic area of the field, exploring the up-dip extent of reservoir sands.

Wells four to six are targeting mid-dip bypassed reserves. The fourth well (B42) was completed mid December 2019 with sands found in the mid-dip pilot location. This is an important discovery in the life of Buzzard proving the concept of sweep bypass due to reservoir complexity. The final two wells in the campaign will be drilled by 3Q 2020.

Buzzard Phase 2 (BP2) subsea tie-back project has reached execution for development of new reserves in the Northern area of the field. Drilling began in April 2019 with first oil planned for March 2021. Drilling is on a batch schedule with completions due to be run from 2Q 2020. Tie-ins will take place once the brownfield module for processing and export from Phase 2 wells will be installed.

Buzzard produced 23.2 mboepd in 2019 (2018: 24.3 mboepd).

Clair

Chrysaor has a 7.5 percent interest in the BP-operated Clair field, which was discovered in 1977 and extends across more than 54,300 acres spanning five blocks in the West of Shetland area. Oil is exported via a dedicated 22-inch pipeline to the Sullom Voe Terminal for onward sale. Gas is transported through the 20-inch West of Shetlands Pipeline System (WOSPS) pipeline to the Sullom Voe Terminal where it is sold to the Magnus field for Enhanced Oil Recovery or onward transportation through the NLGP and FLAGS pipelines to St Fergus and into the UK National Transmission System, after being processed in the BP-operated Sweetening Facilities to remove hydrogen sulphide (H_2S).

Clair Phase 1 production began in 2005 with a potential field life to 2038. The facility comprises a single steel jacket with integrated accommodation, utilities, production and water injection facilities, drilling package and oil and gas export pipelines to the Shetland Islands. The platform has 28 well slots and to date, 17 production and six water injection wells have been drilled with three slots remaining for future wells. Future wells on Phase 1 will be enabled through slot recovery and side-tracking.

Future developments include the completion of the oil export pump installation in 2020; recommencement of new well drilling with the platform rig in 2021 for a 12-15 month period and continued reliability improvement projects.

Clair Ridge is the second phase of field development, which targets four reservoir segments northeast of Clair Phase 1. It comprises two steel jackets, one supporting a drilling and production facility with 36 well slots, bridge-linked to a living quarters and utilities platform. The new Clair Ridge facilities tie into the existing oil and gas export pipelines to the Shetland Islands. First production from Clair Ridge was achieved in November 2018 from the first of two pre-drilled wells.

Key activity in 2019 included start-up of drilling including drilling a cuttings re-injection well, two production wells and a water injection well; commissioning and start-up of the second oil export train, both gas compression trains; produced water system; the Low Salinity (LoSal™) water treatment plant and successful first water injection; replacement of three seawater lift pumps, and commissioning of the fourth power generation unit.

Future activity includes the continuation and optimisation of the 36-well production and water injection drilling programme, and preparations for a 4D seismic monitoring survey in 2021.

Clair South, a third phase of development, is currently under evaluation following a successful six-well appraisal programme (2013-2015). The project is currently in the optimisation stage, and if sanctioned, will develop the south of the field via a new standalone platform.

Chrysaor continues to work closely with the operator and joint venture partners to optimise the work programme and in developing the longer-term strategy for the assets. In particular, the Group is actively engaged in supporting facility reliability improvements, reservoir development and well planning and commercial activities.

In 2019, on an annualised basis, Clair produced 1.3 mboepd, or 5.2 mboepd in the 4Q.

Elgin/Franklin

Chrysaor has a 14.1 percent interest in the Elgin/Franklin fields and 14.7 percent in Glenelg, which together form the Elgin hub operated by Total. Elgin and Franklin are high-pressure, high-temperature (HP/HT) gas and condensate fields, which started production in 2001. They are located approximately 240 kilometres east of Aberdeen. Elgin was discovered in 1991 and Franklin in 1986. The Elgin hub facilities consist of a production, utilities and quarters (PUQ) platform at Elgin, bridge-linked to two wellhead platforms; a tied-back wellhead platform at Franklin, situated five kilometres south of Elgin and another wellhead platform at the West Franklin satellite field.

The Elgin/Franklin infill drilling campaign continues with drilling on Franklin into 2021. Drilling operations finished at the West Franklin platform in September 2019 having completed one Elgin infill well and a perforation campaign on two West Franklin wells. It is anticipated that drilling will recommence on the Elgin EIG and Franklin FID infill wells later in 2020.

Elgin/Franklin continued with strong uptime and well performance in 2019 producing 16.4 mboepd net during the year (2018: 17.0 mboepd).

Galleon

Chrysaor has a 8.4 percent equity in the Shell-operated Galleon field, which is located in the UK Southern North Sea in Blocks 48/15 and 48/20. It has two unmanned facilities platforms and ties back to the Clipper platform.

Since acquiring equity on 1 October 2019, Galleon has produced 0.1 mboepd, on an annualised basis, or 0.4 mboepd in 4Q 2019.

Nicol

Chrysaor has a 18.0 percent equity in the Nicol field. Operated by Premier, it is located in Block 15/25a of the UKCS, around 120 kilometres northeast of Aberdeen. The field was developed with a subsea tieback of two horizontal wells through the Brenda subsea manifold to the Balmoral floating production vessel. Nicol has produced less than 0.1 mboepd from both the period of ownership on 1 October 2019 and on an annualised basis.

Schiehallion

Chrysaor has a 10 percent interest in the Schiehallion field operated by BP. Schiehallion was first developed in the mid-1990s and has produced over 300 million barrels of oil since start-up in 1998. The major Quad 204 re-development project delivered the *Glen Lyon FPSO* to the field in 2017 with extensive additional subsea infrastructure to unlock significant reserves and extending field life to the 2040s.

The focus in 2019 was to actively work through, mitigate the topsides constraints, and run the facility to its full capacity. A separate task force was set-up to resolve sand management and produced water constraints and to protect and maximise medium and long-term production targets.

Chrysaor will continue to support the operator in 2020 to optimise short-term production and utilise the contracted drilling rig as best as possible.

Schiehallion produced 7.2 mboepd net in 2019 (2018: 8.5 mboepd).

Exploration and Appraisal

In 1H 2019, Chrysaor was awarded three licences covering a total of 19 blocks in the UK 31st Licensing Round, all with 100 percent equity. Two of these are in frontier areas of the East Irish Sea (EIS) Basin and mid-North Sea High close to infrastructure, and one covers a small undeveloped discovery in the Moray Firth.

The Mabel well in UK Block 16/29 with two targets was also drilled in 1H. The well had two objectives: first, to appraise a nearby Palaeocene discovery, and second to explore a target in a Triassic Horst block underneath the Mabel structure. Both horizons contained hydrocarbons and the well was suspended, pending further commercial and technical review to establish the next steps, although it is unlikely to be commercial on a stand-alone basis.

Chrysaor participated in nine applications for acreage in the UK 32nd Licensing Round. Of these, six were Chrysaor-operated in areas near to the existing producing assets, and three were operated by third parties in similar areas. Licence Award notifications are expected in early 3Q 2020, with full ratification of licences expected in 4Q 2020.

As part of the ConocoPhillips UK acquisition, Chrysaor successfully concluded a comprehensive data rationalisation programme, which for the exploration business included a material UK seismic data acquisition and a UK-wide seismic and well database reconciliation and update.

Norway

Chrysaor entered Norway in 2018 with the completion of a Sale and Purchase Agreement (SPA) to acquire equity in the Grevling discovery (PL 038D). This agreement provided an option to extend the equity in the future. In August 2019, Chrysaor Norge AS (CNAS) entered a SPA with OKEA AS to acquire an additional 20 percent working interest in the Grevling discovery (PL 038D), increasing its working interest to 35 percent.

In January 2019, Chrysaor was successfully awarded two production licences by the Ministry of Petroleum & Energy in relation to the APA 2018 Offshore Licensing Round. These are located just south of the Grevling discovery (PL 038D): PL 973 (Block 15/12) where our working interest is 50 percent, and PL 974 (Block 15/12) where our working interest is 21.43 percent. In August 2019, Chrysaor entered a SPA with OKEA AS to acquire an additional 18.57 percent working interest in PL 974, increasing our working interest to 40.0 percent.

In June 2019, Chrysaor was pre-qualified as an operator on the Norwegian Continental Shelf by the Ministry of Petroleum & Energy (MPE). Following on from this, the Group was approved by the authorities to take on the role as operator for PL 973 in September, marking our first operatorship on the Norwegian Continental Shelf. Planning is underway for a drilling programme on licence PL 973.

In August 2019, Chrysaor participated in the APA 2019 Offshore Licensing Round, and in January 2020 was awarded eight production licences by the MPE with a variety of work programmes including a firm well and drill-or-drop commitments. Three of the licences will be operated by Chrysaor and the remaining five by either Equinor, AkerBP, Lundin or OMV.

The awards will increase Chrysaor's footprint on the Norwegian Continental Shelf in accordance with the Group's strategy. They represent an entrance to the Central Graben Area in the Southern North Sea also close to existing infrastructure, and to the Norwegian Sea, also close to infrastructure, and further exposure to the prolific Tertiary play in the Central Viking Graben.

8. Financial Report

The 2019 Group consolidated results reflect:

- a full year of the legacy Chrysaor business
- post-acquisition three months, October to December, of financial and operational performance contributed by the ConocoPhillips UK business, and
- the acquisition transition and business integration projects

Acquisition

Chrysaor acquired the ConocoPhillips UK business for the headline consideration of $2.675 billion at the economic date of 1 January 2018. After reflecting the contribution from the acquired business during the interim period along with other adjustments, the total consideration payable to the vendor under purchase price accounting was $2.5 billion. This consisted of a cash consideration paid on completion of $2.4 billion, including deposits of $0.3 billion previously paid, and additional completion adjustments of $0.1 billion, payable between October 2019 and October 2022.

The consideration of $2.5 billion funded the identified assets and liabilities of the acquisition, which amounted to $1.6 billion. This resulted in goodwill of $0.9 billion, $0.8 billion of which has arisen principally due to the requirement to recognise deferred tax on the difference between the assigned fair values and tax bases of the assets and liabilities acquired.

The cash consideration of $2.4 billion was funded from two sources: $0.7 billion from existing cash resources, and $1.7 billion from an upsized $3.0 billion Reserves Based Lending (RBL) debt facility underwritten by Bank of Montreal, BNP Paribas, DNB Bank, and ING Bank.

As at the date of this report and financial statements, pursuant to the terms of the Put and Call Options Agreement (PCOA), negotiations were ongoing as to the final consideration payable as a result of the review of the interim and pre-effective date period transactions.

Further details on the acquisition can be found in note 15 to the accounts and borrowings and debt facilities in note 23.

Production and Revenue

Production for 2019 averaged 137 mboepd compared to 105 mboepd in 2018. The 2019 production consists of 118 mboepd from the Chrysaor legacy business and 19 mboepd annualised from three months of the acquired business. During 2019, production was impacted by several Forties pipeline outages, which reduced production by an annualised figure of 10 mboepd. In 2018, production was affected by severe adverse weather in February and the shut-in of Lomond hub fields due to a pipeline blockage in PL 781. In 2019, Lomond was the best performing operated asset hub from the legacy business with the highest production efficiency.

Some of the Group's hydrocarbon production is sold pursuant to fixed price contracts, as described below under derivative financial instruments. The remainder is sold at market values subject to standard quality and basis adjustments.

Total revenue, before lease accounting recoveries from partners, earned from production activities amounted to $2,357.8 million (2018: $1,965.6 million) after realised hedging gains on crude oil and gas sales of $162.2 million (2018: losses of $51.8 million). Crude oil sales amounted to $1,568.2 million (2018: $1,278.6 million), with a post-hedge realised price of $67.89/bbl (2018: $61.06/bbl). Gas revenue was $625.5 million (2018: $516.8 million), with a realised price of 36p/therm (2018: 43p/therm). Condensate sales and tariff and other revenue amounted to $145.5 million (2018: $154.8 million) and $18.6 million (2018: $15.4 million) respectively.

Operating Profit

For the year ended 31 December 2019, EBITDAX was $1,691.8 million (2018: $1,404.7 million).

Operating profit was $762.5 million compared to $802.2 million for the year ended 31 December 2018.

Cost of sales, including field operating costs, transportation tariffs and depreciation, depletion and amortisation (DD&A) amounted to $1,516.5 million (2018: $1,120.9 million). Field operating costs, including insurance, less tariff income, totalled $572.3 million (2018: $480.2 million), equivalent to $11.5/boe (2018: $12.6/boe).

Cost of sales also included a $26.2 million charge (2018: $50.8 million charge) in respect of movements in overlift/underlift and in hydrocarbon inventories.

	31 December 2019 $million	31 December 2018 $million
Operating costs		
Field Operating costs less tariff income	572.3	480.2
Field Operating costs per barrel (US$ per barrel)	$11.5	$12.6

Depreciation, depletion and amortisation (DD&A)		
Depreciation of oil and gas properties	889.2	572.5
Amortisation of intangible assets	2.1	2.8
Total	891.3	575.3
DD&A per barrel	$17.9	$15.1

The decrease in operating costs per barrel is as a result of good cost control and the increased production volumes and efficiency.

Group depreciation, depletion and amortisation (DD&A) charges on oil and gas assets (including capacity rights) amounted to $891.3 million (2018: $575.3 million), equivalent to $17.9/boe (2018: $15.1/boe). For 2018, included in the DD&A charge was a credit of $44.5 million in respect of reductions to decommissioning provisions on assets with a fully written-down book value. There were no impairments to assets during the year.

General and administration expenses for the year amounted to $75.5 million (2018: $24.7 million). The underlying business incurred $25.3 million compared to $24.7 million in 2018. The increases over the prior year were primarily due to pre-completion transition and post completion integration costs related to the ConocoPhillips UK acquisition plus increased underlying corporate costs for the larger Group post completion. More widely there was an intense period of merger and acquisition (M&A) activity, which incurred $38.2 million of professional and corporate fees in relation to several potential transactions. In addition, there was a share-based payments expense of $10.9 million.

Re-measurements for the year totalled $3.0 million credit (2018: $0.8 million credit) consisting of two elements: a credit of $0.6 million (2018: $0.5 million charge) recognised in respect of fair value changes in potential contingent consideration as a result of the Shell acquisition from the vendor, linked to higher sustained future commodity prices and exploration success in Beryl and J-Area; the Group also retains an interest in a royalty stream resulting from the disposal of a pre-production development in 2015. A $2.4 million credit (2018: $1.3 million credit) was recognised in the year relating to the remeasurement of the future value attributed to this royalty stream.

Exploration and Evaluation Expenditure

In 2019, the Group expensed $15.3 million of exploration and appraisal activities, comprising $15.1 million of pre-licence expenditure, licence relinquishments and uncommercial evaluations (2018: $18.6 million).

Financing Costs

Financing costs totalled $338.6 million (2018: $270.3 million), including debt facilities and loan note interest expenses of $153.7 million (2018: $183.8 million) and bank and facility financing fees of $39.3 million (2018: $37.2 million). In addition, finance costs also include the unwinding of discount on provisions, primarily associated with future decommissioning obligations, of $57.8 million (2018: $45.4 million), foreign exchange losses of $82.2 million, a lease interest charge of $2.5 million (2018: nil) associated with lease creditors recognised on adoption of IFRS 16 Leases (see note 22), and other interest of $3.1 million, mainly related to a financing arrangement with BHGE (2018: $3.9 million).

Of the interest expense, $69.7 million (2018: $83.9 million) relates specifically to shareholder loan notes, which has been accumulated within borrowings for future settlement in accordance with the terms of the loan note agreements; and $84.0 million (2018: $99.9 million) interest chargeable on the RBL and junior loan facilities.

Taxation

Taxation charges amounted to $236.7 million (2018: $209.5 million), split between a current tax expense of $94.8 million (2018: credit of $4.6 million), and a deferred tax expense of $141.9 million (2018: $214.1 million expense) arising from the utilisation of deferred tax assets associated with losses recognised following the asset acquisition in 2017 from Shell.

Profit After Tax and Dividends

Profit after tax was $218.8 million (2018: $368.9 million). No dividends were paid or proposed in the current or prior year.

Capital Expenditure

Capital investment is defined as additions to property, plant and equipment (excluding right of use lease assets), fixtures and fittings and intangible exploration and evaluation assets, less decommissioning asset additions.

	31 December 2019 $million	**31 December 2018 $million**
Additions to oil and gas assets	(480.4)	(370.1)
Additions to fixtures & fittings and office equipment	(17.0)	(11.5)
Additions to exploration and evaluation assets	(82.6)	(28.2)
Total capital investment	**(580.0)**	**(409.8)**
Decommissioning asset additions	28.3	18.9
Movement in working capital	17.5	40.7
Capitalised lease payments	3.9	-
Cash capital expenditure per the cash flow statement	**(530.3)**	**(350.2)**

In 2019, the Group incurred capital expenditure of $580.0 million (2018: $409.8 million) consisting of property, plant and equipment mainly spent on J-Area, Beryl, Buzzard, Schiehallion and the Armada drilling campaign of $480.4 million (2018: $370.1 million), exploration and evaluation expenditure of $82.6 million (2018: $28.2 million) mainly associated with the Mabel licence on the Armada hub and non-oil and gas assets of $17.0 million (2018: $11.5 million).

Acquisitions

In April 2019, Chrysaor entered into an agreement to acquire ConocoPhillips UK business, which completed on 30 September 2019. Chrysaor paid consideration of $2,521.5 million and allocated value to fixed assets of $4,788.9 million, decommissioning provisions of ($2,408.2) million, net working capital balances of $200.4 million, leasing liabilities of ($207.0) million and deferred tax balances of ($761.0) million, generating goodwill of $908.4 million. Further details on the acquisition can be found in note 15 to the financial statements.

Cash Flow

Operating cash inflow amounted to $1,518.7 million (2018: $1,447.8 million) after working capital movements. This operating cashflow was used in investing activities on capital expenditure of $530.3 million, and expenditure on business combinations and acquisitions of $2,255.2 million representing the acquisition of ConocoPhillips UK business net of cash acquired of $2,183.0 million, the first of four annual completion adjustment payments to ConocoPhillips US of $38.2 million and contingent payments to Shell of $34.0 million as part of the 2017 acquisition which were dependent upon future commodity prices.

Financing activities cash flow include a further advance of the senior debt under the RBL facility to finance the acquisition of the ConocoPhillips UK business of $1.83 billion, less a repayment of $200.0 million (2018: $735.0 million) of the senior debt, as well as interest paid of $143.9 million (2018: $132.8 million) including $72.6 million on the senior and junior debt facilities and $71.3 million on charges and fees in addition to arrangement and underwriting fees of $45.1 million in respect of the Amended RBL facility Agreement. Financing cash flows also include loan advances of $29.6 million received in respect of a financing arrangement with Baker Hughes.

Cash balances increased over the year by $256.9 million (2018: $16.8 million) to $573.2 million (2018: $316.3 million) at the end of the year.

Derivative Financial Instruments

Chrysaor undertakes hedging activity to manage commodity price risk to ensure that it is compliant with the requirements of the RBL facility, and to ensure that there is sufficient funding for future investments.

In 2017 Chrysaor entered into a series of fixed price sales agreements and a financial hedging programme for oil and gas consisting of swap and collar instruments has continued throughout the year ended 31 December 2019. Future production volumes hedged under the physical and financial arrangements in place as at 31 December are set out below. Hedges realised in the year were in respect of crude oil only.

Hedge position	**2020**	**2021**	**2022**	**2023**
Oil				
Volume hedged (mmboe)	22.84	11.07	1.10	-
Average price hedged ($/bbl)	$63.00	$62.74	$60.07	-
Gas				
Volume hedged (million therms)	853	867	799	153
Average priced hedged (p/therm)	46.6p	47.7p	47.1p	49.9p

At 31 December 2019 Chrysaor's financial hedging programme showed a net positive fair value of $352.4 million (2018: $375.2 million positive fair value) with no ineffectiveness charge to the income statement (2018: $nil).

Balance Sheet and Capital Structure

Balance sheet and capital structure summary	2019 $m	2018 $m
Non-current assets		
Property, plant and equipment & other intangibles	8,332	3,802
Goodwill	1,404	493
Other financial assets	205	192
Total non-current assets	9,941	4,487
Net current (liabilities)/assets	(209)	478
Non-current liabilities		
Borrowings	2,205	1,709
Decommissioning and other provisions	3,767	1,476
Deferred tax	1,649	769
Lease creditor	145	-
Other financial liabilities	57	75
Total non-current liabilities	7,823	4,029
Total equity		
Share capital and premium	910	234
Retained earnings	730	500
Cash flow hedge reserve	192	225
Other reserves	77	(23)
Total equity	1909	936

Net borrowings	2019 $m	2018 $m
Senior debt under the RBL facility	2,067	464
Junior debt	396	394
Shareholder loan notes	317	922
Exploration financing facility	9	-
Financing arrangement with BHGE	34	24
Cash and cash equivalents	(573)	(316)
Total net borrowings	2,250	1,488

Net Debt

Net debt consisting of senior debt and junior debt less cash balances, increased by $1,347.5 million in the year to $1,889.8 million (2018: $542.3 million) mainly due to an increase in borrowings on the RBL senior debt to satisfy the consideration paid for the ConocoPhillips UK business, being drawdowns of $1,834.0 million in the year, partially offset by a repayment of $200 million, and the exchange of the 10 percent Unsecured E Loan Notes balance of $675.3 million, held by Harbour Energy, for ordinary share capital . The asset base consists mainly of producing assets and so is currently highly cash generative.

Therefore, the Group's strong liquidity position, together with the RBL facility, continues to provide a strong base for future funding and growth opportunities. The RBL facility at 31 December 2019 has a straight-line amortisation period commencing on 1 January 2022 up to the maturity date of 31 December 2025, the amount available under the facility being determined semi-annually based on a valuation of the Group's borrowing base assets under certain forward-looking assumptions. The facility was amended in June 2019 and now carries interest at USD LIBOR plus a margin of 3.25 percent, rising to a margin of 3.5 percent after four years.

The junior facility of $400 million was also amended at the same time and now carries interest at six-month USD LIBOR plus a margin of 5.25 percent, rising to a margin of 5.5 percent after four years, and is repayable in instalments between June 2022 and June 2026.

Insurance

Chrysaor carries out significant and appropriate insurance programmes to minimise the risk to its operational and investment programmes, which includes business interruption insurance.

Principal Financial Risks and Uncertainties

The principal financial risks that management consider the Group to be exposed to are:

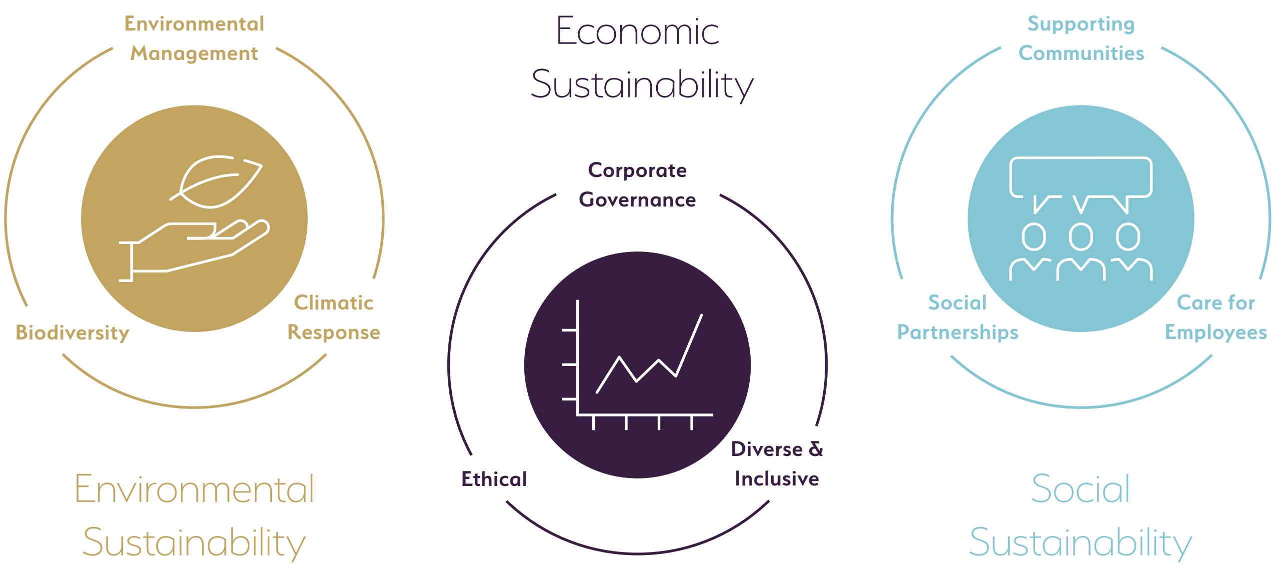
- Commodity prices, interest rates and foreign exchange market volatility
- Asset operational performance and drilling results
- Maintaining cash flow, liquidity and access to funding
- COVID-19 pandemic

For a further discussion of these risks and uncertainties refer to Principal Risks (section 11).

Non-IFRS Measures

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include capital expenditure, cost per barrel, DD&A per barrel equivalent, EBITDAX and net debt. See Glossary for further details.

9. Sustainability



Creating Shared Value

As the UK's leading independent oil and gas group, Chrysaor has made its commitment to the environment and community engagement an integral part of its strategy.

From ensuring people's safety and security, to acknowledging the challenges of climate change and strengthening integration into local communities.

For Chrysaor, sustainability starts with running a safe, efficient, responsible and profitable business. This approach defines the Group's values, commitments and objectives in relation to sustainability and should be applied in conjunction with laws and regulations in the countries of operation, within the rules of conduct defined in the Group's Health, Safety and Environmental Policy, Quality Policy, Anti-Bribery and Corruption Policy, Corporate Major Accident Prevention Policy and Anti-Slavery and Human Trafficking Policy.

Chrysaor has been working to further integrate sustainability into its overall strategy using the three pillars of sustainability - environmental, economic and social. The Group's business model rests on a commitment to carry out activities in a responsible manner for the long-term benefit of investors and civil society.

Chrysaor also seeks to generate sustainable long-term value in all stages of the value chain recognising that responsible conduct and business success go hand-in-hand.

The Group's strategies and guiding principles of sustainability seek to:

- Maintain high ethical conduct
- Uphold people's health and safety
- Minimise environmental impact
- Focus on carbon efficiency
- Promote sustainable development goals
- Partake in industry-wide collaborative efforts

Environmental Sustainability

Environmental Management

Chrysaor selects and employs the best available technologies for its operations, implementing proactive monitoring systems and processes throughout. The Group aims to raise awareness and responsibilities of staff in relation to their health, safety and environmental goals.

The Group carries out extensive environmental baseline and impact assessment studies before and during any exploration or production activities, to ensure protection of the environment. The lifecycle of an operation, from licence application to restoration of the site, follows six stages where all potential impacts on the environment are carefully analysed.

- Licence application
- Seismic acquisition
- Exploration and appraisal drilling
- Field development
- Production
- Decommissioning

Biodiversity

Chrysaor has a duty of care to comply responsibly with applicable biodiversity protection laws and regulations in its areas of operation. The Group seeks to mitigate its impact on biodiversity and natural habitats by identifying key environmental sensitivities and taking steps to minimise any potential environmental impacts of its proposed activities.

Climatic Response

Streamlined Energy and Carbon Reporting

Chrysaor sees the energy demands of the world as an opportunity to do things differently. We believe there is a connection between more efficient operations and lower carbon emissions. The Group's carbon and energy reduction strategy details a range of projects underway across its operations, which are aimed at improving plant operational efficiency, reducing flaring and methane emissions and reviewing the feasibility of low carbon electricity to supply the Group's installations. This strategy is intended to lay out the framework upon which we can take action to reduce atmospheric emissions, namely CO_2 and the emission of other gas components, which affect local and global air quality, such as nitrogen oxides, sulphur oxides and particulates, or the global climate greenhouse gases (GHGs).

Chrysaor recognises the dual challenge that the world energy markets face in meeting increased demand for reliable and safe energy, while at the same time reducing emissions of carbon dioxide. We aim to take action, both directly and indirectly, to minimise the use of energy and the emission of gases with a global warming potential, all while continuing to grow our business.

This commitment is supported both by the Chrysaor Vision and the Business Principles upon which we operate. Each of these principles, in turn, plays a strong role in meeting the dual challenge and they are embodied in the actions and decisions of the workforce.

In 2019, Chrysaor developed a carbon strategy for emission reduction and energy efficiency. This is in alignment with national and international commitments seen through the Kyoto Protocol, UK Carbon Budget, UK Climate Change Act and COP 21 (Paris Agreement). Central to this is the Scottish and UK Government long-term goals of being a net carbon zero economy by 2045 and 2050 respectively, and the Norwegian Government commitment to reducing emissions by between 80 and 95 percent.

Our strategy consists of setting a framework and goals to be achieved, supported by data analytics to understand current emissions and power usage. We have identified initiatives to reduce our carbon footprint by making changes and upgrades to existing plant. The Group has also planned investment in projects, such as the Acorn carbon capture and storage (CCS) project at St Fergus, and on new technologies to lower emissions further on our operated assets towards a net zero target.

The Chrysaor carbon and energy reduction strategy has been designed to align with the internationally recognised Transition Pathway Initiative (TPI), the Task-Force on Climate-related Financial Disclosures (TCFD), Carbon Disclosure Project (CDP), EI Energy Essentials series, the Global Reporting Initiative (GRI) Standards, and the ISO standard 16247-1:2012 on undertaking energy audits. These initiatives and standards have been developed across multiple sectors and ensure consistency across industries.

This consistent approach will allow Chrysaor to be assessed and benchmarked against sector peers and other industries for preparedness in the energy transition with full transparency, and in a manner that is internationally recognised.

Chrysaor's energy and carbon reporting has been provided as Scope 1 and Scope 2 emissions as required under environmental reporting guidelines for large unquoted companies. The emissions from onshore and offshore activities associated with the acquired business have been included from acquisition. The additional acquired installations are a key factor in the increase in Scope 1 emissions between 2018 and 2019, in addition to improved asset uptime in comparison to 2018.

		2019	2018
Scope 1: In metric Tonnes CO_2e			
Offshore Combustion (Includes EU ETS and Non-EU ETS offshore installations) tCO_2e		480,240	240,293
Gas Consumption	tCO_2e	216	498
	kWh	804,082	1,854,416
Diesel Consumption tCO_2e		479	Nil
Scope 2: In metric Tonnes CO_2e			
Grid-sourced electricity, gas and electricity consumption relating to transport	tCO_2e	416	319
	kWh	1,628,531	1,248,674
Total Scope 1 & 2 Gross tCO_2e		481,352	241,242
Intensity Ratio and methodology tCO_2/mboe		**21.3**	**32.9**

Note: 2019 includes ConocoPhillips UK data included from completion of acquisition only

A core metric for Chrysaor in baselining its business is the carbon intensity of operated production. This is measured as the mass of CO_2 released per thousand barrels of oil equivalent produced (tCO_2/mboe). This metric was 32.9 tCO_2/mboe in 2018 when Chrysaor was operating Armada, Lomond, and North Everest assets.

This has since reduced to 21.4 tCO_2/mboe in 2019 including the 4Q figures for the acquired operated assets. This metric is based on operational control and reflects all production that passes through the Chrysaor operated offshore installations.

Energy Efficiency Action

Development of the Group's carbon and energy reduction strategy was a key deliverable in 2019 providing the framework and process for future energy initiatives. Specific examples of energy efficiency improvements in 2019 include:

- Completion of offshore energy reduction projects delivered a reduction in approximately 8,200 tonnes of CO_2. These include: the Armada booster and export compressor bundle changeout; generator B engine and K97 engine change; Lomond Train 1 engine change, mid-life compression and dense phase compressor bundle change and compressor anti-surge optimisation; and Everest Train 1 engine change and compressor anti-surge optimisation.
- As part of its carbon strategy, Chrysaor has committed its support to the Acorn Project, seeing the potential in this early stage CCS initiative as a vital opportunity in our plans to achieve to net zero emissions. This low-cost, low risk project is designed to be built quickly, taking advantage of existing oil and gas infrastructure and a well understood offshore CO_2 storage site. Acorn has attracted both UK and EU grant funding to progress technical studies for development of this full chain carbon capture and storage project.
- Acorn will capture CO_2 from existing emissions, which would otherwise enter the atmosphere. CO_2 will be transported offshore and injected deep underground for permanent sequestration in a saline formation. It will re-use existing redundant oil and gas infrastructure, which reduces project costs and makes best use of old facilities.
- The Capitol office in Aberdeen implemented an energy management programme in 2019, that optimised the heating and electricity consumption. This led to a 20 percent reduction in the gas consumption being realised on a monthly comparison basis.

Economic Sustainability

Corporate Governance

As part of corporate governance enhancements, the Chrysaor Board in 2019 adopted the Wates Corporate Governance principles for large private companies. This tool helps to identify what has been done well and where the Group's corporate governance standards can be raised to a higher level. The principles address purpose and leadership, board composition, director responsibilities, opportunity and risk, remuneration and stakeholder relationships and engagement. Their implementation will result in better stakeholder engagement and it will ultimately contribute to the sustainability of Chrysaor's long-term economic performance.

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*Signpost: Corporate Governance in the wider context beyond Sustainability is discussed in the Governance and Compliance report (**section 14**)*

Ethical Standards

The highest standards of integrity are fundamental to the way Chrysaor conducts its business. The Group's ethical approach extends to behaviour in the workplace. As part of this commitment, Chrysaor will not tolerate any form of bribery, corruption, misconduct or wrongdoing in its business dealings. Compliance with all relevant Laws in the jurisdictions in which the Group operates is essential in maintaining our core business values, protecting our reputation and ensuring a safe and sustainable business.

Diversity and Inclusivity

Ensuring diversity and equality is embedded into all our policies and processes is of key importance to Chrysaor. The Group aims to recruit, retain and promote staff based on competence and regardless of age, disability, gender, marriage and civil partnership, pregnancy and maternity, race, religion and belief and sexual orientation.

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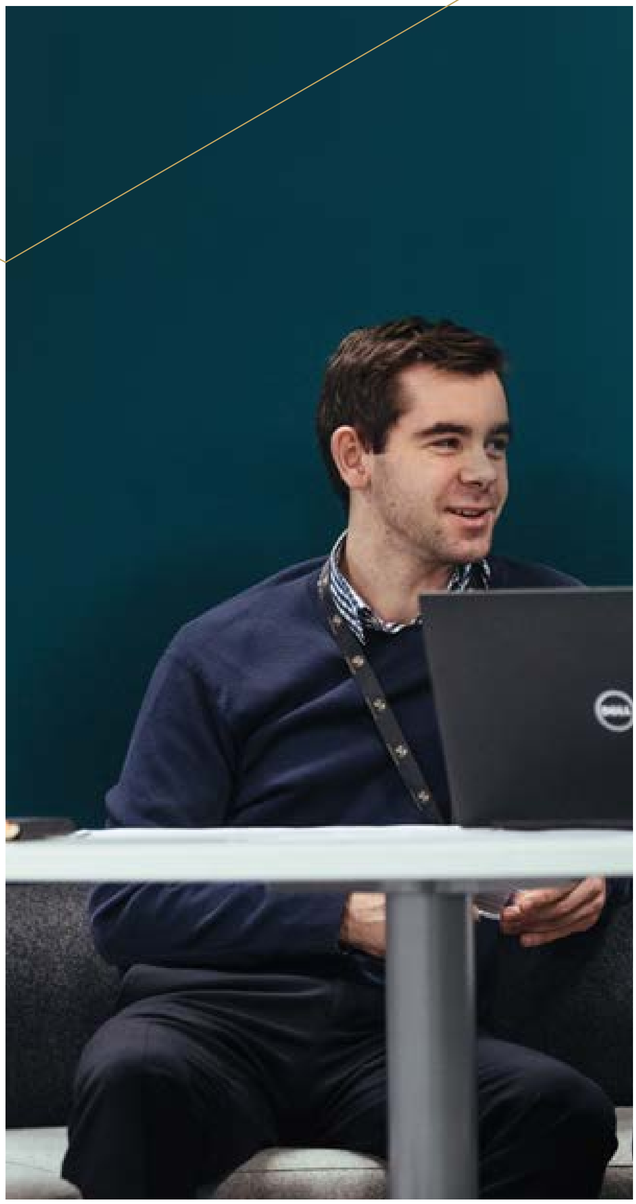
*Signpost: Corporate Governance in the wider context beyond Sustainability is discussed in the Governance and Compliance report (**section 14**)*



Social Sustainability

Care for Employees

Chrysaor's culture is based on a community of empowered and passionate people who deliver our Business Principles through our shared Core Values. To be able to perform competitively in the evolving energy landscape it is essential for personnel to be competent and empowered and to work safely together to successfully achieve results.

Ensuring people are kept safe and well and raising awareness of potential dangers related to its operations and locations, is of paramount importance to Chrysaor. We see our people as our most important asset and through our Workplace Wellbeing programme provides online resources that focus on physical, financial, social and mental wellbeing.

Social Partnerships

Chrysaor works closely with stakeholders including national, regional and local authorities, politicians, non-governmental organisations (NGOs) and industry and business groups to ensure continued operation of its activities in a safe and responsible manner, and to make a positive and meaningful contribution to the energy transition.

The Group is also committed to playing a leading role in the transition to a lower carbon economy. It recognises the regulatory, societal and political framework of its activities and the growing scrutiny on the oil and gas industry in the conduct of its operations. Chrysaor seeks to represent with facts and integrity the part the oil and gas industry needs to play in providing secure and sustainable energy to the UK and how it can contribute to evolving this energy provision.

Collaboration among all major stakeholders is essential for the offshore oil and gas industry to meet the ambitious goal of net zero emissions in the UK North Sea by 2035. Chrysaor has joined forces with other oil companies to support a new Net Zero Solutions Centre at the Oil and Gas Technology Centre in Aberdeen. The goal of the centre is to accelerate the development and deployment of technologies to decarbonise offshore operations and develop the UK continental shelf (UKCS) as the first net zero oil and gas basin globally by 2035. These efforts underpin Government plans to reduce or offset carbon emissions to net zero in the UK by 2050 and in Scotland by 2045.

Supporting Communities

Chrysaor shares the wider benefits of its work by supporting local communities where it operates, investing in education, developing skills and encouraging enterprise. We are proud to be part of the community; relationships play a vital role day-to-day in connecting the organisation with something that is greater than itself.

In 2019, Chrysaor continued to offer a matched funding programme to staff and we were proud to partner with *Celebrate Aberdeen*, a non-profit organisation that is run by volunteers for volunteers. This work aims to bring together the local community, while shining a spotlight on some of the people who deserve to have their efforts recognised.

10. Risk Management

Risk management is embedded within Chrysaor's daily activities. It is designed to facilitate the delivery of the Group's strategy, while protecting employees, assets and the environment.

The Board is responsible for the implementation of an effective risk management and internal control environment to enable the identification and robust assessment of Chrysaor's principal risks. This is executed by the Chief Executive Officer on a day-to-day basis.

Risks are assessed within a single process against common criteria.

The risks and opportunities assessed are recorded with the mitigations and the actions required to deliver the required activity in a timely fashion. These actions are monitored and managed to closure alongside actions generated from audits and unplanned events, providing visibility and clear accountability.

As part of the acquisition integration, Chrysaor's business risks and opportunities are being revised to ensure they remain appropriate for the expanded business and provide a common currency and understanding of risk across the organisation.

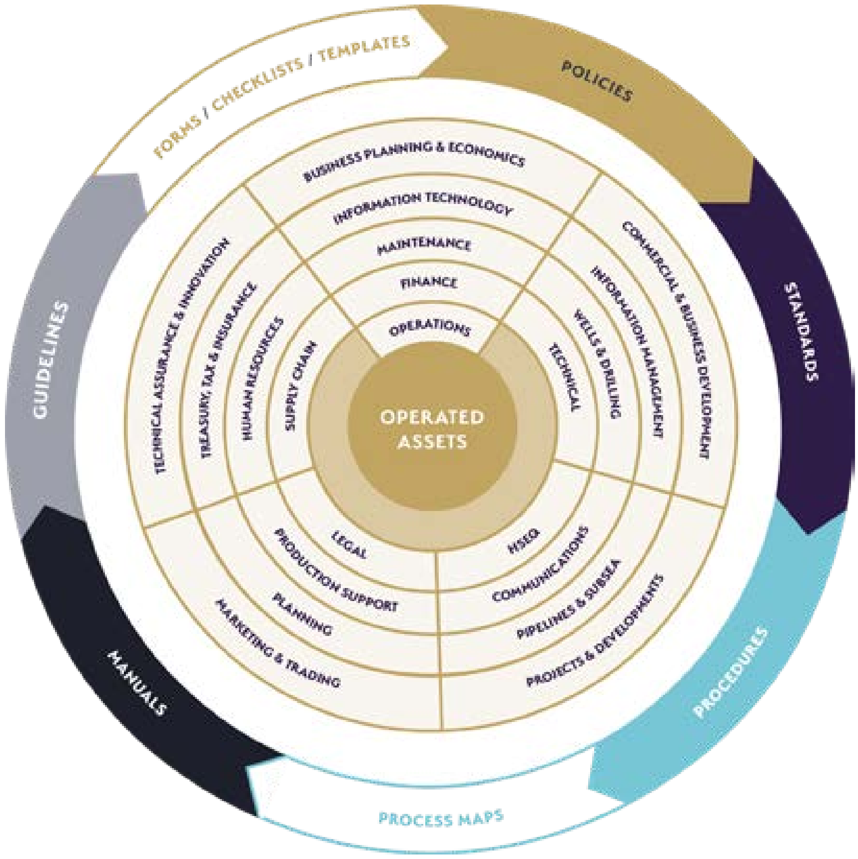
Identified risks are assessed against the following areas:

- safety of personnel, asset and environmental safety and security, and
- operational and financial attainment of the strategy, organisation, assets and markets

Management therefore has a clear and prioritised picture of the risks to which the Group is exposed, that must be addressed against the balance of stakeholder expectations.

Accountability for the principal risks is directly overseen by senior management while accountability for managing the lower level risks is delegated to operational and functional leadership, whose activities are subject to regular audit and assurance through the risk and opportunity management process.

The principal risks, described in section 11, are those that the Board consider as the most significant due to their likelihood and magnitude of potential consequence and nature.



Chrysaor's Business Management System (BMS)

Chrysaor conducts its activities through adherence to a set of Group instructions including policies, standards, procedures, manuals and guidelines, which are collectively known as the Business Management System (BMS). The BMS is a single authorised source of instruction and guidance applicable to both onshore and offshore activities in the UK and Norway.

BMS documents provide instruction and performance expectations in line with the Core Values and Business Principles to ensure the stated business objectives are achieved safely and consistently. They make sure the organisation has the guidance and tools to identify and mitigate operational, major accident hazard and business risks, and ensure compliance with regulatory requirements. Adherence to BMS policies and standards is mandatory.

Regular reviews, assurance audits and introduction of best practices support an environment of continuous improvement for BMS. All users have a responsibility to play their part in ensuring that documents in BMS are an accurate reflection of what we do.

The BMS has seven policies that are endorsed by the Chief Executive Officer. These are:

- Quality Policy
- Corporate Major Accident Prevention Policy (CMAPP)
- Health, Safety and Environmental Policy
- Anti-Bribery and Corruption Policy
- Anti-Slavery and Human Trafficking Policy
- Tax Policy
- Prevention of Criminal Facilitation of Tax Evasion Policy

To support these policies, there is a series of standards, procedures, platform operating procedures, safety critical Platform Operating Procedures (POPs), process maps, manuals, guidelines, forms, performance standards and safety cases that pertain to all areas of the business. They include procedures which describe how the business would respond to a major incident or event, as well as business continuity plans which are in place to ensure any loss of key facilities or services can be quickly and efficiently mitigated.

Following the external review in 2018, a programme of document reviews has been running throughout 2019. This is to ensure roles and responsibilities are aligned with the Chrysaor organisation, documents are up-to-date and relevant, and that Human Factors are included as safety critical POPs. The programme will continue through 2020.

With the growth of Chrysaor's Norwegian business, UK Policies and Standards have been reviewed and where possible amended to accommodate any variations that are necessary to meet local Norwegian regulatory requirements. The same approach will be taken with the supporting documents. The aim is to maintain a single standard of management across the organisation with the minimum of variation between jurisdictions.

Enhancement of the BMS is a continual process, including reviews to ensure all documents are internally consistent and aligned with Chrysaor's ways of working. This includes delivery of a performance which the Group and its stakeholders can be proud of.

As part of the integration of the two organisations, a project is reviewing documents in the current Chrysaor BMS and the currently applied ConocoPhillips UK Operating Management System (OMS). The aim is to establish a single set of management system documents applicable across the combined organisation drawing on the best of both legacy systems.

11. Principal Risks

The oil and gas industry is exposed to numerous risks. The principal risks that the Board considers the Group is exposed to and which are deemed most significant due to their likelihood and magnitude of potential consequence are detailed below.

These cover the categories of strategic, operational and financial risk. The Board is responsible for maintaining a risk management and robust control environment within which there is identification, assessment and monitoring of risks.

a. Strategic - Delivery of Strategy

The Board is responsible for setting the strategy of the Group, which is focused on organic growth and acquisitions within a defined geographical area.

Prudent management of the existing portfolio and addition of new acreage can achieve organic growth. The risk is that the assets do not perform optimally, or poor acreage is acquired, and value is not maximised from the portfolio.

Mitigation is provided by strategic guidance and review by the Board supported by robust planning and technical analysis. This is combined with a strict capital allocation programme to ensure that funds are applied to the most technically and economically attractive activities and opportunities. This is complemented by performance management including lookback analysis of capital projects and asset reporting, the results of which are reflected in the performance scorecard.

Acquisitions by their nature require willing buyers and sellers. Chrysaor is focused on targets where there is upside and value accretion potential. Such opportunities come with the risks surrounding the market, competitors, nature of portfolio and commercial leverage. These risks may prevent the Group achieving its strategic growth objectives if deals cannot be completed. Even with successful acquisitions, there are risks which may result in impairments and adverse cash flow in the acquired business compared with the assumptions underpinning the acquisition.

Mitigation for this is provided by ensuring a full understanding of the assets in the market by experienced Chrysaor functional expertise. This is supported by competent third-party advisors for all aspects of the pre-acquisition due diligence, negotiations and commercial activities.

For 2020, the risk will be poor results from the operated and non-operated drilling programme, low returns from other capital projects, poor exploration results, or the lack of performance of any material acquisitions.

b. Strategic – Integration of Acquisition

To achieve the benefits anticipated from the acquisition of the ConocoPhillips UK business, Chrysaor needs to effectively integrate this business with its legacy one. A significant integration project is currently being carried out to achieve this, which involves designing and deploying a single end-state organisation, operating model processes and reporting, IT system architecture and office solutions. This is expected to take until 1H 2021 to complete.

The key risks are lack of proper expertise, incompleteness of activity plans, poorly informed decision-making and not keeping to the plan schedule.

Mitigation is provided by a right-sized and resourced integration team supported by functional expertise and external consultants and system integrators. There is Board oversight and senior management review on a day-to-day basis with regular tracking and reporting.

Any shortcomings may result in material deficiencies in cost, timing and quality of the overall integration programme.

c. Strategic - Compliance

Chrysaor is party to various legal, regulatory, shareholder, lending, joint venture and other agreements and the Group must follow these requirements. There are policies and procedures that employees and contractors need to adhere to and a Compliance Programme that informs and monitors the high standard and culture of ethical behaviour.

The risks of non-compliance are inappropriate behaviour, breach of legal requirements, punitive fines and penalties and significant damage to reputation and Chrysaor's ability to operate.

Awareness programmes, leadership reviews and initiatives, self-certification via annual reviews, gift and hospitality and conflict of interest registers, plus contractual provisions and reviews with vendors mitigate risks.

Further details on governance and compliance can be found in the Corporate Governance report (section 13-15).

For 2019, the risk is that people do not adhere to regulatory requirements, Chrysaor's policy and procedures or make poor decisions compromising the Group's compliance status.

d. Strategic - Stakeholder Relations

Positive stakeholder relations are very important to Chrysaor's business. Primary stakeholders include equity shareholders, debt providers, joint venture operators and partners, as well as primary regulatory authorities such as the Oil and Gas Authority (OGA), the Offshore Petroleum Regulator for Environment & Decommissioning (OPRED), the Health and Safety Executive, and the Norwegian regulators. Employees, vendors and non-governmental organisations are also key.

The risk is that without continued engagement with stakeholders, the Group's safety, technical and financial status, asset performance and reputation may be compromised or damaged.

Chrysaor proactively engages with stakeholders with an open and positive attitude. The Group is respectful towards people, assets and the environment, and seeks to ensure adherence to its compliance policies by employees and its stakeholders.

For 2020, the risk is that Chrysaor does not continue to maintain good stakeholder relationships or that stakeholder expectations are misaligned.

i *Signpost: for more on stakeholder relations see the Governance and Compliance report (**section 14**)*

e. Strategic - UK Departure from the European Union (Brexit)

Chrysaor may be affected by political, economic and business conditions that result from the UK Departure from the European Union (Brexit). Brexit is a significant event for the UK. The Group has carefully evaluated the outcome and expects minimal impact. For 2020 however, the exit could result in increased regulatory complexity and compliance, delays in the supply chain or adverse foreign currency movements all of which may adversely affect Group operations and financial results.

f. Operational - Disruption to Production

Disruption to production directly affects operating cashflow and can occur at an asset or pipeline level. Most of the Group's production to onshore terminals flows through two third-party pipelines - the Forties Pipeline System (FPS) for oil and the Central Area Transmission System (CATS) for gas and condensates. There are two fields that offshore load sales cargoes, Beryl Area and Schiehallion. The risk is that a pipeline or offshore loading system has operational difficulties or is damaged resulting in production curtailments. Adverse unplanned drilling activities events could also disrupt production. Any of which can significantly impact the operating cashflow of the business, and in turn constrains support to the existing business and discretionary investments.

In respect of mitigation, Chrysaor's production portfolio is well diversified in terms of operated and non-operated assets, oil and gas production, a range of operators on the non-operated side of the business, offtakes via pipelines and offshore loading systems. The Group also has business interruption insurance policies in place.

For 2020, a key risk is unplanned shutdowns due to lack of key staff as a result of COVID-19, leading to asset integrity issues or equipment failure on the Group's platforms and pipelines. A major shutdown was planned on the Forties Pipeline System (FPS), but this has now been deferred to 2021. This delay will also cause the rescheduling of significant activity on the Group's own operated platforms into 2021. While safety critical and essential work will be carried out in 2020, this change of plan increases the risk of unplanned outages. In addition, if the commodity price remains low, over-supply may lead to a lack of storage and ultimately force the shut-in of fields.

g. Operational Safety

The nature of the oil and gas industry means that it has a significant inherent exposure to a major operational incident. Operational safety management is of paramount importance and it is therefore subject to comprehensive regulation and legal requirements. Chrysaor considers regulatory compliance to be the minimum standard of achievement. Chrysaor has its proprietary rules and processes in place with which it requires its workforce and contractors to comply. Major Accident Events can occur following incidents arising from geological and seismic uncertainties, uncontrollable drilling or production and process events, infrastructure damage and spills of hydrocarbons and pollutants. There are also related services provided that are subject to similar risks. All of these create risk for people, assets and the environment.

Chrysaor is operator of five producing hubs in the Central North Sea, decommissioning programmes in the Southern North Sea, two technical operatorships for production assets, and has several operated exploration licences. The impact of any incident could result in injuries or fatalities, damage to assets or the environment, reputational damage with stakeholders and regulatory authorities, loss of operating cashflow and exposures to punishments and fines.

The importance of operational safety in mitigating the risk of a major operational incident is emphasised in the onboarding and site induction provided to the whole workforce, which highlights safety as a Chrysaor Core Value. Leadership at all levels foster a culture of safety and compliance with the Business Management System (BMS) for both employees and contractors. BMS contains operational policies, standards, guidelines and procedures which promote workplace safety. Specialist standards and procedures implemented by competent and experienced staff cover well and development design, asset integrity and maintenance plans, Safety Case procedures, management assurance and peer reviews.

There are also specific requirements relating to incident and emergency response plans and appropriate incident insurance policies. While operational safety across the Group's non-operated assets is the responsibility of the operator, the non-operated ventures team work to establish good working relationships with these partners. These interactions promote an open culture where information, incident alerts, expertise and lessons can be freely shared in both directions.

There is always a risk that people make poor decisions, which compromise safety. Enhanced organisational capability supported by regular and structured engagement on safety and safe ways of working are however expected to lead to continuing improvements in Chrysaor's safety metrics.

For 2020, a key risk arises with respect to COVID-19's impact on business as usual. Every effort is being made to simplify or reduce offshore work and complexity to minimise the business risk from a potential lack of key equipment, supply chain expertise or key staff competencies coupled with the distraction and worry caused to the workforce.

"Operational safety is paramount and it is subject to comprehensive regulation."

h. Operational - Asset Performance and Drilling Results

Chrysaor is active across all life-cycle phases. This is subject to the inherent risks and nature of the assets and the results of drilling, production operations initiatives and commodity prices making discoveries economic. Such programmes can be capital intensive, require technical engineering work and are inherently uncertain in their outcome. The programmes must comply with corresponding technical requirements and governing agreements. The impact of poor drilling results can lead to little or no commercial success, resulting in exploration write-offs or impairment of the producing assets and the corresponding adverse cashflow effects. Likewise, within the production phase, asset and turnaround plans may not be as successful as anticipated and reservoir performance will naturally decline and may vary from estimates.

Mitigation comes in the form of high-quality well design for drilling programmes and appropriately planned turnaround operational work programmes, supported by high-quality technical and geoscience analysis and economic evaluation of the opportunities and value assurance framework, which provides for project gateway and peer reviews.

For 2020, the risk is poor performance from either operated or non-operated drilling activity. For operated drilling, Chrysaor had planned to have five rigs operating in the UK and Norway, but this has been reduced in light of the COVID-19 risk. Two units remain and are currently in use and this familiarity with these rigs is helpful in maintaining crew competence.

i. Operational - Cyber Security

Technology used within the industry is distinguished by rapid and significant advancements applied to operations and services. This can pose both competition and cyber risks. Cyber security threats can cause business interruption and result in reputational damage, financial loss and the potential exposure of commercially sensitive or privacy related information.

Chrysaor takes the threat of a cyber-attack very seriously and the Group has implemented a defence-in-depth approach, investing in technologies, services and people to mitigate the risk.

The Group's IT processes and procedures adhere to industry standard best practices, such as the ISO27001/2 IT Security Framework. Mandatory information security training is provided for all employees and contractors and IT security engage with staff through a monthly cyber newsletter, phishing simulations and an Information Security website. Chrysaor recently obtained its Cyber Essentials certification.

Chrysaor has selected several industry-leading vendors to further strengthen its security position and form the backbone of the Group's cyber security estate. Compliance and assurance are maintained through regular penetration tests, threat hunting, physical security awareness sessions and security testing of the business-critical systems, as well as incident response planning and training. A proactive approach to information security events is further strengthened using Artificial Intelligence and Data Analytics.

For 2020, there is a potential increased security risk due to the integration of an acquired business as the risk landscape increases with the larger volume of staff and contractors, networks, systems and processes that need to be protected. To reduce this to an acceptable level, changes to the current cyber team, systems and support contracts will take place over the year, ensuring the cyber capabilities are fit for the future.

j. Financial - Commodity Prices and Foreign Exchange

Political developments, natural disasters, public health crises, pandemics and other events outside of the Group's control can also adversely, directly and indirectly, impact the Group and its affiliates in material respects. Oil and gas commodity prices and foreign exchange rates are all subject to market volatility and they are a key driver of the magnitude of operational cashflow and RBL facilities. Prices are uncontrollable, being governed by global production, demand and international markets. These markets also tend to be volatile and can react quickly, particularly to global economic and political events, which make the prices very difficult to predict. Any sustained low commodity price period has the potential to cause asset viability and corporate liquidity issues.

Operational cashflow funds the operational and administrative expenditure of the Group, with any surplus available for discretionary spend on capital exploration or development activities, debt repayments and, within certain restrictions, distributions to investors. Insufficient surplus operating cashflow or lack of debt capacity will constrain the Group's ability to invest in new activities that sustain the life cycle of assets and ultimately future production.

The Group's reporting currency is US Dollars. For its subsidiary operating companies whose functional currency is UK Sterling, those accounts are translated for US Dollar-based reporting. There are also underlying transactional currencies. Gas revenue and most local expenditure is denominated in UK Sterling or Norwegian Kroner while liquids revenue and internationally contracted expenditure are typically in US Dollars. There is also Euro exposure on certain costs.

Mitigation comes in the form of a highly diversified portfolio across assets, operators, infrastructure and hydrocarbon streams. Applied to this are prudent business planning process and Board-approved hedging programmes, which are required under minimum RBL facility hedging requirements. There are also physical delivery contracts. Additional discretionary hedging programmes are also available. Foreign exchange is managed by cash management processes limiting exposure to surplus currencies.

For 2020, the Group has a significant proportion of the year's production hedged which will help protect the Group against the adverse economic effects of the commodity price falls and COVID-19 impacts. The Group will look to maintain or increase hedged production volumes if commodity price conditions allow. Further, given the commodity price falls, the Group has taken decision to reduce a significant proportion of its 2020 capital expenditure programme and will look to reduce operating expense to cover existing and safety critical operations whilst deferring discretionary activities and spend.

k. Financial – Cash Flow, Liquidity and Funding

Chrysaor has access to liquidity and funding from three main sources: (i) debt and equity from its shareholders; (ii) debt funding in the banking and capital markets and (iii) operating cashflow from the production assets which is dependent on commodity prices. The Group continually works to optimise its capital structure and corresponding cost supported by disposal proceeds from any portfolio management activity. These funding sources are required for acquisitions or investment in assets.

The potential funding risk is that if certain conditions arise, funding from these sources may become restricted, which in turn could reduce investment opportunities in discretionary projects or create debt servicing issues. Further, if investment returns are less than expected there may be the need for further funding requirements, or curtailment of operations, to fill any funding gap left by underperforming assets.

Climate change is also expected to have an impact on access to funding with investors and lenders increasingly looking to understand the Group's strategy and credentials around its energy transition and carbon strategy.

To mitigate these risks, Chrysaor ensures balanced access to all funding sources, supported by hedging programmes to safeguard a proportion of future cash flows. The Group has a robust planning cycle and capital allocation programme to ensure investment to the appropriate levels. Chrysaor produces performance reporting and forecasts across both short-term and life-of-field time horizons to assist in asset and portfolio management. With regard to climate change, the Group expects the lending community to be responsive in providing recognition for those companies that have appropriate energy and carbon strategies in the level and cost of funding.

For 2020, the key risk is that commodity prices fall, costs increase and/or operational performance is poor, restricting capital investment and acquisition capability.

l. Climate Change Policies, Legislation and Regulation

Chrysaor expects that national and international climate change policies, legislation and regulation will increase and likely with accelerated timelines. Companies will need to demonstrate energy transition and carbon reduction strategies to support their social licence to operate and have continued access to sufficient resources and funding. Whilst bringing its intended benefits, it is also likely to increase associated costs and administration requirements as well as potentially limiting the investment capital available to the industry, which in the worst case may lead to corporate failures.

International agreements and associated domestic regulations to reduce or limit emissions will require additional expenditure to be incurred to meet such targets. The specification and magnitude of the necessary capital and expense investment is uncertain, as is the timescale that will be required to deliver such targets.

Chrysaor's energy and carbon strategy is the plan to ensure the Group meets its obligations and targets in relation to climate change-related emissions and power consumption. It is therefore investing in leading industry projects, plant re-specification and replacement and energy sources to provide various contributions to deploy the strategy.

Further implications may be that funding to meet climate change targets will reduce the capacity to seek and develop new hydrocarbons or invest in acquisitions.

m. Coronavirus (COVID-19)

COVID-19 has the potential to significantly impact the business if the workforce becomes unavailable to work and if the supply chain is restricted to any significant degree. This could potentially lead to the shutdown of platforms and loss of production to ensure the safety of the workforce and assets.

Chrysaor follows Government and regulatory guidance and in turn provides support to the workforce on the precautionary measures that should be followed to mitigate impact. The Group has set up its Business Continuity and Crisis Management Teams which monitor developments, provide guidance and has contingency plans in place to manage operations and the business.

Specifically, the Group has taken decisions to reduce activities to cover existing and safety critical operations only with corresponding changes in platform manpower levels. It has contracted a dedicated medical evacuation helicopter to ensure physical contact with the platforms and implemented a comprehensive pre-mobilisation screening procedure. Further, the Business Continuity Team has carried out reviews to agree with key vendors how they will sustain services in the event of an escalated or extended epidemic, completed business impact assessments at functional level and conducted readiness assessment for various scenarios.

12. Corporate Responsibility

The safeguarding of people, the environment, assets and reputation is Chrysaor's top priority.

Health, Safety and the Environment

Safeguarding people, the environment, assets and reputation is achieved through a process of Major Accident Hazard identification. This includes the implementation of physical and procedural controls, referred to as barriers, to mitigate the risks arising from these to a level that is demonstrably As Low As Reasonably Practicable (ALARP).

Through effective leadership, Chrysaor has established a balance between the management of process risk and the management of occupational health and safety risk thereby ensuring a broad understanding of the risks to people, the environment and the business.

The safety and wellbeing of staff and the provision of a safe place of work is a key focus area for us. The ongoing development of the Business Management System (BMS) is a key enabler in providing a safe system of work designed to prevent occupational injury or illness. Our efforts to sustain workplace safety are complemented by welfare programmes addressing personal health and wellbeing including mental wellbeing. There is also a comprehensive calendar in place to support a health and wellbeing campaign for onshore and offshore operations.

Environment

Environmental management which is externally certified to ISO14001 (2015) is an integral part of the BMS. All Chrysaor activities on the UK and Norwegian Continental Shelves are included within the scope of this internationally recognised certification.

The publication of the Chrysaor Emissions Strategy in 2019 and the commencement of work on an Environmental Social and Governance (ESG) standard in 2020 will see the consolidation of the Group's externally certified environmental management arrangements and will satisfy the evolving expectations of stakeholders.

Reporting and Awareness

HSEQ events and statistics are recorded and reported regularly to management and the Board. The information is also made available to all staff and discussed at department and town hall meetings to ensure the widest possible awareness and understanding.

Numerous enhancements to align with Chrysaor reporting requirements were made to the system that is used to record HSEQ unplanned events and all types of HSEQ audits. A project to upgrade this to the latest version, bringing improved usability and functionality and to replace the legacy system used within the acquired ConocoPhillips UK business was successfully implemented in early January 2020.

Chrysaor ensures the integrity of the data to support performance reporting and to meet statutory reporting obligations. Insights from this analysis provide a level of assurance that risk is being appropriately managed and statutory operational permit conditions are being met.

HSEQ Assurance

The effectiveness of the BMS is assured through a structured programme of audits coordinated by the HSEQ function supported by the Group Internal Audit function. These include procedural compliance audits led by onshore technical specialists, operational self-verification planned and delivered by offshore leadership, and audits of vendors and suppliers of safety critical equipment and activities.

The Group Internal Audit function also conducted an audit of HSEQ processes and found these to deliver robust assurance.

A number of staff have successfully completed the ISO9001 5-day 'Lead Auditor' course providing a broad range of expertise, enabling achievement of consistent and high-quality audit outcomes.

"A health and wellbeing campaign is in place for all personnel."

Transparency Disclosure

Chrysaor is committed to prompt disclosure and transparency in all tax matters and has met all applicable statutory requirements in this respect. This includes the disclosures and submissions that have been made to comply with the requirements of the Extractives Industry Transparency Initiative (EITI), Country-by-Country Reporting (CBCR) and the 2014 Reports on Payments to Governments Regulations (PTG), which implemented the requirements of the EU's Accountancy and Transparency Directives into UK law.

Companies Act 2006 Miscellaneous Reporting Regulations Section 172 (S172)

Recent corporate governance reforms have increased the focus on stakeholder engagement, because of reforms introduced pursuant to Section 172(1) of the Companies Act 2006 (CA 2006).

As a Cayman-registered company, Chrysaor Holdings Limited is not itself subject to CA 2006 but in line with its culture and vision, the Group has chosen to include a S172 statement to illustrate our ongoing commitment to our stakeholders and shareholders, as well as to lay the foundations for a number of Group companies which meet the qualifying conditions for reporting.

In discharging the S172 duties, the directors acted in the way they considered, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so had regard to:

- The likely consequences of any decision in the long term
- The interests of employees
- The need to foster business relationships with suppliers, customers and others
- The impact of operations on the community and the environment
- The desirability of maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company

How the Board Engages with Stakeholders

The Board considers and discusses information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of our wider stakeholder community (as further described in Part 2: Stakeholder Engagement below). It also reviews strategy, financial and operational performance as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting, and through in-person presentations.

The Board acknowledged the need to balance the contrasting and at times, conflicting interests of our various stakeholder groups, whilst focusing on the Group's purpose, Core Values and strategic priorities in key decision-making.

Part 1: Engagement in Action

Acquisition of the ConocoPhillips UK business.

Summary of decision:

- Chrysaor is continually active in reviewing potential acquisitions and in April 2019, it signed an agreement to acquire the ConocoPhillips UK business for the headline price of $2.675 billion.
- The deal was completed on 30 September 2019, following the receipt of all necessary regulatory approvals.

i *Signpost: more on the background to the acquisition can be found in the 2019 Market Review (**section 1**)*

Stakeholder Considerations:

This acquisition materially changed the size and nature of Chrysaor. It therefore impacted all areas of the business and its stakeholders.

- **Shareholders:** shareholders, as represented by directors on the Chrysaor Board, considered in detail, and ultimately approved, the acquisition at board meetings. The portfolio was considered a good fit with the existing Chrysaor portfolio and provided for a greater overall balance of operatorship, reserves and production split between oil and gas as well as acquiring a highly experienced workforce.
- **Lenders:** Chrysaor sought the approval and funding of the existing lending syndicate and utilised four relationship banks as underwriters to the deal; this meant that the Group was able to secure committed funding for the acquisition from existing cash resources as well as an upsized $3 billion Reserve Based Lending debt facility.
- **Workforce:** during the six-month transition phase between signing and completion of the deal, both workforces were focused on ensuring operational readiness at completion. Employee engagement was a top priority with numerous consultations and onboarding sessions held with and for the new workforce joining Chrysaor. On completion of transition, a dedicated integration team was in place to manage the coming together of the two businesses post-completion. This team consists of representatives from the business to deliver a single end state organisation, operating model and systems. With a sustained focus on workforce engagement, the Board expects this to be achieved by the end of 2021.
- **Regulators:** Regulators were actively involved and informed throughout the process; approvals were sought at the outset and favourable responses were received from the Oil & Gas Authority (OGA) in relation to the acquisition, which assisted the Board in its decision-making.
- **Joint Venture (JV) Partners:** JV partners were notified early on as to the changes of ownership on various assets and Chrysaor taking over operatorship on Greater Britannia Area and J-Area fields.
- **Vendors:** key contracts were put in place to ensure systems ran smoothly post-completion for the Group's supply chain teams and to prepare them for a greater scale of business operations and associated necessary support services.
- **Governments and Environmental Groups:** following the acquisition, Chrysaor's decommissioning liabilities have increased significantly. The Group is committed to a programme that ensures the safe and effective removal of infrastructure and environmental restoration in compliance with legal and regulatory requirements, as well as safe and responsible production and drilling operations.

Long-Term Impact:

- Chrysaor is supported by permanent private equity capital that is not time limited. As a result, the Group can focus on the long term.
- The transaction was significant for the UK industry as Chrysaor is now the leading UK oil and gas producer and a champion of the UK Continental Shelf. The Board believes that the Group is well-placed to support the OGA's Maximising Economic Recovery (MER) initiative given the Group's commitment to allocate capital to the UK.

Part 2: Stakeholder Engagement

Positive stakeholder relations and their management are vital to Chrysaor's business and it is essential that we provide sufficient attention to their wider stakeholder interests. Chrysaor has a large number of internal and external stakeholders as illustrated in Chrysaor's Stakeholder Map.

Chrysaor's Stakeholder Map

Internal	External	
Shareholders	Regulators and Government Bodies	Joint Venture Partners
Staff	Lenders	Customers
Contractors	Vendors and Suppliers	Non-Governmental Organisations
	Statutory Auditors	Professional Advisors
	Media/News Organisations	Environmental Groups

Who? Stakeholder Group	Why? Why is it important to engage?	How? How management and/or directors engaged with stakeholder
Stakeholders	• The Board is accountable to shareholders for the delivery of the Group strategy and performance. • Chrysaor's key shareholder, Harbour Energy, is also the largest investor, providing the Group with continued access to permanent capital to carry out material acquisitions and helping the Group reach its strategic goals to grow organically, as well as through acquisitions within a defined geographical area.	• Shareholders are represented by their Board members. • There is regular and effective communication, as well as provision of relevant and timely information to shareholders for the purposes of strategic and business decision making.
Lenders	• Chrysaor has strong support from the international banking community, which is testament both to the quality and diversity of the current portfolio and strength of the Board and management team. In addition, there is the junior debt facility provided by Shell from the 2017 acquisition. • Chrysaor actively engages and works with all its financing partners to realise its strategic objectives. Chrysaor's senior debt is a Reserves Based Lending (RBL) facility provided by a syndicate of 19 global financial institutions.	• The debt facilities have governing documents which have regular reporting requirements that the Group adheres to. • Chrysaor delivers a presentation to its lending community annually, with full management representation and openness as to the current performance, position and cashflow of the business and future strategy. These presentations are well attended and recognise the importance of nurturing these relationships.
Workforce	• Chrysaor's culture is based on a community of empowered and passionate people who deliver the Group's Business Principles through shared Core Values. • Following the acquisition of the ConocoPhillips UK business, the number of employees and contractors within the organisation increased substantially. • For management, this means a wider focus on people engagement, safety, effective leadership, communication and the recognition that Chrysaor's highly skilled workforce is key to business success. i *Signpost: see Organisation and Culture report (**section 3**)*	• The teams, whether onshore or offshore, all have direct access to Chrysaor's leadership and management, who listen and respond honestly, clearly and promptly. Communication is encouraged to be an all-round process, within and across all functions and externally. • Chrysaor uses a variety of media platforms to ensure employees are easily able to access and engage with company information. Leadership and executive members visit all sites on a regular basis. • By having an open and direct culture of two-way employee engagement, Chrysaor's workforce is involved, committed and empowered to make a strong contribution to the Company's success.

Who? Stakeholder Group	Why? Why is it important to engage?	How? How management and/or directors engaged with stakeholder
Regulators	• As a major producer, employer and representative of the UKCS, Chrysaor also has a responsibility to maintain good relations with regulators and to work quickly to resolve any issues. • Chrysaor recognises the importance of regular and meaningful engagement with regulators, who provide guidance for industry players towards safer and more efficient operations; these include the Oil & Gas Authority (OGA), Offshore Petroleum Regulator for Environment and Decommissioning (OPRED), the Offshore Safety Directive Regulator (OSDR) and the Health and Safety Executive (HSE).	• Regulators are kept informed of major business changes. The requirements to deliver a safe onshore and offshore working environment is contained in the Business Management System (BMS), which holds the Group's mandatory policies, standards, guidelines and procedures and allows the Group to meet the requirements of International Standards ISO9001 and ISO14001. • The Regulators also request feedback on various issues and provide views on certain industry-wide topics. This ensures that regulator guidance is appropriately informed, relevant and balanced.
Joint Venture Partners	• The industry is founded on working in joint ventures with other exploration and production companies. Partner engagement is therefore imperative to ensure the operational, commercial and financial aspects of working together is done in the most effective and respectful way to maximise the efficiency and value from the assets over the long-term.	• The licence operator has primary responsibility for managing all aspects of the licence and its assets on behalf of the other partners and regulatory bodies. • The operator is responsible for managing operations in a safe and responsible manner with regard to legal, regulatory and licence governing agreements. The operating agreements require regular operational and technical meetings with partners to manage and review asset and performance plans. • Engagement with partners occurs at many levels and it is essential for technical and economic success, which is facilitated by shared views and resources.

Who? Stakeholder Group	Why? Why is it important to engage?	How? How management and/or directors engaged with stakeholder
Government and Environmental Groups	• There has been significant acceleration from various quarters in civil society to support a transition to a low carbon economy and Chrysaor is focused on being a key contributor in this transition. • Oil and gas companies increasingly need to demonstrate alignment with the objectives of the UK Climate Change Act 2008 and the 2015 Paris Agreement and endeavour to minimise carbon emissions as far as practicable to meet these goals. • It is more important to maintain a clear and open dialogue with various government and environmental groups to ensure that the requirement for hydrocarbons is met in an environmentally responsible way.	• As a leading E&P company in the North Sea, Chrysaor recognises the growing challenge posed by climate change. The world faces a dual challenge of meeting increased demand for cheap, reliable and safe energy, while at the same time reducing emissions of carbon dioxide and greenhouse gases. • The Group is currently working with governments and the wider industry to ensure it is consistent with the Paris climate goals. • The Group has relationships with regulatory bodies responsible for best practice and emerging technology in order to scope collaboration opportunities. • The Group ensures that it interacts with environmental groups and the media in an honest and transparent way and it continues to work hard to understand and report its impact within the context of climate change.
Vendors	• Vendors are a critical stakeholder in the provision of goods and services in the value chain. It is essential that the Group has good and effective relationships to ensure the continuity of day-to-day business for the long term and alignment with customs and fiscal requirements and reporting.	• Chrysaor hosts regular engagement sessions with vendors and contractors covering business performance reviews, business plan/work programmes and ways of working. • Chrysaor is represented on several industry discussion and lessons-learned forums for the purpose of sharing information for the benefit of the industry. • The Group has also implemented a quarterly contractor HSEQ forum to review incidents with a view to enhancements.
Customers	• Chrysaor has a small number of corporate customers to whom it sells its liquids and gas under sales and liftings agreements. • Given this small population, it is important to engage to ensure the quality and integrity of these relationships.	• Chrysaor meets with its corporate customers on a regular basis to review performance of the contracts and consider any improvements that could be made to enhance performance and pricing.

Corporate Governance

13. The Board

Linda Cook
Non-Executive Chairman

Linda Cook is Non-Executive Chairman. She is also Managing Director and a member of the Executive Committee of EIG Global Energy Partners, and Chief Executive Officer of Harbour Energy. 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 the company, she held positions including Chief Executive Officer of Shell Gas & Power (London and The Hague); Chief Executive Officer of Shell Canada Limited (Calgary); Executive Vice President Strategy & Finance for Global Exploration & Production (The Hague); and various U.S. Exploration & Production management, operational and engineering roles. She received a B.S. in Petroleum Engineering from the University of Kansas and is currently a Trustee for the University's Endowment Association, a member of the Society of Petroleum Engineers and a Director on the Board of Bank of New York Mellon.

Phil Kirk
Chief Executive Officer

Phil Kirk is Chief Executive Officer of the Chrysaor Group. After qualifying as a chartered accountant with Ernst & Young in 1991, he joined Hess in 1996 where he served a variety of roles including Head of Finance, North West Europe. In 2002, he set up CH4 Energy with two ex-colleagues where he was joint Managing Director. CH4 acquired and operated the Markham field and associated satellites on the UK/Dutch median line. After selling CH4 to Venture Production in 2006, he founded Chrysaor in 2007 and has led the Group since then. He has been a member of the Board of Oil and Gas UK since 2013 and is currently co-chair of the Advisory Council and the Board. Phil is a a past co-chair of the OGA UK Exploration Board, one of six boards responsible for driving the industry's response to the OGA's MER UK (maximising economic recovery) strategy. Phil is also a Fellow of the Energy Institute.

Andrew Osborne
Chief Financial Officer

Andrew Osborne joined Chrysaor as Chief Financial Officer in 2012. Previously 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. He has acted as an advisor to most members of the UK E&P Independent sector and has a depth of experience in advising early stage E&P companies, going on to create significant returns for shareholders. He has extensive knowledge and experience of energy debt and equity capital markets. He led the financing for both Chrysaor's $3.8bn acquisition of a material portfolio of UK assets from Shell and the $2.675bn acquisition of ConocoPhillips UK upstream business. His knowledge in this area is key, as the Group looks to finance future growth activities.

Mark Brown

Non-Executive Director

Mark Brown is a Non-Executive Director. He led the management buyout of Barclays Natural Resource Investments private equity business, renamed Global Natural Resources Investments. He currently serves as Managing Partner.

Bob Edwards

Non-Executive Director

Bob Edwards is a Non-Executive Director. He currently serves as a Partner of NGP Energy Capital and is a former Partner of the Energy Practice at McKinsey & Company and was an executive at BP, Marathon, and Brown & Root International.

Steven Farris

Non-Executive Director

G. Steven Farris is a Non-Executive Director. He served as Chairman and Chief Executive Officer of the Apache Corporation with operations in the United States, Canada, the UK sector of the North Sea, Egypt, and Australia. He was named Chairman of Apache in January 2009, upon the retirement of company founder Raymond Plank. He was promoted to President in 1994 and Chief Executive Officer in May 2002. He joined Apache in June 1988 as Vice President of Domestic Exploration and Production and was promoted to Senior Vice President in May 1991. Prior to joining Apache, he was vice President, Finance and Business Development, of Terra Resources, a subsidiary of Sempra Energy.

Andrew Jamieson

Non-Executive Director

Andrew Jamieson is Non-Executive Director. He has served as a Director of Hoegh LNG since 2009 and previously served on the Board of Woodside Energy. He retired from the Royal Dutch Shell plc in 2009 where he has served as Executive Vice President Gas & Projects and Member of the Gas & Power Executive Committee since 2005. At Shell he held positions in The Netherlands, Denmark, Australia and Nigeria. Andrew holds a Ph.D. degree from Glasgow University.

Terence Jupp
Non-Executive Director

Terence Jupp is a Non-Executive Director. He is also Chief Operating Officer for Harbour Energy. He has more than 30 years of international experience in the upstream oil and gas industry and has held numerous executive positions. Most recently, he was Chief Operating Officer for CASA Exploration. Prior to this, he was Vice President, International Operations for Anadarko Petroleum, served with Kerr-McGee Oil & Gas as Vice President for International Exploration and Production, Vice President and Managing Director for the UK North Sea, Vice President for US Onshore Exploration & Production and Director of Deepwater Development for the Gulf of Mexico. He is a graduate of Texas A&M University with a Bachelor of Science degree in Petroleum Engineering and is a Registered Professional Engineer in the State of Texas. He serves on the Board of Directors of Dril-Quip Inc. (NYSE: DRQ).

David Powell
Non-Executive Director

David D. Powell is a Non-Executive Director. He is also Chief Financial Officer (CFO) for Harbour Energy. Most recently, he was CFO at Cobalt International Energy and prior to that was Chief Financial Officer of the Petroleum Group for BHP Billiton. Prior to joining BHP Billiton, he spent 28 years at Occidental Petroleum primarily in progressively more senior finance positions culminating in the role of VP Finance of their U.S. oil and gas operations. He has extensive international oil and gas experience having held finance and operational roles in Latin America, Russia, Asia, the Middle and Far East. He has extensive acquisition integration experience having been involved in five multi-billion US dollar transactions. He graduated Summa Cum Laude from William Jewell College with a Bachelor of Science degree in Accounting. He is a member of the AICPA and has completed the Advanced Management Programme at the Harvard Business School.

R. Blair Thomas
Non-Executive Director

R. Blair Thomas is a Non-Executive Director. He is also Chief Executive Officer of EIG, as well as Chairman of the Investment Committee and the Executive Committee. EIG was formerly part of Trust Company of the West where he was a Group Managing Director and a member of the Board of Directors of TCW Asset Management Company. Prior to joining EIG in 1998, he was a senior investment officer with the Inter-American Development Bank and a project finance attorney at the law firm of Brown & Wood in New York and worked in the White House of President George H. W. Bush as an advisor on energy and budget policy.

14. Governance and Compliance

The Chrysaor Board continues to develop a good governance framework supported by the Group's clear vision, strategy, Core Values and Business Principles, which come together to ensure successful delivery of strategy and performance for the long-term benefit of all stakeholders.

As part of corporate governance enhancements, the Board adopted the Wates Corporate Governance principles for large private companies, effective 1 January 2019, since it regarded these as being the most appropriate framework for the Group. This adoption was in line with the requirements of the UK Government's new Miscellaneous Reporting Requirements.

Principle	Application
1. Purpose and Leadership **"An effective Board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose."**	• The Chrysaor Board has a clear vision and strategy, Core Values and Business Principles which are regularly communicated to stakeholders and demonstrated through the day-to-day activities of Executive Directors. Based on this, management has developed a culture that has been embedded amongst employees and stakeholders since the previous acquisition in 2017. This helps to facilitate the good governance framework that is in place and which is continually reviewed and enhanced i *Signpost: see Organisation and Culture report (**section 3**)*

Principle	Application
2. Board Composition **"Effective Board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the company."**	• The experience of the Board is diverse with a wide range of knowledge and functional skills across the exploration, production and financial industries. The composition of the Board provides for a balanced, independent and accountable approach to the ultimate aim of the business of delivering superior equity returns and growth i *Signpost: a biography for each Board director can be found in The Board (**section 13**)* • The Chrysaor Board is led by Non-Executive Chairman, Linda Cook and further comprises seven Non-Executive Directors and two Executive Directors. The roles of the Chairman and Chief Executive Officer are separate to ensure a balance of responsibilities and decision making • The Chairman is responsible for the effectiveness of the Board, ensuring constructive discussions take place and that through the Executive Directors, Board members have necessary and timely information to facilitate meaningful discussions • The directors are appointed by the investing shareholders and therefore have a clear understanding of shareholder interests and the business needs. This provides independence combined with the directors' skills sets • To reflect changes in ownership interest during the year, Harbour Energy appointed two further directors to the Board in 2019 and the representative for Chromar LP, John Hogan, resigned. The increase in Board members is reflective and appropriate for the Group's current size and nature • The directors have equal voting rights for decision-making, except the Chairman who has the casting vote • Governance is provided by the Shareholders' Agreement and therefore decisions are executed by the Board rather than through committees • The Board met nine times in 2019 and all meetings were attended by all directors
3. Directors' Responsibilities **"The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge."**	• The Board has a collective responsibility for governance and the delivery of the long term success of the Group on behalf of its shareholders. The Board approves strategy and ensures the Group is provided the appropriate direction and resources to meet strategic goals • The Board is accountable to the shareholders for the delivery of the Group strategy and performance. The Chrysaor Board meets on a regular basis to review business performance, to set strategic goals and determine key policies for the effective operation of the business in an ethical and legally compliant manner. The Board also considers assurance and compliance activities and risk management functions • The Board receives comprehensive, quality and timely information on a monthly basis and for Board meetings. This covers all aspects and activities of the business supported by Key Performance Indicators via the scorecard, which underpins annual bonuses. All Executive Directors and employees are remunerated on the same scorecard performance • Information provided to the Board must be of integrity and appropriately qualified professionals provide the Board report. The information provided to the Board is also subject to review and external audit, where appropriate • The internal controls environment is under the custody of appropriate function heads. This is subject to review by the internal audit function based on a Board agreed work programme • Matters reserved for the Board and for which they have responsibility are contained in Schedule 1 of the Subscription and Shareholders' Deed relating to Chrysaor Holdings Limited dated 30 January 2017. These matters range from, among other things, approving annual budgets, making changes to the constitutional documents or the capital structure of the Group, to arranging additional financing for the Group or entering into financial commitments on behalf of the Group, in each case above a certain threshold • The key activity of the year was the review and approval by the Board of the strategic acquisition of the ConocoPhillips UK business.

Principle	Application
4. Opportunity and Risk **"A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks."**	• The Board strategically reviews long-term value generating opportunities both through regular Board meetings and as part of the annual budget and three-year plan. The nearer-term opportunities are presented and discussed at monthly operational performance meetings, which are attended by the Executive Directors where discussion surrounds cost control, optimising capital investment and revenue cashflow management. The current Board approved plans indicate that the Group has a highly diversified and cash-generative portfolio that is able to self-sustain the Group in terms of value generating capital investment plans and ability to repay debts as they fall due • The Board provides oversight to risk management and ensures there is a balance between the targeted investment return and associated risk appetite of shareholders. The risk management systems are underpinned by a continuing focus on building a robust internal controls framework and supported by Chrysaor's Core Values and Business Principles, which set out Chrysaor's commitment to maintaining a high standard of integrity and ethical conduct. The Business Principles are supported by a clear organisational structure, roles and responsibilities and authority delegation to the appropriate level in the Group • Chrysaor has a number of key governance, policy and compliance documents, such as the Anti-Bribery and Corruption Policy, the Anti-Slavery and Human Trafficking Policy, as well as the Legal Compliance Standard and Manual. These documents are framed in line with UK legislation and modern industry practices and delivered through a bespoke Compliance Programme for the business. It is made clear to stakeholders that compliance is mandatory and where there are concerns then the Board prompts the visibility of any unethical or misconduct activities • Furthermore, the Business Management System (BMS) contains the Group's policies, standards, guidelines and procedures to ensure operations are carried out in a safe and reliable manner in accordance with regulatory requirements and good business practice i *Signpost: for more on the internal control framework and the BMS, see the Risk Management and Principal Risks reports (**sections 10 and 11**)*
5. Remuneration **"A Board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company."**	• The Board is responsible for setting remuneration for the Executive Directors and leadership team, which is reviewed annually and benchmarked bi-annually using independent external reviews to ensure employees are remunerated on an appropriate, fair and market-rate basis. The Group's remuneration structure consists of rewards dependent on role and experience and provides incentive structures aligned with the Group's long-term strategy, culture and values. The remuneration structures are transparent and balanced for all employees • The annual scorecard is a comprehensive performance tool, which includes business-wide operational and financial measures and risks therein. All Executives and employees are rewarded on the same scorecard performance basis. It is clear and straightforward such that individuals can see how their contributions and behaviours affect the corporate performance and reputation. The scorecard is reviewed and approved by the Board at the outset of the year through the budget process and reported monthly via the corporate intranet

Principle	Application
6. Stakeholders **"Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions."**	• Stakeholders are a key focus in Chrysaor's Core Values and Business Principles; the Group believes that doing the right thing in a professional but caring, respectful and honest way promotes and delivers a transparent organisation that stakeholders can trust. Therefore, regular engagement with all stakeholders to create and preserve value and manage risk is a key priority • All shareholders are represented by the Board members and there is regular and effective communication, as well as the provision of relevant and timely information to shareholders for the purposes of decision making • Chrysaor's workforce, whether onshore or offshore, are given direct access to leadership and management, through various media platforms and engagement processes, and the leadership always aim to listen and respond honestly, clearly and quickly. Staff has a confidential support service through which they can anonymously raise concerns with the assurance these will be addressed appropriately • The Board is focused on creating and maintaining strong relationships with all stakeholders. There is therefore active engagement with other major stakeholders, which include regulatory bodies, government authorities and environmental groups, financial institutions, vendors, joint venture partners and the workforce. Initiatives include the annual lenders presentation, suppliers' engagement days and an ongoing compliance programme. These are designed to ensure that reporting and compliance obligations are met, and that stakeholders' views are well-known and can be considered in decision making i *Signpost: further information in relation to stakeholder engagement is provided in our Section 172 Statement in Corporate Responsibility (**section 12**)*

Internal Audit

In recognition of the increased scope and complexity of the Group's operations and in line with best practice and corporate governance, the Board established an Internal Audit function during the year with the remit of providing independent assurance of the adequacy and effectiveness of Chrysaor's governance, risk management and internal controls.

The Group established the function with the Vice President of Internal Audit having unrestricted access and responsibility to the Board, meeting regularly with the Chairman of the Board. These meetings are without the presence of management to assess management's responsiveness to internal audit recommendations resulting from their work and to assess the effectiveness of Internal Audit.

Internal Audit's remit enables it to enquire into all areas of operation in pursuit of its objectives and it has free and unfettered access to personnel, management information and systems to carry out its work.

An initial internal audit plan was agreed by the Board during the year, which focused on providing assurance on core financial controls. By year end the initial audit plan had commenced and will extend into 2020. Detailed results of internal audits are reported to management and in summary to the Board, who also receive regular reports on the status of implementing the internal audit plan, recommendations resulting from these reviews and ensuring appropriate resources are in place to deliver an effective internal audit process.

To support delivery of the internal audit plan, an internationally recognised internal audit consultancy firm was appointed to provide resources for internal audit assignments and risk, control and assurance advice, reporting to the Interim Head of Internal Audit.

i *Signpost: the principal risks that management believe the Group is exposed to are described in the Principal Risks report (**section 11**)*

15. Regulatory Compliance

All the assets operated by Chrysaor are regulated by the Offshore Safety Directive Regulator (OSDR), a partnership between the Health and Safety Executive (HSE) and the Offshore Petroleum Regulator for the Environment and Decommissioning (OPRED) relating to health, safety and environmental matters.

Regulatory issues relating to licensing, exploration, development and the maximisation of economic recovery from the UKCS are dealt with by the Oil and Gas Authority (OGA).

The permits and consents required to legally facilitate Chrysaor's 2019 and 2020 production, drilling and decommissioning programmes have been a key focus of activity. Chrysaor uses a permit management system to ensure a systematic approach to the development and timely submission of applications to the relevant Regulator.

As installation, pipelines and wells operator and an employer, Chrysaor is responsible for the provision of a safe system and place of work at its onshore and offshore facilities. This expectation is delivered through the application of the Group's Business Management System (BMS). The contents of the BMS are continually under review and revision to ensure alignment with Chrysaor's Core Values, Business Principles and stated business and strategic objectives. Conformance with the BMS as demonstrated through audit and other assurance activities, remains the principal means by which Chrysaor demonstrates compliance with its statutory duties and business goals and objectives.

There were no serious incidents or accidents or regulatory non-compliances reported during the year, although a number of Oil Pollution Prevention Control (OPPC) permit non-compliances arising from a single enduring operational issue on the Lomond platform were reported to the regulator. There were 19 incidents meeting the criteria requiring a Report of an Oil and Gas Incident (ROGI) to be submitted to the OSDR across the combined organisation. The causes of these non-conformances were identified, and mitigations have been put in place to reduce the frequency and consequences of such events.

Directors' Report & Financial Statement

16. Directors' Report

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

Board of Directors

The directors who served the Company during the year and up to the date of the financial statements were:

Linda Cook	Non-Executive Chairman
Phil Kirk	Executive Director
Andrew Osborne	Executive Director
Mark Brown	Non-Executive Director
Bob Edwards	Non-Executive Director
Steven Farris	Non-Executive Director
John Hogan	Non-Executive Director (resigned 4 September 2019)
Andrew Jamieson	Non-Executive Director
R. Blair Thomas	Non-Executive Director
Terence Jupp	Non-Executive Director (appointed 4 September 2019)
David Powell	Non-Executive Director (appointed 4 September 2019)

The Board and directors reflect the governance and shareholder structure under the Shareholders' Agreements dated 30 January 2017.

Secretary

Howard Landes.

Results and Dividends

The Group's profit for the year after taxation amounted to $218.8 million (2018: $368.9 million). The directors do not recommend the payment of a dividend (2018: $nil).

Financial Instruments

The Group finances its activities with a combination of loans, cash and short-term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities.

Financial instruments can give rise to foreign currency, interest rate, credit, commodity price and liquidity risk. Information on these risks is set out above in the Strategic Report and note 25 to the financial statements.

During the year, the Group continued to enter into a combination of fixed price physical sales contracts and cash-settled financial commodity derivatives to manage the price risk associated with Group's future underlying oil and gas revenues. Back-to-back agreements were put in place for the derivative contracts with two subsidiaries of the Group, Chrysaor Limited and Chrysaor North Sea Limited.

Directors' Liabilities

At the date of signing these financial statements, the Group does not have any indemnity provisions to or in favour of one or more of its directors against liability in respect of proceedings brought by third-parties, subject to the conditions set out in the Companies Act 2006. The Group also maintains directors' and officers' liability insurance cover, the level of which is reviewed annually.

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 26 to the consolidated financial statements.

Disabled Employees

Chrysaor aims to provide an optimal working environment to suit the needs of all employees, including those of employees with disabilities. Chrysaor commits to support employees with disabilities enabling them to remain safely in continuous employment and aims to ensure that no individual suffers discrimination because of any protected characteristic.

Employees

Chrysaor is committed to creating diversity and inclusion in the workplace. The Group provides equal opportunities in employment, safeguarding and promoting a working environment where all employees can make best use of their skills, and where decisions are based on merit.

Chrysaor also provides training for existing and future managers on unconscious bias, diversity and inclusion. This ensures that they are not influenced by factors such as disability, gender, race, ethnic origin, colour, marital status, nationality, religion, sexual orientation or age.

i *Signpost: for further details on people engagement see the Vision, Organisation and Culture report (**section 3**)*

Stakeholder Engagement

Stakeholder engagement, including employees, is of paramount importance since these are the key relationships that underpin the success and sustainability of the Group. Further details on stakeholder engagement is provided in the Governance and Compliance report (section 14) under the adoption of the Wates Corporate Governance principles and employee engagement is discussed in the Organisation and Culture report (section 3).

i *Signpost: for further details on stakeholder engagement see the Governance and Compliance report (**section 14**)*

Streamlined Energy and Carbon Reporting

The requirements of the new streamlined Energy and Carbon Reporting requirements are included in the Sustainability Report (section 9). These disclosures describe the methodologies applied and the emissions and energy usage together with the selected intensity ratio for 2019 and prior year.

Statement of Directors' Responsibilities

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

The Shareholders' Agreement entered into on 30 January 2017 requires the directors to prepare financial statements for each financial year. Under that agreement, the directors have elected to prepare Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements are required to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the Group and Company financial statements the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group and Company.
- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Make judgements that are reasonable.
- Provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance.
- State whether the Group and Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

Post Balance Sheet Events

In February 2020, the Board approved a partial redemption of both the C Loan Notes and D Loan Notes which took place later that month. In total, the partial redemption was C Loan Notes $42.0 million and D Loan Notes $4.9 million.

In response to the COVID-19 outbreak, the Group has mobilised its Crisis Management and Business Continuity Teams through which business operations are managed with the top priority being the safety of the workforce. The Group has carried out a review of operational activities for the year and will reduce the level of work to undertake only what is necessary to keep the workforce safe and to maintain continuing safe operations in all locations for as long as is necessary.

Commodity prices have fallen significantly during 2020. The review of activities for the year will result in operating expenditure being reduced reflecting the lower level of activities and the Group will also significantly reduce capital expenditure. The expectation is that the Group will continue to generate positive free cashflow after interest and tax.

Going Concern

The directors have adopted a going concern basis of accounting for the preparation of the financial statements. Cash flow forecasts and sensitivities are prepared and reviewed by management on a regular basis, with sensitivities typically run for changes in commodity prices and asset performance. These models and sensitivities provide assurance that the Group will be able to meet its cash flow and funding requirements, as well as adhere to financial and liquidity covenants.

Chrysaor's management forecasts show that for the next 12 months and the foreseeable future, the Group will be able to operate and generate sufficient operating cash flow to sustain investment in discretionary capital projects, as well as repay debt as it falls due.

Other Information

The Group made no political contributions or any share buybacks in the year.

Disclosure of Information to the Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the Group's auditors, each director has taken all the steps they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board
Andrew Osborne (Director)
22 April 2020

Independent Auditors' Report to the Directors of Chrysaor Holdings Limited

Report on the Audit of the Financial Statements

Opinion

In our opinion, Chrysaor Holdings Limited's Group financial statements and Company financial statements (the "financial statements"):

- Give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's profit, the Company's loss and the Group's and the Company's cash flows for the year then ended, and
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 December 2019; the consolidated and Company income statement and statements of comprehensive income, the consolidated and Company statements of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Separate Opinion in Relation to IFRSs as Issued by the IASB

As explained in note 2 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) 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

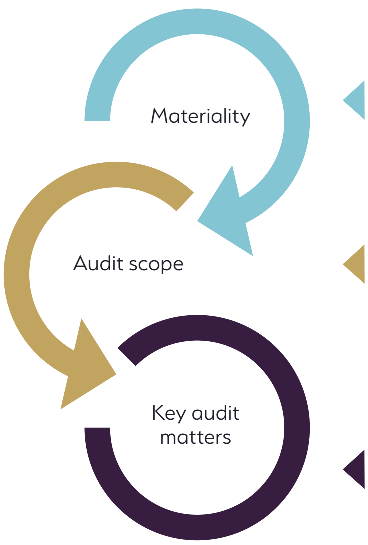
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Context

Chrysaor Holdings Limited is an independent oil and gas company operating principally in the UK North Sea. On 30 September 2019, the Group acquired the ConocoPhillips UK business. The Group now operates through 37 legal entities. For accounting purposes, the Group is structured into nine reporting units (components). Our audit was planned to take into account the impact of oil and gas market conditions, the trading performance for the year and the additional acquisition on the results and activities of the Group.

Overview



- Overall group materiality: $113.5 million (2018: $18.5 million), based on 1 percent of Total Assets.
- Overall company materiality: $11.1 million (2018: $9.2 million), based on 1 percent of Total Assets.

- We conducted full scope audits on two components and the audit of specified balances and classes of transactions on a further three components.
- The scope of work at each component was determined by its contribution to the Group's overall financial performance and its risk profile.
- The Group engagement audit team performed the audit procedures over the five in scope components.
- The five components where we performed audit work accounted for approximately 95 percent of Group revenue.

- Accounting for Decommissioning liabilities – Group (Note 21).
- Purchase price allocation on the acquisition of the ConocoPhillips UK Business – Group (Note 15).
- Implications of COVID-19 outbreak and current oil & gas market conditions – Group and Company (Directors report and Note 29).

The Scope of our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Accounting for decommissioning liabilities - Group (Note 21) Decommissioning provisions are inherently subjective given they are based on estimates of costs that will be settled in the future. Decommissioning provisions are also affected by changes in estimated costs, oil and gas reserve estimates, discount rates and the estimated date on which production is forecast to cease. We focused on this area as it involves complex and subjective judgements about the future decommissioning plans of both Chrysaor and of the Operators of fields in which Chrysaor has a non-operating interest.	Our audit procedures included the following: • We have tested the models used by management to determine the decommissioning cost estimate, including testing the integrity of the model for mechanical and mathematical accuracy. • We have tested the reasonableness of management's discount rate and inflation rate used for the decommissioning provision. We involved our valuation specialists to corroborate the appropriateness of the rates used by forming an independent view of the rate using third party source data to calculate a range of acceptable rates and comparing this to the rate used by management. • We assessed the objectivity and competency of the internal specialist utilised by management in relation to the cost estimates. • We have assessed the expected cessation of production dates to confirm they were consistent with the valuation model used for the impairment assessment of goodwill. • We obtained evidence for and assessed significant inputs into management's model including rig rates, plug and abandonment costs and infrastructure removal. • We compared management's assumptions against third party reports. • We corroborated the movements in the provisions to supporting evidence. • We considered the accounting treatment of decommissioning and disclosures under IFRS criteria, to conclude whether these were appropriate in all circumstances. Based on the work performed we conclude that the valuation of the decommissioning provision has been appropriately determined and in accordance with IAS 37 and we reviewed the disclosures provided in the financial statements to ensure compliance with IAS 37.
Purchase price allocation of the ConocoPhillips UK business – Group (Note 15) The Group's acquisition of the ConocoPhillips UK business completed on 30 September 2019. The headline consideration for the acquisition was $2.675 billion. Oil and Gas assets acquired were valued at $4.249 billion and goodwill of $908 million was recognised. The Group was required to complete an acquisition accounting exercise in accordance with IFRS 3. This comprised determining the fair value of the consideration payable and allocation of the consideration across the various identifiable assets and liabilities acquired, intangibles assets and any resultant goodwill. Management used internal experts to assist them in the exercise in the areas of oil and gas asset valuation. This was an area of focus given the material values associated with the acquisition and the nature of judgements and assumptions management were required to make in determining the associated fair value of the assets acquired.	We reviewed the approved sale and purchase documents. We performed audit procedures over the material balances in the ConocoPhillips UK balance sheet at the date of the acquisition. With support from our valuation experts, we obtained an understanding of the methodology applied in allocating the purchase price across the oil and gas assets, liabilities acquired, intangible assets and resultant goodwill. This included discussions with management's internal experts and understanding and assessing the scope of the expert's work. In conjunction with our valuation experts, we benchmarked and challenged the key assumptions in the valuation models, including the discount rate, oil price, foreign currency rates against our own internal data. We compared the forecasts used within the oil and gas asset valuation model to the supporting business plan as at the time of the acquisition. We understood and assessed the basis for the fair value adjustments attributed to the assets and liabilities acquired and tested these adjustments to supporting documentation. We tested the disclosures in the financial statements and checked for compliance with IFRS 3 'Business Combinations'. Based on our work performed, we consider the fair value adjustments on the assets and liabilities, and the valuation of intangibles assets acquired and goodwill arising, to be appropriate and we reviewed the disclosures provided in the financial statements to ensure compliance with IFRS 3.

Key audit matter	How our audit addressed the key audit matter
Implications of the COVID-19 outbreak and current oil and gas market conditions - Group and Company (Directors report and Note 29) There is a growing global impact of COVID-19, which has affected business and economic activity, including the UK where the Group operates. The range of the potential outcomes are difficult to predict, but potentially include a prolonged global recession and long-term decreases in commodity prices, including oil and gas. The Group is monitoring the COVID-19 outbreak developments closely and is following the guidance and abiding by the requirements of the United Kingdom Government. However, the virus has the potential to cause disruption to the Group's operational activities and impact earnings, cash flows and financial conditions. The Group has made an assessment of the impact of these factors on its operations and, in particular, the Group and Company's ability to continue as going concerns by preparing detailed working capital projections for 2020 and 2021, including modelling downside scenarios. Based on management's review of operations, contingency planning and working capital projections (including scenario modelling), management believe the Group and Company are adequately positioned to maintain the continuity of operations and have sufficient financial resources to meet their obligations as they fall due for at least 12 months from the date of this report. Given the uncertainties and potential implications on the global economy, and hence the Group and Company, resulting from the COVID-19 outbreak and oil and gas price pressures, we have assessed this as a key audit matter.	To assess the adequacy of management's disclosure of the potential impact of current economic conditions related to the COVID-19 outbreak and pressures on commodity prices on the Group's financial position and operations, we performed the following: We evaluated management's downside scenarios, including a worst-case scenario, and challenged their adequacy and underlying assumptions. • Including the level of reduction in oil and gas price curve used in the scenarios. • The period of such reduction and the timing and rate of any anticipated price recovery. • Consequences for the Group's supply chain and ability to procure required goods/ services. • Ability of the workforce to carry out duties, including potential restrictions on movements. • The availability of drawdown facilities and future production volumes hedged. We examined supporting evidence for the reduction in non-essential capital expenditure included within the forecasts to corroborate their reasonableness, including an assessment of the Directors' ability to take actions to implement these mitigations if necessary. On the basis of the procedures above, we evaluated the level of forecast liquidity and agreed with management's assessment that there would likely be a sufficient level of working capital throughout the period to the end of December 2021. We read management's disclosures in the financial statements in relation to the impact of COVID-19 and are satisfied that they are consistent with the assessment performed and correctly identify COVID-19 as a non-adjusting post balance sheet event. Our conclusions relating to going concern are included below.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How We Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Chrysaor is a UK North Sea independent oil and gas company with a diversified portfolio of interests in production hubs in the UK and Norwegian North Sea. Prior to September 2019, they operated three hubs and had interests in five non-operated fields. As a result of the acquisition of the ConocoPhillips UK business in September 2019, they now operate five hubs and have interests in eight non-operated fields. The new Group operating structure is through 37 legal entities. For accounting purposes, the group is structured into nine reporting units (components). Our audit was planned to take into account the impact of market conditions on the results and activities of the Group.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

	Group financial statements	**Company financial statements**
Overall materiality	$113.5 million (2018: $18.5 million).	$11.1 million (2018: $9.2 million).
How we determined it	1 percent of Total Assets.	1 percent of Total Assets.
Rationale for benchmark applied	This year the benchmark was changed from profit before tax used in the prior year to total assets. As a result of the acquisition of ConocoPhillips UK on 30 September 2019, a full year's balance sheet is being consolidated versus three months' trading balances. The balance sheet benchmark was therefore deemed to be the most appropriate and is a generally accepted auditing benchmark.	We believe that Total Assets is the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $72.5 million and $110 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the directors that we would report to them misstatements identified during our audit above $5.67 million (Group audit) (2018: $0.92 million) and $0.56 million (Company audit) (2018: $0.46 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 74, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Directors of Chrysaor Holdings Limited

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.

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

Use of This Report

This report, including the opinion, has been prepared for and only for the company's directors as a body for fulfilling your obligation in accordance with our engagement letter dated 29 October 2019 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Partner Responsible for the Audit

The engagement partner on the audit resulting in this independent auditors' report is Kevin Reynard.

PricewaterhouseCoopers LLP

Kevin Reynard
PricewaterhouseCoopers LLP
Chartered Accountants
Aberdeen
24 April 2020

Consolidated
Income Statement

For the year ended 31 December	Note	2019 $000	2018 $000
Revenue	4	2,357,789	1,965,602
Other income	4	8,995	-
Revenue and other income		2,366,784	1,965,602
Cost of sales		(1,516,498)	(1,120,867)
Gross profit		850,286	844,735
Exploration and evaluation expenses	5	(15,033)	(7,917)
Exploration costs written-off	5	(222)	(10,731)
Remeasurements	5	2,974	810
General and administrative expenses		(75,488)	(24,687)
Operating profit		762,517	802,210
Finance income	7	31,611	46,484
Finance expenses	7	(338,570)	(270,293)
Profit before taxation		455,558	578,401
Income tax (expense)	9	(236,711)	(209,501)
Profit for the financial year		218,847	368,900

Consolidated
Statement of Comprehensive Income

For the year ended 31 December	2019 $000	2018 $000
Profit for the financial year	218,847	368,900
Items that may be classified to income statement in subsequent periods:		
Fair value (losses)/gains on cash flow hedges	(53,722)	447,840
Tax credit/(expense) on cash flow hedges	21,625	(179,584)
Share based payments (1)	10,905	-
Currency exchange differences	99,787	(20,763)
Total comprehensive income/(loss) for the year, net of tax	78,595	247,493
Total comprehensive income for the financial year	297,442	616,393
Total comprehensive income attributable to:		
Equity holders of the parent	297,442	616,393

(1) Only item above not expected to be reclassified subsequently to the income statement.

Company
Income Statement

For the year ended 31 December	Note	2019 $000	2018 $000
Other operating expenses		-	-
General and administrative expenses		(20,457)	(9,836)
Operating loss		(20,457)	(9,836)
Finance income	7	1,466	117
Finance expenses	7	(69,771)	(85,243)
Loss before taxation		(88,762)	(94,962)
Income tax credit	9	8,445	745
Loss for the financial year		(80,317)	(94,217)

Company
Statement of Comprehensive Income

For the year ended 31 December	2019 $000	2018 $000
Loss for the financial year	(80,317)	(94,217)
Share based payments	10,905	-
Total other comprehensive loss for the financial year, net of tax	10,905	-
Total comprehensive loss for the financial year	(69,412)	(94,217)
Total comprehensive loss attributable to:		
Equity holders of the parent	(69,412)	(94,217)

Consolidated
Balance Sheet

As at 31 December	Note	2019 $000	2018 $000
Assets			
Non-current assets			
Goodwill	10	1,404,334	493,084
Other intangible assets	11	430,528	58,929
Property, plant and equipment	12	7,679,606	3,743,825
Right of use assets	13	221,223	-
Other receivables	17	2,604	-
Other financial assets	24	202,230	191,514
Total non-current assets		9,940,525	4,487,352
Current assets			
Inventories	16	146,881	89,791
Trade and other receivables	17	474,118	231,530
Other financial assets	24	193,888	299,049
Cash and cash equivalents	18	573,182	316,311
Total current assets		1,388,069	936,681
Total assets		11,328,594	5,424,033
Equity and liabilities			
Equity			
Share capital	26	71	22
Share premium		910,020	234,801
Cash flow hedge reserve		176,123	219,678
Costs of hedging reserve		16,289	4,831
Currency translation reserve		76,605	(23,182)
Retained earnings		729,844	500,092
Equity		1,908,952	936,242
Total equity		1,908,952	936,242
Non-current liabilities			
Borrowings	23	2,205,322	1,709,317
Provisions	21	3,766,739	1,475,734
Deferred tax	9	1,649,290	768,746
Trade and other payables	20	52,375	-
Lease creditor	22	145,403	-
Other financial liabilities	24	3,663	75,486
Total non-current liabilities		7,822,792	4,029,283
Current liabilities			
Trade and other payables	20	676,436	296,434
Borrowings	23	617,363	95,572
Lease creditor	22	79,525	-
Provisions	21	183,081	-
Other financial liabilities	24	40,445	66,502
Total current liabilities		1,596,850	458,508
Total liabilities		9,419,642	4,487,791
Total equity and liabilities		11,328,594	5,424,033

The notes on pages 91 to 137 form part of these financial statements.

The financial statements on pages 82 to 137 were approved by the Board of Directors on 22 April 2020 and signed on its behalf by:

Andrew Osborne (Director)
Company No. FC027988; UK Establishment No. BR009700

Company Balance Sheet

As at 31 December	Note	2019 $000	2018 $000
Assets			
Non-current assets			
Amounts due from subsidiary undertakings	14	1,093,747	1,093,192
Total non-current assets		1,093,747	1,093,192
Current assets			
Trade and other receivables	17	22,133	18,660
Cash and cash equivalents	18	15,400	19,643
Total current assets		37,533	38,303
Total assets		1,131,280	1,131,495
Equity and liabilities			
Equity			
Share capital	26	71	22
Share premium		910,020	234,801
Currency translation reserve		(24,740)	(24,740)
Accumulated losses		(71,470)	(2,058)
Total equity		813,881	208,025
Non-current liabilities			
Borrowings	23	316,506	922,003
Total non-current liabilities		316,506	922,003
Current liabilities			
Trade and other payables	20	893	1,467
Total current liabilities		893	1,467
Total liabilities		317,399	923,470
Total equity and liabilities		1,131,280	1,131,495

The notes on pages 91 to 137 form part of these financial statements.

The financial statements on pages 82 to 137 were approved by the Board of Directors on 22 April 2020 and signed on its behalf by:

Andrew Osborne (Director)
Company No. FC027988; UK Establishment No. BR009700

Consolidated
Statement of Changes in Equity

	Share capital $000	Share premium $000	Cash flow hedge reserve $000	Costs of hedging reserve $000	Currency translation reserve $000	Retained earnings $000	Total equity $000
As at 1 January 2018	22	234,801	(43,747)	-	(2,419)	131,192	319,849
Profit for the financial year	-	-	-	-	-	368,900	368,900
Other comprehensive income/(loss)	-	-	263,425	4,831	(20,763)	-	247,493
At 31 December 2018	22	234,801	219,678	4,831	(23,182)	500,092	936,242
Profit for the financial year	-	-	-	-	-	218,847	218,847
Issue of new shares	49	675,219	-	-	-	-	675,268
Share based payments	-	-	-	-	-	10,905	10,905
Other comprehensive income/(loss)	-	-	(43,555)	11,458	99,787	-	67,690
At 31 December 2019	71	910,020	176,123	16,289	76,605	729,844	1,908,952

Company
Statement of Changes in Equity

	Share capital $000	Share premium $000	Currency translation reserve $000	Retained earnings/ Accumulated losses $000	Total equity $000
As at 1 January 2018	22	234,801	(24,740)	92,159	302,242
Loss for the financial year	-	-	-	(94,217)	(94,217)
At 31 December 2018	22	234,801	(24,740)	(2,058)	208,025
Loss for the financial year	-	-	-	(80,317)	594,951
Issue of new shares	49	675,219	-	-	675,268
Share based payments	-	-	-	10,905	10,905
At 31 December 2019	71	910,020	(24,740)	(71,470)	813,881

Consolidated
Statement of Cash Flows

For the year ended 31 December	Note	2019 $000	2018 $000
Net cash inflow from operating activities	27	1,518,661	1,447,842
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(82,634)	(28,801)
Expenditure on property, plant and equipment		(447,643)	(321,362)
Expenditure on business combinations and acquisitions net of cash acquired		(2,255,236)	(240,360)
Interest received		9,453	8,622
Net cash (outflow) from investing activities		(2,776,060)	(581,901)
Cash flows from financing activities			
Repayment of borrowings	23	(200,000)	(735,000)
Proceeds from new financing arrangement	23	29,600	20,400
Proceeds from share issue		4	-
Proceeds from new borrowings	23	1,843,275	-
Lease payments		(20,598)	-
Interest paid and bank charges		(143,914)	(132,825)
Net cash inflow/(outflow) from financing activities		1,508,367	(847,425)
Net increase in cash and cash equivalents		250,968	18,516
Effect of exchange rates on cash and cash equivalents		5,903	(1,746)
Cash and cash equivalents at 1 January		316,311	299,541
Cash and cash equivalents as at 31 December	18	573,182	316,311

Company
Statement of Cash Flows

For the year ended 31 December	Note	2019 $000	2018 $000
Net cash (outflow)/inflow from operating activities	27	(5,152)	19,524
Cash flows from investing activities			
Interest received		908	117
Net advances to subsidiary undertakings		-	-
Net cash inflow from investing activities		908	117
Cash flows from financing activities			
Proceeds of share issue		4	-
Interest paid and bank charges		(3)	-
Net cash inflow from financing activities		1	-
Net (decrease)/increase in cash and cash equivalents		(4,243)	19,641
Effect of exchange rates on cash and cash equivalents		-	(1)
Cash and cash equivalents at 1 January		19,643	3
Cash and cash equivalents as at 31 December	18	15,400	19,643

Notes to the Financial Statements

1. Corporate Information

The consolidated financial statements of Chrysaor Holdings Limited for the year ended 31 December 2019 which comprise the parent company, Chrysaor Holdings Limited (the "Company") and all its subsidiaries (the "Group"), were authorised for issue in accordance with a resolution of the directors on 22 April 2020. Chrysaor Holdings Limited is a private company limited by share capital incorporated in the Cayman Islands and domiciled in the United Kingdom. The Company's registered office is Ugland House, South Church Crescent, George Town, Grand Cayman.

The Group's and Company's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK and Norwegian Continental Shelves.

2. Accounting Policies

Basis of Preparation

The consolidated financial statements of the Company and Group have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union. The Group financial statements are presented in US Dollars (USD) and all values are rounded to the nearest thousand dollars ($'000) except when 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 and assets classified as held for sale which are carried at fair value less cost to sell.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. All accounting policies have been applied consistently other than where new policies have been adopted.

Basis of Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2019. Subsidiaries are those entities over which the Group has control. Control is achieved where the Company 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 percent owned by the Company and therefore the Group does not have any non-controlling interests.

All intercompany balances have been eliminated on consolidation.

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 in two geographical areas presently being the UK North Sea and the Norwegian North Sea.

Joint Arrangements

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. All interests in joint arrangements held by the Group are classified as joint operations.

In relation to its interests in joint operations, the Group recognises 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
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

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, except when hedge accounting is applied. 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 costs and are not retranslated. The resulting exchange differences are recognised as other comprehensive income or expense and are transferred to the Group's translation reserve.

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.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

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;
- 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 Payments; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and discontinued operations are measured in accordance with that Standard.

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. Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment. 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.

Goodwill, as disclosed in note 10, is reviewed for impairment at least annually by assessing the recoverable amount of the cash generating units to which the goodwill relates. Where the carrying amount of the cash generating unit and related goodwill is higher than the recoverable amount of the cash generating unit, an impairment loss is recognised.

Intangible Assets - Exploration and Evaluation Assets

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

(a) Pre-Licence Costs

Pre-licencing costs are expensed in the period in which they are incurred.

(b) Licencing 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 proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

(c) 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 proved 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.

(d) 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.

Property, Plant and Equipment – Oil and Gas Development and Production Assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells including unsuccessful development or delineation wells, 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. Until the adoption of IFRS 16 Leases, the capitalised value of a finance lease was included within property, plant and equipment within the Group's financial statements. Please refer to note 22 for further information on the IFRS 16 adoption.

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is provided using the unit of production method based on proven and probable reserves. When there is a change in the estimated total recoverable proven and probable reserves of a field, that change is accounted for prospectively in the depreciation charge over the revised remaining proven and probable reserves.

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 from its use or disposal. 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.

Other Property, Plant and Equipment

Non-oil and gas property, plant and 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 asset 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

Impairment of Non-Current Assets (excluding goodwill)

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the recoverable amount of the associated asset or cash generating unit, being the higher of the fair value less costs of disposal and value-in-use. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the difference is recognised in the income statement as an impairment charge.

Financial Instruments

(a) Financial Assets

The Company uses two criteria to determine the classification of financial assets: the Company's business model and contractual cash flow characteristics of the financial assets. Where appropriate the Company identifies three categories of financial assets: amortised cost, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVOCI).

Loans and Receivables

Loans and receivables are initially measured at fair value and 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 Company 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 Company 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). 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. 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 and 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.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

(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

As noted above, these financial liabilities are recognised initially at fair value plus directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

Derivative financial instruments are initially recognised and subsequently re-measured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with the Company'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

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Equity

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.

Cash Flow Hedge Reserve

This reserve (intrinsic & extrinsic) represents gains and losses on derivatives classified as effective cash flow hedges.

Currency Translation Reserve

This reserve comprises exchange differences arising on consolidation of the Group's operations with a functional currency other than the USD.

Share Based Payments

The Group has applied the requirements of IFRS 2 Share-based Payments. 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. For cash-settled awards, a liability is recognised for the goods or service acquired. 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

Hydrocarbon inventories are stated at net realisable value with movements recognised in the income statement. All other inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on first-in, first-out basis.

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 at the commencement of oil and gas production. 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.

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 reporting sheet date.
- 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.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when the Company 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 Company occurs when title passes at the point the customer takes physical delivery. The Company principally satisfies its performance obligations at this point in time.

Over/Underlift

Revenues from the production of oil and natural gas properties in which the Group has an interest with partners are recognised based on the Group's working interest in those properties (the entitlement method). 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 market value and included within payables or receivables respectively. Movements during the accounting period are recognised within cost of sales in the income statement such that gross profit is recognised on an entitlement basis.

Interest Income

Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate method.

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.

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 2019, including:

IFRS 16 Leases

The Group adopted IFRS 16 'Leases' from the effective date of 1 January 2019. IFRS 16 replaced the previous standard on accounting for leases, IAS 17, and the related interpretations. Transition to IFRS 16 was made in accordance with the modified retrospective approach and therefore, the prior year figures have not been adjusted.

As part of the project conducted on initial application, the Group used the practical expedient within the standard not to reassess whether a contract contains a lease and also not to recognise right of use (ROU) assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value.

The main effect on the Group is that IFRS 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases where the practical expedients above are not applicable.

From 1 January 2019, 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. These liabilities 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 with no break clauses exercised. These liabilities are discounted using the lessee's incremental borrowing rate as of 1 January 2019, 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. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.9 percent. 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 lease term on a straight-line basis.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

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 impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 22.

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 below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. This amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and to asset acquisitions that occur on or after the beginning of that period. Application of this amendment will be effective post EU endorsement.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Critical Accounting Judgements and Estimates

The preparation of the Group's and Company'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 and Company have identified the following areas where significant judgement, estimates and assumptions are required.

Exploration and Evaluation Expenditure

As at 31 December 2019, the Group held a balance of $425.3 million (2018: $52.5 million) relating to expenditure on unproved hydrocarbon resources within other intangible assets which represent active exploration and evaluation activities. The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of commercial reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the income statement in the period when the new information becomes available.

Key Sources of Estimation Uncertainty

Recoverability of Oil and Gas Assets

The Group assesses each asset or cash generating unit each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value-in-use. The assessments of fair value less cost of disposal requires the use of estimates and assumptions on uncontrollable parameters such as long-term oil prices (considering current and historical prices, price trends and related factors), foreign exchange rates and discount rates.

The Group's estimate of recoverable value of assets is sensitive to commodity prices, foreign exchange and discount rate. A reduction or increase in the long-term price and foreign exchange rate assumptions of 10 percent are considered to be reasonably possible for the purposes of sensitivity analysis. Management estimates indicate that a 10 percent decrease in commodity prices or a 10 percent decrease in the USD/GBP foreign exchange rate would not give rise to a material impairment charge.

Further, a 2 percent increase in the pre-tax discount rate would not give rise to a material impairment charge.

Decommissioning Costs

Decommissioning costs will be incurred by the Group at the end of the operating life of most of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including the expected timing, extent and amount of expenditure. On the basis that all other assumptions in the calculation remain the same a 10 percent increase in the cost estimates, and a 10 percent decrease in the discount rates used to assess the final decommissioning obligation, would result in increases to the decommissioning provision of approximately $466 million and $126 million respectively. This change would be principally offset by a change to the value of the associated asset.

Accounting for the Acquisition of the ConocoPhillips UK business

The Group acquired the UK business of ConocoPhillips on 30 September 2019 for a total consideration of $2.5 billion. The acquisition accounting for the transaction is set out in note 15 to the accounts and currently the value of consideration is still under negotiation in accordance with the terms of the sales agreement.

In completing the accounting, management have been required to make estimates relating to the fair value of the assets and liabilities acquired. In particular, estimates have been made in assessing the valuation of tangible and intangible oil and gas assets, and decommissioning liabilities. The fair value of net assets acquired are primarily determined using discounted cashflow techniques using available data at the time of acquisition. For oil and gas assets, the Group estimates future cash flows from an assessment of economically recoverable reserves and discounts them to present value using a rate reflecting market assessments at the time value of money and risks specific to the asset. Determining the fair value of oil and gas assets requires the Group to apply long term assumptions of commodity prices.

The Group assesses the fair value of decommissioning liabilities based on the expected timing, extent and amount of expenditure using data available at the time of acquisition. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The expected timing of expenditure can also change, and as a result there could be significant adjustments to the provisions which could affect future financial results.

Climate Change

The Group recognises that there may be potential financial implications in the future from climate change risk. The Group expects that climate change policies, legislation and regulation will increase, and likely on accelerating timelines which, although will result in intended benefits, is likely to increase associated costs and administration requirements, as well as potentially limiting the investment capital available to the industry. These in due course may well have an impact across a number of areas of accounting including impairment, fair values, increased costs, onerous contracts, contingent liabilities. However as at the balance sheet date the Group believes there is no material impact on balance sheet carrying values of assets or liabilities. Although this is an estimate, it is not considered a critical estimate, as management's view is that at the end of the current reporting period there is no significant risk of climate change resulting in a material adjustment to the carrying amounts of assets and liabilities, within the next financial year.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

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 the UK North Sea and the Norwegian North Sea. The Norwegian business unit currently does not generate revenue or have any material operating income, and as such all revenues are attributable to the UK.

Information on major customers can be found in note 4.

	2019 $000	2018 $000
Income statement		
UK	772,820	810,159
Norway	(10,303)	(7,949)
Group operating profit	762,517	802,210
Finance income	31,611	46,484
Finance expenses	(338,570)	(270,293)
Profit before income tax	455,558	578,401
Income tax expense	(236,711)	(209,501)
Profit for the financial year	218,847	368,900
Balance sheet (segment assets)		
UK	11,296,039	5,415,424
Norway	32,555	8,609
Total assets	11,328,594	5,424,033
Balance sheet (segment liabilities)		
UK	(9,404,440)	(4,477,140)
Norway	(15,202)	(10,651)
Total liabilities	(9,419,642)	(4,487,791)
Capital expenditure		
UK	574,342	409,104
Norway	5,670	762
Total capital expenditure	580,012	409,866

	2019 $000	2018 $000
Depreciation, depletion & amortisation		
UK	916,603	629,134
Norway	412	20
Total depreciation, depletion & amortisation	917,015	629,154
Exploration & evaluation expenses		
UK	5,052	1,994
Norway	9,981	5,923
Total exploration & evaluation expenses	15,033	7,917

All exploration costs written-off of $0.2 million (2018: $10.7 million) relate to the UK business unit.

4. Revenue and Other Income

Group	2019 $000	2018 $000
Crude oil sales	1,568,166	1,278,637
Gas sales	625,489	516,790
Condensate sales	145,501	154,823
Hydrocarbon revenue	2,339,156	1,950,250
Tariff and other revenue	18,633	15,352
Total revenue from production activities	2,357,789	1,965,602
Other income - IFRS16 lease accounting-partner recovery	8,995	-
Total revenue and other income	2,366,784	1,965,602

Revenue of $2,195.7 million (2018: $2,017.4 million) were from contracts with customers. This excludes realised hedging gains on crude and gas sales in the year of $162.2 million (2018: losses of $51.8 million). Approximately 97 percent (2018: 96 percent) of the revenues were attributable to energy trading companies of the Shell Group.

The revenues for 2019 reflect the three months of oil and gas production from the ConocoPhillips UK business following the acquisition described in note 15.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

5. Operating Profit

This is stated after charging/(crediting):

Group	2019 $000	2018 $000
Movement in over/under-lift balances and hydrocarbon inventories	26,249	50,772
Production, insurance and transportation costs	586,224	494,908
Depreciation of property, plant and equipment	923,613	626,357
Capitalisation of IFRS16 lease depreciation	(8,695)	-
Amortisation of intangible assets	2,097	2,797
Credit due to reduction in decommissioning provision	-	(44,485)
Share based payments expense	10,905	-
Exploration and evaluation expenditure	15,033	7,917
Exploration costs written-off (note 11)	222	10,731
Remeasurement of royalty valuation	(2,400)	(1,327)
Remeasurement of commodity price contingent consideration	7,199	734
Remeasurement of exploration contingent consideration	(7,773)	(217)
Auditors' remuneration		
– audit of the financial statements	1,357	466
– other fees to auditors - taxation services	400	533
Operating lease payments	-	949

Share based payments expense represents the cost of 660 M shares awarded to key management as remuneration. This charge is calculated based on the value paid by Harbour in purchasing these shares in November 2019. In prior years there was no shared based payment charge since the fair value was nil.

During 2015, the Group sold its entire interest in a pre-production development. Part of the consideration received was a beneficial interest in a royalty agreement. The remeasurement of this interest of $2.4 million (2018: $1.3 million) represents the updated valuation of the contingent consideration in respect of the royalty payments due to the Group (note 24).

During 2017, the Group acquired a package of assets in the UK North Sea from Shell. The transaction included provisions for additional payments to the sellers of up to $600 million and consideration refundable from the sellers of up to $100 million, dependent on future commodity prices over the four-year period ending 31 December 2021. These contingent payments and receipts represent derivative instruments, the remeasurement of which is recognised through the income statement (note 24).

Company	2019 $000	2018 $000
Auditors' remuneration – audit of the financial statements	25	21

6. Staff Costs

	Group 2019 $000	Group 2018 $000	Company 2019 $000	Company 2018 $000
Wages and salaries	82,479	54,262	-	-
Social security costs	12,408	6,910	-	-
Pension costs	11,173	6,836	-	-
Other staff costs including benefits	20,031	2,724	-	-
	126,091	70,732	-	-

	Group 2019 No.	Group 2018 No.	Company 2019 No.	Company 2018 No.
Offshore based	206	156	-	-
Office and administration	357	213	-	-
	563	369	-	-

Staff costs above are recharged to joint venture partners or are capitalised to the extent that they are directly attributable to capital or decommissioning projects. The above costs include share-based payments to key management as disclosed in note 5.

Employment contracts are held by two subsidiaries of the Group, Chrysaor E&P Services Limited, and Chrysaor Production (U.K.) Limited.

All employees were engaged in the acquisition, exploration, development and production of oil and gas reserves.

The Group operates a defined contribution pension plan and the amounts charged to the income statement represent the contributions payable in the year.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

7. Finance Income and Finance Expenses

Group Finance income	2019 $000	2018 $000
Bank interest receivable	9,345	8,622
Other interest	22,266	-
Foreign exchange gains	-	37,862
	31,611	46,484
Finance expenses		
Interest payable on Reserves Based Loan and junior facilities	83,955	99,914
Interest payable on loan notes	69,767	83,911
Other interest	3,072	3,924
Lease interest	2,541	-
Foreign exchange losses	82,171	-
Bank and financing fees	39,272	37,187
Unwinding of discount on deferred consideration	80	-
Unwinding of discount on contingent consideration	83	925
Unwinding of discount on decommissioning and other provisions	57,629	44,432
	338,570	270,293

Bank and financing fees include an amount of $15.6 million (2018: $17.3 million) relating to the amortisation of transaction costs capitalised against the Group's long-term borrowings (note 23).

Net other interest includes a $19.7 million credit (2018: $3.9 million charge) which represents interest under a financing arrangement (note 23).

Company Finance income	2019 $000	2018 $000
Bank interest receivable	908	117
Interest receivable on loans with subsidiaries	-	-
Foreign exchange gains	558	-
	1,466	117
Finance expenses		
Interest payable on loan notes	69,767	83,911
Foreign exchange losses	-	1,332
Bank and financing fees	4	-
	69,771	85,243

8. Directors' Remuneration

	2019 $000	2018 $000
Directors' remuneration	1,952	2,215
Payments made in lieu of pension contributions	171	179
Pension costs	20	25
	2,143	2,419

Included above are the emoluments of the two Executive Directors of the Group. The payments made in lieu of pension contributions were made at the same rate as pension contributions made to employees. The other Directors who served during the year received no emoluments from Group companies in respect of their services.

The directors did not receive any other remuneration.

The above amounts for remuneration include the following in respect of the highest paid director:

	2019 $000	2018 $000
Directors' remuneration	1,114	1,286
Payments made in lieu of pension contributions	101	105
Pension costs	10	12
	1,225	1,403

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

9. Income Tax

(a) Group

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

Current income tax expense/(credit):	2019 $000	2018 $000
UK corporation tax	105,076	1,977
Overseas tax	(11,779)	(5,534)
Adjustments in respect of prior years	1,521	(1,008)
Current income tax expense/(credit):	94,818	(4,565)
Deferred tax expense		
UK corporation tax	155,234	229,327
Overseas tax	2,170	(312)
Adjustments in respect of prior years	(15,511)	(14,949)
Total deferred tax expense	141,893	214,066
Tax expense in the income statement	236,711	209,501
Tax expense in the income statement is disclosed as follows		
Income tax expense on continuing operations	236,711	209,501
	236,711	209,501

The origination of and reversal of temporary differences are, as shown in the next table, related primarily to movement in the carrying amounts and tax base values of expenditure and Group losses for the current and prior year and the timing of when these items are charged and/or credited against accounting and taxable profit.

A reconciliation between total tax charge/(credit) and the accounting profit multiplied by the standard rate of corporation tax and supplementary charge applying to UK oil and gas production operations for the years ended 31 December 2019 and 2018 is as follows:

	2019 $000	2018 $000
Profit before taxation	455,558	578,401
Group profit before taxation at 40.0% weighted average (2018: 39.95%)	182,224	231,128
Effects of:		
Expenses not deductible for tax purposes	13,143	17,282
Interest not deductible for supplementary charge	9,544	9,411
Adjustment in respect of prior years	(13,990)	(15,956)
Ring fence expenditure supplement	-	(24,877)
Movement in unrecognised deferred tax assets	29,231	2,877
Impact of losses relieved at different rates	43,514	17,714
Investment allowance	(27,150)	(28,078)
Currency translation adjustment	195	-
Total tax expense reported in the consolidated income statement	236,711	209,501

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

Deferred Tax

Deferred tax is presented net on the Group balance sheet is as follows:

	Accelerated Capital Allowances $000	Abandonment $000	Losses $000	Fair value on derivatives $000	Other $000	Total $000
As at 1 January 2018	(1,696,838)	697,615	595,453	29,164	-	(374,606)
Deferred tax credit/(expense)	212,560	(121,527)	(337,842)	-	32,743	(214,066)
Comprehensive (loss)	-	-	-	(179,584)	(3,468)	(183,052)
Acquisition accounting	(8,198)	11,176	-	-	-	2,978
As at 31 December 2018	(1,492,476)	587,264	257,611	(150,420)	29,275	(768,746)
Deferred tax (expense)/credit	138,882	11,848	(255,651)	-	(36,972)	(141,893)
Comprehensive income/(loss)	(20,061)	15,647	-	21,625	5,044	22,255
Acquisition accounting	(1,790,753)	974,065	-	-	55,782	(760,906)
As at 31 December 2019	(3,164,408)	1,588,824	1,960	(128,795)	53,129	(1,649,290)

Deferred tax assets are recognised to the extent that the future benefit from the underlying tax losses carried forward is probable. Relevant tax law is considered as to the availability of the tax losses to offset future income. To determine the future taxable income from which the losses may be deducted, reference was made to the profit forecasts for the Group as at 31 December 2019. These profit forecasts showed sufficient future taxable income to recognise the deferred tax asset.

The Group has tax losses, mainly from non-ring fence activities, of $132.4 million (2018: $24.9m) that may potentially be available for offset against future taxable profits in the companies in which the losses arose. An associated deferred tax asset of $27.7 million (2018: $7.3m) has not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group due to uncertainty of recovery. The Group has recognised a deferred tax asset of $2.0 million (2018: $257.3m) in relation to tax losses only to the extent of anticipated future taxable profits.

The Group has not recognised a deferred tax asset of $2.8m (2018: $1.9m) in relation to accelerated capital allowances on the basis that the deferred tax asset will not be recoverable in the foreseeable future.

(b) Company

The major components of the Company's income tax credit for the years ended 31 December 2019 and 2018 are:

Current income tax (credit)	**2019 $000**	**2018 $000**
UK corporation tax	(3,664)	(353)
Adjustments in respect of prior years	(4,781)	(395)
Total current income tax (credit)	(8,445)	(748)
Deferred tax charge		
UK corporation tax	-	-
Adjustments in respect of prior years	-	3
Total deferred tax charge	-	3
Tax credit in the income statement	(8,445)	(745)
The tax credit in the income statement is disclosed as follows:		
Income tax credit on continuing operations	(8,445)	(745)
	(8,445)	(745)

A reconciliation between total tax credit and the accounting (loss)/profit multiplied by the standard rate of corporation tax for the years ended 31 December 2019 and 2018 is as follows:

	2019 $000	**2018 $000**
Loss before taxation	(88,762)	(94,962)
Tax calculated at UK standard rate of corporation tax of 19% (2018: 19%)	(16,865)	(18,042)
Effects of:		
Expenses not deductible for tax purposes	10,449	15,943
Movement in unrecognised deferred tax assets	2,752	1,739
Adjustments in respect of prior years	(4,781)	(392)
Other	-	7
Total tax credit reported in the income statement	(8,445)	(745)

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

10. Goodwill

Group Cost	2019 $000	2018 $000
At 1 January	493,084	500,080
Additions (note 15)	908,359	2,943
Finalisation of 2017 business combination (note 15)	-	(5,463)
Currency translation adjustment	2,891	(4,476)
At 31 December 2019	1,404,334	493,084

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 arose on the acquisition of the ConocoPhillips UK business which completed on 30 September 2019, the acquisition of UK North Sea assets from Shell which completed on 1 November 2017, and on the acquisition of additional equity in the Armada, Maria and Seymour fields from Spirit Energy, which completed on 1 June 2018. During 2018, under the two Sale and Purchase Agreements (SPA) pertaining to the acquisition that completed in 2017, Chrysaor agreed the full and final settlement with Shell. See note 15 for further details.

Goodwill acquired through business combinations has been allocated to a single cash generating unit (CGU), the UK Continental Shelf (UKCS), and this is therefore the lowest level 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 Company tested for impairment in accordance with accounting policy and no impairment was identified.

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 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 at the Group's post-tax discount rate of 6 percent (2018: 6 percent). Risks specific to assets within the CGU are reflected within the cash flow forecasts. 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.

Commodity prices are based on forecast forward prices for 2020 and 2021, and thereafter on management's long-term price assumptions. Management's long-term assumptions are benchmarked against a range of external forward price curves on a regular basis. Individual field price differentials are then applied.

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 is 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 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), 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, foreign exchange rates 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

Group Cost	**Oil and gas assets $000**	**Non-oil and gas assets $000**	**Capacity rights $000**	**Total $000**
At 1 January 2018	35,533	-	10,448	45,981
Additions	28,196	-	-	28,196
Unsuccessful exploration written-off	(10,731)	-	-	(10,731)
Currency translation adjustment	(455)	-	(814)	(1,269)
At 31 December 2018	52,543	-	9,634	62,177
Additions	81,792	820	-	82,612
Additions from business combinations and joint arrangements	325,880	-	-	325,880
Transfers to property, plant & equipment	(39,002)	-	-	(39,002)
Unsuccessful exploration written-off	(222)	-	-	(222)
Currency translation adjustment	4,262	-	374	4,636
At 31 December 2019	425,253	820	10,008	436,081
Accumulated amortisation				
At 1 January 2018	-	-	606	606
Charge for the year	-	-	2,797	2,797
Currency translation adjustment	-	-	(155)	(155)
At 31 December 2018	-	-	3,248	3,248
Charge for the year	-	-	2,097	2,097
Currency translation adjustment	-	-	208	208
At 31 December 2019	-	-	5,553	5,553
Net book value				
At 31 December 2019	425,253	820	4,455	430,528
At 31 December 2018	52,543	-	6,386	58,929

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

Exploration costs written-off relates to costs associated with licence relinquishments and uncommercial well evaluations.

Non-oil and gas assets relate to expenditure on the Acorn project, a project focused on carbon dioxide (CO_2) capture and storage which is planned to use existing technology to this new area of application. The costs are held within intangible assets until an assessment of its economic commerciality is determined.

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 three years and are amortised on a contractual volume basis.

12. Property, Plant and Equipment

Group **Cost**	**Oil and gas assets** **$000**	**Fixtures and fittings & office equipment** **$000**	**Total** **$000**
At 1 January 2018	4,326,636	23,637	4,350,273
Additions	370,124	11,546	381,670
Additions from business combinations and joint arrangements	20,495	-	20,495
Reduction in decommissioning asset	(299,543)	-	(299,543)
Currency translation adjustment	19,385	(1,654)	17,731
At 31 December 2018	4,437,097	33,529	4,470,626
Additions	480,448	16,952	497,400
Additions from business combinations and joint arrangements	4,248,567	7,518	4,256,085
Reduction in decommissioning asset	(4,327)	-	(4,327)
Transfer of intangible assets	39,002	-	39,002
Currency translation adjustment	57,532	2,308	59,840
At 31 December 2019	9,258,319	60,307	9,318,626
Accumulated depreciation			
At 1 January 2018	98,959	1,875	100,834
Charge for the year	617,024	9,333	626,357
Currency translation adjustment	59	(449)	(390)
At 31 December 2018	716,042	10,759	726,801
Charge for the year	889,226	14,180	903,406
Currency translation adjustment	7,873	940	8,813
At 31 December 2019	1,613,141	25,879	1,639,020
Net book value			
At 31 December 2019	7,645,178	34,428	7,679,606
At 31 December 2018	3,721,055	22,770	3,743,825

A decrease in the decommissioning assets of $4.3 million (2018: $299.5 million decrease) was made during the year as a result of an update to the decommissioning estimates (note 21).

Further information on additions from business combinations and joint arrangements can be found in note 15.

Included within property, plant and equipment additions of $497.4 million (2018: $381.7 million) are associated cash flows of $447.6 million (2018: $321.4 million) and non-cash flow items of $49.8 million (2018: $60.3 million), represented by decommissioning asset revisions of $28.4 million (2018: $18.9 million), $3.9 million of capitalised leased payments (2018: nil) and $17.5 million (2018: $41.4 million) of non-cash working capital movements.

13. Leases - Right of Use Assets

(i) This note provides information for leases where the Group is a lessee.

Right of Use Assets **Group**	**2019** **$000**	**2018** **$000**
Land and buildings	58,092	-
Drilling rigs	159,945	-
Equipment	3,186	-
	221,223	

In previous years, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17, 'Leases'.

Lease Liabilities (see note 22) **Group**	**2019** **$000**	**2018** **$000**
Current	79,525	-
Non-Current	145,403	-
	224,928	

Additions to the right-of-use assets during the 2019 financial year were $0.3 million.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

(ii) The consolidated income statement includes the following amounts relating to leases:

Depreciation Charge of Right of Use Assets

Group	2019 $000	2018 $000
Land and buildings	3,244	-
Drilling rigs	16,585	-
Equipment	378	-
	20,207	-
Capitalisation of IFRS16 lease depreciation		
Land and buildings	-	-
Drilling rigs	(8,580)	-
Equipment	(115)	-
Depreciation charge included within Consolidated Income Statement	11,512	-
Lease interest (included in finance expenses – note 7)	2,541	-

The total cash outflow for leases in 2019 was $20.6 million.

(iii) The Group's leasing activities and how these are accounted for

The Group leases offices in London and Oslo for fixed periods of five years, and two offices in Aberdeen with fixed periods of five and 10 years. The five-year fixed period leases have extension options of up to 10 years. Land leases expire between 13 and 14 years, and oil and gas production leases expire between two and three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Until the 2018 financial year, these leases were classified as operating leases and payments made under these leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, 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 lease term on a straight-line basis.

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 rate, 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;
- 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
- 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.

14. Investments & Amounts Due From Subsidiary Undertakings

Company	Equity $000	Loans $000	Total $000
At 1 January 2019	-	1,093,192	1,093,192
Currency translation adjustment	-	555	555
At 31 December 2019	-	1,093,747	1,093,747

The Company holds net investments in its subsidiary undertakings in the form of loan arrangements. At 31 December 2019, the Company had loaned $885.2 million (2018: $885.2 million) to Chrysaor Limited, $193.7 million in Chrysaor E&P Limited (2018: $193.7 million) and $14.8 million (2018: $14.3 million) to Chrysaor CNS Limited. All loans are non-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.

At 31 December 2019, the subsidiary undertakings of the Company which were all wholly owned were:

Name of Company	Country of incorporation	Main activity
Chrysaor E&P Limited	UK	Holding company
Chrysaor Production Holdings Limited (i)	UK	Holding company
Chrysaor Resources (UK) Holdings Limited (i)	UK	Holding company
Chrysaor E&P Finance Limited (i)	UK	Financing company
Chrysaor E&P Services Limited (i)	UK	Service company
Chrysaor North Sea Limited (i)	UK	Oil and gas
Chrysaor Limited (i)	UK	Oil and gas
Chrysaor CNS Limited (i)	UK	Oil and gas
Chrysaor Norge AS (i)	Norway	Oil and gas
Chrysaor Resources (Irish Sea) Limited (ii)	UK	Oil and gas
Chrysaor Marketing Limited (i)	UK	Dormant company
Chrysaor Production Limited (iii)	UK	Holding company
Chrysaor Production (U.K.) Limited (vi)	UK	Oil and gas
Chrysaor Petroleum Company U.K. Limited (iii)	UK	Oil and gas
Chrysaor (U.K.) Theta Limited (viii)	UK	Oil and gas

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

At 31 December 2019, the subsidiary undertakings of the Company which were all wholly owned were:

Name of Company	Country of incorporation	Main activity
Chrysaor (U.K.) Alpha Limited (vii)	UK	Oil and gas
Chrysaor (U.K.) Beta Limited (xii)	UK	Oil and gas
Chrysaor Developments Limited (vii)	UK	Oil and gas
Chrysaor Petroleum Limited (vii)	UK	Oil and gas
Chrysaor (U.K.) Sigma Limited (ix)	UK	Oil and gas
Chrysaor (Glen) Limited (vii)	UK	Non-trading
Chrysaor (U.K.) Zeta Limited (vii)	UK	Non-trading holding company
Chrysaor (U.K.) Eta Limited (xi)	UK	Non-trading
Chrysaor (U.K.) Delta Limited (vii)	UK	Non-trading holding company
Chrysaor (U.K.) Finance Limited (iii)	UK	Non-trading holding company
Chrysaor Supply and Trading Limited (iv)	UK	Non-trading
Chrysaor (U.K.) Lambda Limited (x)	ROI	Dormant company
Chrysaor Investments Limited (vii)	UK	Dormant company
Chrysaor (U.K.) Kappa Limited (vii)	UK	Dormant company
Chrysaor Oil Company Limited (vii)	UK	Dormant company
Chrysaor Production Oil (GB) Limited (v)	UK	Dormant company
Chrysaor Petroleum Chemicals U.K. Limited (v)	UK	Dormant company
Glen Petroleum Limited (vii)	UK	Dormant company
Chrysaor (U.K.) Britannia Limited (vii)	UK	Dormant company
Chrysaor (U.K.) Phi Limited (viii)	UK	Dormant company
Chrysaor (U.K.) Chi Limited (viii)	UK	Dormant company
Cliffe Storage Limited (vii)	UK	Dormant company

(i) Held by Chrysaor E&P Limited
(ii) Held by Chrysaor Resources (UK) Holdings Limited
(iii) Held by Chrysaor Production Holdings Limited
(iv) Held by Chrysaor (U.K.) Finance Limited
(v) Held by Chrysaor Petroleum Company U.K. Limited
(vi) Held by Chrysaor Production Limited
(vii) Held by Chrysaor Production (U.K.) Limited
(viii) Held by Chrysaor (U.K.) Sigma Limited
(ix) 98.04% held by Chrysaor Production (U.K.) Limited and 1.96% held by Chrysaor (U.K.) Delta Limited
(x) 99.999% held by Chrysaor (U.K.) Theta Limited and 0.001% held by Chrysaor (U.K.) Eta Limited
(xi) Held by Chrysaor (U.K.) Zeta Limited
(xii) Held by Chrysaor (U.K.) Alpha Limited

The Company holds 100 percent of the share capital and voting rights in each of the companies above, unless otherwise stated.

All the subsidiaries are registered in England and Wales, with the exception of Chrysaor Norge AS, which is registered in Norway, and Chrysaor (U.K.) Lambda Limited, which is registered in the Republic of Ireland. The registered office of all subsidiaries noted above is Brettenham House, Lancaster Place, London, United Kingdom, WC2E 7EN, apart from Chrysaor Norge AS whose registered office is Haakon VII's gate 1, 4th Floor, 0161 Oslo, Norway, and Chrysaor (U.K.) Lambda Limited whose registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

15. Business Combinations and Acquisition of Interests in Joint Arrangements

Business Combinations During the Year Ended 31 December 2019

In April 2019, Chrysaor entered into an agreement to acquire ConocoPhillips UK business for a headline consideration of $2.675 billion.

The transaction completed on 30 September 2019 and adds two new operated hubs to Chrysaor's portfolio in the UK Central North Sea, Greater Britannia Area and J-Area, in addition to a non-operated interest in the Clair Field area. The fair values of the net identifiable assets acquired from the transaction are as follows:

	Total $000
Exploration, evaluation and other intangible assets	325,880
Property, plant and equipment – oil and gas assets	4,248,567
Property, plant and equipment – non-oil and gas assets	7,518
Property, plant and equipment – right of use assets	206,978
Total fixed assets	4,788,943
Inventories	54,203
Cash	247,034
Trade and other receivables	223,884
Trade and other payables	(324,753)
Deferred tax	(760,983)
Provision for decommissioning	(2,408,211)
IFRS16 lease liabilities	(206,978)
Fair value of identifiable net assets acquired	1,613,139
Cash consideration	2,430,049
Additional completion adjustments	91,449
Total consideration transferred	2,521,498
Goodwill recognised	908,359

In November 2019, $38.2 million of additional completion adjustments were paid to ConocoPhillips US, representing the first of four annual payments to be made during 2019 to 2022.

Acquisition related costs of $7.6 million were incurred during 2019 and recognised as an expense within General and Administrative costs.

The cash consideration was funded from existing cash resources and additional RBL funding of $1.68 billion from the upsized $3 billion debt facility.

Goodwill of $908.4 million, which has arisen principally due to the requirement to recognise deferred tax on the difference between the assigned fair values and the tax bases of assets and liabilities acquired in a business combination, has been recognised on the acquisition, representing the excess of the total consideration transferred over the fair value of the net assets acquired. The fair values for the oil and gas assets recognised as property, plant and equipment were determined by reference to commodity forward price curves for the first three years following the acquisition date and, for subsequent years, based on a market consensus. None of the goodwill is deductible for corporation tax.

From the date of acquisition, the business contributed $264.6 million of revenue and ($88 million) to the profit before tax from continuing operations of the Group. Had the acquisition been affected at 1 January 2019, the business would have contributed revenue of $1.0 billion in the year to 31 December 2019, and $32.4 million of a loss towards profit before taxation.

As at the date of this report and financial statements, pursuant to the terms of the Put and Call Options Agreement (PCOA), negotiations were ongoing as to the final consideration payable as a result of the review of the interim and pre-effective date period transactions.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

Business Combinations During the Year Ended 31 December 2018

On 1 June 2018, the Group acquired the remaining equity in Armada, Maria and Seymour fields from Spirit Energy and so now holds 100 percent in the Armada hub. The fair values of the net identifiable assets acquired from the transaction are as follows:

	Total $000
Property, plant and equipment – oil and gas assets	20,495
Inventories	85
Trade and other receivables	6,936
Trade and other payables	(5,136)
Deferred tax	2,978
Provision for decommissioning	(27,941)
Fair value of identifiable net liabilities acquired	(2,583)
Cash consideration	360
Goodwill recognised	2,943

From the date of acquisition, the business contributed $13.8 million of revenue and $1.3 million of a loss to the profit before taxation from continuing operations of the Group. Had the acquisition been affected at 1 January 2018, the business would have contributed revenue of $22.3 million in the year to 31 December 2018, and $4.3 million of a loss towards profit before taxation.

16. Inventories

Group	2019 $000	2018 $000
Hydrocarbons	35,170	17,972
Consumables and subsea supplies	111,711	71,819
	146,881	89,791

Hydrocarbon inventories are measured at net realisable value. Inventories of consumables and subsea supplies include a provision of $9.7 million (2018: $2.2 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 2019 amounted to $8.1 million (2018: $3.5 million). These expenses are included within production costs.

17. Trade and Other Receivables

Group	2019 $000	2018 $000
Trade debtors	186,593	66,548
Under–lift position	34,358	18,646
Other debtors	177,072	29,625
Prepayments and accrued income	60,417	112,086
Corporation tax receivable	15,678	4,625
	474,118	231,530

Trade debtors are non-interest bearing and are generally on 20 to 30 days' terms. As at 31 December 2019, there were no trade receivables that were past due. (2018: $nil).

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. No provision for doubtful debts has been recorded as at 31 December 2019 or 31 December 2018.

Company	2019 $000	2018 $000
Amounts owed by group undertakings	19,826	18,021
Other debtors	1,738	91
Prepayments and contract asset	569	548
	22,133	18,660

Amounts owed by group undertakings are unsecured, non-interest bearing and repayable on demand.

Non-Current Group	2019 $000	2018 $000
Other receivables	2,604	-
	2,604	-

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

18. Cash and Cash Equivalents

Group	2019 $000	2018 $000
Cash at bank and in hand	573,182	316,311

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.

Company	2019 $000	2018 $000
Cash at bank and in hand	15,400	19,643

19. Commitments

Capital Commitments

As at 31 December 2019, the Group had commitments for future capital expenditure amounting to $420.5 million (2018 $445.2 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.

As at 31 December 2019, there were no commitments for future capital expenditure in the Company (2018: $nil).

20. Trade and Other Payables

Current Group	2019 $000	2018 $000
Trade payables	116,221	22,387
Overlift position	83,370	48,212
Other payables	40,970	2,191
Accruals and deferred income	435,875	223,644
	676,436	296,434

Company	2019 $000	2018 $000
Amount owed to group undertakings	304	879
Accruals	589	588
	893	1,467

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

Non-Current Group	2019 $000	2018 $000
Other payables	52,375	-
	52,375	-

Other payables, within both current ($19.9m) and non-current ($39.7m) 'trade and other payables', includes the present value of additional completion payments payable to ConocoPhillips Company as part of the acquisition of the ConocoPhillips UK business. The amounts are payable in three further instalments between 2020 and 2022.

21. Provisions

	Decommissioning provision $000	Other $000	Total $000
At 1 January 2019	1,468,044	7,690	1,475,734
Additions from business combinations and joint arrangements (note 15)	2,408,211	-	2,408,211
Additions	28,389	-	28,389
Changes in estimates – decrease to decommissioning asset	(4,327)	-	(4,327)
Remeasurements	-	(7,773)	(7,773)
Amounts used	(46,816)	-	(46,816)
Interest on decommissioning lease	(1,076)	-	(1,076)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset	(4,821)	-	(4,821)
Unwinding of discount	57,629	83	57,712
Currency translation adjustment	44,587	-	44,587
At 31 December 2019	3,949,820	-	3,949,820

Classified within:			
Non-current liabilities	3,766,739	-	3,766,739
Current liabilities	183,081	-	183,081
	3,949,820	-	3,949,820

Notes to the Financial Statements
for the Year Ending 31 December 2019 (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 30 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 2.3 percent and 2.8 percent 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, which are inherently uncertain.

Other provisions relate to contingent consideration arrangements with the previous owners of the UK North Sea asset package acquired by the Group in November 2017. The consideration is payable subject to future exploration success on certain prospects before 2025. The provision for contingent consideration represents the best estimate of amounts payable under the purchase agreement as at the balance sheet date and will be reviewed at least annually, considering actual drilling results and planned activities. Changes to the contingent consideration provision will be presented in the income statement on a prospective basis.

22. IFRS 16

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 22(b) below.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments Recognised on Adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019, and on business combinations, was 5.9 percent.

	Total $000
Operating lease commitments disclosed at 31 December 2018	14,249
Additional leasing commitments on existing Aberdeen, London and Oslo offices [1]	10,846
Revised operating lease commitments at 31 December 2018	25,095
Discounting	(6,053)
Lease liability recognised at 1 January 2019, discounted at the Group's incremental borrowing rate	19,042
Of which are:	
Current lease liabilities	1,864
Non-current liabilities	17,178
	19,042
Additions from business combinations and joint arrangements	206,978
Lease additions	328
Lease payments made in the year	(20,598)
Lease interest charged to income statement	2,541
Lease interest charged to decommissioning provision	1,076
Currency translation adjustment	15,561
Lease liability recognised at 31 December 2019	224,928
Of which are:	
Current liabilities	79,525
Non-current lease liabilities	1145,403
	224,928

(1) assumes leases run to full term with no break clauses exercised.

The associated right-of-use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

(i) Impact on Segment Disclosures

As a result of the change in accounting policy, operating profit, segment assets and segment liabilities were impacted as follows:

Acquisition, exploration, development and production of oil and gas:	Adjusted operating profit $000	Segment Assets $000	Segment liabilities $000
UK	176	219,735	(223,399)
Norway	46	1,488	(1,529)
	222	221,223	(224,928)

(ii) Practical Expedients Applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

23. Borrowings and Facilities

The Group's borrowings are carried at amortised cost and denominated in US Dollars.

	Group 2019 $000	Group 2018 $000	Company 2019 $000	Company 2018 $000
Reserves Based Loan facility	2,067,339	464,277	-	-
Junior facility	395,613	394,285	-	-
10% Unsecured C loan notes 2027	34,355	31,886	34,355	31,886
10% Unsecured D loan notes 2027	282,151	256,469	282,151	256,469
10% Unsecured E loan notes 2029	-	633,648	-	633,648
Exploration finance facility	8,999	-	-	-
Other loans	34,228	24,324	-	-
	2,822,685	1,804,889	316,506	922,003
Classified within				
Non-current liabilities	2,205,322	1,709,317	316,506	922,003
Current liabilities	617,363	95,572	-	-
	2,822,685	1,804,889	316,506	922,003

Interest of $11.7 million (2018: $0.2 million) on the Reserve Based Loan (RBL) and junior facilities had accrued by the balance sheet date and have been classified within accruals and deferred income.

In 2017, the Group entered into a number of borrowing arrangements and facilities to fund the acquisition of the UK North Sea assets. The primary arrangement was an RBL facility of $1.5 billion, being a six-year facility with a consortium consisting of 17 banks and secured by a pledge over the Group's oil and gas interests in the North Sea. During 2018 the decision was taken to exercise the option of the $0.5 billion accordion, increasing the facility to $2.0 billion.

In June 2019, the Group extended the terms of the RBL facility to 31 December 2025 and increased the syndicate to 19 banks and facility size to $3.0 billion (with an option for a further $1 billion accordion) in order to assist the financing of the ConocoPhillips UK acquisition. Subject to the maximum size of the facility which reduces every six months on a straight-line basis from 1 January 2022 to the maturity date of 31 December 2025, the amount available under the facility is determined semi-annually based on a valuation of the Group's borrowing base assets under certain forward-looking assumptions. The facility was also amended in June 2019 and now carries interest at USD LIBOR plus a margin of 3.25 percent, rising to a margin of 3.5 percent after four years. Certain fees are also payable including fees on available commitments at 40 percent of the applicable margin and commission on letters of credit issued at 50 percent of the applicable margin.

The junior facility of $400 million was extended and amended at the same time as the RBL facility and now carries interest at 6-month USD LIBOR plus a margin of 5.25 percent, rising to a margin of 5.5 percent after four years, and is repayable in semi-annual instalments between 30 June 2022 and 30 June 2026.

The extensions and amendments made to the senior and junior facilities were such that they were not deemed to be a replacement of the existing Group's borrowing facilities.

During 2019, Chrysaor entered into a NOK 750 million exploration finance facility with Skandinaviska Enskilda Banken 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 83 million.

Incremental transaction costs of $53.6 million and $8 million were incorporated into the initial carrying amount of the RBL and junior facilities respectively, when those facilities were completed in 2017, and a further $45.1 million of transaction costs were capitalised when the terms of the RBL were extended in June 2019; these amounts are being amortised over the term of the relevant arrangement. During the year $15.6 million (2018: $17.3 million) of transaction costs have been amortised and are included within

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

financing costs. At the balance sheet date, the outstanding RBL and junior loan balances excluding incremental transaction costs were $2,134 million and $400 million respectively (2018: $500 million and $400 million). As at 31 December 2019, the junior facility remained fully drawn and $200 million remained available for drawdown under the RBL facility.

The unsecured loan notes were issued in 2017 and are listed on The International Stock Exchange (formerly the Channel Islands Securities Exchange). They incur interest of 10 percent per annum which, at the election of the Company, is capitalised and added to the principal amount each 31 December. The C loan notes and D loan notes rank junior to any senior bank debt. None of the loan notes carry voting rights.

On 31 August 2019, the 10 percent Unsecured E Loan notes held by Harbour Energy, with a principal and accrued interest value of $675.3 million, were exchanged for 4,013,524 F ordinary shares of £0.01 each.

The Group has Letters of Credit facilities of $564 million (2018: $168 million) held in respect of future abandonment liabilities.

Other loans represent a commercial financing arrangement with BHGE, covering a three-year work programme for drilling, completion and subsea tie-in of development wells on Chrysaor's operated assets. As part of the deal, BHGE contribute 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.

The table below details the change in the carrying amount of the Group's borrowings arising from financing cash flows.

	Group $000	Company $000
Total borrowings as at 1 January 2018	2,414,333	838,092
Repayment of senior debt	(735,000)	-
Proceeds from financing arrangement	20,400	-
Loan notes interest capitalised	83,911	83,911
Other loan interest capitalised	3,924	-
Amortisation of transaction costs	17,321	-
Total borrowings as at 31 December 2018	1,804,889	922,003
Repayment of senior debt	(200,000)	-
Proceeds from drawdown of borrowing facilities	1,834,000	-
Proceeds from financing arrangement	29,600	-
Proceeds from exploration financing facility	9,275	-
Conversion of E loan notes to equity	(675,264)	(675,264)
Transaction costs on senior debt paid and capitalised	(45,134)	-
Transaction costs on exploration financing facility paid and capitalised	(507)	-
Currency translation adjustments	174	-
Loan notes interest capitalised	69,767	69,767
Financing arrangement interest (receivable)/payable	(19,696)	-
Amortisation of transaction costs	15,581	-
Total borrowings as at 31 December 2019	2,822,685	316,506

24. Other Financial Assets and Liabilities

Group	2019 Assets $000	2019 Liabilities $000	2018 Assets $000	2018 Liabilities $000
Measured at fair value through profit and loss				
Royalty consideration	3,000	-	3,000	-
Commodity derivatives – contingent consideration	-	(12,495)	-	(35,078)
	3,000	(12,495)	3,000	(35,078)
Measured at fair value through other comprehensive income				
Commodity derivatives – cash flow hedges	190,888	(27,950)	296,049	(31,424)
Total current	193,888	(40,445)	299,049	(66,502)
Measured at fair value through profit and loss				
Royalty consideration	9,100	-	9,700	-
Commodity derivatives – contingent consideration	-	-	-	(4,276)
	9,100	-	9,700	(4,276)
Measured at fair value through other comprehensive income				
Commodity derivatives – cash flow hedges	193,130	(3,663)	181,814	(71,210)
Total non-current	202,230	(3,663)	191,514	(75,486)
Total current and non-current	396,118	(44,108)	490,563	(141,988)

Fair Value Measurements

All financial instruments that are initially recognised and subsequently re-measured 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 Financial Statements
for the Year Ending 31 December 2019 (continued)

Group As at 31 December 2019	Financial assets Level 2 $000	 Level 3 $000	Financial liabilities Level 2 $000	 Level 3 $000
Royalty valuation	-	12,100	-	-
Commodity derivatives – cash flow hedges	384,018	-	(31,613)	-
Commodity derivatives – contingent consideration	-	-	-	(12,495)
	384,018	12,100	(31,613)	(12,495)

Group As at 31 December 2018	Financial assets Level 2 $000	 Level 3 $000	Financial liabilities Level 2 $000	 Level 3 $000
Royalty valuation	-	12,700	-	-
Commodity derivatives – cash flow hedges	477,863	-	(102,634)	-
Commodity derivatives – contingent consideration	-	-	-	(39,354)
	477,863	12,700	(102,634)	(39,354)

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:

Group	Financial assets 2019 $000	 2018 $000	Financial liabilities 2019 $000	 2018 $000
Fair value as at 1 January	12,700	14,373	(39,354)	(38,620)
Additions	-	-	-	-
Settlements	(3,000)	(3,000)	34,058	-
Gains and losses recognised in the income statement	2,400	1,327	(7,199)	(734)
Currency translation adjustments	-	-	-	-
Fair value as at 31 December	12,100	12,700	(12,495)	(39,354)

Part of the consideration received on the sale of the Group's interest in a pre-production development in 2015 was a royalty interest, which is recognised on the balance sheet as a financial asset. At 31 December 2019, the Group valued the outstanding consideration receivable at $12.1 million (2018: $12.7 million) of which $3.0 (2018: $3.0 million) is considered to be receivable within one year.

The agreement with the sellers of the UK North Sea assets purchased by the Group in 2017 includes contingent consideration dependent on future commodity prices over the four-year period ended 31 December 2021. These contingent payments and receipts represent a series of option contracts. The fair value of the contingent payments are presented as a financial liability and estimated using valuation techniques, the key inputs for which include future commodity prices and volatility.

Fair value movements recognised in the income statement on financial instruments are shown below.

Group Income/(expense) included in the income statement	2019 $000	2018 $000
Remeasurement of royalty valuation	2,400	1,327
Remeasurement of commodity price contingent consideration	(7,199)	(734)
	(4,799)	593

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.

Group and Company	2019 Book value $000	2018 Fair value $000	2019 Book value $000	2018 Fair value $000
Long-term borrowings – loan notes	(316,506)	(357,676)	(922,003)	(934,687)

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 approximate 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 2019, 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 Group's financial commodity derivatives. Volumes hedged through fixed price contracts with customers for physical delivery are excluded.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

Group Position as at 31 December 2019	2020	2021	2022	2023
Oil volume hedged (thousand bbls)	22,838	11,074	1,095	-
Weighted average hedged price ($/bbl)	63.00	62.74	60.07	-
Gas volume hedged (million therms)	853	867	799	153
Weighted average hedged price (p/therm)	47p	48p	47p	50p

As at 31 December 2019, the fair value of net financial commodity derivatives designated as cash flow hedges was $352.4 million (2018: $375.2 million) and net unrealised pre-tax gains of $321.2 million (2018: gains $374.9 million) was 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 2019, net deferred pre-tax gains of $162.9 million (2018: gains $264.6 million) are expected to be released to the income statement within one year.

25. 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 agreed policies for managing each of these risks 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 2019 and 2018.

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 40 to 60 percent of the next 12 months' production, between 30 and 50 percent in the following 12-month period, and up to 40 percent in the subsequent 24-month period. The Group manages these risks through the use of fixed priced contracts with customers for physical delivery and derivative financial instruments including fixed priced 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. There were no derivative financial instruments held by the Company in the current year or in the previous year.

Group As at 31 December 2019	**Market movement**	**Effect on profit before tax $000**	**Effect on equity $000**
Brent oil price	USD10/bbl increase	-	(208,370)
Brent oil price	USD10/bbl decrease	-	208,370
NBP gas price	GBP 0.1/therm increase	-	(135,893)
NBP gas price	GBP 0.1/therm decrease	-	135,893
Group As at 31 December 2018			
Brent oil price	USD10/bbl increase	(40,965)	(194,575)
Brent oil price	USD10/bbl decrease	28,507	194,575
NBP gas price	GBP 0.1/therm increase	-	(65,435)
NBP gas price	GBP 0.1/therm decrease	-	65,435

Note: the "effect on profit before tax" as at 31 December 2018 above represented estimated movements on the fair value of crude based derivative instruments from a reasonably foreseeable change in crude prices at that time, in relation to contingent consideration as part of the 2017 Shell acquisition, which would be reported through the income statement. The contingent consideration in relation to the 2019 calendar year was fully settled in March 2020 and as a result there will be no further movements on the fair value of crude based derivative instruments reported through the income statement.

b. Interest Rate Risk

Floating rate borrowings comprise bank loans under the RBL and junior facilities which incur interest fixed six months in advance at USD Libor plus a margin of 3.25 to 5.25 percent. Fixed rate borrowings comprise a series of shareholder loan notes which incur interest at 10 percent per annum. At the option of the Company, interest on the shareholder loan notes can be capitalised into the principal amount and settled at maturity. 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 may use interest rate derivatives to manage the fixed and floating composition of its borrowings. As at 31 December 2019, the Group had not entered into any interest rate derivatives.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

The interest rate and currency profile of the Group's interest-bearing financial assets and liabilities is shown below.

Group **As at 31 December 2019**	**Cash at bank** **$000**	**Fixed rate borrowings** **$000**	**Floating rate borrowings** **$000**	**Total** **$000**
US Dollars	510,109	(316,506)	(2,497,180)	(2,303,577)
Pound Sterling	53,694	-	-	53,694
Norwegian Krone	15	-	(8,999)	(8,984)
Other	9,364	-	-	9,364
	573,182	(316,506)	(2,506,179)	(2,249,503)

Company **As at 31 December 2019**				
US Dollars	15,397	(316,506)	-	(301,109)
Pound Sterling	3	-	-	3
	15,400	(316,506)	-	(301,106)

Group **As at 31 December 2018**				
US Dollars	302,940	(922,003)	(882,886)	(1,501,949)
Pound Sterling	12,372	-	-	12,372
Norwegian Krone	856	-	-	856
Other	143	-	-	143
	316,311	(922,003)	(882,886)	(1,488,578)

Company **As at 31 December 2018**				
US Dollars	19,636	(922,003)	-	(902,367)
Pound Sterling	7	-	-	7
	19,643	(922,003)	-	(902,360)

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. The Company had no significant floating rate asset or liabilities in the current or previous year.

Group 2019	Market movement	Effect on profit before tax $000	Effect on equity $000
US interest rates	+100 basis points	(20,239)	-
Group 2018			
US interest rates	+100 basis points	(5,981)	-

c. Foreign Currency Risk

The Group is exposed to foreign currency risk primarily arising from exchange rate movements in US Dollar against Pounds 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 Pounds Sterling, US Dollar and Norwegian Krone. 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. As at 31 December 2019, the Group had not entered into any exchange rate derivatives.

The following table demonstrates the sensitivity to a reasonably foreseeable change in US Dollar against Pounds 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.

Group 2019	Market movement	Effect on profit before tax $000	Effect on equity $000
US Dollar/Sterling	10% strengthening	133,595	-
US Dollar/Sterling	10% weakening	(133,595)	-
Group 2018			
US Dollar/Sterling	10% strengthening	42,607	-
US Dollar/Sterling	10% weakening	(42,607)	-

Company 2019	Market movement	Effect on profit before tax $000	Effect on equity $000
US Dollar/Sterling	10% strengthening	(1,553)	-
US Dollar/Sterling	10% weakening	1,553	-
Company 2018			
US Dollar/Sterling	10% strengthening	(1,460)	-
US Dollar/Sterling	10% weakening	1,460	-

Notes to the Financial Statements
for the Year Ending 31 December 2019 (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 97 percent 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 proposes 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 2019 and 2018 based on contractual undiscounted payments.

Group **As at 31 December 2019**	**Within one year $000**	**1 to 2 years $000**	**2 to 5 years $000**	**Over 5 years $000**	**Total $000**
Non-derivative financial liabilities					
Reserves Based Loan facility	713,412	580,844	1,030,513	79,060	2,403,829
Junior facility	29,154	29,075	354,062	105,674	517,965
Loan notes	-	-	-	660,052	660,052
Exploration finance facility	9,732	-	-	-	9,732
Other loans	16,046	13,290	23,856	-	53,192
Trade and other payables	593,066	32,575	19,800	-	645,441
	1,361,410	655,784	1,428,231	844,786	4,290,211
Derivative financial liabilities					
Net-settled commodity derivatives	40,445	1,330	2,333	-	44,108
Total as at 31 December 2019	1,401,855	657,114	1,430,564	844,786	4,334,319

Company **As at 31 December 2019**	**Within one year $000**	**1 to 2 years $000**	**2 to 5 years $000**	**Over 5 years $000**	**Total $000**
Non-derivative financial liabilities					
Loan notes	-	-	-	660,052	660,052
Trade and other payables	1,479	-	-	-	1,479
Total as at 31 December 2019	1,479	-	-	660,052	661,531

Group **As at 31 December 2018**	**Within one year $000**	**1 to 2 years $000**	**2 to 5 years $000**	**Over 5 years $000**	**Total $000**
Non-derivative financial liabilities					
Reserves Based Loan facility	-	513,604	71,047	-	584,651
Junior facility	-	127,118	332,855	47,070	507,043
Loan notes	-	-	-	2,446,204	2,446,204
Other loans	22,966	1,358	-	-	24,324
Trade and other payables	248,222	-	-	-	248,222
	271,188	642,080	403,902	2,493,274	3,810,444
Derivative Financial Liabilities					
Net-settled commodity derivatives	66,502	68,987	6,499	-	141,988
Total as at 31 December 2018	337,690	711,067	410,401	2,493,274	3,952,432

Company **As at 31 December 2018**	**Within one year $000**	**1 to 2 years $000**	**2 to 5 years $000**	**Over 5 years $000**	**Total $000**
Non-derivative financial liabilities					
Loan notes	-	-	-	2,446,204	2,446,204
Trade and other payables	1,467	-	-	-	1,467
Total as at 31 December 2018	1,467	-	-	2,446,204	2,447,671

The maturity profile in the above tables reflect only one side of the Group's liquidity position. 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.

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

26. Called Up Share Capital

Allotted, called up and fully paid	No.	2019 $000	No.	2018 $000
F Ordinary shares of £0.01 each	4,994,624	61	981,100	12
G Ordinary shares of £0.40 each	18,900	10	18,900	10
M Ordinary shares of £0.01 each	9,865	-	9,580	-
		71		22

On 31 August 2019, the 10 percent Unsecured E Loan notes held by Harbour Energy, with a principal and accrued interest value of $675.3 million, were exchanged for 4,013,524 F ordinary shares of £0.01 each.

As at 31 December 2019, the share capital comprised of three classes of ordinary shares. Each F and G ordinary share carries equal voting and dividend rights.

M ordinary shares carry no voting rights and are subordinate to both F and G ordinary shares regarding rights to dividend and other distributions. In November 2019, the Company issued 285 M shares at £10 per share for a cash consideration of $3,689.

27. Notes to the Statement of Cash Flows

Net cash flows from operating activities consist of:

Group	2019 $000	2018 $000
Profit before taxation	455,558	578,401
Finance cost, excluding foreign exchange	256,399	270,293
Finance income, excluding foreign exchange	(31,611)	(8,622)
Depreciation, depletion and amortisation	917,016	629,154
Taxes paid	(90,183)	-
Share based payments	10,905	-
Credit due to reduction in decommissioning provision	-	(44,485)
Decommissioning payments	(28,955)	(21,502)
Exploration costs written-off	222	10,731
Remeasurement on commodity price contingent consideration	7,199	734
Remeasurement on exploration contingent consideration	(7,773)	(217)
Decrease in royalty consideration receivable	600	1,673
Realised cashflow hedges not yet settled	(23,747)	(693)
Unrealised foreign exchange loss/(gain)	63,767	(36,904)
Working capital adjustments:		
Decrease in inventories	208	1,857
(Increase)/decrease in trade and other receivables	(6,086)	32,578
(Decrease)/increase in trade and other payables	(4,858)	34,844
Net cash inflow from operating activities	1,518,661	1,447,842

Company	**2019 $000**	**2018 $000**
Loss before taxation	(88,762)	(94,962)
Finance cost, excluding foreign exchange	69,767	83,911
Finance income, excluding foreign exchange	(908)	(117)
Share based payments	10,905	-
Depreciation, depletion and amortisation	-	-
Unrealised foreign exchange (gain)/loss	(552)	840
Working capital adjustments:		
Decrease in trade and other receivables	4,973	28,745
(Decrease)/increase in trade and other payables	(575)	1,107
Net cash (outflow)/inflow from operating activities	(5,152)	19,524

Reconciliation of Net Cash Flow to Movement in Net Borrowings

Group	**2019 $000**	**2018 $000**
Proceeds from drawdown of borrowing facilities	(1,834,000)	-
Proceeds from financing arrangement	(29,600)	(20,400)
Conversion of E loan notes to equity	675,264	-
Proceeds from exploration financing facility loan	(9,275)	-
Repayment of senior debt	200,000	735,000
Transaction costs capitalised	45,641	-
Financing arrangement interest receivable/(payable)	19,696	(3,924)
Amortisation of transaction costs capitalised	(15,581)	(17,321)
Currency translation adjustment on exploration financing facility loan	(175)	-
Currency translation adjustment on transaction costs	1	-
Loan notes interest capitalised	(69,767)	(83,911)
Movement in total borrowings	(1,017,796)	609,444
Movement in cash and cash equivalents	256,871	16,770
(Increase)/decrease in net borrowings in the year	(760,925)	626,214
Opening net borrowings	(1,488,578)	(2,114,792)
Closing net borrowings	(2,249,503)	(1,488,578)

Notes to the Financial Statements
for the Year Ending 31 December 2019 (continued)

Company	2019 $000	2018 $000
Capitalisation of loan notes	675,264	-
Loan notes interest capitalised	(69,767)	(83,911)
Movement in total borrowings	605,497	(83,911)
Movement in cash and cash equivalents	(4,243)	19,640
Increase in net borrowings in the year	601,254	(64,271)
Opening net borrowings	(902,360)	(838,089)
Closing net borrowings	(301,106)	(902,360)

Analysis of Net Borrowings

Group	2019 $000	2018 $000
Cash and cash equivalents	573,182	316,311
Reserves Based Loan facility	(2,067,339)	(464,277)
Junior facility	(395,613)	(394,285)
Net debt	(1,889,770)	(542,251)
Shareholder loan notes	(316,506)	(922,003)
Exploration financing facility	(8,999)	-
Financing arrangement	(34,228)	(24,324)
Closing net borrowings	(2,249,503)	(1,488,578)

Company	2019 $000	2018 $000
Cash and cash equivalents	15,400	19,643
Shareholder loan notes	(316,506)	(922,003)
Closing net borrowings	(301,106)	(902,360)

28. Related Party Disclosures

The consolidated financial statements include the financial statements of the Company and its subsidiaries, a list of which is contained in note 14.

The Group's main related parties comprise members of key management personnel and Harbour Energy Ltd (Harbour Energy) along with affiliated persons and entities. Harbour Energy is an energy investment vehicle formed by EIG Global Energy Partners and is the Group's primary private equity investor. Transactions with these related parties are disclosed below.

Share Capital (Group and Company)

On 31 August 2019, the 10 percent Unsecured E Loan notes held by Harbour Energy, with a principal and accrued interest value of $675.3 million, were exchanged for 4,013,524 F ordinary shares of £0.01 each. In November 2019, 225 M ordinary shares of £0.01 each were issued to certain members of key management for a cash consideration of £10 per share.

Shareholder Loan Notes (Group and Company)

At the end of 2018, Harbour Energy held E loan notes with a principal value of $566.9 million plus accrued interest. On 31 August 2019, all the E Loan Notes including accrued interest were exchanged for F ordinary shares, at a value of $675.3 million. The main impact of the exchange is that Harbour Energy's direct equity interest in CHL increased to 89.6 percent from 48 percent.

As at 31 December 2019, the carrying amount of D loan notes due to Harbour Energy was $282.2 million (2018: $256.5 million) and the value of C loan notes due to key management personnel was $2.0 million (2018: $1.9 million). The amount of interest charged to the income statement associated with all loan notes payable to Harbour Energy and key management was $67.3 million and $0.1 million respectively (2018: $81.0 million and $0.2 million respectively).

The Company also pays governance and monitoring fees to its institutional shareholders. For the year ended 31 December 2019, the total fees payable to Harbour Energy amounted to $8.6 million (2018: $8.6 million) and to other shareholders $1.0 million (2018: $1.0 million) with $1 million outstanding as at the balance sheet date (2018: $nil).

Transactions Between the Company and Subsidiary Entities

Balances between the Company and its subsidiaries have been eliminated on consolidation. Amounts receivable from group undertakings comprise loan arrangements and intercompany balances as shown in note 14 and note 17 respectively. Amounts payable to group undertakings are shown in note 20.

Transactions between the Company and its subsidiaries consist primarily of funding movements on the Group's intercompany loan arrangements and expenses recharged at cost to/from subsidiaries under the ordinary course of business. Movements in the year on loan arrangements and the associated interest receivable recognised in the income statement are shown in note 14 and note 7 respectively. Cash advanced to subsidiaries by the Company under its loan arrangements is shown in the Company statement of cash flows.

Controlling Party

The immediate parent undertaking is Harbour Chrysaor Equity Holdings Ltd (Cayman). The ultimate parent undertaking and the largest and smallest group to consolidate these financial statements is Harbour Energy Holdings Ltd (Cayman). Copies of the Harbour Energy Holdings Ltd consolidated financial statements can be obtained from the company secretary at 7th Floor, 20 St. James's Street, London, SW1A 1ES.

Key Management Compensation

Remuneration of key management personnel of the Group is shown below. The remuneration of the Non-Executive Chairman is wholly paid by EIG Management Company. The renumeration of the Harbour-appointed directors for their board roles is wholly paid by Harbour Energy.

Group	**2019 $000**	**2018 $000**
Salaries and short-term benefits	8,859	5,749
Payments made in lieu of pension contributions	346	525
Pension benefits	170	122
	9,375	6,396

29. Post Balance Sheet Events

In February 2020, the Board approved a partial redemption of both the C Loan Notes and D Loan Notes which took place later that month. In total, the partial redemption was C Loan Notes $42.0 million and D Loan Notes $4.9 million.

In response to the COVID–19 outbreak, the Group has mobilised its Crisis Management and Business Continuity Teams through which the business operations are managed with the top priority being the safety of the workforce. The Group has undertaken a review of operational activities for the year and will reduce the level of work to undertake only what is necessary to keep the workforce safe and to maintain continuing safe operations in all locations for as long as is necessary.

Commodity prices have fallen significantly during 2020. The review of activities for the year will result in operating expenditure being reduced reflecting the lower level of activities and the Group will also significantly reduce capital expenditure. The expectation is that the Group will continue to generate positive free cashflow after interest and tax.

Glossary	
2C	Contingent reserves
2P	Proven and probable reserves
bbl	Barrel
BMS	Business Management System
boe	Barrel of oil equivalent
boepd	Barrel of oil equivalent per day
CEO	Chief Executive Officer
CUI	Corrosion under insulation
DD&A	Depreciation, depletion and amortisation
DNV	Det Norske Veritas-Germanischer Lloyd
ESR	Elected Safety Representative
FID	Final investment decision
FPS	Forties Pipeline System
HSEx	Health & Safety Executive
HSEQ	Health, Safety, Environment and Quality
MAE	Major Accident Event
MAH	Major Accident Hazard
mboepd	Thousand barrels of oil equivalent per day
mmboe	Million barrels of oil equivalent
MPE	Ministry of Petroleum & Energy, Norway
OPPC	Oil pollution, prevention and control
OPRED	Offshore Petroleum Regulator for Environment & Decommissioning
OSDR	Offshore Safety Directive Regulator
PCOA	Put and call options agreement
POP	Platform Operating Procedure
SWE	Safe Working Essentials
TAR	Turnaround
TRIF	Total Recordable Incident Frequency
WOSPS	West of Shetland Pipeline System

Non-IFRS Measures

The Group 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 EBITDAX, Cost per barrel, Depreciation, depletion and amortisation per barrel, free cash flow and net debt and are defined below.

- **EBITDAX**: is defined as earnings before tax, interest, depreciation and amortisation, remeasurements and exploration expenditure. This is a useful indicator of underlying business performance.
- **Operating Cost Per Barrel:** direct operating costs (excluding over/underlift) for the year including tariff expense and insurance costs less tariff income, divided by working interest production. This is a useful indicator of ongoing operating costs from the Group's producing assets.
- **Depreciation, Depletion and Amortisation Per Barrel (DD&A):** depreciation and amortisation of oil and gas properties for the year divided by working interest production. This is a useful indicator of ongoing rates of depreciation and amortisation of the Group's producing assets.
- **Free Cash Flow:** defined as EBITDAX less capital expenditure.
- **Net Debt:** the cash and cash equivalents less total senior and junior debt recognised on the consolidated balance sheet. This is an indicator of the Group's indebtedness and contribution to capital structure.