

Maintaining safe operations



Premier is a London-listed independent exploration and production company with oil and gas interests in the UK North Sea, South East Asia, the Falkland Islands and Latin America.

Fulfilling our purpose

To play our role in meeting the world's energy needs through the safe, reliable and sustainable development of hydrocarbons whilst meeting the needs of society for effective governance and delivering value for our shareholders.

As we look forward to an exciting new chapter in our history and following a year of unprecedented global events, fulfilling our purpose has never been more important.

We seek to do this through a focus on three key areas:

A global portfolio, with an advantaged UK position

02

Our global portfolio

Our pioneering people, living our values

20

Our people and culture

A commitment to responsible and sustainable business

28

Sustainability review

“

We are proud of the quick action Premier took to ensure the health and safety of our employees and contractors, both offshore and onshore.”

Roy A Franklin, Chairman

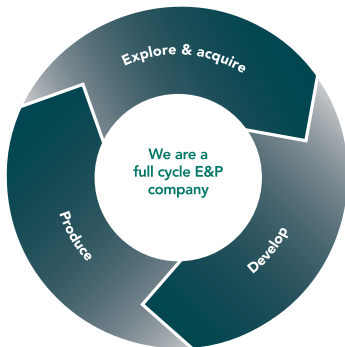
04

Year in review



14

Our strategy and business model



18

Stakeholder engagement



12

Market overview



22

Business units review



02

Strategic report

- 02 Our global portfolio
- 04 Year in review
- 12 Market overview
- 14 Our strategy and business model
- 16 Key performance indicators
- 18 Stakeholder engagement
- 20 Our people and culture
- 22 Business units review
- 28 Sustainability review
- 48 Financial review
- 52 Risk management
- 56 Principal risks

62

Governance

- 62 Chairman’s introduction
- 64 Board of Directors
- 66 Corporate governance report
- 74 Audit and Risk Committee report
- 77 Nomination Committee report
- 79 HSES Committee report
- 81 Directors’ remuneration report
- 108 Directors’ report
- 110 Statement of Directors’ responsibilities

111

Financial statements

- 111 Independent auditors’ report
- 123 Accounting policies
- 130 Consolidated income statement
- 131 Consolidated statement of comprehensive income
- 132 Consolidated balance sheet
- 133 Consolidated statement of changes in equity
- 134 Consolidated cash flow statement
- 135 Notes to the consolidated financial statements
- 167 Company balance sheet
- 168 Company statement of changes in equity
- 169 Notes to the Company financial statements

171

Additional information

- 171 UK Government payment reporting
- 174 Five year summary
- 175 Oil and gas reserves
- 176 Worldwide licence interests
- 178 Glossary
- 180 Shareholder information

A global portfolio, with an advantaged UK position

Premier's operations are global. The Group has a core business in the UK, which accounts for the majority of Premier's production, and an attractive portfolio of international development projects and exploration acreage which offer the potential for material future growth.

The merger with Chrysaor will bring together two complementary UK businesses with the Combined Group having the financial flexibility to fund and realise value from Premier's international portfolio.



Zama, Mexico

A fully-appraised giant field

With an extensive, high quality reservoir containing over 800 mmbbls in shallow water, Zama will be a world-class long-term producing asset.

>800m
Recoverable barrels

Sea Lion, the Falkland Islands Assessing our environmental and social impacts

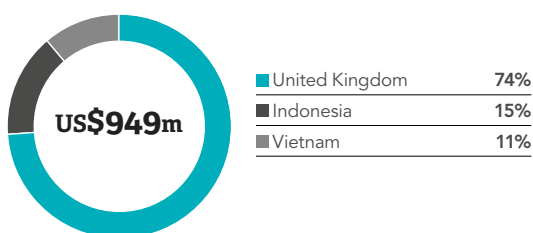
We updated our Environmental Impact Assessment ('EIA'), implementing our 'Low Carbon by Design' approach to complete Sea Lion's project engineering. That work, combined with our Net Zero Commitment, enabled us to significantly improve the Sea Lion Project, becoming a Net Zero project, for the benefit of all stakeholders.

Solan, UK Global CEO HSES Awards

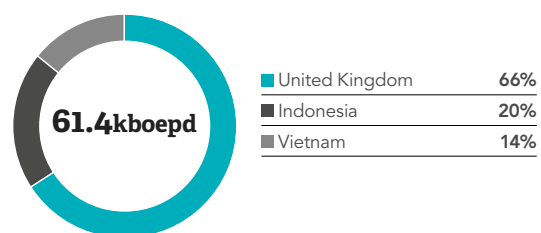
Our Global CEO HSES Awards recognise outstanding safe behaviours, HSES leadership and environmental or safety innovation across our business units. In 2020, the crew on our UK Solan asset were joint winners of the Best Team Award for having remained four years without a lost time injury.


Operational performance

Revenue by region



Production by region



 [Read more](#)

Business units review
Sustainability review

pg22
pg28

Tolmount, UK

A robust project with material upside

Tolmount is on track for first gas in the second quarter of 2021 and underpins the Group's medium-term UK production profile.

c.25kboepd
Net plateau rates

Natuna, Indonesia

Meeting Singapore's gas demand

Premier's Natuna Sea Block A generated material net cash flows in 2020 underpinned by robust Singapore demand, high asset reliability and low operating costs.

56%
GSA1 market share

Chim São, Vietnam
Prioritising employee rights

We respect the right of all employees to join a legitimate trade union and, if they wish, to bargain collectively. Close collaboration with all of our employees is an essential part of our business and so it is natural that we support these rights through all of our Vietnamese operations.

Sustainability performance

US\$893m

Total economic distribution

0.68

TRIR per million man hours

94%

Of all employees are nationals

82%

Of senior management are nationals

A new exciting chapter in Premier's history

“

Marking the next step in our long history, by creating the largest London-listed independent oil and gas company.”



Roy A Franklin
Chairman

Overview

2020 delivered some of the most challenging times for the upstream oil and gas sector. The outbreak of the COVID-19 pandemic and ensuing deep global economic slowdown, together with a geopolitical oil price war, caused significant commodity price weakness and volatility during the first half of the year. Supported by extended record OPEC supply cuts and positive vaccine related news, oil prices recovered into year-end and the global demand and supply position is now more balanced although society's concerns around energy transition and climate change continue to weigh on the sector.

We are proud of the quick action that Premier took in response to the pandemic to ensure the health and safety of our employees and contractors, both offshore and onshore. We adapted working practices and protocols to allow us to continue to operate our business safely. This enabled us to deliver full-year production of 61.4 kboepd and, while that was lower than envisaged at the start of the year, it is testament to the skill and dedication of our teams that we maintained safe and responsible operations despite the difficult operating environment.

The Company also responded quickly to minimise expenditure and protect cash flows. Safety-critical maintenance and capital investments in high-return projects which impacted near-term production were prioritised while discretionary expenditure with longer payback periods was deferred. This, together with the continued underlying performance of Premier's assets, partially mitigated the financial impact of low commodity prices on the Group.

Alongside these actions Premier re-engaged with its creditors to secure a long-term refinancing of the business. In September, Premier was in the process of seeking creditor approval for the refinancing of its debt facilities alongside the acquisition of certain producing assets from BP when the Group was approached by Chrysaor with a merger proposal. Given the market conditions at that time, it was felt that an all share merger with Chrysaor had greater execution certainty for stakeholders than the standalone solution which was dependent upon a significant equity raise. As a result, in October 2020 the Board unanimously recommended the merger to shareholders who approved it at a General Meeting in January 2021. The merger with Chrysaor remains on track to complete at the end of March 2021, upon which Premier Oil plc will be renamed Harbour Energy plc.

Harbour Energy will bring together two complementary businesses to create the largest London-listed independent oil and gas company, by production and reserves. It will have a cash generative diversified UK business with a significant operated position. In addition, Harbour Energy will have a broad set of international growth opportunities with the financial flexibility and capacity to realise value from a top-tier development and exploration portfolio as well as from a disciplined M&A strategy. Harbour Energy will have a strong balance sheet from day one and is expected to generate sufficient free cash flow to support shareholder returns, including via a sustainable dividend in the near-term, subject to market conditions.

Environmental, Social and Governance ('ESG') issues remained a key priority during 2020 and, for oil and gas companies in particular, the carbon footprint of our industry is a key focus. Premier recognises the need to respond to climate change and the critical role of the energy industry in addressing these environmental challenges. In March, Premier committed to developing all of its operated projects on a carbon neutral basis. Harbour Energy will have the scale and balance sheet to build on Premier's progress in this area, and has committed to attaining the goal of Net Zero across its operations by no later than 2035, well in advance of the UK government goal of 2050.

I, along with my fellow Directors, recognise the challenging circumstances and the personal impact on our employees that has resulted from the COVID-19 pandemic and would like to take this opportunity to thank them for their continued dedication, hard work and support. I would also like to note the significant contributions made by Tony Durrant and Robin Allan, both of whom left Premier in 2020. As we look forward to the start of a new and exciting chapter in Premier's long history, I firmly believe that Harbour Energy has all of the ingredients, including scale, a strong balance sheet and an experienced management team, to allow the Group to prosper whilst playing its part in the energy transition and delivering value for all of its stakeholders.

Creating a new independent oil and gas company with significant scale and diversification



Harbour Energy will be a cash generative business with competitive operating costs and a strong balance sheet along with a broad set of international growth opportunities.

A stable, tax efficient platform for future growth

Harbour Energy will have a cash generative, diversified UK asset base with a significant operated business and material stakes in long-life assets. The merger with Chrysaor will create substantial cost and tax synergies, unlocking significant value for stakeholders.

Significant international growth opportunities

Harbour Energy will be able to leverage Premier's global footprint with the financial flexibility and capacity to

realise value from a top-tier development and exploration portfolio in addition to disciplined M&A.

Strong balance sheet and sustainable financing

Harbour Energy will have a simplified capital structure and a strong balance sheet with the potential for an investment grade credit rating. The Combined Group will have a low operating cost base and low average cost of debt with resilience to compete in a lower commodity price environment.

>230kboepd

Combined production in 2020

>1,500mmboe

Combined reserves and resources

Sector leading ESG credentials

- ✓ Committed to industry ESG leadership
- ✓ Lower carbon intensity than UK average
- ✓ Pioneer of CO₂ Capture and Storage solutions in UK projects

Operational progress

During 2020, Premier continued to safeguard its people, completed and installed the Tolmount facilities offshore, and preserved the optionality of its future growth projects whilst maintaining production across its asset base. In addition, Premier successfully negotiated a merger with Chrysaor, securing both long-term value for stakeholders and a stronger balance sheet on completion of the transaction.

Production and development operations

Production averaged 61.4 kboepd during 2020, a reduction on 2019 driven by lower uptime from the Catcher Area, the Group's largest producing asset, and the acceleration of cessation of production from some of Premier's more mature, high cost UK fields. Increased delivery capacity at year-end was supported by the successful execution of operated infill wells on Catcher and Solan in the UK and four well intervention campaigns in South East Asia.

UK production was 40.6 kboepd. This was underpinned by output from Premier's operated Catcher Area. Despite lower uptime during the year, the Catcher fields exited the year at plateau production rates of 60 kbopd (gross, Premier 50 per cent), three years after first oil.

>80kboepd

Anticipated 2021 exit rate from Premier's production assets

This is significantly ahead of the 18 month plateau at 50 kbopd envisaged at project sanction. Premier's operated South East Asian assets delivered another robust performance in 2020, benefitting from sustained high uptime and a continued low operating cost base.

The Tolmount gas development is on track for first gas in the second quarter of 2021. The Tolmount field will add 20-25 kboepd (net, Premier 50 per cent) of production once at plateau rates, contributing to a forecast

Group 2021 production exit rate in excess of 80 kboepd. In addition, Premier has made good progress advancing Tolmount East, with a final investment decision targeted during 2021. Once on-stream, Tolmount East will help maintain and extend plateau production from the Tolmount Area.



“Premier has an attractive portfolio of pre-development projects which offer the potential for material future growth.”

Growth projects

Premier has an attractive portfolio of pre-development projects which offer the potential for material future growth. During 2020 Premier sought to minimise and defer expenditure across its operated projects to preserve cash while at the same time continuing to optimise its level of participation in these projects. In the Falkland Islands, Premier continued to progress its operated 250 mmbbls Sea Lion Phase 1 project, albeit at a reduced pace given the macro environment, while offshore Indonesia, the Group successfully farmed down its Tuna PSC to Zarubezhneft who will carry Premier on a two well appraisal programme in 2021.

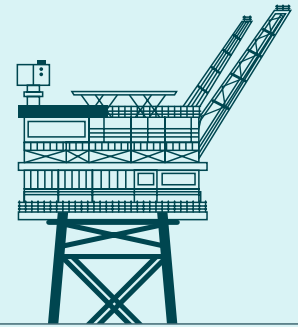
In Mexico, the Block 7 (Premier 25 per cent interest) partners and Pemex continued to progress the giant Zama field towards a targeted late 2021 project sanction. 2020 saw completion of FEED on the chosen development concept and significant progress in the negotiations regarding the unitisation of the Zama field, which are expected to conclude during the first half of 2021.

While 2020 saw Premier's exploration and appraisal drilling campaigns deferred, the Group was highly encouraged





A robust project with material upside



500Bcf

Gross resource

50%

Operated interest

300mmscfd

Gross peak rates

US\$120m

Capex (net)

240Bcf

Gross prospective near-field resource



Low Carbon by Design

One of the lowest emitting platforms in the UK

Minimising our carbon footprint was a critically important design element of the project. By getting the team culture right, we could take advantage of the best available technologies and positively challenge the norm. By continually finding and implementing innovative low carbon solutions, we have successfully delivered one of the lowest emitting platforms in the UK.

<1kgCO₂e/boe

Expected Tolmount GHG intensity

Industry-leading low carbon emissions

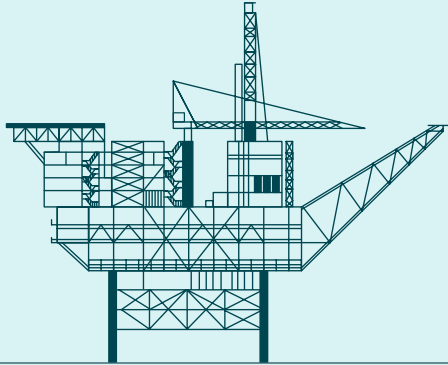
Tolmount is an ultra-low emissions gas platform powered by miniature gas turbines. It will be operated from onshore and will be normally unmanned offshore, reducing the pollution associated with boat and helicopter trips.

[Read more](#)

Sustainability review

pg28

A world-class development asset



150kbopd

Expected gross peak rates

c.3yrs

Capex payback

<5/boe

Unit capex

2040+

Long field life

810

mmboe

Light 28 API crude

Global standards for safety

Embedding our Life Saving Rules

In 2019 Premier announced that it was formally adopting the International Association of Oil & Gas Producers' Life Saving Rules. The Life Saving Rules were derived following industry-wide analysis of over a decade of safety data. There are nine rules in total which act as a simple checklist for users

undertaking the most hazardous work activities that have historically caused fatalities within our industry.

In 2020, Premier undertook an extensive rollout and training programme including our entire global offshore workforce, to ensure that the Life Saving Rules were fully implemented across our business.

 [Read more](#)

Sustainability review

pg28



Mexico



Zama



A company's success is not only measured in terms of financial performance, but also in terms of its environmental and social performance."

	2P reserves (mmboe)	2P reserves and 2C resources (mmboe)
1 January 2020	175	847
Production	(23)	(23)
Revisions, divestments	(1)	21
31 December 2020	151	845

by the seismic data it received across its Indonesian, Mexican and UK licences. Premier is particularly excited about its first exploration well on its Andaman Sea acreage which is scheduled to be drilled in the first half of 2022 and which is targeting a multi-Tcf gas play with access to commercial markets.

Harbour Energy will have the ability to fund and realise value from Premier's top-tier development and exploration portfolio. These projects will compete for capital with existing projects within Chrysaor's portfolio as well as new business development opportunities.

Reserves and resources

As at 31 December 2020, the Group's proved and probable ('2P') reserves, on a working interest basis, were 151 mmboe (2019: 175 mmboe) and total 2P and 2C resources were 845 mmboe (2019: 847 mmboe).

The reduction in 2P reserves is driven by the impact of 2020 production. Upward revisions in the Group's 2P reserves largely related to the Catcher Area, due to better reservoir performance and gas management strategy.

This was offset by negative revisions in Solan (UK) and Natuna Sea Block A (Indonesia) and earlier cessation of production from a number of more mature UK fields.

The Group's 2C resources stood at 845 mmboe at year-end. This reflects a revision in 2C resources of 48 mmboe due to Premier's working interest in the Tuna PSC increasing to 100 per cent prior to completion of the farm out to Zarubezhneft post period end. This was partially offset by the removal of 2C resources associated with a number of UK fields which ceased production in 2020.

Finance and proposed merger with Chrysaor

At the outset of the year, Premier expected to generate material free cash flow in 2020, based on its budgeted commodity price assumptions. While Premier was quick to respond to the collapse in oil prices, securing some US\$250 million of cost savings and deferrals across opex and capex, the Group reported a cash outflow for the year of US\$90 million. This resulted in an increased year-end net debt position of US\$2,078 million (2019: US\$1,990 million).

In October, Premier announced the proposed merger with Chrysaor, upon completion of which, Chrysaor and its shareholders will repay and cancel all of Premier's existing gross debt and cross currency hedging liabilities. Net debt of the Combined Group on completion is expected to be approximately US\$2,900 million.

>US\$250m

Of cost savings and deferrals across capex and opex

US\$12/boe

Group field opex



It is the Group's highest priority to continue to operate all of its assets in a safe and responsible manner, to ensure the safety of its workforce and to minimise the potential risk to the environment."

Formal shareholder and creditor approval and Mexico and Vietnam anti-trust clearances were received post year-end. The UK and Falkland Islands regulatory conditions to the merger were also satisfied in the first quarter of 2021 and the merger remains on track to complete by the end of March 2021.

0.7

Total Recordable Injury Rate

845mmboe

2P and 2C resources

Environmental, Social and Governance ('ESG')

A company's success is not only determined by its financial performance, but also by its health, safety and environmental performance. It is the Group's highest priority to continue to operate all of its assets in a safe and responsible manner, to ensure the health and safety of its workforce and to minimise the potential risk to the environment. We have set ourselves ambitious targets to become a carbon neutral enterprise through being 'Low Carbon by Design' and Carbon Neutral by Commitment.

In 2020, Premier recorded no serious injuries or significant spills and a Total Recordable Injury Rate ("TRIR") of 0.68 per million man hours worked. While any injury is one too many, this marks the lowest TRIR recorded by Premier in over 10 years. In addition, Premier's global operated

production platforms across the North Sea, Indonesia and Vietnam achieved two years without a lost time injury.

During 2020, Premier's GHG intensity rose slightly to 21.1 kgCO₂e/boe as a result of year-on-year reduction in production. However overall CO₂e gross emissions across the Group's operated assets reduced by some 12 per cent to 820 thousand tonnes, supported by the Group's focus on continuous improvement in its emissions performance and its proactive decision to abandon some of its older fields.

Outlook

As we enter 2021 with improving commodity prices, Premier's focus is on maintaining its safe production performance and competitive cost base whilst delivering first gas from its operated Tolmount project. We look forward to completing the Zama unitisation discussions with Pemex and executing the fully-carried two well appraisal programme of our Tuna field in Indonesia.

We are also excited about completing the merger with Chrysaor. Harbour Energy will have a low cost base and a robust reserve and resource base. The Combined Group will be well positioned to generate material free cash flow, even at low commodity prices, and to invest for growth on a global stage.

Roy A Franklin
Chairman

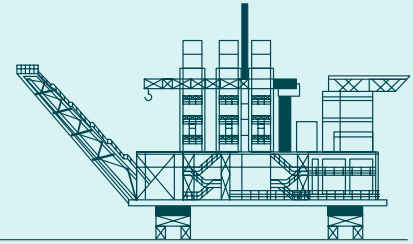
Meeting Singapore's gas demand

98%

Operating efficiency

US\$9/mmscf

Realised price for Natuna gas



Natuna





Heading towards 'Net Zero'

A unique emissions hopper approach

In 2020, we launched our new Environmental Improvement Hopper as a mechanism to achieve the Company's Net Zero commitment by 2030 – with a particular focus on delivering the 'Low Carbon by Design' work-stream.

The Hopper is an online platform by which environmental improvement opportunities across the Group are submitted, screened, and ranked for feasibility. The primary focus of the Hopper is on driving opportunities that deliver Scope 1 and Scope 2 GHG emission savings on existing assets.

[Read more](#)

Sustainability review

pg28



The changing energy landscape

2020 has proven to be one of the most challenging years for the energy sector and the global economy as a whole. With the onset of the COVID-19 pandemic at the start of the year, the resulting global restrictions had a significant impact on energy demand.

The effects of the virus were also compounded by the price war between Saudi Arabia and Russia in the spring of 2020. Brent moved to near all time lows and WTI turned negative for the first time ever, leading to a significant adverse effect on sentiment towards the energy sector.

As expected, the industry has taken significant steps to adapt to this new world. In addition to the pressures of low oil prices and COVID-19, other structural changes have engendered change within the sector. Societal demands for the provision of greater amounts of energy from sustainable sources coupled with pressure to reduce the carbon footprint from the production of oil and gas have been stronger than ever this year, and the sector has taken steps to address these stakeholder concerns.



Commodity prices

US\$19-66/bbl

In 2020, Brent averaged US\$41.2/bbl compared to Premier's average realised price of US\$49.4/bbl post hedging

Summary

2020 saw significant volatility for Brent, which ranged between US\$19/bbl and US\$66/bbl.

The COVID-19 outbreak along with OPEC+ supply disagreements initially caused prices to collapse, but then recovered from May onwards due to the global economic recovery along with optimism surrounding COVID-19 vaccines.

UK gas prices followed a similar trend to that of Brent. A mild 2019/2020 winter along with COVID-19 proved to be key drivers, although a tighter gas market from 2021 onwards should bolster future prices and this trend began to lift prices towards the end of the year.

Our response

Premier looks to reduce the volatility in its revenues and protect against any adverse commodity price movements through a rolling hedging programme, whilst retaining some upside to any potential rally in prices.

Opportunity

For 2021, the Company has hedged approximately 13% of its oil production at an average price of US\$54/bbl, and approximately 36% of its UK gas production at an average price of 42p/therm.

Foreign exchange rates

US\$1.37/£

Sterling at the end of the trading year

Summary

The US\$/£ exchange rate saw significant volatility throughout 2020, driven by Brexit developments as well as the global coronavirus pandemic.

Hitting a yearly low in March of US\$1.15/£, the successful conclusion of a Brexit trade deal saw sterling end 2020 3.0% higher on the year at US\$1.37/£.

Our response

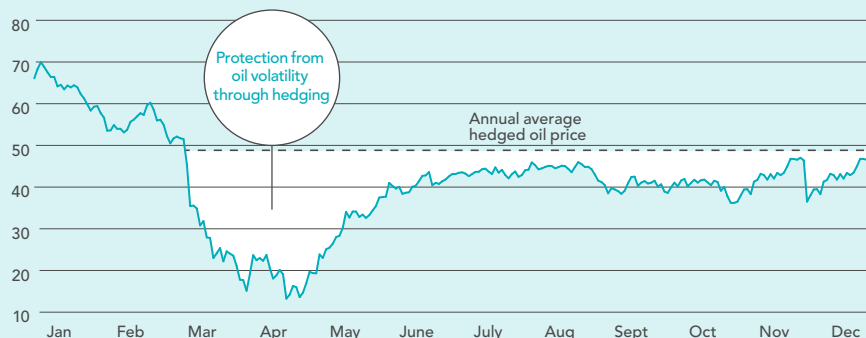
The Company has sterling exposure through its UK operations which it actively manages through forward hedging, helping to protect against market volatility.

Premier also has £250 million of sterling debt which was hedged by cross currency swaps at the time the arrangements were put in place (and which will be repaid and cancelled when the merger with Chrysaor completes).

Opportunity

Premier actively manages its foreign exchange exposure. The increase in sterling revenues once Tolmount gas production is onstream will offset and provide a natural hedge against the sterling costs in the wider UK business and operations.

Average crude oil prices 2020 (US\$/bbl)





Viewpoint

Roy A Franklin
Chairman

An oil company helping to mitigate climate change? In our case...true.

Read more

Sustainability review

pg28

Our core mission has long been to safely and profitably produce and sell oil and gas; these have long been the primary ingredients in human and economic progress.

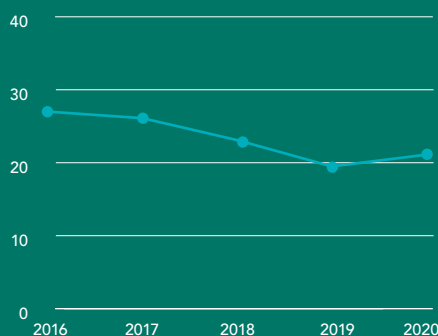
Today the world still needs oil and gas. It expects companies like ours to deliver the same products.

However, it now demands that we do so in a way that ensures that our environmental footprint, particularly the greenhouse gases from our operations, is minimised to as near zero as possible.

To meet this expectation, we already deploy our technological skills to reduce our carbon footprint to a very low level; now we are embarking on new pathways to reduce our emissions. We are investing in projects that use our engineering and geoscientific expertise to reinject our emissions, and those from other emitters, safely and cleanly into the sub-surface where it will remain forever.

Combining these projects with additional investments in nature-based carbon capture projects will mitigate the effects our activities have on climate change; it will enable us to continue to supply the products that the world needs in a responsible way, maintaining and improving the standard of living for everyone, and delivering tangible benefits to our stakeholders.

Premier GHG intensity kgCO₂e/boe



Equity markets

FTSE 250

The Combined Group is expected to rank in the upper quartile of the FTSE 250

Summary

Global equity markets suffered steep falls in the first half of 2020 amidst the global spread of COVID-19. Significant monetary and fiscal support from governments across the world supported equity indices which recouped some of their losses during the second half of the year. The FTSE All-World Index gained 14% on the year, with notable outperformance from US and Chinese markets.

Our response

Equity market volatility, investor uncertainty and the impact of COVID-19 on global oil demand saw the Energy sector underperform wider equity markets. Premier did not proceed with its proposed BP acquisitions and associated equity raise against this backdrop.

Opportunity

The proposed merger with Chrysaor will create the largest independent oil and gas company listed on the London Stock Exchange, attracting a wider audience of equity market investors.

Corporate activity

US\$2.7bn

Gross debt and other liabilities to be repaid and cancelled

Summary

The value of global M&A transactions in the sector was significantly reduced this year, as COVID-19 led to many investment decisions being postponed or cancelled. However, the weakness in share prices and asset values, coupled with stressed balance sheets, led to a number of high profile deals in the US sector as a number of shale players consolidated or were taken over.

Our response

In January 2020, Premier announced the proposed acquisition of two North Sea assets from BP and a 25% interest in the Tolmount Area from Dana. The total consideration was US\$816 million, financed by a US\$500 million equity raise and a US\$300 million loan facility. However, these transactions were superseded in October by the proposed merger between Premier and Chrysaor Holdings. The transaction is subject to creditor and shareholder approval, and once approved the combined entity will be relisted on the London Stock Exchange.

Opportunity

The current environment provides the opportunity to continue to acquire cash-generative assets in the UK and to access acreage and reserves internationally.

Investment and costs

>US\$250m

Of cost savings and deferrals secured across capex and opex in 2020

Summary

2020 saw a marked slowdown in sector investment activity, with many new projects being postponed due to downwards pressure on oil prices. Premier reacted rapidly to the oil price environment in 2020 by exercising significant control over costs to maintain free cash flow generation.

Our response

Premier closely controls its costs and aims to enter into long-term leases and turnkey development contracts and infrastructure partnerships to ensure the Company is protected against any potential future cost inflation and cost overruns. Premier also benefitted from the effects of a number of long-term contracts with suppliers that were negotiated in the last downturn in the sector in 2016, that have helped keep operating costs competitive.

Opportunity

The proposed merger with Chrysaor will create a resilient business with competitive operating costs. Premier is the operator of the majority of its assets, providing the Group with strong control over future expenditure programmes and the ability to flex its discretionary spend in the event of a downturn in the commodity price. The larger scale of the combined UK business once the merger completes is also likely to create operating synergies and greater negotiating leverage with the oil services sector.

Our purpose

To play our role in meeting the world's energy needs through the safe, reliable and sustainable development of hydrocarbons whilst meeting the needs of society for effective governance and delivering value for our shareholders.

Our strategic pillars

Our strategy comprises four pillars, all of which contribute towards fulfilling our purpose and set us apart as a world-class exploration and production company.

1

To operate in a safe and responsible manner

2

To focus on high quality assets with commercially advantaged positions

3

To secure access to capital and financial liquidity

4

To maintain an effective organisation sustained by the right people

Our inputs

Operational

We seek to maximise the value of our high quality portfolio, safely managed by our operating teams and functional experts, through high operating efficiency, effective cost management and pursuit of investment opportunities in and around our existing assets.

 [Read more](#)

Business units review

pg22

Financial

Managing the risks that we face, maintaining access to capital and following strict financial discipline are all critical to our business. All of our operations are carried out against a background of rigorous corporate governance.

 [Read more](#)

Financial review

pg48

Societal

We focus on our relationships with partners, employees and the communities in which we operate to maintain our social and legal licence to operate. We have made a commitment that all of our new operated projects will be developed on a Net Zero emissions basis.

 [Read more](#)

Sustainability review

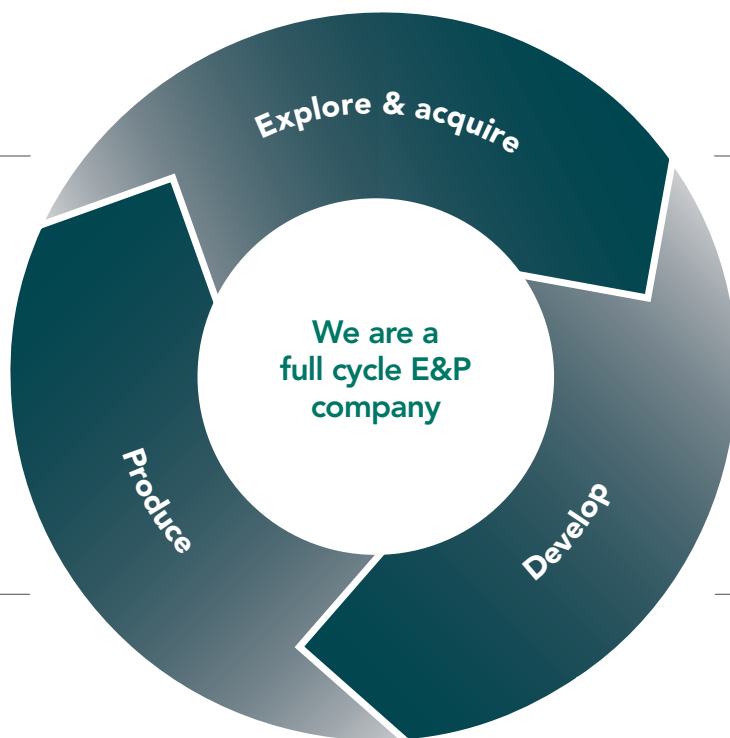
pg28

How we create value

Our business model is to license or acquire high quality assets according to prevailing market conditions. We target our exploration activity in under-explored emerging plays in proven hydrocarbon provinces. We then develop our discovered resources, right-sizing our investment in assets to suit our risk appetite and financial circumstances. We produce the reserves seeking advantageous commercial terms and high operating efficiency.

Our core activities

Our target outputs



Growth of production portfolio, and an increase in reserves and resources

- Safe operations
- Pipeline of quality investments
- Significant growth optionality maintained
- Safe operations

61.4kboepd

Group production

Growth of net asset value via increased income and cash flow

- Sustainable operating cash flow
- Balanced capital structure
- Selective reinvestment

US\$630.1m

Operating cash flow

Opportunities for our people, partners and the communities in which we operate

- Motivated employees
- Improved relationships
- Enhanced reputation

US\$893.2m

Total economic distribution

Measuring our performance

Operational

Premier maintained safe and responsible operations throughout 2020 despite the difficult environment.

Working interest production kboepd

61.4kboepd



Objective

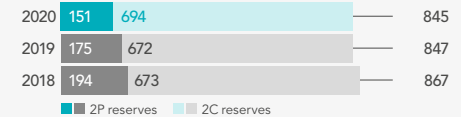
Premier aims to maximise production from its existing asset base and, over time, to deliver production growth.

2020 progress

- Group production of 61.4 kboepd
- Final production from certain UK fields, lower Catcher Area uptime
- Merger with Chrysaor will result in the Combined Group becoming the largest producer in the UK

Reserves and resources mmboe

845mmboe



Objective

Premier aims to grow its reserve and resource base through a combination of successful exploration and selective acquisitions.

2020 progress

- Upward revisions in 2P reserves at the Catcher Area and Chim São offset by negative revisions at Gajah Puteri
- Merger with Chrysaor will materially transform Premier's reserve and resource base

Financial

Premier was able to secure covenant waivers and access to liquidity throughout the year despite the challenging economic environment.

Covenant leverage ratio

5.3x



Objective

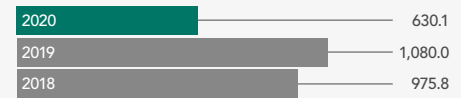
Premier aims to have sufficient headroom against its covenant leverage ratio to ensure continued covenant compliance and access to liquidity throughout the commodity price cycle.

2020 progress

- Reduced EBITDAX of US\$626 million, due to lower commodity prices and production
- Financial covenants waived through to merger completion; Combined Group targeting conservative financial leverage ratio through the cycle

Operating cash flow¹ US\$ million

US\$630.1m



Objective

Premier aims to maximise cash flow from operations to maintain financial strength, meet its debt obligations, invest in the future of the business and deliver long-term returns to shareholders.

2020 progress

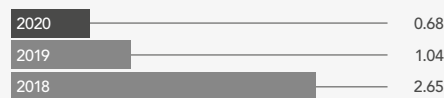
- Reduced operating cash flow driven by lower commodity prices and production
- Merger with Chrysaor creates a Combined Group well positioned to generate material cash flow even at low commodity prices

Societal

Premier remains committed to behaving responsibly and conducting its business with integrity in everything it does.

Total Recordable Injury Rate ('TRIR')

0.68



Objective

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

2020 progress

- Four recordable injuries across all global operations, none of which resulted in serious injury
- Lowest recorded TRIR by Premier for over 10 years

Process safety events – IOGP Tier 1 and Tier 2

2 Tier 2 events



Objective

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

2020 progress

- No Tier 1 Process Safety Events
- Two Tier 2 Process Safety Events relating to a gas release on the Catcher FPSO and a methanol spill on the Balmoral production facility

Strategic pillars

- 1 To operate in a safe and responsible manner
- 2 To focus on high quality assets with commercially advantaged positions
- 3 To secure access to capital and financial liquidity
- 4 To maintain an effective organisation sustained by the right people

[Read more](#)

- Our strategy and business model pg14
- Risk management pg52
- Principal risks pg56

Operating costs US\$/boe
US\$12.2/boe



Objective

Premier aims to minimise costs from operations without compromising on health, safety and integrity.

2020 progress

- US\$12/boe field opex and US\$7/boe FPSO lease costs, reflecting >US\$100 million of savings and deferrals
- Cessation of production from higher cost fields

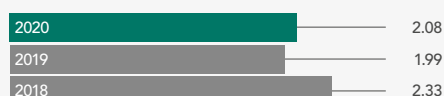
Relevant strategic pillars

- 1
- 2
- 4

Associated risks

- Production and development delivery and decommissioning execution
- Exploration success and reserves addition

Net debt US\$ billion
US\$2.08bn



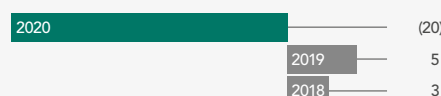
Objective

Premier aims to reduce the absolute level of its net debt to address the imbalance in its capital structure, to ensure compliance with its financial covenants and to provide the Company with future financial flexibility.

2020 progress

- Reduced expenditure by c.US\$250 million, mitigating the impact of low commodity prices
- Merger with Chrysaor will result in a Combined Group with a strong balance sheet

ROCE² %
(20)%



Objective

Premier is focused on effective capital and balance sheet management, and quality of earnings through driving operational and technical efficiencies.

2020 progress

- Reduced earnings after tax due to lower commodity prices and production, and a number of non-cash charges
- Merger with Chrysaor creates a Combined Group with a broad set of high return projects and the ability to invest in them

Relevant strategic pillars

- 2
- 3

Associated risks

- Commodity price volatility
- Access to capital

GHG intensity – operated assets kgCO₂e/boe
21.1kgCO₂e/boe



Objective

Premier is committed to proactively taking steps to address the Group's impact on society and in particular to minimise the climate impact of its activities.

2020 progress

- GHG intensity rose slightly due to a year-on-year reduction in Group production
- Overall CO₂e gross emissions across the Group's operated assets were 820 thousand tonnes, some 12 per cent lower than that reported in 2019

Relevant strategic pillars

- 1
- 4

Associated risks

- Health, safety, environment and security
- Climate change

1 2018 restated for the impact of IFRS 16.
2 Calculated as (loss)/profit after tax, excluding impairment and DTA derecognition, divided by net liabilities add back net debt.

Growing our stakeholder value

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

The disclosure on the following two pages, together with the table on pages 70 and 71, describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006. Information regarding our assessment of environmental and community issues associated with our operations, including how we maximise our positive impacts and minimise the negative impacts, can be found in the Sustainability Review on page 28.

Shareholders



What issues are important to them?

- Sustainable financial and operational performance
- Capital allocation
- Remuneration structure
- ESG performance

Why is it important to engage?

Premier has sought to develop an investor base of long-term shareholders. By ensuring that our strategy and objectives are well understood by shareholders, we maintain continued access to long-term capital providers who are supportive of the sustainable success of the business.

How do we engage?

There is regular dialogue between both institutional and retail investors through meetings, presentations and conferences. Over 300 meetings were held with current and prospective investors during 2020 with the Chief Executive Officer and Finance Director primarily responsible for engagement. For more information, please see page 73.

Lenders



What issues are important to them?

- Sustainable financial and operational performance
- Capital allocation
- Covenant compliance
- Refinancing plan

Why is it important to engage?

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

How do we engage?

Following the collapse in commodity prices during 2020, the Company has been in ongoing discussions with its lenders regarding a refinancing of its debt facilities. This culminated in the debt restructuring and merger announced on 6 October. An informal working group ('IWG') of lenders provided a conduit through which these negotiations could be conducted.

Governments & regulators



What issues are important to them?

- Work programmes and budgets
- ESG performance
- Decommissioning arrangements

Why is it important to engage?

With a diverse global portfolio, forging strong and positive relationships with our host governments and local regulatory authorities is vital to maintaining our licence to operate. We believe that the strength of these relationships allows us to make a sustainable and beneficial contribution to the countries in which we have operations.

How do we engage?

In our South East Asia Business Units the production sharing contracts ('PSCs'), to which Premier is a party, set out formal arrangements for engaging with host governments on a variety of issues. This is supplemented by more regular contact with appropriate departments at a working level for day-to-day operational activities. In the UK, Premier engages regularly with the Oil & Gas Authority and the Health and Safety Executive.

 [Read more](#)

Sustainability review

pg28

Governance

pg62

Joint venture partners



What issues are important to them?

- Operational performance
- Work programmes and budgets
- ESG performance

Why is it important to engage?

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

How do we engage?

A regular programme of operating and technical committee meetings ('OCMs' and 'TCMs') ensures that there is an open dialogue with our partners that allows for ideas to be exchanged and collaboration to be fostered. Where we are operator, we seek to ensure that all partners are aligned around common objectives for a particular asset to ensure that we can maintain safe and reliable operations.

Workforce



What issues are important to them?

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

Why is it important to engage?

Our current and future success is underpinned by our ability to engage, motivate and retain our workforce. Creating the right environment for employees wherein their contribution is valued and listened to helps to ensure that we can deliver on a shared set of objectives.

How do we engage?

During 2020, the Group Staff Forum met in order to provide a vehicle for the workforce to raise key issues with the Board. This Forum is made up of representatives from across the Group who – via local staff forums – are responsible for gathering the views of employees to be raised at the Group Staff Forum.

Suppliers



What issues are important to them?

- Contractual terms
- Pipeline of future projects
- Contract management strategy

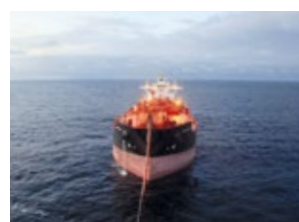
Why is it important to engage?

Our supply chain is a key component of our day-to-day operations. We are dependent on our suppliers delivering on time and on budget to ensure that our projects generate maximum value. Through collaborative working relationships, we aim to deliver mutual value and a sustained commitment from our suppliers.

How do we engage?

Supplier relationship management is ultimately the responsibility of each individual contract owner to ensure that value over and above the scope of the contract is realised. Engagement takes place at a working level with suppliers, with regular meetings at a more senior level for our tier 1 contractors.

Customers



What issues are important to them?

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

Why is it important to engage?

Premier sold to in excess of 25 global customers during 2020. Our diverse grades are sold via a mixture of spot market sales and term sale agreements, with long-term gas sales agreements in place in Indonesia to deliver gas into Singapore. Through regular and open dialogue with our customers, we are able to achieve competitive prices for our oil and gas whilst ensuring our operations continue to run smoothly.

How do we engage?

Premier has an in-house marketing department responsible for all of the Company's global crude oil, NGL and North Sea gas sales. The marketing team manages the entire sales process from the negotiation of lifting and shipping agreements through to pricing negotiation and offtake logistics.

Our pioneering people, living our values

Our values underpin our behaviours and activities, complement and support our strategy, and are also reflected in our policies and procedures. At the centre of these values is creativity which sits at the heart of everything we do. With the foundations of the Company built on professionalism and respect, our spirit comes from our tenacity and dynamism.



The feedback we received from across our business on our Company strategy and culture provided a valuable insight into how each of our business units operate.”

Jamie Bassett
Senior Commercial Manager



Strategy and culture engagement

During 2020 we ran 14 engagement workshops across our business focusing on our strategy and culture.

We sought feedback on our Company strategy proposition and explored the local context, identifying where and how each business unit could contribute to delivering our overall objectives. We also evaluated culture as an enabler to delivering our strategy. We looked at our values and behaviours in a local context, identifying examples of success that had been achieved through living our values, and investigated what each of our behaviours meant on a day-to-day basis.

[Read more](#)

Sustainability review

pg28

776

Employees worldwide

26%

Of our workforce are female

Our values





Leadership Development Programme ('LDP')

The LDP was introduced to identify, develop and nurture Premier's core leadership potential by supporting and challenging individuals who are highly capable and motivated to successfully lead the organisation in the future. The LDP programme has been recognised by individuals as being a step change in engagement in the future of Premier and has greatly enhanced opportunities to expand networks across disciplines and locations and helped delegates develop leadership skills through focused project work.

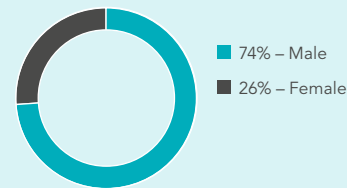


The coaching opportunities through the LDP have been excellent, and offered the opportunity of reflection and growth in parallel to understanding the influence we can have on the Company going forward, and the people who are there to help power that."

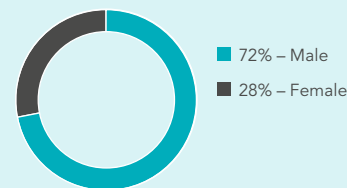
Tom Andrews
Interim Project Manager
Falkland Islands Business Unit

Key employee indicators¹

Gender balance of total workforce 2020



Gender balance at Board level



Employment of nationals



Percentage of employees receiving performance reviews



¹ All data as at 31 December 2020.

'Women@Premier' Network

In 2020, we launched the highly successful 'Women@Premier' Network with the aim of supporting women to develop their careers and achieve their personal and professional goals. The network serves as a platform where women can have transparent conversations about:

- Navigating the corporate culture and making Premier a place where women can thrive
- Strengthening the female talent pipeline and improving gender diversity across all grades and functions
- Supporting each other and accessing senior leaders and peers across the organisation

In July 2020, we held our first virtual 'Women@Premier' panel discussion, where panellists, including female Non-Executive Directors, provided insight into how they developed their careers.

[Read more](#)

Sustainability review

pg28

A second virtual panel discussion was held in November 2020 with discussion topics focused on how to overcome career challenges and increasing resilience and ability to cope with change.



A welcome initiative that I'm pleased to sponsor. 'Women@Premier' is a great platform to help facilitate and drive positive long-term change for women in our organisation and help further enable diversity and inclusion, in its broadest sense, to be embraced more fully."

Rachel Rickard
Company Secretary



United Kingdom

UK production averaged 40.6 kboepd, a decrease on the prior corresponding period due to lower uptime at Catcher and the acceleration of cessation of production from several of the Group's more mature, higher cost fields. Looking ahead, Tolmount at plateau rates will result in Premier's UK tax advantaged production increasing to over 60 kboepd at the end of 2021.

40.6kboepd

2020 production

>60kboepd

Forecast 2021 UK exit rate



Catcher Area

Production from Premier's operated Catcher Area averaged 26.1 kboepd (net, Premier 50 per cent) (2019: 33.6 kboepd) during 2020 with the fields continuing to produce at plateau oil rates supported by strong reservoir performance.

The reduction on 2019 was driven by certain one-off equipment failures (gas pre-heater and HVAC switchboard) which resulted in short-term production outages and constrained oil rates for a few weeks in the fourth quarter while a build-up of calcium naphthenate was removed from the produced water plant. The reservoir continues to outperform with the Group recognising a further reserves upgrade at year-end.

Through 2020 Premier reinjected produced gas into the reservoir via the existing production wells to evaluate the opportunity for improved oil recovery. Initial trials were positive and a second phase of reinjection continued into 2021 to further define the opportunity. In February 2021 Premier, as operator on behalf of the joint venture partners, initiated the process with the regulator for approval of various reservoir management schemes, including gas reinjection, to increase total oil recovery from the fields. On the expectation that such approvals will be granted, Premier recognised a reserves increase associated with these projects in the current period.

The Varadero infill well ('VP1') was successfully drilled and tied-in to production in September.

The development of two Catcher Area satellites, Catcher North and Laverda, was deferred as part of the measures taken to minimise 2020 capex with development drilling now expected to commence in early 2022, with first oil scheduled for later that year. These wells add incremental production as the Catcher Area comes off plateau through 2021.

The Group continues to work up additional opportunities within and around the Catcher Area to maximise economic recovery. The 4D seismic survey to be acquired in 2021 will help the understanding of the reservoir recovery mechanisms including optimisation of water flood, gas recovery and high grading of future infill and near field drilling targets.

Other UK producing assets

Production from Premier's operated Solan field averaged 2.0 kboepd (2019: 3.5 kboepd) (Premier 100 per cent interest). The Solan P3 well was brought on-stream in September, on schedule and within budget, and produced at peak rates of over 10 kbopd in November with the electric submersible pump online. Production from the Solan field was shut in following the failure of the emergency generator in December. Production was subsequently restored to sustained rates of approximately 7 kbopd at the end of the year. Post period end, commissioning of the fuel gas system was successfully completed, reducing the asset's carbon footprint and operating costs.

The non-operated Elgin-Franklin Area, which is the UK's largest producing field group, averaged 6.8 kboepd (2019: 6 kboepd) (net, Premier 5.2 per cent interest), significantly ahead of budget. This was due to higher uptime and an active well programme, including the FID well which was successfully brought on-stream in October, three months earlier than scheduled. Production was also supported by an acid wash campaign conducted in August with further stimulation and intervention campaigns planned for 2021.

Ravenspurn North averaged 1.1 kboepd (2019: 1.2 kboepd) (net, Premier 28.8 per cent interest), reflecting high uptime, a shorter annual shutdown and good availability at the Dimlington terminal. This was partially offset by the five well acid stimulation campaign, originally planned for the first quarter of 2020, being deferred to the fourth quarter.

As previously announced, Premier, together with its joint venture partners, decided to cease production from certain mature, high cost UK fields. This included the Balmoral Area and Huntington where field life has already been extended significantly beyond what was anticipated when Premier acquired operatorship of the fields in 2009 and 2016 respectively.

At Huntington, which ceased production in April, the first phase of the decommissioning programme was completed with the sailaway of the FPSO and recovery of the

riser systems during 2020, with the FPSO mooring system to be recovered in 2021. The second phase, which will entail recovery of the subsea equipment, is scheduled for 2022. Final production from the operated Balmoral Area, which achieved two years without a lost time injury in September, occurred in November 2020 with sailaway of the FPV scheduled for the second quarter of 2021. Production also ceased from Premier's non-operated Scoter and Merganser fields in December 2020 while the Kyle field, in which Premier has a 40 per cent interest, ceased production in August 2020.

The Greater Tolmount Area

Tolmount, Premier's next UK growth project, is on schedule for first gas during the second quarter of 2021. Good progress was made across the four key project elements (platform, pipelines, terminal modifications and wells) during 2020, despite the challenging operational environment.

In March 2020, the HGS Tolmount platform was two weeks from sailaway when Rosetti's Ravenna yard was shut down by the Italian Government in response to the emerging pandemic. As a result, a new installation window was negotiated with the installation contractor, Heerema, and the platform was successfully installed in October 2020. A positive consequence of the five month delay was an unusually high level of completion at sailaway. Hook-up and commissioning is being undertaken in parallel with development drilling, which commenced in the fourth quarter of 2020.

Saipem were successful in managing the impact of COVID-19 with the pipeline lay barge mobilised from Rotterdam as scheduled. The pipelines have been installed, tested, trenched and buried. The tie-in at the terminal end of the pipeline has been made while the offshore tie-in scope will be completed in spring 2021.

At the Easington terminal, the piping scope needed for free flow of Tolmount gas was completed in 2020 and the remaining scope to first gas is on track. Compression is not needed for Tolmount until late 2022 at the earliest, but is scheduled to complete in October 2021.

Valaris 123, the jack-up rig contracted to drill the Tolmount wells, was mobilised during the fourth quarter of 2020. Batch drilling of the top holes was completed in January 2021. The first development well, Tolmount NW, reached total depth in February encountering gas bearing reservoir as prognosed. The second development well is drilling ahead with two wells expected to be on-stream at first gas. Once at plateau rates, anticipated later in 2021, the field will add 20-25 kboepd (net) to Premier's production.

Premier continues to progress Tolmount East towards a final investment decision, expected to be taken in the second quarter of 2021, with first gas targeted for 2023. FEED on the proposed Tolmount East development, initially comprising a single well subsea tie back to the Tolmount platform, was completed in 2020. All the key supply contracts, including for the provision of subsea, umbilicals, risers, flowlines ('SURF'),

subsea controls and wellheads, have been finalised in preparation for their execution as the project approaches sanction decision. Once on-stream Tolmount East (and potentially the near field Mongour discovery which could also be developed as a subsea tieback to the Tolmount infrastructure) will help extend plateau production from the Tolmount area.

Beyond Tolmount East, there is significant prospectivity in the Greater Tolmount Area. The final processed data from the 3D seismic acquired across the Greater Tolmount Area in 2019 was received in the summer. This is being used to mature the Tolmount Far East prospect and to further assess prospectivity to the east and west of the Tolmount field. This includes a number of leads and prospects identified on the two licences adjacent to the Tolmount Field Development Area which Premier was awarded in the UK's 32nd Round in September 2020. In the success case, these leads and prospects could be developed via Tolmount infrastructure.

500Bcf

Tolmount gross resource

300mmscfd

Tolmount gross peak rates

Our Climate Change Policy and Strategy

In March 2020, Premier committed to ensuring all of its operated projects will be developed on a carbon neutral basis in respect of Scope 1 and Scope 2 GHG emissions.

This commitment can be delivered by the implementation of the Group's Climate Change Strategy, which sets out a roadmap for minimising our GHG emissions, dividing the work into two streams: 'Low Carbon by Design' and 'Carbon Neutral by Commitment'.

In parallel, our Climate Change Strategy supports and incorporates the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD').

Harbour Energy will have the scale and balance sheet to build on Premier's progress in this area, and has committed to attaining the goal of Net Zero across its operations no later than 2035, well in advance of the UK government goal of 2050.

 [Read more](#)

Sustainability review

pg28



Indonesia

Premier's operated Natuna Sea Block A generated material positive net cash flows for the Group, underpinned by a strong production performance and low operating costs. Elsewhere in Indonesia, Premier completed the farm down of its interest in the Tuna PSC post period end and preparations are underway for the Group's first exploration well on its highly prospective Andaman Sea acreage.

98%

Operating efficiency

US\$7/boe

Operating cost

12.2kboepd

Net production



Production and development

Production from the Premier-operated Natuna Sea Block A averaged 12.2 kboepd (2019: 11.5 kboepd) (net, Premier 28.7 per cent interest), ahead of budget and higher than 2019. This was driven by Natuna Sea Block A capturing a higher market share of its principal gas sales agreement (GSA1) and strong Singapore demand for gas sold under the Group's second gas sales contract (GSA2). In addition, asset reliability and deliverability was excellent throughout the year, despite the slowdown of certain offshore activities due to the outbreak of COVID-19, and supported a year-on-year reduction in GHG emissions from the Group's Indonesian operations.

Singapore demand for Indonesian gas sold under GSA1 averaged 276 BBtud (2019: 285 BBtud), slightly below take or pay levels and driven by low offtake during the third quarter when the price of GSA1 gas was significantly above that of spot LNG. Premier's Anoa, Pelikan, Bison and Gajah Puteri fields, which are dedicated to GSA1, delivered 152 BBtud (gross) (2019: 147 BBtud) during the year and accounted for 56 per cent (2019: 52 per cent) of GSA1 deliveries. This was materially above Natuna Sea Block A's contractual share of 52.5 per cent. Production from the Gajah Baru, Naga and Iguana gas fields, which supply gas into Singapore under GSA2 averaged 64 BBtud (2019: 55 BBtud), slightly above take or pay levels.

Premier's operated 2021 jack-up rig campaign, which will include an Anoa well workover and an Anoa infill well, is on track to start in mid-2021. This programme, together with several low cost additional perforation activities planned for 2021, will help maximise gas delivery from the Natuna Sea Block A fields.

Revenues from Premier's Indonesian operations were partially protected from the impact of the collapse in commodity prices with a significant proportion of the Group's 2020 Indonesian gas entitlement production hedged at c.US\$9/mmscf, significantly above realised contract prices during the year.

Exploration and appraisal

In May 2020, Premier agreed a farm down agreement with Zarubezhneft for a 50 per cent interest in the Group's Tuna field, which is estimated to contain c. 100 mmboe and is located in the Natuna Sea adjacent to the Indonesian and Vietnamese maritime border. The farm down agreement was completed post period end in January 2021 following receipt of Indonesian Government approval. Under the farm down agreement, Zarubezhneft will carry Premier for its share of a two well campaign to appraise the Tuna field, scheduled to commence in the second quarter of 2021. Premier remains operator of the Tuna PSC, with the Company and Zarubezhneft each having a 50 per cent interest in the licence.

In addition, Premier and Zarubezhneft have secured Indonesian Government approval for a one year extension to the exploration period of the Tuna PSC to allow for appraisal drilling to take place and the subsequent submission of a Plan of Development to the Indonesian Government by March 2022.

Elsewhere in Indonesia, the final data from the 2019 3D seismic acquisition programme across Premier's Andaman Sea licences were received during the year and confirmed the highly prospective nature of this acreage. In light of the results from the 3D data, reprocessing of some of the legacy 2D seismic data on Premier's operated Andaman II licence was undertaken and has yielded positive results with additional amplitude supported leads identified. These will now be the target for a future 3D seismic acquisition programme.

Premier plans to drill its first well in the Andaman Sea on its operated Andaman II licence in the first half of 2022. Premier's Andaman Sea position has the potential to deliver multi-Tcf of gas and adds a potentially material gas play to the Group's portfolio.

Vietnam

Premier's operated Chim Sáo field delivered a robust production performance in 2020. Together with low operating costs, this resulted in the asset continuing to generate free cash flow for the Group.

95%

Operating efficiency

8.6kboepd

Net production

US\$10/boe

Operating cost

Production

Production from the Premier-operated Block 12W, which contains the Chim Sáo and Dua fields, averaged 8.6 kboepd (2019: 11.4 kboepd) (net, Premier-operated 53.1 per cent interest) and was in line with expectations. The reduction on the prior year reflects natural decline from the existing wells partially offset by active reservoir management and ongoing well intervention activities.

2020 saw four well intervention campaigns aimed at maximising the ultimate recovery from the Chim Sáo field. This included improved utilisation of gas lift across the Chim Sáo well stock and the perforation of new zones within existing wells. Further well intervention work is planned for 2021 to help slow natural decline and optimise offtake from the Chim Sáo field. Preparations are also underway for a two well infill programme scheduled for 2022. Premier is currently seeking regulatory approvals for the programme ahead of going out to tender for a rig.

Post period end, Chim Sáo surpassed the milestone of four years without a Lost Time Injury and also completed its 250th tanker offtake, with over 74 mmbbls (gross) of oil sold since first oil (compared to sanctioned reserves of 44 mmbbls (gross)).



Chim Sáo cargoes were placed in the market at competitive prices, with an average premium to Brent of more than US\$3.5/bbl realised for cargoes lifted during 2020. Field operating costs were US\$10/boe (2019: US\$9/boe), significantly below budget with opex savings largely offsetting production decline.

Global CEO HSES Awards

In 2020, we continued to run our annual Global CEO HSES Awards programme. This recognises outstanding safe behaviours, environmental leadership and innovation across the organisation.

Best Individual Award Winner
Anton Sidarto, Electrical Technician (Indonesia)

Anton received the award for designing a remote engine control system for use on lifeboats. Launching, testing and recovery of lifeboats in an offshore environment carries an inherent risk to personnel by the nature of the activities involved. Conventionally this process requires personnel to be in the lifeboat to manually start up the engine. Over the years, across the industry, several incidents have resulted in severe injury to, or fatality of, the personnel inside the lifeboat.

This new system allows for the engine to be started remotely, eliminating the need for personnel to be inside the lifeboat during the launch, testing, and recovery process which significantly reduces the risk profile of this activity.

In 2020, we rolled out the new control system on two of the three offshore Indonesia assets, and it will be implemented on the third asset in 2021.



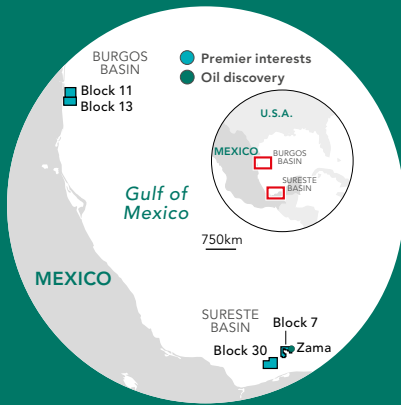
[Read more](#)

Sustainability review

pg28

Mexico

In Mexico, the Block 7 (Premier 25 per cent interest) partners and Pemex continued to progress the giant Zama field towards project sanction, targeted for late 2021. 2020 activity focused on completing FEED, drafting the field development plan and advancing unitisation ahead of the deadlines dictated by the Block 7 PSC and the hydrocarbon laws of Mexico.



During 2020, the sub-surface teams continued with detailed analysis of the samples and data obtained by the 2018 and 2019 appraisal drilling campaign, confirming the excellent quality and properties of the Zama reservoir rocks and crude oil. Premier believes that this, together with the very high resource density and shallow water setting, will underpin a recovery factor of in excess of 50 per cent from the field. Premier gross recoverable resource estimate for Zama remains unchanged at over 800 mmbœ.

It is anticipated that Zama will be developed using two drilling and processing platforms tied back to a floating storage and offloading vessel with the key elements of the development scheme already agreed with Pemex. FEED for the platform support structures (jackets) and topsides processing facilities was completed successfully by McDermott Engineering. An invitation to tender for detailed engineering, leading to procurement, and construction of the jackets and topsides will be issued in 2021. The facilities are low carbon by design with GHG intensity estimated at around 16 KgCO₂e/bbl life of field.

Positive progress was also made on the unitisation of the Zama field between the Block 7 partners and Pemex, particularly during the second half of the year. The Mexican Regulators agreed that the Zama reservoir is shared and extends across the boundary between Block 7 and the neighbouring concession operated by Pemex. SENER issued the instruction to unitise Zama in July and an Independent Expert is now in the process of examining the Zama geological and geophysical data ahead of making a determination of the

initial tract participation by the end of April 2021. A short extension to the deadline for submission of the unitisation agreement to SENER was granted in December to allow for the expert process and negotiations to conclude.

Beyond Zama, Premier retains exposure to exploration upside in Mexico through its other offshore licence interests, each of which has the potential to deliver material future value for Premier. A 3D seismic survey across Block 30 (Premier 30 per cent interest) was completed in July 2019.

The final processed data was received in the second quarter of 2020 and has been interpreted in order to delineate the full extent of the Wahoo prospect, which will be evaluated by the first well drilled on Block 30, targeted for the second half of 2022. Additional prospectivity on the block is being evaluated.

Elsewhere in Mexico, on Premier's 100 per cent operated Burgos Blocks 11 and 13, reprocessing of the existing 3D seismic was completed and interpretation is underway. Prospects in the deeper Mesozoic carbonate play similar to the Arenque field have been identified on the reprocessed data and are now the focus of the evaluation as these could constitute a material play on block. The shallower Oligo-Miocene clastic play remains but is now viewed as higher risk.

>800mmbœ

P50-P10 Zama resource (gross)

Exploration activities

During the year, the COVID-19 pandemic resulted in strict budgetary constraints as a result of which, a number of planned exploration activities were deferred to minimise near-term expenditure.

The Group's focus remains on under-explored but proven hydrocarbon provinces that have the potential to develop into new business units over the medium term.



Falkland Islands

The weak oil price environment resulted in Premier taking the decision to reduce activities on its Sea Lion Phase 1 project in the first quarter of the year. Sea Lion remains a material opportunity for the Group and a smaller core team has continued to progress a number of regulatory and commercial work streams over the course of the year.



Premier's 2020 priorities for its Sea Lion Phase 1 project, as envisaged at the start of the year, included securing senior debt financing for the project, completing the farm down to Navitas Petroleum and submitting a Field Development Plan for the project to the Falkland Islands Government by the end of the year.

Technical definition of the Sea Lion Phase 1 project, which will develop 250 mmbbls of the 530 mmbbls Sea Lion gross resource, was completed in the first quarter of 2020 and all of the key service and supply contracts were in the process of being finalised. Public consultation on the Environmental Impact Statement had also been completed having been updated to reflect further project optimisation. However, the collapse in commodity prices and the ensuing need to defer discretionary capex, resulted in Premier reducing activity on its operated Sea Lion Phase 1 project in April.

Over the remainder of 2020, a reduced team continued to progress a number of regulatory and commercial work streams. This included developing Sea Lion's Net Zero emissions plan to ensure the project would be carbon neutral and finalising the terms for Navitas to farm in for a 30 per cent interest in the Sea Lion licences. Under the terms of the farm out agreement, Navitas will share the pre-first oil funding and bring additional sources of senior debt financing to the project. In addition, the previously differing interests between Premier and Rockhopper across the various Sea Lion licences will be harmonised with Premier, Rockhopper and Navitas having a 40 per cent, 30 per cent and 30 per cent interest, respectively, in the Sea Lion licences.

The proposed farm out of the Sea Lion licences to Navitas is subject to the Falkland Islands Government's and, pursuant to the Merger Agreement, Chrysaor's approval. As a result, in December, Premier, Rockhopper and Navitas agreed to extend the exclusivity period for the farm out to enable the merger with Chrysaor to complete and the management of Harbour Energy to make a decision on the farm out.

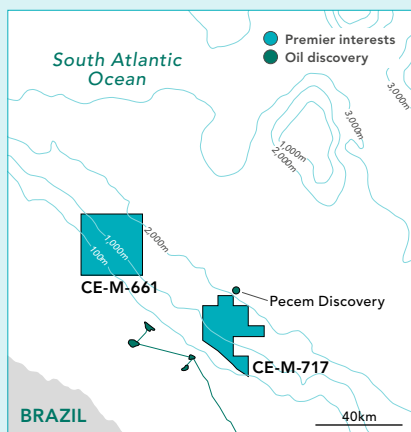
Post period end, the Falkland Islands Government agreed an extension to each of Premier's licences in the North Falklands Basin, including the Sea Lion Discovery Area. The licences, which had been due to expire on 1 May 2021, have been extended until November 2022.

250mmbbls

Sea Lion Phase 1 gross resource

Brazil

In Brazil, much of the first quarter was spent preparing for Premier's first exploration well on its operated Block 717 (Premier 50 per cent interest) in the offshore Ceará basin. Premier had contracted the Valaris DS-9 drillship to drill a well targeting the stacked Berimbau/Maraca prospect and the well was due to spud on 1st July. Berimbau is a higher risk, high value prospect with a Pmean to P10 gross unrisks resource estimate of 230-450 mmbbls. Maraca is a lower risk prospect and is estimated to contain 85-165 mmbbls (Pmean-P10) of gross unrisks resource. However, as a result of the COVID-19 pandemic the decision was taken to defer the well and the Valaris contract was terminated. The joint venture have secured a further nine month extension to the current term in response to the COVID-19 pandemic and its impact. The well is now expected to be drilled in the first quarter of 2022.



230-450mmbbls

Pmean to P10 gross unrisks resource estimate at Berimbau

Alaska

In March, Premier participated in the Charlie-1 well in Area A (Premier 60 per cent interest) on the North Slope of Alaska. The well was drilled on budget and successfully extended the Brookian play south, recovering hydrocarbons to surface from conventional pay; however the reservoir fluid was gas-condensate which is more challenging to commercialise in this area than the light oil the well was targeting. As a result, the well was plugged and abandoned without further testing and Premier exited the licence.

A commitment to responsible and sustainable business

Premier is committed to behaving responsibly and conducting our business with honesty and integrity in everything we do. We recognise that sustainability is also about safely maintaining the profitable growth of our business to deliver ongoing benefits to all our stakeholders – including our shareholders, employees, customers, business partners, local communities and host countries.

Our approach to sustainability is explained throughout this section and summarised in the Non-Financial Information Statement on page 31.







Go online

2020 Sustainability Report



Sustainability performance highlights in 2020

In 2020, we achieved the following across our four key sustainability focus areas:

Sustainability governance 	Planet 	People 	Prosperity 
<p>See page 34</p> <p>Corporate Principles Launched our new Corporate Principles, which set out our way of conducting business wherever we operate. These principles reflect the best practices we strive to implement across our technical, operational and commercial activities.</p>	<p>See page 36</p> <p>Energy transition and climate change Launched our 'Net Zero' climate change commitment and continued to make progress on aligning our climate disclosures to the Task Force on Climate-related Financial Disclosures ('TCFD').</p> <p>153 GHG intensity tonnes CO₂e per '000 tonnes production (2019: 141)</p>	<p>See page 40</p> <p>Occupational safety 0.68 Total Recordable Injury Rate ('TRIR') per million man hours (2019: 1.04)</p>	<p>See page 44</p> <p>Business ethics 0 Cases of non-compliance with the Global Code of Conduct (2019: 0 cases)</p>
<p>Corporate culture and values Ran 14 Strategy Workshops and Culture Workshops across our business units, with the aim of engaging our employees on how our Corporate Principles can most effectively be implemented across our diverse local operating contexts.</p>	<p>Effluent and spills 7 Hydrocarbon spills (all non-significant)</p> <p>6 Non-hydrocarbon spills (all low eco-toxicity)</p>	<p>Process safety 1 Loss of Primary Containment ('LOPC') event (2019: 2 LOPC events)</p>	<p>Human rights 0 Cases of violation of our Human Rights Statement (2019: 0 cases)</p>
<p>Business Management System Launched our enhanced BMS, with a user-friendly framework and with fewer, more succinct documents. This has created clearer processes across our functions and business units, and will support the Company-wide transfer of best practices.</p>	<p>Waste 3,839 Tonnes of hazardous waste generated and disposed (2019: 6,549 tonnes)</p> <p>519 Tonnes of non-hazardous waste generated and disposed (2019: 765 tonnes)</p>	<p>Local employment 94% Of employees</p> <p>82% Of senior management (2019: 94% of employees and 89% of senior management)</p>	<p>Value generated and distributed US\$949m In economic value generated (2019: US\$1,603 million)</p> <p>US\$893m In economic value distributed (2019: US\$1,049 million)</p>
<p>Business Management System Launched our enhanced BMS, with a user-friendly framework and with fewer, more succinct documents. This has created clearer processes across our functions and business units, and will support the Company-wide transfer of best practices.</p>	<p>Employee engagement 85% Of employees participated in the 2020 Group Engagement Survey</p> <p>99% Of employees received a performance review (2019: 99%)</p>	<p>Supply chain management 45% Of spending on locally-owned and operated contractor companies (2019: 45%)</p> <p>96% Of new material contracts subject to Supply Chain Contractor Due Diligence review</p>	

Third-party assurance

As part of the third-party assurance process undertaken for our 2020 Sustainability Report, ERM Certification and Verification Services ('CVS') has confirmed:

- The integrity of selected indicators used throughout this section.
- The alignment of the materiality process described on pages 32 and 33 with the disclosure requirements of the Global Reporting Initiative ('GRI').

 [Go online](#)

The ERM CVS assurance statement can be viewed in our 2020 Sustainability Report


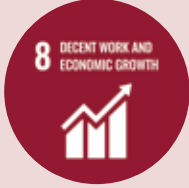



Commitment to the UN SDGs

The UN Sustainable Development Goals ('SDGs') offer businesses and governments a comprehensive, internationally-agreed framework to pursue and support meaningful development.

How we contribute to our primary SDGs

We have identified Goals 7, 8 and 13 as those where we can make the most meaningful contribution – both in terms of maximising our positive impacts on the achievement of the SDGs, as well as actively managing and/or minimising our negative impacts.

SDG			
Target	Target 7.3 By 2030, double the global rate of improvement in energy efficiency.	Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	Target 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
Related material sustainability issues	– Energy transition and climate change.	– Occupational health, safety and security. – Process safety and asset integrity. – Emergency preparedness and crisis management. – Human rights. – Diversity and inclusion.	– Energy transition and climate change.
KPIs and performance	Energy intensity 2.02 GJ per thousand tonnes production (2019: 1.92)	Total Recordable Injury Rate ('TRIR') 0.68 Injuries per million man hours (2019: 1.04) Non-compliance with Global Code of Conduct 0 Cases recorded	GHG intensity 153 Tonnes CO ₂ e per thousand tonnes of production (2019: 141)
Focus areas	– Launching the Environmental Improvement Hopper.	– Global CEO HSES Awards. – 'Women@Premier' Network.	– Integrating climate change criteria into our investment practices.

How we support our secondary SDGs

We also contribute to a series of secondary SDGs through the policies and operating practices we adopt, particularly in relation to safety, environment, human rights, community relations and investments, diversity and inclusion, business ethics and wider governance practices. These secondary SDGs include Goals 3, 5, 9, 12, 14, 15 and 16.



 [Go online](#)

More information on how we contribute to these goals can be found in our 2020 Sustainability Report

Non-Financial Information Statement

We aim to comply with sections 414CA and 414CB of the Companies Act. The table and cross references below aim to help stakeholders better understand our approach to key non-financial matters.

Reporting requirement	Internal policies and standards	External frameworks and standards	Information on our business impacts and outcomes
Environmental matters	<ul style="list-style-type: none"> – Health, Safety, Environment and Security ('HSES') Policy. – Climate Change Policy. 	<ul style="list-style-type: none"> – ISO 14001 (environmental) and OHSAS 18001 (occupational health and safety) management system standards¹. – International Association of Oil & Gas Producers (member). – Global Reporting Initiative ('GRI') Standards. 	– Planet: p36-39.
Climate change	<ul style="list-style-type: none"> – Climate Change Policy. – Climate Change Strategy. 	– Task Force on Climate-related Financial Disclosures ('TCFD').	– Planet: p36-39.
Employees	<ul style="list-style-type: none"> – People Policy. – Diversity and Inclusion Policy. – Sustainability Policy. – Business Ethics Standard. – Human Rights Statement. – Global Code of Conduct. 	– N/A.	– People: p40-43.
Human rights	<ul style="list-style-type: none"> – Human Rights Statement. 	<ul style="list-style-type: none"> – Voluntary Principles on Security and Human Rights. – United Nations Guiding Principles on Business and Human Rights. 	– Prosperity: p44-47.
Social matters	<ul style="list-style-type: none"> – Sustainability Policy. – Community Investment Policy. – Tax Policy. – Human Rights Statement. – Global Code of Conduct. 	– N/A.	– Prosperity: p44-47.
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> – Global Code of Conduct. – Business Ethics Standard. – Group-wide Dealing Policy. – Whistleblowing Procedure. 	– N/A.	– Sustainability Governance: p34-35.
Our business model	– N/A.	– N/A.	– Our strategy and business model: p14-15.
Our principal risks and uncertainties	<ul style="list-style-type: none"> – Risk Management Policy. 	– ISO 31000 risk management system standard ² .	– Principal risks: p56-61.
Non-financial KPIs	– N/A.	– N/A.	– Throughout.

¹ Both standards are applied to all Premier-operated production assets and our drilling operations. Premier is in the process of transitioning our OHSAS 18001 certification to the ISO 45001 by 2021, under our three-year Group HSES Strategy.

² Premier's Risk Management Policy and Risk Management Standard apply the principles set out in the ISO 31000 risk management system standard.

Materiality

Our annual materiality assessment helps us to identify and prioritise our most significant sustainability issues.

Materiality assessment

In line with the Global Reporting Initiative ('GRI') Standards, our sustainability reporting is structured around our most material sustainability issues. This assessment process draws on our existing risk assessment process and stakeholder engagement activity – as well as specific research, analysis and stakeholder interviews. In 2020, this included engagement with both internal and external stakeholders.

To find out more about our structured materiality assessment process, see 'Chapter 2: Governance' of our 2020 Sustainability Report.

Material issues

The outcomes of this assessment are displayed on the adjacent materiality matrix. Presentation of an issue as 'non-material' on this matrix does not mean it is not important or that it is not being managed, but only that its impact is not of sufficient significance for it to be addressed in detail in this report or in our 2020 Sustainability Report.

Principal changes

The principal changes in material and non-material issues resulting from our 2020 assessment include the following:

Health, safety and security

- Increased impact of 'Process safety and asset integrity' – reflecting the operational impact of a Tier 2 Loss of Primary Containment gas release at Catcher, as well as challenges around continuing to maintain adequate offshore staffing levels in the context of COVID-19.
- Increased impact of 'Emergency preparedness and crisis management' – reflecting the implementation of new emergency procedures to respond to COVID-19, including the evacuation of offshore personnel and the facilitation of medical treatment for staff at three offshore platforms in Indonesia.
- Increased impact of 'Occupational health, safety and security' – reflecting the impact of COVID-19 on workforce health and wellbeing, and the rollout of new preventative health controls and employee wellbeing initiatives in response.



Society

- Increased impact of 'Value generation and distribution' – reflecting the impact of challenging external dynamics, including the oil price downturn and COVID-19, as well as the positive impact of our forthcoming merger with Chrysaor.
- Increased impact of 'Responsible supply chain management' – reflecting the current and potential future impact of COVID-19 on supply chain resilience, including in relation to the commercial viability and operational effectiveness of our contractor companies.
- Increased impact of 'Decommissioning' – reflecting the ramp-up of planned decommissioning activities at our operated Balmoral and Huntington assets and our non-operated Kyle asset.
- Increased impact of 'Cyber security', which is now a material issue – reflecting the ongoing enhancement of our policies, procedures and systems in the context of new potential cyber security risks presented by increased numbers of personnel working remotely.
- Inclusion of 'Tax' as a new material topic – reflecting increasing stakeholder focus on this issue, as well as our ongoing commitment to align with emerging best practice reporting standards.

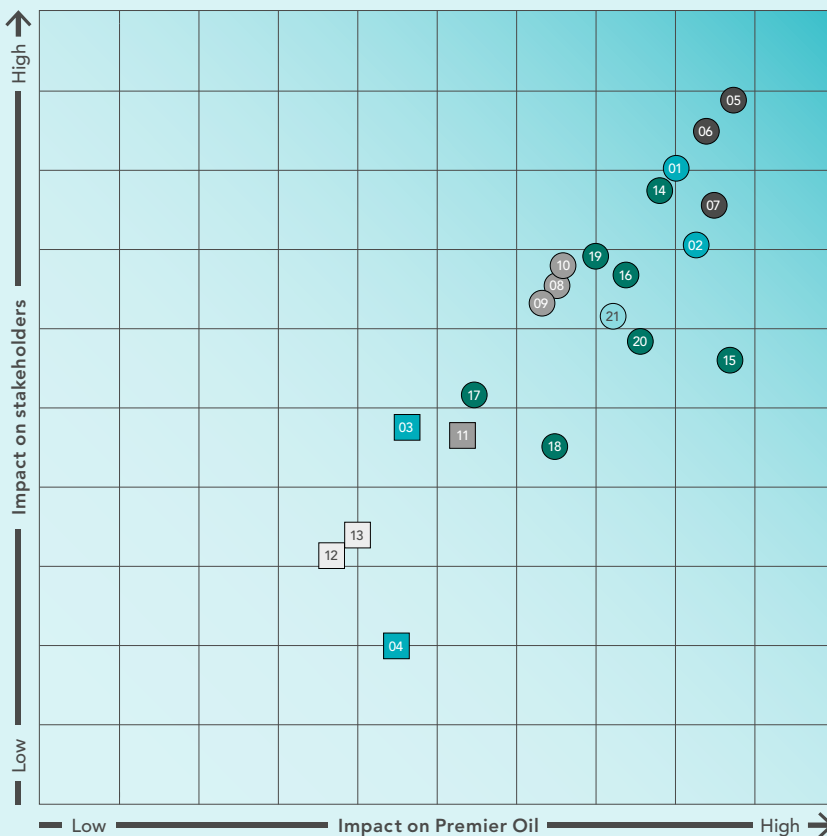
Employees

- Increased impact of 'Employee engagement' – reflecting our increased focus on employee engagement in the context of COVID-19.

The historic issues of 'Product responsibility', 'Child/forced labour' and 'Market behaviour' have been removed from our revised materiality matrix. This follows internal re-evaluation of the relevance of these issues in light of the specific nature of our business and operational profile. By way of example, the likelihood of forced, involuntary or child labour occurring within Premier is minimal due to the relatively limited size of our workforce, our highly-developed human resources procedures, and the fact that the majority of our employees hold specialised technical roles, administrative office-based roles or managerial roles.



Sustainability materiality matrix



Environment

- 01 Energy transition and climate change
- 02 Effluents, spills and waste
- 03 Biodiversity
- 04 Water use

Health, safety and security

- 05 Asset integrity and process safety
- 06 Emergency preparedness and crisis management
- 07 Occupational health, safety and security

Employees

- 08 Local employment
- 09 Diversity and inclusion
- 10 Employee engagement
- 11 Learning and development

Communities

- 12 Community investment
- 13 Community engagement and impacts management

Society

- 14 Value generation and distribution
- 15 Public policy and government relations
- 16 Responsible supply chain management
- 17 Human rights
- 18 Cyber security
- 19 Tax
- 20 Decommissioning

Business ethics

- 21 Governance and ethics

○ Material issues □ Non-material issues

Material issues

The following section provides an overview of the most significant (or 'material') sustainability issues across our four sustainability focus areas: Sustainability governance, Planet, People and Prosperity. It sets out why these issues are material to us, how they are managed, and the outcomes of our management efforts.



Sustainability governance

Why it matters

Premier is committed to conducting its activities to the highest ethical standards, and in compliance with all applicable laws and regulations. This is vital to maintaining the trust of our stakeholders – including host governments and societies, current and potential investors, and our business partners. It also helps protect our reputation and supports our current and future success. We therefore uphold and, where feasible, strengthen ethical standards wherever we do business.

Potential areas of risk in this regard include procurement activities and interactions with government officials.

Our key areas of focus include:

- Business ethics.
- Sustainability management.
- Risk management.
- Stakeholder engagement.

Launching our updated Business Management System

In 2020, we launched our updated BMS, following two years of implementing a range of streamlining processes across over 3,000 documents – including policies, standards, procedures and resources. This process aimed to reduce the volume of documents, improve their quality, and enhance ownership and accountability for their implementation.

 [Go online](#)

2020 Sustainability Report

A summary of how we manage each of these issues is presented below. For more information on our corporate governance approach, see 'Chapter 2: Governance' of our 2020 Sustainability Report.

Premier has recognised business ethics as a key element of the following principal risks: 'financial discipline and governance', 'joint venture partner alignment and supply chain delivery', and 'host government: political and fiscal risks'.

Management approach

Our strong track record of responsible behaviour and effective sustainability performance is underpinned by our values, Group policies and management systems – as well as relevant external principles and standards.

Business ethics

Premier requires all its employees and contractor personnel to behave ethically and with personal integrity, as established in our Business Ethics Standard. Our approach to business ethics is further set out in our Global Code of Conduct (the 'Code'), which establishes specific standards for the Group (including in relation to anti-corruption and preventing the facilitation of tax evasion).

Premier has established a Company-wide leadership group to support compliance with the Code. In addition, we have undertaken a Company-wide review process to assess internal compliance with the Code. The Audit and Risk Committee monitors the effectiveness of the Code and its supporting policies.

Public policy and government relations

Each of our business units engages directly with its host governments and regulators. Furthermore, our Exploration team has significant interaction with government entities in the process of acquiring acreage, including the preparation of bids in licensing rounds or through direct negotiations. All engagement is carried out in line with the Code and our other applicable policies.

Employees, contractor personnel or agency workers who believe we may have failed to engage with host governments and regulators in the manner required by the Code (and other applicable policies) can report concerns to their line manager or via our confidential, independently managed reporting hotline. Government officials can also raise concerns with us directly. All reports are properly investigated and the results reported to the Board.

We are a member of a number of bodies that use their legitimate influence to lobby governments on issues affecting the oil and gas sector³.

Sustainability management

The Board establishes the Company's purpose, values and strategy and is ultimately responsible for our sustainability performance. Accordingly, it approves our Sustainability Policy and endorses the management of significant sustainability-related risks and opportunities.

This process, as well as the overall policies, standards and procedures which constitute our internal controls, is governed by our Business Management System ('BMS'). The Audit and Risk Committee audits and reviews corporate and business units' compliance with the BMS on an annual basis.

In 2020, the principal topics arising from our activities that have economic, social and environmental impacts on stakeholders, and the principal managers and executives responsible for overseeing them on a day-to-day basis, were:

- HSES, overseen by the Chief Executive Officer ('CEO').
- Climate Change Strategy, overseen by the CEO and guided by the Climate Change Committee.
- Risk management, overseen by the Group Audit and Risk Manager.
- Human resources, overseen by the Group Human Resources Director.
- Legal and regulatory compliance, ethical behaviour and human rights, overseen by the Group General Counsel.
- Financial reporting and tax, overseen by the Finance Director.

³ These include, for example, the Association of British Independent Oil Exploration Companies ('BRINDEX'), the Falkland Islands Petroleum Licensees Association ('FIPLA') and the Indonesian Petroleum Association ('IPA').

Risk management

We record and report our main risks using our corporate risk register, 'ARROW' (Analysis and Reporting Risk Online Workbench). The sustainability risks that are recorded in ARROW include key risks relating to:

- Physical and/or transitional climate change risks.
- Catastrophic events at our operated facilities.
- Governance and compliance breaches.
- Fiscal or political pressure from host governments.
- Organisational capabilities and competency management within the Company or its supply chain.
- The Group-wide implementation of our human rights commitments.

ARROW enables us to:

- Assess relevant risk components, including a description of the risk and the magnitude of the risk impact and likelihood.
- Define an approach to manage each risk, including risk ownership, controls and mitigating measures.
- Monitor risks across all business units and corporate functions.

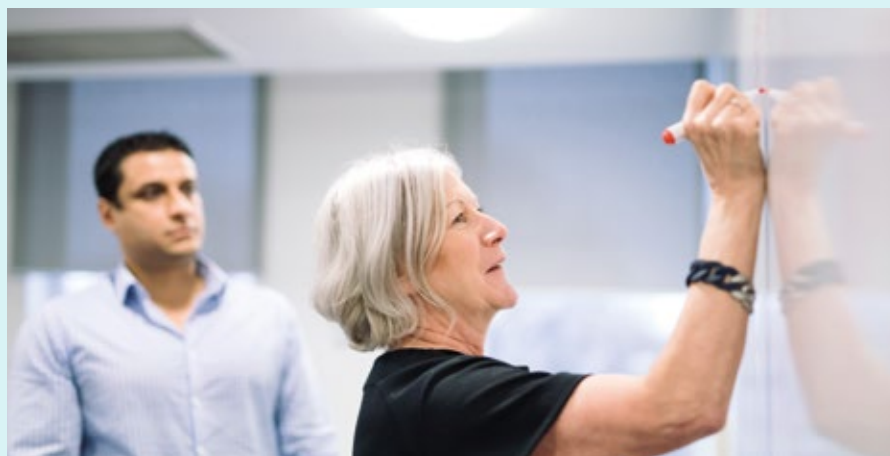
Stakeholder engagement

As a global business, we systematically identify, prioritise and engage with our stakeholders on an ongoing basis. This helps us to:

- Understand how our activities and relationships impact others.
- Manage these impacts responsibly.
- Identify new opportunities to work in partnership with our stakeholders.
- Track the effectiveness of our management actions.

Our engagement activities also help us to better understand any risks that stakeholders could pose to the achievement of our business objectives, and to develop appropriate management responses.

Information gathered through stakeholder engagement that may have a bearing on key business risks is integrated into our risk management activities and recorded in ARROW, where appropriate.



Group-wide Strategy and Culture Workshops

In 2020, we ran 14 Strategy Workshops and Culture Workshops across our business units, with the aim of engaging our employees on how our Corporate Principles can most effectively be implemented across our diverse local operating contexts. The workshops were facilitated by local business unit representatives who were selected and trained by members from our corporate office.

14

Strategy Workshops and Culture Workshops were held during 2020

The Strategy Workshops, which involved the leadership teams in each business unit, collected feedback on our corporate strategy and purpose, and explored the corporate strategy from a local business unit context. Five strategic priorities were then identified for each business unit to help support the delivery of the overall corporate strategy. Each business unit also developed a strategy statement to describe the business unit's mission and its alignment with Premier's overall purpose.

The Culture Workshops, which involved representatives from across grades and functions within each business unit, aimed to explore how our corporate values and behaviours could be realised at the local level and how they contributed to business success. The workshops also sought feedback on how the existing values and behaviours are described and defined, as well as which values and/or behaviours were important to local business units, but did not feature in the corporate values and behaviours proposition.

The feedback documented throughout these workshops will be used to inform the strategies and culture of the combined organisation, ahead of the forthcoming company merger.

Performance

Key performance indicators:

Material issue	Premier Oil metric	2020	2019	2018	Our performance in 2020
Business ethics	Significant legal sanctions in relation to business ethics	0	0	0	No significant legal sanctions were imposed on Premier.
	Disciplinary actions or dismissals for breaches of the Code	0	0	2	No confirmed cases of non-compliance with the Code.
	New members of our workforce ⁴ receiving induction training on the Code	100%	100%	100%	All new members of our workforce received induction training, which addresses all aspects of the Code, including anti-bribery.
	Existing members of our workforce ⁴ assigned refresher training on the Code/ completed training ⁵	100% 100%	100% 93%	100% 99%	As of March 2020, 100% of our workforce had completed the training assigned to them in 2020.

⁴ 'Workforce' includes both employees and contractor personnel.

⁵ As of March 2020.



Planet

Why it matters

All of our significant operated activities are conducted offshore. We drill for and extract both oil and gas from sub-surface reservoirs (in cooperation with our operational contractors) for transport to markets (by pipeline and/or third-party shipping partners). Without effective management, these activities have the potential to negatively impact water quality, air quality and the health of local ecosystems. Any failure to avoid and/or mitigate these impacts would have material reputational and regulatory consequences for our business.

The material issues relating to this focus area are:

- Energy transition and climate change. This includes the management of greenhouse gas ('GHG') emissions associated with energy consumption and flaring at our facilities as well as our broader management of physical and transitional climate change risks.
- Effluents and waste, including the prevention of spills and the responsible management of hazardous materials.

A summary of how we manage each of these issues is presented below. For more information see 'Chapter 3: Planet' of our 2020 Sustainability Report.

Premier has identified 'health, safety, environment and security' and (with regards to climate change regulation) 'host government: political and fiscal risks' and 'commodity price volatility' as principal risks.

Management approach

As set out in our HSES Policy, we are committed to minimising our environmental impacts to a level that is 'as low as reasonably practicable' ('ALARP'). We will never compromise our environmental standards to meet our operational objectives.

Our HSES Management System helps us manage our environmental impacts across the lifecycles of our operations and projects. All of our operated production and drilling activities are certified to the ISO 14001 environmental management standard.

As required by our HSES Management System, we perform baseline surveys and prepare environmental and social impact assessments ('ESIAs') for all of our operated activities. The assessments address our:

- Physical impacts.
- Ecosystem impacts.
- Socio-economic impacts.

During this systematic process, we assess the impacts of our proposed activities, and consider how each can be reduced to a level that aligns with the ALARP principle. Potential impact controls are then considered and implemented according to their efficacy, practicality and cost.

Energy transition and climate change

In 2020, we published our new Climate Change Policy, which commits us to ensuring all our operated projects will be developed on a carbon neutral basis in respect of Scope 1 and Scope 2 GHG emissions.

This commitment will be delivered through the implementation of our new Climate Change Strategy, which supports our efforts to align our disclosure practices to the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), and provides a roadmap for minimising our GHG emissions through two workstreams: 'Low Carbon by Design' and 'Carbon Neutral by Commitment'.

For more information on how we align our climate change disclosure practices to the TCFD recommendations, see page 39.

Responsibility for climate change matters ultimately rests with Premier's Board of Directors (the 'Board'). The Chief Executive Officer ('CEO') has executive responsibility for Premier's Climate Change Policy and for assigning climate-related responsibilities to management-level positions across the Group.

The Board is supported and informed on climate-related issues by the Climate Change Committee⁶ (established in 2019), which is an advisory sub-committee that reports to the Executive Committee ('ExCo') on a monthly basis on emerging climate change risks and opportunities. It also provides advice and recommendations on target-setting, key performance indicators ('KPIs') and opportunities to collaborate with industry peers.

We face a broad range of climate-related risks. These risks include physical risks, such as extreme weather events or

Premier's Net Zero commitment

This will be delivered through two workstreams:

'Low Carbon by Design'

Reducing emissions by investments into Best Available Technology ('BAT') during the design phases of brown-field modifications, green-field projects and throughout our operations.

'Carbon Neutral by Commitment'

Utilising an affordable and appropriate blend of offsetting using carbon credits, derived from a mix of direct investment in offsetting projects and investment in offsetting accredited schemes relevant to Premier's core business geographies.



Go online

2020 Sustainability Report

Linking climate change to executive remuneration

In 2020, the Board approved a decision to include a GHG intensity target in the Executive Directors' Annual Bonus framework, in accordance with the Company's Remuneration Policy.



Go online

2020 Sustainability Report

⁶ The Climate Change Committee is comprised of the following five members: Chief Operating Officer (specialised in reservoir engineering); Group Head of HSE (specialised in corporate HSE management, performance and reporting); Group Environmental Manager (specialised in environmental management); Group Head of Legal (specialised in corporate governance); and an ex-Director of the Company (with climate change advisory expertise).

long-term sea level rises – as well as transitional risks, such as reputational, legal and technical risks.

We define and integrate carbon- and climate change-related risks into our overall enterprise risk management framework, where relevant. We recognise the potential physical risks that climate change poses to our operations. These might include heightened storm risks and long-term sea level rises.

As part of our management of these risks, we undertake detailed meteorological and oceanographic impact assessments for all new projects during the design phase. These incorporate projections of rising sea levels and more frequent unpredictable weather events.

We also monitor the evolving fiscal and legislative response to climate change in our host countries and will adapt our future Climate Change Strategy accordingly.

Effluents, spills and waste

All our operated offshore assets extract oil, gas and formation water from offshore reservoirs. Each of these elements is separated using our on-site processing plant. The water is then either re-injected into the reservoir to maintain underground pressure or it is cleaned, filtered and then discharged into the sea. All planned discharges are cleaned to meet or exceed national standards, using conventional separation techniques.

Our offshore production operations, which discharge water to the sea, are not located in any protected areas.

In addition, we collect hazardous and non-hazardous waste materials from our global drilling and production operations. We dispose of these materials onshore. They include drill cuttings, used oil and scrap metal, wood, plastic and other materials. We segregate and recycle as much non-hazardous waste as possible and encourage the use of recycled input materials, where feasible.

External engagement on climate change

In the UK, we are a member of two trade associations – Oil and Gas UK ('OGUK') and the UK's Independent Oil and Gas Exploration Companies ('BRINDEX'). We support OGUK's position on climate change, as outlined in its Roadmap 2035, and played a leading role in developing BRINDEX's climate change position. Both positions are aligned with the Paris Agreement goals and the UK's 2050 Net Zero target.

[Go online](#)

2020 Sustainability Report

Launching the Environmental Improvement Hopper

In 2020, we launched our new Environmental Improvement Hopper as a mechanism to achieve the Company's Net Zero commitment by 2030 – with a particular focus on delivering the 'Low Carbon by Design' workstream.

The Hopper is an online platform by which environmental improvement opportunities across the Group are submitted, screened, and ranked for feasibility. The primary focus of the Hopper is on driving opportunities that deliver Scope 1 and Scope 2 GHG emission savings on existing assets.

Since its launch in March 2020, the Hopper has received over 400 opportunity proposals from employees, which collectively have the potential to deliver a gross GHG emission saving of up to 2.1 million tCO₂e across the life of field ('LoF') of our assets. Of these, 135 opportunities (which deliver a gross GHG emission saving of 806,000 tCO₂e across the LoF) have been selected for implementation between 2020 and 2025. The remaining opportunities will be re-evaluated for feasibility in 2021.

Examples of the opportunities selected for implementation include:

- Catcher (UK Business Unit): Commissioning of gas boilers to replace diesel generators (GHG saving across the LoF: 17,000 tCO₂e).
- Solan (UK Business Unit): Commissioning of marine gas boilers (GHG saving across the LoF: 10,000 tCO₂e).



400

Opportunity proposals were received from employees

135

Opportunities have been selected for implementation between 2020 and 2025



Integrating climate change criteria into our investment practices

In 2020, we continued to enhance our Corporate Investment Guidelines to ensure climate change criteria are embedded in our decision-making processes. This included:

- Issuing a supplementary Investment Paper Standard, which outlines the criteria that need to be addressed to ensure proposed investment projects meet our Net Zero climate change commitment. These criteria include:
 - A summary of current or proposed GHG legislation (including fiscal regulations) in place at the project's location.
 - The project's GHG emission profile (including GHG intensity data) and the associated GHG emission costs.
 - The process for managing the project's GHG emissions (i.e. whether by Premier alone or the joint venture).

- The cost for offsetting the project's GHG emissions (e.g. through a recognised certificate trading system or, where applicable, through a voluntary non-statutory initiative).
- Updating the carbon prices used in capital and operating cost budgets for our proposed projects in the UK (operated and non-operated assets) and overseas, to align with the latest market forecasts.

The revised Corporate Investment Guidelines and supplementary Investment Paper Standard were launched in October 2020. We will review and revise them on a biannual basis, as a minimum, to ensure they continue to reflect up-to-date carbon prices and climate change reporting requirements.

Performance

Key performance indicators:

Material issue	Premier Oil metric	2020	2019	2018	Our performance in 2020
Energy transition and climate change ^{7,8}	Energy consumed (GJ)	10.8 ⁹	12.6	12.7	Despite the fall in energy consumed compared to 2019, our overall energy intensity increased to 2.01 GJ/te of production (2019: 1.92). This was largely due to reduced production arising from a combination of plant outages and cessation of production at our decommissioned assets.
	Energy intensity (GJ/te of production)	2.01	1.92	2.03	
	Total Scope 1 GHG emissions (thousand te CO ₂ e)*	820 ¹⁰	931	1,039	The decrease in Scope 1 GHG emissions is predominantly due to reduced production and drilling activity during the year, as well as cessation of production at Huntington and Balmoral, as well as prolonged shutdowns at Catcher.
	Total Scope 2 GHG emissions (te CO ₂ e) ¹¹	823	983	773	
	GHG intensity (tonnes/thousand te of production)*	153	141	171	
Effluents, spills and waste	Unplanned hydrocarbon released to the sea (te)*	0.054	0.02	0.4	We recorded seven hydrocarbon spills releasing a combined total of 54 kilograms of hydrocarbons, of which 50 kilograms reached the environment. None of these hydrocarbon spills are considered significant.
	Hydrocarbon in produced water (ppm-wt)*	23.4	15.1	12.2	The increase in 2020 is due to our Balmoral platform, where production has now ceased.
	Waste materials produced (te)*	4,358	7,314	5,982	This included 3,839 tonnes of hazardous waste and 519 tonnes of non-hazardous waste.
	Spending on environmental protection measures (US\$m)	8.3	5.8	7.0 ¹²	This included expenditure towards waste disposal, emissions, treatment and remediation, and environmental management.

* Data for 2020 assured by ERM CVS (limited assurance).

⁷ Scope 1 and 2 GHG emission data, as well as GHG intensity data, is based on an operational control approach.

⁸ In 2020, we implemented updates to our emission accounting system. These updates included aligning our generic emission factors (which are used where fuel-specific factors are unavailable) with the European Emissions Monitoring System ('EEMS'). The updates also included aligning our assumed GHG emission Global Warming Potentials ('GWP's) with the Intergovernmental Panel on Climate Change's ('IPCC') 5th report, 2014 (the IPCC 4th report, 2007, was used in previous years). These updates have been implemented across our 2016-2019 Scope 1 GHG emission (and GHG intensity) data.

⁹ This is divided across our operations as follows: 3.94 million GJ (equivalent to 1,095.5 GWh) by our UK Business Unit (36.6%); 4.21 million GJ (equivalent to 1,168.2 GWh) by our Indonesia Business Unit (39.1%); 2.62 million GJ (equivalent to 727.4 GWh) by our Vietnam Business Unit (24.3%). The following conversion factors were used to convert gigajoules ('GJ') to Gigawatt hour ('GWh'): 1 GJ is equivalent to 277.78 kWh and 1 million kWh is equivalent to 1 GWh.

¹⁰ This is divided across our operations as follows: 331 thousand tonnes CO₂e from our UK Business Unit (40%); 293 thousand tonnes CO₂e from our Indonesia Business Unit (36%); and 196 thousand tonnes CO₂e from our Vietnam Business Unit (24%).

¹¹ Scope 2 calculations are based on emission factors supplied by the UK Department for Business, Energy and Industrial Strategy ('BEIS') (2019 values).

¹² The 2018 environmental protection spend was reported incorrectly as US\$7.1 million in our 2019 Annual Report. It has been revised to US\$7.0 million in this report.

Navigating the energy transition and climate change

The latest scientific research is clear: to avoid the worst climate impacts, the world needs to reach Net Zero GHG emissions by 2050¹³. The effort to realise this energy transition is both a challenge and an opportunity for the oil and gas industry.

At Premier Oil, we are committed to ensuring all our projects will be delivered on a carbon neutral basis in respect of Scope 1 and Scope 2 GHG emissions. Our merger with Chrysaor to create Harbour Energy plc will strengthen our ability to deliver on our Net Zero commitment by 2035.

Throughout this journey, we will continue to align our climate change management and disclosure practices with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD')¹⁴.



Activities undertaken in 2020 across the four pillars of the TCFD recommendations

Governance	Strategy	Metrics and Targets	Risk Management
<ul style="list-style-type: none"> – Linked GHG performance to executive remuneration (effective from 2020). – Established a new Board HSES Committee and related ESG advisory workstreams to strengthen climate change oversight and dialogue across our Board, executive management, business leaders and workforce. 	<ul style="list-style-type: none"> – Launched our new Environmental Improvement Hopper as a mechanism to achieve our Net Zero commitment – with a particular focus on delivering the 'Low Carbon by Design' workstream. – Updated our Corporate Investment Guidelines to embed climate change in our decision-making processes. 	<ul style="list-style-type: none"> – Maintained our improved CDP score: D (2018) to B (2019 and 2020). – Established GHG emission reduction initiatives and costing options for assets across our portfolio. 	<ul style="list-style-type: none"> – Strengthened our climate change risk assessment and management processes for new and existing facilities, to include a review by type of risk (e.g. sea level, storms, temperature, permafrost) and take into account the lifespan of the projects and their capacity to adapt.

Future GHG management approach under Harbour Energy

<ul style="list-style-type: none"> ✓ Tracking and target-setting for emissions and emissions intensity (independently verified). 	<ul style="list-style-type: none"> ✓ Incentives in our main debt facility tied to progress in reducing emissions.
<ul style="list-style-type: none"> ✓ Inclusion of emissions-related metrics in our remuneration programmes. 	<ul style="list-style-type: none"> ✓ Investment in CO₂ capture and storage projects.

[Go online](#)

See pages 20 to 25 of our 2020 Sustainability Report

¹³ Special Report: Global Warming of 1.5 °C, Intergovernmental Panel on Climate Change ('IPCC'), 2018.

¹⁴ Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), 2017.



People

Why it matters

Given the potential hazards associated with offshore oil and gas operations, the application of rigorous health and safety practices is essential in all that we do. This not only helps us protect our employees and contractors, it also enables us to maintain our operational continuity, regulatory compliance and our corporate reputation. Our current and future success is also underpinned by our ability to recruit, retain and motivate high quality, skilled employees and contractor personnel. Any failure in this regard has the potential to undermine our operational capabilities, management effectiveness and, ultimately, our ability to generate long-term value.

The material issues relating to this focus area are:

- Occupational health, safety and security.
- Process safety and asset integrity.
- Emergency preparedness and crisis management.
- Local employment.
- Diversity and inclusion.
- Employee engagement.

A summary of how we manage each of these issues is presented below. For more information see 'Chapter 4: People' of our 2020 Sustainability Report.

We have identified 'health, safety, environment and security' as a principal risk and the topics of employee attraction, retention and succession as principal risks under the principal risk 'organisational capability'.

Management approach

Through the implementation of our Health, Safety, Environment and Security ('HSES') Management System and Life Saving Rules, we aim to minimise the risk, and reduce the potential severity of, process safety events and occupational health and safety incidents. Our business units and operated sites have emergency response teams and plans in place, which were mobilised throughout the year to keep our people safe as we worked to minimise the impacts that the COVID-19 pandemic had on our Company.



Global CEO HSES Awards

Our Global CEO HSES Awards programme recognises outstanding safe behaviours, HSES leadership and environmental or safety innovation across our business units. In 2020, the Awards programme received 68 submissions across its two award categories for 'Best Individual' and 'Best Team'.

68

Submissions were received across the two award categories

Best Individual Award Winner:

Anton Sidarto, Electrical Technician (Indonesia)

Anton received the award for designing a remote engine control system for use on lifeboats. Launching, testing, and recovery of lifeboats in an offshore environment carries an inherent risk to personnel by the nature of the activities involved. Conventionally this process requires personnel to be in the lifeboat to manually start up the engine. Over the years, across the industry, several incidents have resulted in severe injury to, or fatality of, the personnel inside the lifeboat.

This new system allows for the engine to be started remotely, eliminating the need for personnel to be inside the lifeboat during the launch, testing, and recovery process which significantly reduces the risk profile of this activity.

In 2020, we rolled out the new control system on two of the three offshore Indonesia assets. It will also be implemented on the third asset in 2021.

Best Team Award Winners:

Solan Asset (UK) and Bison, Iguana and Gajah Puteri ('BIG-P') Project (Indonesia)

– Solan: The Solan Asset recorded over four years without a recordable injury.

– BIG-P: The BIG-P Project recorded over 1.87 million man hours without a recordable injury. The project required the development of three remote subsea fields and their integration into the existing Natuna Sea Block A infrastructure, including the mobilisation of 21 vessels and barges for offshore installation activities.

4

Years Lost Time Injury ('LTI') free operations at Solan

1.87m

Man hours without a recordable injury at the BIG-P Project

Our management of human resource issues is guided by our Sustainability Policy, People Policy, Diversity and Inclusion Policy, Human Rights Statement, Business Ethics Policy and our Global Code of Conduct. Our day-to-day management of employees is supported by our Human Resources Management System, which forms part of our Group-wide Business Management System ('BMS'). It includes a range of Human Resources Standards (i.e. high-level guidance documents) to help us achieve an appropriate balance between consistent corporate policy and flexible, local-level requirements.

Occupational health, safety and security

Our long-standing HSES Policy, endorsed by our Chief Executive Officer ('CEO'), supports our commitment to continually improve our HSES performance.

Our HSES Policy is implemented through our HSES Management System. The system is comprised of a comprehensive set of standards and procedures, which form part of Premier's Business Management System ('BMS').

The HSES Management System is applied across our global operational activities. The system is also supported by our 'Life Saving Rules', which are designed to help prevent the most likely causes of fatalities in the oil and gas industry. The Rules are aligned to the industry approach of the International Association of Oil and Gas Producers ('IOGP').

To drive continual improvement, we regularly review and update our HSES Management System in line with our operational requirements and the findings from our major accident risk assessments and internal audits. This enables us to establish the necessary control measures to reduce risk exposure to a level that is 'as low as reasonably practicable' ('ALARP'). In addition, we implement a workforce health surveillance programme to identify potential early indications of work-related health issues and the follow-up actions required to diagnose, treat or prevent their progression.

We monitor our HSES performance closely and report this information on an ongoing basis to the Executive Committee and to the Board.

New HSES Committee

In 2020, we established a new Board-level HSES Committee to improve the Board of Directors' visibility on Premier's HSES management practices and performance.



2020 Sustainability Report

Corporate Pandemic Standard

In 2020, we launched a new Corporate Pandemic Standard to support our global COVID-19 response. We also released additional guidance notes to help business units align their response with local regulatory requirements and advice.



2020 Sustainability Report



Responding to COVID-19 impacts in Indonesia

In 2020, we established dedicated interdisciplinary Business Continuity COVID-19 teams within each business unit (including at corporate level). The teams – comprising representatives from Human Resources, Information Systems, and emergency response personnel – were tasked with monitoring the pandemic's local impacts and developing suitable and timely response measures. This included responding to the lockdown measures and subsequent office closures we experienced globally.

128

Staff and contractors received medical attention

This was undertaken in coordination with our fixed-wing aviation providers, local hospitals, medical service providers and hospitality providers. The evacuation and medical treatment were completed successfully, with all personnel making a full recovery.

Our COVID-19 teams helped coordinate the evacuation of personnel from three offshore platforms in our Indonesia Business Unit. They also facilitated the delivery of medical attention for 128 staff and contractors who had contracted the COVID-19 virus.

In October 2020, we undertook a review of our COVID-19 responses and management processes, and we continue to work closely with medical service providers globally to develop more integrated emergency preparedness and response strategies.

Process safety and asset integrity

The objectives and minimum requirements for process safety and asset integrity across our operations are defined in our HSES Management System. This also includes the accountabilities, verification and validation required to provide assurance that the requirements have been met.

Each business unit tracks a suite of leading and lagging process safety and asset integrity KPIs, which are reported monthly and support the strategic decision-making required to drive continuous improvement. A subset of these KPIs are reported monthly at Group-level and in the monthly report to the Board.

Emergency preparedness and crisis management

Our business units and operated sites have integrated emergency response plans which document the roles and responsibilities of employees and contractor personnel in the unlikely event of an emergency.

Our Crisis Management Team, located at our corporate office in London, is responsible for managing the Company’s reputation and protecting its licence to operate in the event of a major event evolving into a crisis.

Nationals hold:

94%
Of our employee roles

82%
Of our senior management positions

Local employment

Nationals hold roles across all grades and functions, including at a senior level, throughout our business. We prioritise the employment of suitably qualified nationals whenever possible, and support this aim by investing in their skills and knowledge. We also aim to ensure that the nationals we employ can access opportunities across our organisation, helping support their professional development as well as the success of our business.

Diversity and inclusion

We treat people fairly, equally and without prejudice, irrespective of gender, race, nationality, age, disability, sexual orientation or any other discriminatory attributes. This is reflected in our Diversity and Inclusion Policy. The Policy applies to all permanent and temporary staff, contractors and job applicants. Employee obligations in this respect are set out in the Policy, which prohibits discrimination (whether direct or indirect), harassment and victimisation.

Employee engagement

We encourage open communication between employees and managers on an ongoing basis and through a variety of channels including:

- Staff forums.
- Regular team meetings.
- Larger-scale ‘Town Hall’ staff meetings at each business unit, attended by visiting members of the Executive Committee and senior management.
- Messages from our Chief Executive Officer and business unit managers.
- The Company intranet and regular email communications.
- The release of the Company’s half-year and annual operational and financial results, as well as trading and operations updates.

‘Women@Premier’ Network

In 2020, we launched the ‘Women@Premier’ Network with the aim of supporting women to develop their careers and realise their personal and professional goals. To achieve this, the network serves as a platform where women can have transparent conversations about:

- How to navigate corporate culture and make our Company a place where women can thrive.
- How to strengthen the female talent pipeline and improve gender diversity across all grades and functions.
- How women can support each other and access senior leaders and peers across the organisation.

The platform is planned to enable these conversations in both virtual and physical spaces, when eventually possible. In July 2020, we held our first virtual ‘Women@Premier’ panel discussion, where panellists, including female Non-Executive Directors, provided insight into how they developed their careers within the upstream oil and gas sector. A survey was sent to participants after the panel discussion for their feedback and input into the theme of future panel discussions.

A second virtual panel discussion was held in November 2020 with panellists made up of a Non-Executive Director, an Executive Committee Member and a senior female Asset Manager. Discussion topics focused on how to overcome career challenges and increase resilience and adaptation to change in the workplace environment.



We conduct structured employee surveys at Group and business unit level. The results of these surveys help us to understand and respond effectively to employee attitudes towards commitment, rewards, retention, working conditions and related issues.¹⁵

We also have a duty of care to ensure our employees are informed about wider Company issues, including the Group's asset acquisitions or disposals and the progress of our development projects. In 2020, in light of the merger with Chrysaor, we established a 'Transition Team' comprised of function

heads to help establish and communicate the new requirements that will come into effect once the merger is complete.

We respect the right of all employees to join a legitimate trade union and bargain collectively. We support organised labour through, amongst other things, carrying out official collective consultations in Indonesia, Vietnam and the UK.

We have collective bargaining agreements in place in our Indonesia and Vietnam Business Units. Collectively, these agreements cover 64 per cent of Premier's total employee

workforce. At our UK and Falkland Islands Business Units, as well as our corporate office, we undertake collective consultations with employee representatives only if 20 or more UK-based employees are made redundant within a 90-day period.

Typically, we will provide employees and, where relevant, their elected representatives with at least one month's notice of any significant operational changes that might affect them.

Performance

Key performance indicators:

Material issue	Premier Oil metric	2020	2019	2018	Our performance in 2020
Occupational health and safety	Fatalities*	0	0	0	<p>We recorded four recordable injuries compared with eight in the previous year. Only one of these four injuries occurred on a directly operated Premier facility (the Chim São asset in Vietnam). The other three occurred on our leased production assets and support vessels.</p> <p>Across the Group, our TRIR decreased by 35% from a rate of 1.04 per million man hours worked in 2019 to 0.68 per million man hours worked in 2020. This decrease reflects sustained good HSE performance across our globally operated assets and improved safety performance within our leased assets and in our contracted work scopes.</p> <p>We identified 10 HiPo events compared to eight in 2019. These HiPos comprised seven production-related incidents; one construction-related incident; one drilling-related incident; and one travel-related incident.</p>
	Lost work day cases ('LWDC')*	2	2	9	
	Restricted work day cases ('RWDC')*	1	3	1	
	Medical treatment cases ('MTC')*	1	3	7	
	Total Recordable Injury Rate ('TRIR') ^{16*}	0.68	1.04	2.65	
	High Potential Incidents ('HiPo')	10	8	9	
	High potential Incident Rate ('HiPoR') ^{17*}	1.69	1.04	1.40	
Man hours worked (million)	5.9	7.7	6.4		
Process safety and asset integrity	Process safety events (IOGP Tier 1)*	0	1	0	<p>In 2020, we reported no Tier 1 Loss of Primary Containment ('LOPC') process safety events and one Tier 2 LOPC process safety event. The Tier 2 event involved the release of approximately 100 kg of natural gas from the gas treatment module on the topsides of the Catcher Floating Production Storage and Offloading ('FPSO') unit.</p>
	Process safety events (IOGP Tier 2)*	1	1	2	
Employment	Number of employees:				<p>The size of our workforce was predominantly stable in 2020, reflecting our continued efforts to protect jobs where possible, our low turnover rate and our focus on recruiting only for roles of high importance.</p> <p>We aim to ensure that our own management systems, practices and working culture do not discourage or restrict female access to – and success within – our workforce. In 2020, we implemented several initiatives to support diversity and inclusion across the Company, with a particular focus on providing a more diverse work environment.</p>
	– At end of year	776 ¹⁸	770	767	
	– Turnover during the year	44	37	43	
	Gender balance of total employee workforce:				
	– Male	572	572	577	
	– Female	204	198	190	
Gender balance at senior management level: ¹⁹					
– Male	105	102	102		
– Female	15	12	13		
Gender balance at Board level: ²⁰					
– Male	5	7	7		
– Female	2	2	2		
Employee engagement	Number of employee surveys	1	None	2	<p>In our 2020 Group Engagement Survey, we achieved an 85% participation rate, with an overall improvement in engagement across the business units.</p> <p>In 2020, 99% of employees received performance reviews against their Individual Performance Contracts ('IPCs'), and were assigned performance ratings by their managers. This rating was used to guide salary adjustments and bonus recommendations.</p>
	Percentage of employees receiving performance reviews	99	99	99	

* Data for 2020 assured by ERM CVS (limited assurance).

15 We also gather feedback through, for example, regular performance reviews; our formal non-recriminatory human resources grievances procedure (should employees feel uncomfortable raising issues through normal management channels); and our confidential, independently managed whistleblower hotline.

16 Per million man hours.

17 Per million man hours.

18 This represents the actual employee count on 31 December 2020.

19 Senior management is defined as Grade 5 and above.

20 Data as of 17 March 2021.



Prosperity

Why it matters

We do not operate in isolation. Our activities can potentially affect national- and local-level stakeholders. In turn, these stakeholders can affect the achievement of our business objectives in our countries of operation. In this context, we strive to avoid and/or minimise our potential negative impacts and to maximise our positive impacts across a range of issues. This includes cooperating transparently and constructively with host governments; respecting the human rights of our stakeholders; responsibly managing our supply chain; ensuring the security of our assets and cyber infrastructure; delivering economic value to society; and decommissioning our late-life assets in a responsible manner.

The material issues relating to this focus area are:

- Public policy and government relations.
- Human rights.
- Responsible supply chain management.
- Security.
- Value generation and distribution.
- Tax.
- Decommissioning.

A summary of how we manage each of these issues is presented below. For more information see 'Chapter 5: Prosperity' of our 2020 Sustainability Report.

Premier has identified 'host government: political and fiscal risks' as a principal risk.

Management approach

Our interactions with stakeholders across society are governed by several policies. Most notably, this includes our Sustainability Policy, Risk Management Policy, Tax Policy, Community Investment Policy, Human Rights Statement and the Code. We implement these policies through our associated management systems.

Our policies require us to (among other commitments):

- Engage with stakeholders in our efforts to respect and promote the fundamental rights set out in the Universal Declaration of Human Rights²¹.
- Act transparently with all stakeholders in full respect of the rule of law.
- Contribute to the development goals of host countries.
- Support the socio-economic sustainability and wellbeing of communities through local procurement and other engagement with local business.
- Not engage in artificial tax avoidance arrangements.

Human rights

Our Human Rights Statement²² requires us to respect and promote human rights and aims to ensure that we are in no way involved or associated with the issues of forced, involuntary or child labour. The likelihood of forced, involuntary or child labour occurring within our Company is minimal due to the following:

- The offshore nature of our operations.
- The relatively limited size of our workforce.
- Our highly-developed human resources procedures.
- The majority of our employees hold specialised technical roles, administrative office-based roles or managerial roles.

In 2020,

96%

Of our material contracts were subject to the Supply Chain Contractor Due Diligence Process

Our human rights management efforts are therefore primarily focused on our workforce and supply chain. We have embedded and continue to implement the Human Rights Statement across our operations through our Human Rights Management System, which is aligned with the UN Guiding Principles on Business and Human Rights. Our Human Rights Management System also governs our processes for human rights screening and training, as well as our grievance mechanism.

Responsible supply chain management

In line with the requirements of our Supply Chain Policy, we monitor the health, safety, environment and security ('HSES') performance of our business partners – and, with respect to new contractor companies, their human rights and labour rights performance. All new contractors undergo an initial risk-based HSES assessment via pre-qualification, bidding and/or negotiation. Any suppliers found to be 'high risk' are subject to more detailed HSES screening. We also carry out HSES performance reviews on some of our most significant contracts following their award.

Furthermore, all material new contracts are assessed for human rights, labour rights, corruption, and business ethics risks using our Supply Chain Contractor Due Diligence Process. We also maintain a presence at major construction and fabrication yards undertaking work for the Company. This helps us to ensure their adherence to relevant human rights, labour rights and HSES obligations within their contracts.

²¹ Our Human Rights Policy is guided by those rights enshrined in the core labour conventions of the International Labour Organization and by the United Nations Global Compact.

²² Premier's Human Rights Statement is based on international norms and principles which include, but are not limited to, the UN Guiding Principles on Business and Human Rights, International Labour Standards and the Voluntary Principles on Security and Human Rights ('VPs').



Relationship management with our top-tier contractors through SCIMITAR

In 2020, we fully implemented our integrated supply chain management system 'SCIMITAR' (Supply Chain Management Interactive Technology for Analytics and Reporting) across all our business units.

SCIMITAR, which was launched as a pilot in 2019, uses a tiered contract segmentation model. This has enabled us to identify and focus our management efforts on our most significant contractors (i.e. the top 10 per cent of contractors (representing approximately 100 contractors) that account for approximately 65 per cent of Premier's purchasing spend). These contractors represent the highest level of risk and opportunity to our business.

For this sub-set of suppliers, SCIMITAR enables us to:

- Develop a Contract Management Plan that covers the lifecycle of the contract and includes details on the contract's risks, opportunities and tasks – as well as broader aspects e.g. meeting outcomes, outcomes of HSES performance reviews and focused audits etc.
- Establish Key Performance Indicators ('KPIs') that support effective performance oversight across the duration of the contract (KPIs include financial and non-financial metrics).

- Identify and implement opportunities for innovation within a contractor relationship.
- Drive collaboration through joint account planning with the contractor across contracting teams, project teams and the relevant business unit.

In 2021, we plan to extend SCIMITAR's relationship management capabilities to encompass more of Premier's top contracts.

Security

We undertake security assessments covering both our workforce and assets. These consider the latent risks posed by their location, as well as incident trends. We also apply a formal travel risk management process when any employee travels abroad. As such, visitors to these locations are supported by in-depth travel risk assessments and guidance, as well as enhanced physical security and evacuation precautions where appropriate.

Furthermore, we provide information on disease prevention to employees (and their families) travelling to or working in areas that pose a high risk of infection. Medication is provided when necessary.

In 2020, we continued to strengthen our cyber security management processes. This included the ongoing enhancement of our policies; standards and procedures; systems; access controls and safeguards; culture; and response and recovery measures. We also continued to implement cyber security training and awareness programmes to encourage vigilance among our employees. This covers topics such as phishing and the correct classification and handling of our information. We also collaborate closely with governments, law enforcement and industry peers to understand and respond to new and emerging threats.

Value generation and distribution

Much of the value we create is distributed throughout our host societies, and directly supports long-term socio-economic development. This includes distribution through:

- Payments to business partners, including locally-based contractors.
- Payments to our workforce, including wages and benefits paid to employees from our host countries.
- Payments to our providers of capital, including shareholder dividends and interest on debt.
- Payments to government, including corporate income taxes, royalties and other payments to our host governments²³.
- Spending on community investment projects²⁴ that help deliver sustainable social, economic and environmental benefits for local communities and their host governments.

Our new Decommissioning Projects Standard

In 2020, we rolled out a new Decommissioning Projects Standard which provides a structured governance framework for the safe execution of decommissioning and Plug and Abandon ('P&A') projects across our global operations.

- New technology applications for the execution of decommissioning activities.
- Contracting strategies to enhance engagement with joint venture ('JV') partners, contractors and regulators.

The application of this Standard, in conjunction with our existing Well Engineering Management System ('WEMS'), aims to minimise risk and maximise efficiency across our decommissioning operations.

The Standard was developed by the Wells and Decommissioning team, with input and review from external experts and internal end-users. It has been rolled out to our newly expanded decommissioning team in Aberdeen, given that our inactive assets are in the North Sea. An assurance programme has been established to ensure compliance with the Standard.

The Standard also provides:

- Guidance and checklists to manage the decommissioning planning processes and associated activities.
- Learning take-aways from the decommissioning of the Huntington installation.



²³ Currently, the UK and Indonesia are Extractives Industries Transparency Initiative ('EITI') Members. Both are yet to be assessed against the 2016 Standard. Premier is not an EITI supporting company.

²⁴ With the exception of Mexico, all our operations have established community engagement and investment programmes.

US\$0.55m

Spent on community investments across our global operations

Tax

Our Tax Policy is operationalised through the internal Tax Management Standard, which defines the framework for the management of tax.

We are committed to prompt disclosure and transparency on all tax matters. This includes the disclosures and submissions we make in order to comply with the requirements of the European Union Accounting Directive ('EUAD'), the Extractives Industries Transparency Initiative ('EITI') and the Country-by-Country Reporting ('CBCR') developed by the Organisation for Economic Co-operation and Development ('OECD').

We also participate in the UK Oil Industry Taxation Committee ('UKOITC'), the Association of British Independent Exploration Companies ('BRINDEX')

and the Falkland Islands Petroleum Licensees Association ('FIPLA'), which regularly engage with tax authorities to discuss tax technical matters relating to the oil and gas industry.

During 2020, we continued to review and monitor our Group-wide controls to prevent the facilitation of tax evasion in our wider supply chain²⁵.

Decommissioning

We have developed a clear strategy to decommission our operated assets in a sequential, safe and efficient manner. This includes the application of learnings and progressive improvements as we move through the decommissioning portfolio. Our activities in this respect are managed by our experienced in-house team, and guided by our HSES Policy and standards, including our new Decommissioning Projects Standard. Wherever possible, and commercially feasible, we continually strive to delay the cessation of production at our assets.

As of end 2020, four of our operated production fields (Rita, Hunter, Caledonia, Huntington and Balmoral) have been declared inactive^{26,27}.

In April 2020, decommissioning work commenced on the Huntington field (operated by Premier Oil), and the Floating Production Storage and Offloading ('FPSO') vessel 'Voyageur Spirit' has been removed from location. Removal of subsea infrastructure has also commenced. Further work is planned in 2021.

In November 2020, the Balmoral Floating Production Vessel ('FPV') ceased production and will be removed from location in May 2021, after the completion of flushing and cleaning operations. Further work is planned to remove subsea infrastructure and plug and abandon wells in 2021.

Performance

Key performance indicators:

Material issue	Premier Oil metric	2020	2019	2018	Our performance in 2020
Value generation and distribution	Economic value generated (US\$m)	949.4	1,604	1,512	Throughout 2020, we continued to generate significant levels of economic value, much of which was distributed to stakeholders throughout our host societies. With the exception of Mexico, all our operations have established community engagement and investment programmes.
	Economic value distributed (US\$m) ^{28,29}	893	1,049	1,026	
	Community investment spend (US\$m)	0.55	0.68	0.74	
Public policy and government relations	Value of political donations and contributions (US\$)	0	0	0	No political donations or contributions made in 2020. All of our interactions with host governments and regulators were conducted in line with our Global Code of Conduct.
Human rights	Identified violations of our Human Rights Policy (by Premier and its employees)	0	0	0	None identified in 2020. This reflects our ongoing human rights due diligence efforts, as well as the offshore and relatively remote nature of our operated activities.
	Significant negative human rights or labour rights impacts identified by our supply chain	0	0	0	None identified in 2020. All new material contracts are now subject to our Supply Chain Contractor Due Diligence Process
Supply chain management	Percentage of material contracts subject to the Supply Chain Contractor Due Diligence Process	96	97	55-60	Our Supply Chain Contractor Due Diligence Process involves an online questionnaire-based business ethics assessment that enables us to effectively manage and mitigate any identified areas of risk or concern before contracts are entered into.

²⁵ This follows the conclusion of a range of measures undertaken in 2018 to align our controls with 'The Six Guiding Principles to Inform Prevention Procedures' of the UK Criminal Finances Act (2017).

²⁶ We define 'inactive sites' as production fields that are no longer producing, but have not yet been decommissioned, as well as subsea infrastructure that is no longer economically viable for production (this includes: subsea wells, templates, manifolds and flow lines, and umbilicals that have been flushed of hydrocarbon and other chemicals disconnected from production assets, prior to decommissioning).

²⁷ Rita, Hunter and Caledonia were declared inactive in 2019. Huntington and Balmoral Fields were declared inactive in 2020.

²⁸ This includes operating costs, royalties, staff costs, dividends, finance costs, corporate income tax payments and community investments.

²⁹ In 2020, Premier paid US\$41 million in the form of corporate income tax payments to our host governments. We did not engage in artificial tax avoidance arrangements and met all statutory and transparency requirements with respect to tax matters.

Material operating cash flow generation



Richard Rose

Interim Chief Executive Officer and Finance Director

“The Group’s assets continued to generate material operating cash flows in a low oil price environment and were supported by a low and stable cost base.”

Business performance

Production averaged 61.4 kboepd in 2020 (2019: 78.4 kboepd), which, coupled with lower commodity prices, resulted in total revenue from all operations of US\$949 million compared with US\$1,597 million in 2019.

EBITDAX for the period from continuing operations was US\$620 million, a decrease of US\$610 million compared to the prior period EBITDAX of US\$1,230 million. The reduced EBITDAX is due primarily to lower realised commodity prices and production, partially offset by higher realised hedging gains of US\$149 million recognised in the period. Underlying operating cost per barrel remained broadly stable in spite of lower production due to tight cost control.

Business performance (continuing operations)	2020 US\$ million	2019 US\$ million
Operating (loss)/profit	(343.8)	455.0
Add: DD&A	671.3	757.9
Add: Exploration and new venture costs	293.4	21.3
Less: Profit on disposal of non-current assets	(1.1)	(4.2)
EBITDAX as reported	619.8	1,230.0

Net debt has increased to US\$2,078.4 million from US\$1,989.8 million at the end of 2019.

Income statement

Production and commodity prices

Group production on a working interest basis averaged 61.4 kboepd compared to 78.4 kboepd in 2019. Production was lower than in 2019 due to lower production from the Catcher field following unplanned outages in the year and the cessation of production from certain mature UK fields. Average entitlement production for the period was 57.5 kboepd (2019: 73.9 kboepd).

Premier realised an average oil price for the year of US\$42.1/bbl (2019: US\$66.3/bbl).

Including the effect of oil swaps which settled during 2020, the realised oil price was US\$49.4/bbl (2019: US\$68.1/bbl). Premier continued to benefit from positive differentials for its crude oil sales relative to the underlying Brent oil price.

In the UK, average natural gas prices achieved were 34 pence/therm (2019: 42 pence/therm). Gas prices in Singapore, linked to high sulphur fuel oil ('HSFO') pricing and in turn, therefore, linked to crude oil pricing, averaged US\$6.6/mscf (2019: US\$10.2/mscf). Including the effect of HSFO swaps which settled during 2020, the realised HSFO price was US\$8.3/mscf (2019: US\$10.2/mscf).

Realised prices – post hedging	2020	2019
Oil price (US\$/bbl)	49.4	68.1
UK natural gas (pence/therm)	34	42
Singapore HSFO (US\$/mscf)	8.3	10.2

Total revenue from all operations decreased to US\$949.4 million (2019: US\$1,596.5 million).

Cost of operations

Cost of operations comprises operating costs, changes in lifting positions, inventory movement and royalties. Cost of operations for the Group was US\$324.7 million for 2020, compared to US\$342.8 million for 2019 due to a decrease in operating costs partially offset by stock overlift/underlift movements resulting from the timing of hydrocarbon sales.

	2020 US\$ million	2019 US\$ million
Operating costs		
Continuing operations	273.8	322.6
Discontinued operations (Pakistan)	–	2.4
Operating costs	273.8	325.0
Operating cost per barrel (US\$ per barrel)	12.2	11.4

The decrease in absolute operating costs reflects savings achieved from strict management of discretionary spend, deferral of certain work scopes and lower costs arising from the cessation of production on certain UK fields. Operating costs per barrel, excluding lease costs, increased to US\$12/boe (2019: US\$11/boe) reflecting lower year-on-year production rather than any increase in underlying operating costs.

Lease expenses in 2020 were US\$155.6 million, giving a lease cost per barrel of US\$6.9/boe (2019: US\$6.9/boe), which is consistent year-on-year.

	2020 US\$ million	2019 US\$ million
Amortisation and depreciation		
Total DD&A	524.5	742.9
DD&A per barrel (US\$ per barrel)	23.3	26.4

Total depreciation has decreased year on year to US\$524.5 million due to lower production rates and the cessation of production on certain mature fields. The depreciation charge includes US\$52.7 million related to an increase in the Group's decommissioning provisions on assets which are carried at nil book value. This is due to a reduction in the rate used to discount provisions to 3.0 per cent (2019: 3.6 per cent) following the reduction in US treasury rates observed in 2020 and not by any material change in the underlying decommissioning cost estimates.

In addition to the amortisation and depreciation charge for the period, the Group recognised an impairment charge of US\$143.8 million. US\$140.3 million of the current period impairment charge relates to Solan and was driven by a reduction in management's long-term oil price assumption to US\$60/bbl real (2019: US\$70/bbl real) together with the reduction in reserves associated with future investment decisions.

Exploration expenditure and new ventures

Exploration expense and new venture costs amounted to US\$293.4 million (2019: US\$21.3 million). This includes exploration expenditure of US\$194.1 million written off for costs previously capitalised for exploration prospects in the North Falklands basin, which will not be developed as part of the Sea Lion Phase 1 project. In addition, the drilling of the Charlie-1 well in Area A in Alaska encountered non-commercial gas condensate for which US\$27.1 million of costs have been expensed in the period. New venture costs also include costs associated with the corporate actions that were undertaken during the period including the previously proposed acquisition of BP's interests in the Andrew Area and the Shearwater field and the proposed merger with Chrysaor Holdings Limited.

After recognition of these expenditures, the exploration and evaluation assets remaining on the balance sheet at 31 December 2020 amount

Low and stable cost base

US\$12/boe

to US\$785.3 million, principally for the Sea Lion asset, our share of the Zama prospect and Block 30 in Mexico and the Tuna PSC in Indonesia.

General and administrative expenses

Net G&A costs of US\$8.4 million (2019: US\$9.0 million) were comparable with the prior year.

Finance gains and charges

Net finance gains and charges of US\$261.5 million have reduced compared to the prior year (US\$352.5 million). This is due to lower interest charges following a fall in LIBOR rates during the year and a fair value gain realised in respect of the Group's outstanding equity warrants. Included within finance charges are costs of US\$32.0 million associated with refinancing activities during the period. Cash interest expense in the period was US\$230.4 million (2019: US\$251.9 million).

Taxation

The Group's total tax charge for 2020 from continuing operations is US\$696.9 million (2019: credit of US\$52.5 million) which comprises a current tax charge for the period of US\$33.1 million and a non-cash deferred tax charge for the period of US\$663.8 million.

The total tax credit represents an effective tax rate charge of negative 115.1 per cent (2019: credit of 51.2 per cent). The effective tax rate is predominantly driven by the derecognition of UK ring fence tax losses and allowances due to a reduction in management's oil and gas price assumptions and the exclusion of future taxable profits associated with the previously proposed BP acquisitions when assessing recoverability of deferred tax assets ('DTA'). Despite the merger being expected to complete in March 2021, future taxable profits associated with Chrysaor assets are not reflected in the DTA recoverability assessment at year-end as the relevant accounting standard does not permit the accounting acquiree to take credit for future taxable profits associated with a proposed business combination.

Due to the fall in oil and gas prices and the presence of impairment indicators, the Group re-ran its corporate model to assess whether it is appropriate to continue to recognise the Group's deferred tax losses and allowances at 31 December 2020. The results of the corporate model concluded that it was no longer appropriate to recognise an amount of US\$817.2 million in respect of ring fence tax losses, decommissioning asset and investment allowances. Premier retains access to these tax losses in the event forecast taxable profits were to increase in the future and expects to recognise these ring fence tax losses and investment allowances in full upon completion of the proposed merger with Chrysaor, when revising the corporate model to include the cash flows of the enlarged group. The Group has a net deferred tax asset of US\$763.4 million at 31 December 2020 (2019: US\$1,426.2 million).

Material operating cash flow

US\$630.1m**Loss after tax**

Loss after tax is US\$1,302.2 million (2019: profit of US\$164.3 million) resulting in a basic loss per share of 146.7 cents from continuing and discontinued operations (2019: earning of 19.9 cents). The loss after tax in the year is driven by the lower production volumes and realised prices, significant charges in relation to exploration and new venture expenditure (US\$293.4 million), the partial derecognition of the Group's deferred tax asset (US\$827.1 million) and the impairment of PP&E assets (US\$94.6 million, post-tax).

Cash flows

Cash flow from operating activities was US\$630.1 million (2019: US\$1,080.0 million) after accounting for net tax receipts of US\$2.0 million (2019: payments of US\$61.2 million) and before the movement in joint venture cash balances in the period of US\$19.5 million. The decrease is driven by reduced production and realised commodity prices in the period.

Capital expenditure in 2020 totalled US\$266.6 million (2019: US\$241.4 million).

	2020 US\$ million	2019 US\$ million
Capital expenditure		
Fields/development projects	178.4	101.7
Exploration and evaluation	85.6	136.9
Other	2.6	2.8
Total	266.6	241.4

The principal development expenditure was in respect of the UK where work continued on the Tolmount development and the Solan P3 and Catcher VP1 wells were both drilled and brought on-stream. Development drilling at Catcher North and Laverda, originally scheduled for 2020, was deferred as part of measures taken to manage the Group's capital expenditure.

The largest parts of the E&E capital expenditure in the period were the Charlie-1 appraisal well in Alaska which was plugged and abandoned after encountering non-commercial gas condensate, and ongoing pre-development expenditure on the Sea Lion Phase 1 project in the Falkland Islands. In addition, cash expenditure for decommissioning activity in the period was US\$48.9 million (2019: US\$35.3 million) and a further US\$5.4 million of cash placed into long-term abandonment accounts for future decommissioning (2019: US\$9.9 million).

Total development and E&E expenditure relating to Premier's existing assets for 2021 is estimated at US\$180 million, principally related to development drilling on Tolmount and Catcher, and exploration and appraisal activities in Mexico and Indonesia. Premier's share of costs of the two well appraisal programme on the Tuna discoveries in Indonesia are carried by Zarubezhneft up to an agreed cap. Decommissioning spend is estimated at US\$120 million reflecting the cessation of production at various UK fields during 2020.

 Read more

Risk management

pg52

Principal risks

pg56

Discontinued operations and disposals

The Group completed the sale of its Pakistan business to the Al-Haj Group in March 2019 for a total consideration of US\$65.6 million. The results of the Pakistan Business Unit in the prior period are presented as a discontinued operation.

Balance sheet position**Net debt**

Net debt at 31 December 2020 amounted to US\$2,078.4 million (31 December 2019: US\$1,989.8 million), with cash resources of US\$108.3 million (31 December 2019: US\$198.1 million). The maturity of all of Premier's facilities is May 2021. During the year, Premier made debt repayments of US\$52.3 million partly offset by drawings under its RCF facility of US\$35.0 million. The Group cancelled US\$129.5 million of its RCF debt facility during the period.

Premier retains cash at 31 December 2020 of US\$72.0 million and undrawn facilities of US\$219.3 million, giving liquidity of US\$291.3 million (31 December 2019: US\$549.2 million) when excluding cash of US\$36.3 million held on behalf of joint venture partners or as security for letters of credit.

During the period the Group issued 82.2 million shares to one of Premier's creditors, Asia Research and Capital Management ('ARCM'), resulting in equity proceeds of US\$27.0 million.

Provisions

The Group's decommissioning provision increased to US\$1,372.1 million at 31 December 2020, up from US\$1,303.4 million at the end of 2019. The increase is driven by a reduction in the discount rate used to determine the net present value of the decommissioning provision, following the reduction in US treasury rates observed in 2020 and not by any material change in the underlying decommissioning costs estimates. The increase has been partly offset by decommissioning activity undertaken during the period following the cessation of production from certain mature UK fields.

Non-IFRS measures

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. The non-IFRS measures used within this Financial Review are EBITDAX, Operating cost per barrel, DD&A per barrel, Net debt and Liquidity, and are defined in the glossary.

Financial risk management**Commodity prices**

Premier continued to take advantage of hedging to protect free cash flows. The Group's current hedge position is as follows:

Oil

Swaps/forwards	2021 1H	2021 2H
Volume (mmbbls)	1.4	0.3
Average price (US\$/bbl)	53	61

UK gas

Swaps/forwards/ options	2021 1H	2021 2H	2022
Volume (million therms)	57	68	80
Average price (p/therm) ¹	45	40	42 ¹

¹ Average price is a mixture of swap and option floor pricing and excludes impact of deferred option premiums.

At 31 December 2020, the fair value of open oil and gas instruments was a net asset of US\$5.2 million (31 December 2019: asset of US\$29.2 million), which is expected to be released to the income statement during 2021 and 2022 as the related barrels are lifted or therms delivered.

During 2020, expiration of forward oil and gas swaps resulted in a net credit of US\$149.5 million (2019: credit of US\$45.6 million) which has been included in sales revenue for the year.

Foreign exchange

Premier's functional and reporting currency is US dollars. Exchange rate exposures relate only to local currency receipts, and expenditures within individual business units. Local currency needs are acquired on a short-term basis. At the year-end, the Group recorded a mark-to-market loss of US\$6.6 million on its outstanding foreign exchange contracts (2019: gain of US\$6.2 million). The Group currently has £150.0 million of retail bonds, €63.0 million long-term senior loan notes and a £100.0 million term loan in issuance which have been hedged under cross currency swaps in US dollars at average fixed rates of US\$1.64:£ and US\$1.37:€. The fair value of the cross currency swap liability at 31 December 2020 is US\$88.7 million (2019: US\$123.6 million).

Interest rates

The Group has various financing instruments including senior loan notes, UK retail bonds, term loans and revolving credit facilities. On average, the effective interest rate on drawn funds for the period, recognised in the income statement, was 7.4 per cent.

Insurance

The Group undertakes a significant insurance programme to reduce the potential impact of physical risks associated with its exploration, development and production activities. Business interruption cover is purchased for a proportion of the cash flow from producing fields for a maximum period of 18 months. During 2020, there were no insurance claims and nil cash proceeds were received in relation to settled insurance claims (2019: US\$2.3 million).

Proposed merger with Chrysaor

On 6 October 2020, the Group publicly announced the proposed merger of Premier Oil plc ('Premier') and Chrysaor Holdings Limited ('Chrysaor') and the reorganisation of Premier's existing finance arrangements.

The merger of Premier and Chrysaor will create Harbour Energy plc ('Harbour'), the largest independent oil and gas company listed on the London Stock Exchange with combined production of over 200 kboepd and will bring together two complementary businesses to

create a Combined Group with a strong balance sheet and significant international growth opportunities.

The Board of Directors of the enlarged group will comprise 11 Directors including six independent non-executive Directors. All appointments have been agreed and announced, including the appointments of Blair Thomas as Chairman and Linda Cook as Chief Executive Officer.

Upon completion of the transaction, Premier's existing creditors will receive a cash payment of US\$1.23 billion in satisfaction of part of Premier's existing debt and cross currency swaps and Premier will issue new shares to the existing creditors to satisfy the balance of the Group's existing debt and cross-currency swaps. In addition, existing creditors will receive (i) new shares in Harbour and/or (ii) a cash alternative which is capped at a maximum of US\$175 million.

Under the terms of the transaction Premier's creditors were able to elect to subscribe in cash at a pre-agreed price for those new shares in the enlarged group which would have been issued to other senior creditors if they had not elected the Cash-Out Option (the 'Top-Up Election'). Based on the elections made by senior creditors, it is anticipated that the cash alternative of US\$175 million will be retained by the enlarged group as the take-up of the cash alternative option is expected to be less than US\$175 million and the number of shares subscribed for under the Top-Up Election exceeded the number of shares which are expected to be available under the Top-Up Election.

As a result the merger is expected to result in Premier's stakeholders owning up to 23 per cent of the enlarged group and existing Chrysaor shareholders owning at least 77 per cent. Premier's stakeholders include its existing shareholders which are expected to own 5 per cent of the enlarged group.

Significant progress has been made towards obtaining the necessary approvals for the transaction. Premier shareholder approval was obtained at a General Meeting on 12 January 2021 and Premier's creditors voted in favour of the restructuring plans on 22 February 2021. The restructuring plans remain subject to approval by the Scottish Court of Session with the sanction hearing currently scheduled to commence on 19 March 2021. All regulatory conditions relating to the merger have now been satisfied and all of the requisite anti-trust approvals have been received.

The enlarged group will have significant scale and diversification, through the combination of material operated and non-operated cash generative production hubs in the UK North Sea. Premier's financial position will be transformed, delivering an enlarged group with a strong and sustainable financing structure. The merger will also realise substantial cost and tax synergies, accelerating the use of Premier's existing circa US\$4.1 billion of UK tax losses and unlocking significant value for shareholders.

Going concern

The Group monitors its capital position and its liquidity risk regularly throughout the year to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced based on, inter alia, the Group's latest life of field production and expenditure forecasts, management's best estimate of future commodity prices (based on recent forward curves, adjusted for the Group's hedging programme) and the Group's borrowing facilities. Sensitivities are run to reflect different scenarios including, but not limited to, changes in oil and gas production rates, possible reductions in commodity prices and delays or cost overruns on major development projects. This is done to identify risks to liquidity and covenant compliance and enable management to formulate appropriate and timely mitigation strategies in order to manage the risk of funds shortfalls or covenant breaches and to ensure the Group's ability to continue as a going concern.

The proposed merger of Premier and Chrysaor and the reorganisation of Premier's existing finance arrangements ('Debt Restructuring') (together, 'the Corporate Actions') are expected to complete on 31 March 2021.

The Corporate Actions include the:

- merger of Premier and Chrysaor (together, 'the enlarged group') through a reverse takeover, ('the Merger');
- the issue of approximately 17.59 billion new Ordinary Shares in Premier, approximately 14.25 billion of which will be issued to Chrysaor's shareholders in exchange for the acquisition by Premier of 100 per cent of the issued share capital of Chrysaor; and
- cancellation, repayment and release of Premier's US\$2.7 billion of total gross debt and certain hedging liabilities, which currently mature on 31 May 2021, for a cash payment of US\$1.23 billion, together with new Ordinary Shares in Premier and, if creditors had so elected, a share of a further cash payment capped at approximately US\$175 million.

The cash payments to creditors are expected to be funded through a combination of existing cash balances and Chrysaor's borrowing facilities.

Base case assessment

Management's going concern assessment considered the ability of the Group to continue as a going concern from the date of approval of the 2020 Annual Report and Accounts ('ARA') through to 31 March 2022 ('the going concern period'). The Group's base case going concern assessment assumes: completion of the Corporate Actions on 31 March 2021; an oil price of US\$51/bbl and US\$55/bbl in 2021 and 2022, respectively; and production in line with approved asset plans. Under the terms of the Corporate Actions, following settlement of Premier's existing debt, the ongoing capital requirements of the enlarged group will be financed by Chrysaor's existing financing arrangements, comprising its US\$4.5 billion Reserve Base Lending ('RBL') facility and US\$400 million junior debt facility.

The RBL facility has a final maturity of November 2027 and contains certain financial covenants relating to the ratio of consolidated total net debt to consolidated EBITDAX on a historic and forward-looking basis, which will be tested semi-annually. The amount available under the facility will be re-determined annually based on a valuation of the Group's borrowing base assets when applying certain forward-looking assumptions, as defined in the borrowing agreement. The junior debt facility is repayable in instalments between June 2022 and June 2026 and is not subject to any financial covenants.

Under management's base case, the Enlarged Group is forecasted to have sufficient financial headroom throughout the going concern period.

Sensitivity analysis

Whilst assuming completion of the Corporate Actions on 31 March 2021, management has run downside scenarios on the cash flows of the Enlarged Group, where oil and gas prices are reduced by a flat US\$10/bbl and where total production of the Enlarged Group is forecast to reduce by 10 per cent throughout the going concern period. In the downside scenarios applied to the base case forecast, individually and in combination, the Enlarged Group is forecasted to have sufficient financial headroom throughout the going concern period.

Should the Corporate Actions fail to complete

The proposed Corporate Actions are subject to a number of conditions that must be satisfied to proceed, including shareholder approval, regulatory approval, approval of the Debt Restructuring by creditors and Court sanction of the Debt Restructuring. As highlighted in the section covering the proposed Merger, shareholder approval of the Corporate Actions was received on 12 January 2021, all necessary regulatory approvals are now in place and the requisite level of Premier's creditors voted in favour of the Debt Restructuring at the creditor meeting on 22 February 2021. A court hearing to sanction the Debt Restructuring is scheduled to take place on 19 March 2021. Court sanction of the Debt Restructuring represents the key outstanding milestone, shortly after which it is expected that the Corporate Actions will complete.

Should the Corporate Actions fail to complete, the maturity of Premier's existing debt facilities may, at Premier's option, be extended from 31 May 2021 to 31 March 2022 ('Interim Maturity Extension'). Since July 2020, the financial covenant tests associated with Premier's existing borrowing facilities have been deferred, initially under the terms of an agreement with the requisite majorities of the Group's creditors and, from 6 October 2020, under the terms of a support letter executed by the requisite majority of creditors ('Support Letter'). Without these deferrals, the Group would have breached the financial covenants contained in its financing agreements in respect of the testing periods ended on 30 June 2020, 30 September 2020

and 31 December 2020. The financial covenant deferrals in the Support Letter remain in place until 30 September 2021 (or such later dates as may be agreed by Premier and a requisite threshold of creditors, provided that such date may not be later than 1 December 2021) ('Long-Stop Date') or completion of the Merger.

Should the financial covenant deferrals expire, the Group will immediately be in breach of its existing financial covenants. Therefore, in the event that the Corporate Actions do not complete, the ability of the Group to continue trading will depend upon: (i) a significant portion of its creditors providing further financial covenant deferrals; and (ii) the Group agreeing either: (a) an alternative plan for the implementation of the Corporate Actions with its creditors and Chrysaor; or (b) an alternative plan to address its existing debt facilities and certain hedging liabilities with its creditors. Failure to obtain future covenant deferrals and/or execute an alternative debt restructuring would result in Premier's existing debt facilities and certain hedging liabilities becoming payable in the going concern period and, in such circumstances, the Group would not be able to repay these amounts.

Conclusion

Based on all required shareholder and regulatory approval processes being complete and the requisite level of Premier's creditors having voted in favour of the Debt Restructuring, the Directors expect to complete the Corporate Actions on 31 March 2021. Assuming the Corporate Actions complete, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence throughout the going concern period. In the unlikely event that the Corporate Actions do not complete, management believe it is likely that the lenders will provide the required support to allow the Company time to complete an alternative restructuring of its existing debt facilities. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing these consolidated financial statements and the financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

However, successful completion of the Corporate Actions is subject to the Court sanctioning the Debt Restructuring and is outside the Group's control. The uncertainties regarding (1) management's ability to complete the Corporate Actions; and (2) should the Corporate Actions fail to complete, management's ability to complete an alternative restructuring of its existing debt facilities and certain hedging liabilities and obtain covenant deferrals or waivers in the intervening period to prevent its existing debt falling due within the going concern period, create material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

Business risks

Premier's business may be impacted by various risks leading to failure to achieve strategic targets for growth, loss of financial standing, cash flow and earnings, and reputation. Not all of these risks are wholly within the Company's control and the Company may be affected by risks which are not yet manifest or reasonably foreseeable.

Effective risk management is critical to achieving our strategic objectives and protecting our personnel, assets, the communities where we operate and with whom we interact, and our reputation. Premier therefore has a comprehensive approach to risk management.

A critical part of the risk management process is to assess the impact and likelihood of risks occurring so that appropriate mitigation plans can be developed and implemented. Risk severity matrices are developed across Premier's business to facilitate assessment of risk. The specific risks identified by project and asset teams, business units and corporate functions are consolidated and amalgamated to provide an oversight of key risk factors at each level, from operations through business unit management to the Executive Committee and the Board.

For all the known risks facing the business, Premier attempts to minimise the likelihood and mitigate the impact. According to the nature of the risk, Premier may elect to take or tolerate risk, treat risk with controls and mitigating actions, transfer risk to third parties, or terminate risk by ceasing particular activities or operations. Premier has a zero tolerance to financial fraud or ethics non-compliance, and ensures that HSES risks are managed to levels that are as low as reasonably practicable, whilst managing exploration and development risks on a portfolio basis.

The Group has identified its principal risks for the next 12 months as being:

- Commodity price volatility.
- Access to capital.
- Health, safety, environment and security.
- Production and development delivery, and decommissioning execution.
- Merger completion and integration.
- Climate change.
- Joint venture partner alignment and supply chain delivery.
- Organisational capability.
- Exploration success and reserves addition.
- Host government: political and fiscal risks.

Further information detailing the way in which these risks are mitigated can be found on pages 56 to 61 and is also provided on the Company's website www.premier-oil.com.

Richard Rose

Interim Chief Executive Officer and Finance Director

Managing risk



The Company has a comprehensive approach to risk management.”

Iain Macdonald

Chair of the Audit and Risk Committee

Effective risk management is central to increasing the likelihood of achieving our business objectives and protecting our personnel, assets, the communities where we operate and with whom we interact, and our reputation. Premier therefore has a comprehensive approach to risk management.

The Directors have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of the principal risks, together with an overview of how such risks are being managed or mitigated, is set out on pages 56 to 61. In addition, the procedures to identify emerging risks are set out below.

Risk management and internal control in Premier

The corporate governance process in Premier is designed to determine the nature and level of risk that the Company is willing to take in pursuit of its strategic objectives and to provide an appropriate level of assurance that any risks taken are appropriately managed and that the system of internal controls is effective.

The risk management framework and the systems of internal control are designed to manage and communicate, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance that material financial irregularities and control weaknesses will be detected.

Risk management

Premier believes that risk management leads to better quality decision-making and increases the likelihood of the Company achieving its business objectives.

Premier follows a comprehensive framework for risk management based on ISO 31000 principles and guidelines. The Company's Audit and Risk function is responsible for administering the risk management framework and its continued improvement. The framework is illustrated below.

Scope and context

The Company's business objectives and the risk appetite set by the Board together set the overall context for the management of risk in the Company.

Risk assessment

To facilitate assessment of the main risks facing the business, specific risks are identified by each business unit and corporate function in the Company. These risks are recorded in the Company risk register. Each risk is then analysed and evaluated based on the likelihood of the risk manifesting and the impact of the risk if it was to manifest.

 [Read more](#)

Principal risks
Governance

pg56
pg62

Significant risks in 2020

- Commodity price weakness and volatility.

- Failure to complete refinancing.

- Failure of Catcher asset to deliver over the medium term.

- Failure to realise full value from Tolmount project and Greater Tolmount Area.

- Inability to fund existing and planned growth projects.

- Failure to realise full value from corporate actions.

- Impact of pandemic on Company operations.

- Impact of climate change.

- Timing and uncertainty of decommissioning liabilities.

- Continued ability to maintain core competencies.

- Political and security instability in countries of current and planned activity.

- Rising costs if oil prices recover could limit access to service providers.

Significant Premier specific risks in 2021

- Continued commodity price weakness and volatility.

- Failure to complete deal to create Harbour Energy and integrate legacy businesses effectively.

- Failure of Catcher asset to deliver over the longer term.

- Failure to realise full value from Tolmount project and Greater Tolmount Area.

- Sustained impact of pandemic on Company operations.

- Failure to position for energy transition.

- Timing and uncertainty of decommissioning liabilities.

- Continued ability to maintain core competencies.

- Political and security instability in countries of current and planned activity.

- Rising costs if oil prices recover could limit access to service providers.

Group risk management framework

Premier has a comprehensive approach to risk management. A systematic process to identify, assess, treat, monitor and communicate the risks facing the business is undertaken across the Company.

The process itself is periodically reviewed to continue to improve the effectiveness of risk management in Premier.



A matrix of risk likelihood versus impact is used to help analyse and communicate risks throughout the Company. The risk matrix facilitates the consideration of risk inter-dependency and the amalgamation of similar specific risks across the organisation. Risks are categorised according to level and escalated up the organisation as appropriate.

Risk treatment

Premier attempts to reduce the likelihood and potential impact of the identified risks facing its business. According to the nature of the risk and the Board approved risk appetite, Premier may elect to accept or tolerate the risk as is, treat the risk with controls and mitigating measures, transfer the risk to third parties or terminate the risk by ceasing the underlying activity or operation. In particular, Premier has a zero tolerance approach to fraud and ethics non-compliance, and also ensures that safety and environmental risks are managed to levels that are as low as reasonably practicable. In addition, exploration and asset development risks are managed on a portfolio basis.

Risk visualisation models are widely used to facilitate the identification of appropriate risk reduction measures.

Of course, there are certain risks to which Premier is exposed that it has very limited ability to control or mitigate, such as oil price or extended adverse weather conditions in the UK North Sea.

Risk monitoring and review

The status of risks and risk treatment measures are monitored through regular business performance reviews, risk workshops, control audits and activity reviews. These reviews in their totality are designed to identify changes in the level of the identified risks, to identify emerging risks, and to assess the suitability and effectiveness of control measures. As part of these reviews, Premier seeks to learn from incidents and materialised risks.

On a regular basis, the Executive Committee monitors the most important risks facing the Company. In addition during 2020, the Board met twice to review the risks to the Company, including emerging risks, and the procedures in place to identify them.

Internal controls

Business Management System

Internal controls within Premier are set out in the Business Management System ('BMS'). The BMS is composed of the Policies set by the Board, together with a nested set of Standards and Procedures for each function and business unit involved in carrying out the Company's business.

Regular review

The adequacy of the BMS is a function of its design and operating effectiveness.

The effectiveness is assessed through an annual programme of control audits, activity reviews, exercises and drills agreed between functional and business unit management, the most significant of which are approved by the Audit and Risk Committee.

The programme is designed to provide assurance to the Board that Premier is embedding effective risk management across its operations. Significant findings from the most significant audits and reviews are reported to the Audit and Risk Committee. The Committee monitors the implementation of recommendations arising.

During 2020, Premier completed a Company-wide project to improve and streamline the BMS in order to simplify ways of working across the Company.

The annual cycle of monitoring in Premier culminates in the completion of a Corporate Governance Return. The return is a declaration by the head of each business unit and corporate function that confirms compliance with the BMS and identifies measures to continue to improve the effectiveness of the management systems.

Reasonable assurance

The BMS, the risk management framework and the programme of audits and reviews together form the ongoing process for identifying, evaluating and managing the emerging and principal risks faced by the Company. This process has been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements. It is regularly reviewed by the Audit and Risk Committee and provides the Board with reasonable assurance that appropriate controls are in place to provide effective management of business risks and to safeguard the Group's assets against inappropriate use or loss and fraud.

Board responsibility

Overall responsibility for the systems of internal control and risk management and for reviewing the effectiveness of such systems rests with the Board. This includes determining the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives and conducting an annual review to ensure that there is an effective process to identify, assess and reduce the level of any significant risks that may affect this.



Principal risks
Governance

pg56
pg62

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code (2018), the Directors have assessed the prospects of the Company over a longer period than the 12 months required for the 'Going Concern' statement. This assessment included considering the principal risks faced by the Group, relevant financial forecasts and sensitivities and the availability of adequate funding.

In preparing this assessment of viability the Board has assumed completion of the Corporate Actions, as defined in the basis of preparation note on page 123, in the first quarter of 2021. Material uncertainties associated with management's ability to complete the Corporate Actions, and the implications on the Group's ability to continue as a going concern should the Corporate Actions not complete, are identified and explained in the basis of preparation note.

Assessment period

The Board conducted this review for a period of three years to 31 March 2024 ('the Forecast Period'), which was selected for the following reasons:

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

Review of financial forecasts

The Projections are based on:

- the assumption that completion of the Corporate Actions, as defined in the basis of preparation note on page 123, occurs in Q1 2021;
- the enlarged group's latest life of field production and expenditure forecasts on an asset by asset basis, together with a variety of portfolio management opportunities which management could undertake if required;
- assumed oil prices of US\$51/bbl in 2021, US\$55/bbl in 2022, and US\$60/bbl (in real terms) thereafter, (adjusted for the Group's hedging programme); and
- the financial covenant tests associated with the enlarged group's borrowing facilities.

Sensitivities have been run to reflect different scenarios including, but not limited to, changes in oil and gas production rates, possible reductions in commodity prices and delays or cost overruns on major development projects.

Review of principal risks

The Group's principal risks and uncertainties, set out in detail on pages 56 to 61 have been considered over the period.

Under the Projections, the Group is expected to have sufficient liquidity over the Forecast Period and is forecasting to be able to operate within the requirements of the financial covenants which will be in place upon completion of the proposed merger and debt restructuring.

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

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

Conclusion

The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy and availability of funding, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Strategic Report. The Directors have also considered the availability of actions within their control in the event of plausible negative scenarios occurring. Therefore, on the assumption that the Corporate Actions do complete, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, throughout the Forecast Period. Material uncertainties associated with management's ability to complete the Corporate Actions, and the implications on the Group's ability to continue as a going concern should the Corporate Actions not complete, are identified and explained in the basis of preparation note.

The principal risks facing the business today

Operational risks

Production and development delivery and decommissioning execution

Risk detail

- Uncertain geology, reservoir and well performance.
- Availability of oilfield services including FPSOs and drilling rigs, technology and engineering capacity, and skilled resources.
- Availability of transportation infrastructure to transport produced oil and gas to market.
- Adverse fiscal, regulatory, political, economic, social, security (including cyber) and weather conditions.
- Immaturity of decommissioning in the UK resulting in uncertain cost and timing estimates for decommissioning of assets, including potential acceleration of decommissioning due to low oil price environment.
- Travel restrictions and quarantines due to COVID-19 disrupts production operations and development delivery.
- Potential consequences include reduced or deferred production, loss of reserves, cost overruns and failure to fulfil contractual commitments.

How is it managed?

- Effective management systems in place governing geoscience, reservoir and well engineering, and production operations activities. These include rigorous production forecasting and reporting, field and well performance monitoring and independent reserves auditing.
- Effective management systems in place governing project execution, including contracting strategy, cost controls, project team competency and functional oversight.
- Long-term development planning to ensure timely and cost-effective access to FPSOs, rigs and other essential services.
- Preference for operatorship.
- COVID-19 response plan and business continuity plan.
- Specialist decommissioning team in place coupled with continued focus on delivering asset value to defer abandonment liabilities.

Joint venture partner alignment and supply chain delivery

Risk detail

- Major operations and projects in the oil and gas industry are conducted as joint ventures. The joint venture partners may not be aligned in either their tactical or strategic objectives and this may lead to decision-making inefficiency that impacts significantly on operational performance of the asset. Several of our major operations are operated by our joint venture partners and our ability to influence is sometimes limited due to either the scale and position of the operator or occasionally based on our minority holdings in such ventures.
- Premier is heavily dependent on contracts and contractors to deliver products and services to time, cost and quality criteria and to conduct its business in a safe and ethical manner. In particular COVID-19 impacts have and will continue to disrupt supply chain capacity and efficient execution capability across international boundaries.

How is it managed?

- Due diligence and regular engagement with partners in joint ventures in both operated and non-operated operations and projects.
- Defined management system for management of non-operated ventures.
- Assure contracted duty holders comply with local statutory requirements (e.g. UK Safety Case Regulations 2015).
- Pursue strategic acquisition opportunities, where appropriate, to gain a greater degree of influence and control.
- Due diligence of contractors, including diligence of financial solvency, anti-bribery and corruption controls, and controls to prevent facilitation of tax evasion both prior to the execution of contracts and throughout the term of the contract.
- Contract performance management and relationship management programmes are being implemented for our most significant contracts to manage contractual performance and delivery, including periodic audit of the effectiveness of their management systems.
- Longer-term development planning alongside access to key market intelligence sources to ensure timely and cost-effective access to key oilfield services capacity.

 [Read more](#)

Risk management

pg52

Governance

pg62

Organisational capability

Risk detail

- The capability of the organisation may be inadequate for Premier to deliver its strategic objectives.
- The capability of the organisation is a function of its structure and the deployment and strength of its personnel.
- Premier may be unable to attract, engage or retain personnel with the right skills and competencies or to deliver suitable succession plans for senior roles.
- The Business Management System may not be fit for purpose or sufficiently complied with to be effective.

How is it managed?

- Premier has created a competitive reward package including bonus and long-term incentive plans to incentivise loyalty and performance from the existing skilled workforce.
- Continue to strengthen organisational capability to achieve strategic objectives. This includes resource and succession planning, competency and leadership development.
- Continuous improvement and simplification of the Business Management System and related controls appropriate to the size and market position of the Company.
- Continued deployment of contingent labour through a mature cost-effective Managed Service Provider ('MSP') model to rapidly respond to the peaks and troughs of labour demand in a volatile environment.
- Staff forums providing a mutual communication forum between staff, management and the Board to address employee matters.
- Continued focus on diversity and inclusion across the Group.
- Embedded talent management and succession planning process.
- Complete implementation of recommendations emerging from externally facilitated organisation health check conducted end 2018.
- Organisational capability and risk oversight further enhanced by global functional review under new operating charter.

Exploration success and reserves addition

Risk detail

- Premier may fail to identify and capture new acreage and resource opportunities to provide a portfolio of drillable exploration prospects and future development projects.
- Specific exploration programmes may fail to add expected resource and hence value.
- Lender controls may reduce ability to capture and execute the exploration programme.

How is it managed?

- Focus on proven petroleum systems underpinned by world-class source rocks and identify technical or political discontinuities that we can exploit using our preferred evaluation workflows to create a competitive advantage.
- Continuous improvement in exploration management system with strong functional oversight.
- Manage exploration portfolio to maintain alignment with strategic growth and spend targets.
- Maintain new ventures activity and appropriate resourcing.

Financial risks

Commodity price volatility

Risk detail

- Oil and gas prices are affected by global supply and demand and can be subject to significant fluctuations.
- Supply factors that influence these include the pace of new oil and gas developments, operational issues, natural disasters, adverse weather, political and security instability, conflicts and actions by major oil-exporting countries.
- Demand factors that influence these include economic conditions, climate change regulations and the pace of transition to a low carbon economy.
- COVID-19 reduces global oil and gas demand and disrupts supply.
- Price fluctuations can affect our business assumptions, our ability to deliver on our strategy and our access to capital.

How is it managed?

- Oil and gas price hedging programmes to underpin our financial strength and protect our capacity to fund future developments and operations.
- Company investment guidelines that ensure our investment opportunities are robust to downside price scenarios.

Merger completion and integration

Risk detail

Completion

- Completion of the proposed merger with Chrysaor and associated debt restructuring is conditional upon satisfying certain conditions which, if not satisfied (or waived if applicable), may result in failure to implement the proposed merger and debt restructuring on their current terms or possibly at all.
- If the merger and the debt restructuring do not proceed, the ability of members of the Group to continue trading will depend on ongoing support from the Group's creditors.

Integration

- Failure to combine the Chrysaor and Premier businesses effectively in order to realise planned synergies.
- The Group and, following completion of the merger, the Combined Group may be subject to unforeseen liabilities and risks arising from the merger.

How is it managed?

Completion

- Secure remaining necessary approvals including creditor court proceedings.
- As a contingency in case the debt restructuring has not completed by 31 May 2021, the Group's creditors have undertaken, subject to certain conditions being satisfied or waived, to implement an interim maturity extension which, once effective, would extend the maturity date of Premier's existing debt facilities from 31 May 2021 to 31 March 2022.

Integration

- Develop, resource and manage robust transition and integration plan with Chrysaor.
- Seek to retain key employees, establish clear organisation structure and implement agile information sharing and decision making structure between parties to enable effective integration planning.
- Establish collaborative working model with sensitivity to bringing cultures together.

 [Read more](#)

Risk management

pg52

Governance

pg62

Access to capital

Risk detail

- Failure to complete the proposed merger and associated debt restructuring will adversely affect the Group's ability to access sufficient funds to continue trading.
- Sufficient funds may not be available to finance the business and fund existing operations and planned growth projects.
- There may be a breach of delegated authority.
- The Company may be subject to financial fraud.

How is it managed?

- Management of risks to merger completion.
- Strong financial discipline through an established finance management system that ensures the Company is able to maintain an appropriate level of liquidity and financial capacity and to manage the level of assessed risk associated with the financial instruments. The management system includes a defined delegation of authority to reasonably protect against risk of financial fraud in the Group.
- Proactive engagement with equity markets, banks and lenders to maintain access to capital markets through the cycle.
- An insurance programme to reduce the potential impact of the physical risks associated with exploration and production activities. This includes business interruption cover for a proportion of the cash flow from producing fields.
- Cash balances are invested in short-term deposits with minimum A credit rating banks, AAA managed liquidity funds and A1/P1 commercial paper, subject to Board approved limits.
- Economics of investment decisions are tested against downside project scenarios.
- Discretionary spend is actively managed.

Sustainability risks

Health, safety, environment and security

Risk detail

- Significant asset integrity, process safety or wells incident on operated asset.
- Significant incident arising from natural disaster, pandemic, social unrest or other external cause.
- Consequences of accidents at operated facilities may include injury, loss of life, environmental damage and disruption to business activities.

How is it managed?

- Comprehensive HSES management systems in place including:
 - HSES auditing and reporting with a focus on the identification and management of major accident hazards.
 - Valid Safety Cases on all operated assets.
 - Robust crisis management and emergency response processes in place and tested against.
 - Senior management visits to operated facilities to demonstrate commitment to HSES values.
 - Learning from internal and third-party incidents.
 - Insurance against business interruption.
 - Pandemic response including regularly tested response plans, and application of government advice.
 - Maintaining up to date business continuity plans.

Host government: political and fiscal risks

Risk detail

- Premier operates or maintains interests in some countries where political, economic and social transition is taking place or there are current sovereignty disputes. Developments in politics, security, laws and regulations can affect our operations and earnings.
- Changes to the fiscal, monetary and regulatory landscape in the UK following the UK's withdrawal from the European Union.
- Consequences may include expropriation of property; cancellation of contract rights; limits on production or cost recovery; import and export restrictions; price controls, tax increases and other retroactive tax claims; and increases in regulatory burden or changes in local laws and regulations.
- Consequences may also include threats to the safe operation of Company facilities.

How is it managed?

- Premier strives to be a good corporate citizen globally, and seeks to forge strong and positive relationships with governments, regulatory authorities and the communities where we do business. Premier engages in respectful industry-wide lobbying and sustainable corporate responsibility and community investment programmes.
- Premier maintains a portfolio of interests which includes operations in both lower and higher risk environments.
- Rigorous adherence to Premier's Sustainability Policy and Global Code of Conduct.
- Monitoring and adherence to local laws and regulations.
- Active monitoring of the political, economic and social situation in areas where we do business, including business continuity plans tailored to pre-defined levels of alert.

 [Read more](#)

Risk management

pg52

Governance

pg62

Climate change

Risk detail

- Adverse investor and stakeholder sentiment towards oil and gas sector impacting investability.
- Cost to comply with climate change-related operational regulations and disclosure requirements.
- Longer-term disruption to Premier's projects and operations as a result of changing weather patterns and more frequent extreme weather events.
- Longer-term reduction in demand for oil and gas products due to the pace of commercial deployment of alternative energy technologies and shifts in consumer preference for lower greenhouse gas emission products.

How is it managed?

- Premier is proactively taking steps to address the impact on society of its operations. We set time-bound climate change objectives consistent with Paris Agreement targets and also demonstrate how we meet those objectives over time, specifically:
 - Board-owned Climate Change Policy with strategy implementation monitored by an Executive Climate Change Committee.
 - Setting of corporate goals and annual targets within Group corporate scorecard and business unit KPIs.
 - Physical and transitional climate change risks associated with our activities are identified and actively managed.
 - We are committed to ensuring that all new projects sanctioned by us will deliver Net Zero emissions, through our 'Low Carbon by Design' initiative, supplemented where necessary by investments to offset emissions using carbon credits.
 - Comprehensive asset-by-asset review during 2020 identifying projects to reduce carbon emissions within our operations and throughout our supply chain.
 - Carbon pricing and scenario analysis is integrated into investment decision-making.
 - Climate change performance and supporting processes with stakeholders are communicated in a transparent manner.
 - Dialogue with shareholders and lenders on climate change actions.
 - Collaboration with industry and other associations on climate change adaptation and mitigation, including a framework by which the industry works towards a target of Net Zero greenhouse gas emissions.
 - Promote investability through positive recognition in the annual FTSE4Good, ISS and CDP climate change reporting submissions.

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

Richard Rose

Interim Chief Executive Officer
and Finance Director
17 March 2021

Protecting the future of your Company



Premier's purpose, vision and core values complement and support the Board's strategy. These values are at the heart of all of Premier's activities, with good corporate governance providing a sound framework to embed them throughout the organisation."



Roy A Franklin
Chairman

Dear shareholder,

2020 was a year of significant challenge for your Company and more widely the upstream oil and gas sector. In the Year in review section of this Annual Report I have set out the actions taken by your Board and management in response to the environment faced during 2020 (see pages 4 to 11). Our principal focus was to ensure the ongoing health and safety of employees and contractors, operations continuing as smoothly as possible and that we maintained our trajectory in responding to energy transition and climate change.

On the financial front, much work was undertaken with the Company's creditors to secure a long-term refinancing solution for Premier. As detailed in the introduction to this report, ultimately the Board determined that the proposed merger with Chrysaor held greater execution certainty and stood to better protect the future of your Company.

Shareholders approved the proposed merger at a General Meeting held in January 2021 and it remains on track to complete at the end of March 2021, at which point the Company will be renamed Harbour Energy plc.

The level of hard work and dedication shown by your Board, the Group's management and employees during an incredibly difficult year has been overwhelming and I would like to pay tribute to all those involved. Board-level engagement with the workforce has continued through the year via the Group Staff Forum with regular updates reported to the Nomination Committee and with structures now embedded to support future engagement between the workforce and the Harbour Energy Board. Looking forward, I firmly believe that the scale, financial footing and experienced management team of Harbour Energy will enable the enlarged group to prosper whilst playing its part in energy transition and creating value for all of its stakeholders over the medium and longer term.

Our governance framework

Premier's purpose, vision and core values complement and support the Board's strategy. These values are at the heart of all of Premier's activities, with good corporate governance providing a sound framework to embed them throughout the organisation.

Our governance framework not only ensures that the right decisions are taken at the right time; it supports and informs all that we do. This report describes that framework and will help you to understand how the Company has been run, risks are managed, controls are monitored and key decisions taken during the year.

Board focus during 2020

During 2020, our focus on safeguarding our people whilst ensuring the continuity of production and the development of our assets continued. The Board also ensured that options for future growth projects were preserved wherever possible. A key focus for the Board was securing a successful refinancing of the Company and a significant amount of work was undertaken by your Board in the lead up to and then negotiating the final proposed merger with Chrysaor. The merger brings together two complementary businesses to create the largest London-listed independent oil and gas company, by production and reserves. Further details regarding the positioning of the enlarged group are set out in the Year in review section of this Annual Report.

Notwithstanding the dedication and hard work of all staff, in view of the context and uncertainty of 2020 and the financial position of the Company, certain decisions were taken with regard to the implementation of our Remuneration Policy during the year, including not to make any share awards to staff. Further details on the decisions taken by the Remuneration Committee are set out on pages 81 to 107.

The way in which we deliver our projects continues to be of the utmost importance both in terms of the health, safety and security of our staff and stakeholders, and the impact of our operations on the environment. Social and environmental values, such as climate change, equality, diversity and inclusion, ethics and privacy remain front of mind. For Premier, our response to the climate change agenda, whilst also addressing other governance issues, has been a key focus during 2020. The Board established a new Health, Safety, Environment and Security Committee ('HSES') earlier in the year, setting aside additional time for Board members to focus on these issues in depth. A separate report from the HSES Committee is included in this report and includes detail of our approach to environmental issues and ESG initiatives including our commitment to Net Zero emissions. More detailed information regarding our ESG approach throughout the year is provided in our 2020 Sustainability Report.

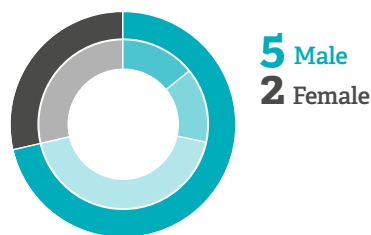
One of our most important stakeholders is our workforce. During 2019, a new Group Staff Forum met for the first time, with representatives from each of our business units, providing direct access to, and discussion with, members of our Board. The Forum met again in 2020, and although the intention was for Board members to undertake informal visits to business units in between Group Staff Forum meetings, these were put on hold because of the COVID-19 pandemic and associated travel restrictions. However, the Nomination Committee and Board have received regular updates on feedback from the workforce, including the Company's response to the pandemic throughout the year with the employee engagement survey at the end of 2020 providing an insightful roundup of feedback. Further details regarding the Forum's activities can be found on page 69.

Maintaining our focus on Board balance

How we stand today...

Gender diversity and Board composition

Number of Directors as at 17 March 2021

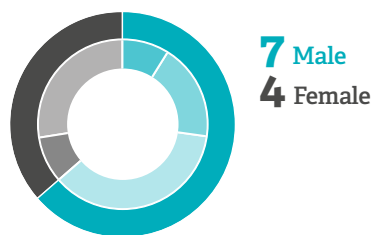


Male	
Chairman	1
Executive Directors	1
Non-Executive Directors	3
Female	
Non-Executive Directors	2

On completion of the merger...

Gender diversity and Board composition

Number of Directors anticipated April 2021



Male	
Chairman	1
Executive Directors	2
Non-Executive Directors	4
Female	
Executive Directors	1
Non-Executive Directors	3

In 2018 I explained that an externally facilitated 'health check' of the business had been commissioned to get an objective view on the Company's governance, organisation, processes and culture, with the overall objective of preparing the Company for its next stage of growth. The Nomination Committee has been pivotal in overseeing the outcomes and implementation of recommendations arising from that review. Work continued throughout 2020 as we refreshed our corporate culture and values, enhanced communication of strategy with our workforce and simplified our Business Management System. All of this work has put us in good stead for the merger with Chrysaor.

2018 UK Corporate Governance Code

Once again we report on our compliance with the UK Corporate Governance Code (the 'Code'), published in July 2018. Much work has been undertaken since the Code was published to ensure that Premier has an appropriate governance framework in place to reflect the updated Code. The Board and its Committees have focused on workforce and stakeholder engagement, culture, succession, diversity and remuneration.

Further details about some of the actions and initiatives that have been taken and are ongoing to ensure compliance with the Code can be found in the Nomination, Remuneration and Audit and Risk Committee Reports.

Board and Committee effectiveness

The Board and its Committees conducted an internal review of effectiveness during 2020. The review continued to look at themes emerging from the external evaluation carried out in 2018 by Lintstock Limited. One-to-one interviews were held between the Chairman and each Board member and between the Senior Independent Director and each Director in order to review the Chairman's performance.

Further details about the evaluation process and the actions arising can be found on page 72.

Board changes

Elisabeth Proust joined the Board on 1 April 2020 and was elected by shareholders at the 2020 Annual General Meeting ('AGM'). Elisabeth brings with her a wealth of technical and operational experience, particularly in the North Sea, which has enabled her to make a valuable contribution to our Board and Committees. Further details regarding the appointment process for Elisabeth can be found in the Nomination Committee Report on page 78.

Robin Allan stood down from the Board at the close of the AGM held in June 2020. Robin has continued working for Premier on a part-time consultancy basis to provide significant strength in our ongoing work on climate change. Barbara Jeremiah stepped down from the Board on 30 November 2020 and Tony Durrant, Chief Executive Officer, stood down on 31 December 2020. I would like to thank Tony in particular for his significant contribution to the Board and Company. Richard Rose took on the role of Interim Chief Executive Officer from 1 January 2021, in addition to his role as Finance Director. On completion of the merger with Chrysaor, Anne Marie Cannon will remain on the Board of Harbour Energy; the remainder of the new Board will consist of new Directors as set out in the Prospectus and subsequent notifications made by the Company.

Diversity and inclusion

Your Board recognises the benefits of diversity in enhancing the quality of its performance. Therefore, all Board appointments are made on merit, against objective criteria and with due regard to the benefits of diversity in its widest sense, including gender diversity.

Compliance statement

This Governance section, together with sections of the Strategic Report incorporated by reference, describes the manner in which the Company has applied the main principles of governance set out in the UK Corporate Governance Code published in July 2018 (the 'Code') and complied with the individual Code provisions. The Code can be found on the Financial Reporting Council's website at www.frc.org.uk.

It is the Board's view that the Company has fully complied with the Code throughout the financial year ended 31 December 2020.

Further details on our Board Diversity Policy and our wider approach to diversity and inclusion throughout Premier can be found on pages 78 and 42, respectively.

Engagement with our shareholders

A significant programme of shareholder engagement was undertaken during the year, further details are set out on page 73. Engagement included discussions regarding the potential equity raise, the refinancing and other governance matters including the Remuneration Policy which was approved at the Company's 2020 AGM. It is anticipated that a revised Remuneration Policy will be put to shareholders at the 2021 AGM by Harbour Energy plc.

Board focus during 2021

As we progress towards completion of the merger with Chrysaor, the Board remains focused on ensuring that HSES remains our top priority. Much work is ongoing to ensure readiness of the business to operate alongside Chrysaor under Harbour Energy plc from 'Day 1' as well as working on the successful integration of the two businesses thereafter.

On behalf of the Board, I would like to express my thanks to our employees and to all other stakeholders for their continued support.

Roy A Franklin
Chairman

Board background, key roles and responsibilities



Roy A Franklin

Chairman

Board tenure

3 years 6 months

Current external roles

Chairman of Wood plc

Member of the Advisory Board of Kerogen Capital LLC

Past roles

Chairman of Cuadrilla Resources Ltd

Chairman of Energean Israel Ltd

Non-Executive Director and Deputy Chairman of Equinor

Non-Executive Director of Santos Ltd

Chairman of Keller Group PLC

Non-Executive Director of OMV AG

Non-Executive Director of Boart Longyear Ltd

Chairman of Novera Energy PLC

Chief Executive Officer of Paladin Resources PLC

Group Managing Director of Clyde Petroleum plc

Committee membership

Chair of the Nomination Committee

Remuneration Committee

Independent

Yes¹



Richard Rose

Interim Chief Executive Officer and Finance Director

Board tenure

6 years 6 months

Current external roles

Not applicable

Past roles

Chartered accountant with Ernst & Young LLP

Partner in Equity Research at Oriel Securities

Managing Director at RBC Capital Markets

Strategy and Head of Corporate Communications at Ophir Energy

Committee membership

Nomination Committee

Independent

Not applicable



Dave Blackwood

Non-Executive Director

Board tenure

3 years 7 months

Current external roles

Senior Adviser to Evercore Partners Ltd

Past roles

Director of Aberdeen Science Centre

Non-Executive Director of Expro International Group Holding Ltd

Senior Independent Director of Valiant Petroleum plc

Managing Director of BP North Sea

Joint Chairman of Oil & Gas UK

Director of Aberdeen City and Shire Economic Future ('ACSEF')

Committee membership

Chair of the Health, Safety, Environment and Security Committee

Audit and Risk Committee

Nomination Committee

Independent

Yes



Anne Marie Cannon

Senior Independent Non-Executive Director

Board tenure

7 years 1 month

Current external roles

Deputy Chair of Aker BP ASA

Non-Executive Director of Aker Energy AS

Non-Executive Director and Chairman of the Remuneration Committee of STV Group plc

Senior Adviser at PJT Partners

Past roles

Non-Executive Director of Aker ASA

Various roles at J Henry Schroder Wagg, Shell UK E&P and Thomson North Sea

Executive Director at Hardy Oil and Gas and British Borneo

Senior Adviser to the natural resources group at Morgan Stanley

Committee membership

Audit and Risk Committee

Nomination Committee

Remuneration Committee

Independent

Yes

¹ Chairman was independent on appointment.

Board tenure as at 17 March 2021

 [Read more](#)

Audit and Risk Committee report	pg74
Nomination Committee report	pg77
HSES Committee report	pg79
Directors' remuneration report	pg81

**Iain Macdonald**

Non-Executive Director

Board tenure

4 years 10 months

Current external rolesNon-Executive Director of
The Workforce Development TrustNon-Executive Director of
Well North Enterprises CIC**Past roles**Various roles at BP in engineering,
licensing, business management and
finance including three years as
Deputy Group CFO for BP plcServed as a Non-Executive Director
of TNK-BP Ltd from 2009 to 2011Non-Executive Director and Chairman
of the Audit Committee at SUEK JSC**Committee membership**Chair of the Audit and Risk Committee
Nomination Committee**Independent**

Yes

**Elisabeth Proust**

Non-Executive Director

Board tenure

11 months

Current external rolesNon-Executive Director of Subsea 7 S.A.²

Senior Advisor at Renoir Group

Past roles

Senior leadership roles at Total SA

President of the Oil and Gas
Association in Indonesia ('IPA')President of the Oil and Gas
Association in Nigeria ('OPTS')Director of the Oil and Gas UK
Association Board**Committee membership**Health, Safety, Environment
and Security Committee
Nomination Committee**Independent**

Yes

² Elisabeth will step down as a director
of Subsea 7 S.A on 14 April 2021.**Mike Wheeler**

Non-Executive Director

Board tenure

3 years 7 months

Current external roles

Chairman of Glitnir

Non-Executive Director and Chairman
of the Audit Committee of
Sunseeker International**Past roles**Director of Manufacturing
Capital LimitedChairman of Citadel Securities Europe
and Chairman of its Audit CommitteeNon-Executive Director and Chairman
of the Audit & Risk Committee of the
UK Department of HealthChairman of the Audit & Risk
Committee of Dubai HoldingSenior Adviser/Non-Executive
Chairman of Close Brothers
Corporate Finance

Senior Adviser to BDO

Non-Executive Chairman of Vantis plc

Non-Executive member of the Audit
Committee of the Institute of
Financial Services**Committee membership**Chair of the Remuneration Committee
Audit and Risk Committee
Nomination Committee**Independent**

Yes

**Rachel Rickard**

Company Secretary

Rachel joined Premier in January
2014 and was appointed
Company Secretary in May 2015.She is a Fellow of the Chartered
Governance Institute with more
than 19 years' experience gained
across a variety of industries and
sectors in FTSE 100 and FTSE
250 listed companies, including
three years within the financial
services sector.As Company Secretary, Rachel
is responsible for advising the
Board, through the Chairman,
on all governance matters.

Applying the key principles of the Code

Introduction

This Corporate Governance Report, together with sections of the Strategic Report, sets out how the Company has applied the main principles of the 2018 UK Corporate Governance Code (the 'Code'). It is the Board's view that the Company has complied in full with all of the Provisions of the Code during 2020. Our approach to applying the key principles of the Code is summarised below together with cross references to other sections of the 2020 Annual Report and Financial Statements (the 'Annual Report') where appropriate.

Risk management and internal control

The Board sets the Company's strategic objectives and ensures that they are properly pursued within a sound framework of internal controls and risk management. As part of this process, the Board determines the nature and extent of the principal risks it is willing to take in achieving the Company's strategic objectives and ensures that major risks and emerging risks are actively monitored, with health, safety, environment and security ('HSES') borne in mind at all times. To this end, the Board constituted a new HSES Committee at the start of 2020 and has reported on its activities on pages 79 and 80.

The Board is responsible for maintaining sound risk management and internal control systems. In meeting this responsibility, the Board monitors the Company's risk management and internal control systems throughout the year and, on an annual basis, carries out a review of their effectiveness. Further details about the systems used for ongoing monitoring and annual review of the Company's risk management and internal control systems are set out on pages 52 to 55 of the Risk Management section of the Strategic Report and on pages 74 to 76 of the Audit and Risk Committee Report.

How the Board operates

The Board has a structured agenda for the year ensuring all relevant matters are considered, with sufficient time allowed for discussion. The programme is structured to include: strategic issues (both setting the strategy and reviewing its execution); corporate targets and budget approval; HSES and risk; internal controls and risk management; corporate responsibility; financing; investor relations; corporate reporting; Board Committee related activity, including matters requiring Board sanction; and other corporate governance matters.

The Board meets at least six times each year and, in addition, an update conference call generally takes place in the months when no formal meeting is scheduled. Ad hoc Board meetings are held if necessary to deal with specific matters requiring Board consideration. Details of Board activity during 2020 are set out on page 68.

The agenda for each Board meeting is set by the Chairman in consultation with the Chief Executive Officer and the Company Secretary based on an annual programme, with any additional matters included as and when they arise.

Board members receive a monthly report on the Company's activities which incorporates an update on progress against corporate objectives, financial performance and the management of business risks, including HSES matters.

A formal schedule of matters reserved for the Board can be found on the Company's website: www.premier-oil.com. The schedule is regularly reviewed by the Board. Key matters reserved for the Board are set out in the panel opposite.

The Board has the opportunity to meet with management and discuss key projects through Board presentations and more detailed management presentation sessions.

Executive Committee and management structure

The Board delegates the day-to-day running of the Group to the Chief Executive Officer who is assisted by the Executive Committee.

The Executive Committee ('ExCo') meets formally once a month and its membership comprises: the Executive Director; the Chief Commercial and Technical Officer; the Group HR Director; the Group General Counsel; the Head of Exploration; the Chief Operating Officer; the Business Development Manager; and the Company Secretary. In addition to formal monthly ExCo meetings, the ExCo holds fortnightly meetings with Premier's Country Managers and, in the alternate weeks, there is a fortnightly meeting with functional heads which includes, in addition to ExCo members, the Group HSE Manager, Group Financial Controller and additional members of the exploration team.

Performance review meetings are also held throughout the year between ExCo members and the senior management team from within each of the business units and include risk management and HSES reviews as part of the overall review of each quarter.

Matters reserved for the Board

Corporate strategy

- Overall direction and strategy of the business.
- Oversight of the Group's operations and review of performance.
- Purpose and values.
- Major changes in organisation structure.
- New country and/or business entry.
- Acquisition and/or disposal of interests.

Shareholder communication

- Approval of half-year and full-year results announcements and trading updates.
- Management of relationships and dialogue with shareholders.
- Approval of the Company's Annual Report and Financial Statements.

Risk management and internal control

- Determination of the appropriate level of risk exposure for the Company.
- Recognising high impact business risks and approving risk mitigating strategies.
- Monitoring effectiveness of internal control systems including finance, operations, HSES and asset integrity and undertaking an annual assessment thereof.

Corporate governance

- The Group's corporate governance and compliance arrangements.
- Undertaking an annual evaluation of Board and Committee performance.
- Workforce engagement.
- Assessing and maintaining Premier's culture and alignment with its purpose, values and strategy.

Finance

- Group debt and equity structure.
- Significant changes in accounting policies.
- Controls related to covenant compliance.

Expenditure

- Group budget.
- Major capital expenditure.
- Development plans and projects.

Succession planning and appointments

- Appointment and removal of Directors and the Company Secretary.
- Appointment and removal of the Company's brokers and advisers.

The role of the Board

The Board is collectively responsible for the governance of the Company on behalf of Premier’s shareholders and is accountable to them for the long-term success of the Group.

The Board governs the Group in accordance with the authority set out in the Company’s Articles of Association and in compliance with the Code. A copy of the Articles of Association is available on Premier’s website: www.premier-oil.com. A copy of the Code can be accessed at www.frc.org.uk.

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

Roy A Franklin
Chairman

Richard Rose
Interim Chief Executive Officer and Finance Director

Dave Blackwood
Independent Non-Executive Director

Anne Marie Cannon
Senior Independent Non-Executive Director

Iain Macdonald
Independent Non-Executive Director

Elisabeth Proust
Independent Non-Executive Director

Mike Wheeler
Independent Non-Executive Director

Board Committees

The Board has established Audit and Risk, Remuneration, Nomination and HSES Committees. Each Committee has formal terms of reference approved by the Board, copies of which can be found on the Company’s website.

The Company Secretary provides advice and support to the Board and all Board Committees.

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

Details of the work of the Audit and Risk, Remuneration, Nomination and HSES Committees are set out in the Committee sections of this report.



Audit and Risk Committee

Iain Macdonald (Committee Chair)
Dave Blackwood
Anne Marie Cannon
Mike Wheeler



Nomination Committee

Roy A Franklin (Committee Chair)
Dave Blackwood
Anne Marie Cannon
Iain Macdonald
Elisabeth Proust
Mike Wheeler



HSES Committee

Dave Blackwood (Committee Chair)
Elisabeth Proust



Remuneration Committee

Mike Wheeler (Committee Chair)
Anne Marie Cannon
Roy A Franklin

Responsibilities

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

[Read more pg74](#)

Responsibilities

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

[Read more pg77](#)

Responsibilities

To monitor and review the Group’s HSES strategy, ensuring the policies and systems within the Group are compliant with HSES regulatory requirements. This Committee also monitors the quality and integrity of the Group’s internal and external reporting of HSES performance and issues.

[Read more pg79](#)

Responsibilities

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

[Read more pg81](#)

Executive Committee

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

Business units
Projects

Functional oversight
London

Disclosure Committee

The Company is required to make timely and accurate disclosure of all information that is required to be disclosed to meet the legal and regulatory requirements arising from its listing on the London Stock Exchange.

The Disclosure Committee assists the Company in meeting the above requirements and has responsibility for, among other things, determining on a timely basis the disclosure treatment of material information.

The Committee also has responsibility for the identification of inside information for the purpose of maintaining the Company's insider list. The Committee members are: the Chief Executive Officer, the Finance Director, the General Counsel, the Head of Investor Relations and the Company Secretary.

Delegation of authority

Responsibility levels are communicated throughout the Group as part of the Business Management System ('BMS') and through an authorisation manual which sets out delegated authority levels, segregation of duties and other control procedures.

The BMS provides access to policies, standards and procedures across the Group and facilitates their regular review and update, thus ensuring that our internal control framework remains robust and is effectively communicated across the Group.

Board activity during the year

The Board met 40 times during the year to consider, among other things:

- the extensive discussions with the Company's creditors regarding the possibility of refinancing its debt facilities;
- the implementation of the previously announced transaction with BP to acquire the Andrew and Shearwater assets and an additional interest in the Tolmount field funded by a US\$500 million equity raise;
- the negotiation of a Stable Platform Agreement, subsequently replaced by a Support Letter, to temporarily waive financial covenants and enable the Company to continue to operate, whilst engagement with creditors continued regarding an extension to maturity dates for its debt facilities;

- negotiations with an informal working group of creditors ('IWG') and Asia Research and Capital Management ('ARCM') regarding their support for a standalone transaction with an equity raise of US\$530 million via a placing and open offer and the acquisition from BP of the Andrew or Andrew and Shearwater assets on amended terms;
- in parallel to the above, the launch of a process to invite six potential strategic investors, including Chrysaor, to submit expressions of interest regarding the subscription or a significant minority stake in the Company; and
- the proposal from Chrysaor regarding the merger and debt restructuring that was subsequently approved and announced on 6 October 2020.

Given the market conditions at that time, it was felt that an all share merger with Chrysaor had greater execution certainty for stakeholders than the standalone solution which was dependent upon a significant equity raise.

Position	Role and responsibilities
Chairman of the Board	<ul style="list-style-type: none"> – The Chairman's role is part-time and he is a Non-Executive Director. The Chairman's primary responsibility is the leadership of the Board, showing objective judgement and promoting a culture of openness and debate, and ensuring its effectiveness in all aspects of its role including maintaining effective communication with Premier's shareholders and other stakeholders. The Chairman is also responsible for ensuring the integrity, openness and effectiveness of the Board/Executive relationship. This is effected through meetings, as well as contact with other Board members, the workforce, shareholders, joint venture partners, host governments and other stakeholders. – The Chairman also has responsibility, in conjunction with the Company Secretary, for ensuring that all Directors are aware of their duties and able to perform them, and for addressing any weaknesses revealed by the annual performance evaluation. – The Chairman ensures, through the Nomination Committee which he chairs, that the Board Committees are appropriately structured and that their membership is periodically reviewed so as not to over-burden individual Directors. – There is a clear division of responsibilities between the roles of the Chairman and Chief Executive Officer, which has been agreed by the Board and is set out in writing.
Chief Executive Officer	<ul style="list-style-type: none"> – The Chief Executive Officer is responsible for the day-to-day running of the Group's operations, for applying Group policies, including HSES, and for implementing the strategy agreed by the Board. The Chief Executive Officer plays a pivotal role in developing and reviewing the strategy in consultation with the Board and in executing it with the support of the Executive Committee.
Senior Independent Director	<ul style="list-style-type: none"> – The Company's Senior Independent Director is available to shareholders who have concerns that cannot be resolved through discussion with the Chairman, Chief Executive Officer or other Executive Directors. The Senior Independent Director is responsible for leading the annual appraisal of the Chairman's performance.
Non-Executive Directors	<ul style="list-style-type: none"> – The Non-Executive Directors bring independent judgement to bear on issues of strategy and resource, including senior appointments and standards of conduct. The Non-Executive Directors have a particular responsibility to challenge independently and constructively the performance of executive management and to monitor the performance of the management team in the delivery of the agreed objectives and targets. In meeting this responsibility, the Chairman and the Non-Executive Directors meet periodically without the Executive Directors present, and the Non-Executive Directors meet once a year without the Chairman present. The Non-Executive Directors must also be satisfied with the integrity of the Group's financial information and with the robustness of Premier's internal control and risk management systems. The Non-Executive Directors are responsible for determining, upon the recommendation of the Remuneration Committee, appropriate levels of remuneration for the Executive Directors and have a key role in succession planning and the appointment of and, where necessary, removal of Directors. The remuneration of the Non-Executive Directors and the Chairman is the responsibility of the Board and the Remuneration Committee respectively. – Non-Executive Directors are required to be free from any relationships or circumstances which are likely to affect the independence of their judgement. The Nomination Committee regularly reviews the independence of Non-Executive Directors. – Non-Executive Directors are appointed for a specified term of three years subject to annual re-election and to Companies Act provisions relating to the removal of a director. The terms and conditions of their appointment are made available for inspection. Letters of appointment set out an expected time commitment, and all Non-Executive Directors undertake that they will have sufficient time to discharge their responsibilities effectively. Any significant other business commitments are disclosed to the Board prior to appointment. Changes to such commitments are disclosed to the Board on an ongoing basis. Where necessary to discharge their responsibilities as directors, the Directors have access to independent professional advice at the Company's expense.
Company Secretary	<ul style="list-style-type: none"> – The Company Secretary is responsible for advising the Board and the Committees, through their chairmen, on all governance matters. The Company Secretary, under the direction of the Chairman, is responsible for ensuring good information flows between the Board and its Committees and between senior management and the Non-Executive Directors. The Company Secretary also plays a pivotal role in facilitating the induction of new Directors and assisting with the ongoing training and development needs of Board members as required. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are complied with. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole.

Group Staff Forum

Relevant strategic pillars:

1 2 4

In 2019, the Group launched a new staff forum initiative across each business unit and in the Corporate Head Office. This initiative forms part of the Company's broader effort to meet the employee engagement provisions of the 2018 UK Corporate Governance Code. The initiative also aims to support effective two-way communication, feedback and idea sharing between our employees, management and the Board.

Local staff forums were established in each of the business units comprising employee and Company representatives who meet throughout the year to share feedback and ideas. The local forums help ensure that all employees have a voice in enhancing the Premier working experience and addressing issues that have implications for the Company's ability to attract, engage, develop and retain talent within the organisation. In addition, they support the development of shared understanding between staff and the Board of Directors to promote closer alignment between corporate strategy and staff engagement.

To enable meaningful and regular dialogue between the workforce and the Board, a Group Staff Forum has been established. This Forum enables representatives from the local forums to engage with Executive and Non-Executive Directors and to enable Board members to develop a deeper understanding of key workforce challenges and opportunities. At the same time, it also provides the opportunity for the Board to share its strategic direction, ideas and relevant experience directly with staff (as appropriate).

The inaugural Group Staff Forum was held in November 2019 at our corporate office in London with the second meeting hosted virtually in November 2020. Prior to both meetings, each local forum representative was offered presentation skills training to support them in delivering their feedback to Board members. In addition to the local representatives, the event was attended by the Chairman, two Non-Executive Directors, the Chief Executive Officer, representatives from HR and an external facilitator.

At the 2020 Forum, topics discussed included:

- communication of strategy;
- the impact of the proposed merger with Chrysaor;
- engagement and internal communications;
- home and flexible working; and
- reward, recognition and benefits.

The outcome of the meeting was reviewed by the Executive Committee, Nomination Committee and the Board, and feedback from this review was in turn given to the Group Staff Forum. During 2021, the Nomination Committee of the enlarged group will consider the most appropriate channel of communication to allow the Directors to engage with employees, details of which will be included in the 2021 Annual Report.



The following table shows some of the areas reviewed by the Board during the year

Subject
<p>Shareholder and lender engagement</p> <ul style="list-style-type: none"> – Extensive discussions and negotiations with lenders regarding refinancing the Company’s debt facilities. – Secured covenant waivers from lenders to enable the Group to continue operating whilst refinancing discussions were ongoing. – Over 200 meetings with shareholders regarding their support for the BP acquisitions and latterly the debt restructuring and merger with Chrysaor.
<p>Corporate strategy</p> <ul style="list-style-type: none"> – Reviewed the Company’s strategic options. – Reviewed and discussed monthly reports from the Company’s business units on the status of agreed objectives to deliver corporate strategy. – Considered various acquisition opportunities and strategic investment options to facilitate a refinancing of the Company.
<p>Finance and expenditure</p> <ul style="list-style-type: none"> – Regularly reviewed the status of the Group’s banking covenants and hedging arrangements. – Reviewed and approved the 2021 annual budget. – Reviewed and approved the Company’s Annual Report and Financial Statements for the year ended 31 December 2019. – Reviewed and approved the Group’s insurance arrangements. – Reviewed and approved the Group’s Tax Policy.
<p>HSES and risk management</p> <ul style="list-style-type: none"> – Annual review and discussion, with the Group Audit and Risk Manager, of the Group’s risk profile and, in particular, the Group’s principal and emerging risks. – Reviewed 2020 corporate HSES KPIs and HSES plan. – Reviewed and discussed HSES performance. – Received reports from the Audit and Risk Committee on the effectiveness of the Group’s risk management and internal control systems. – Reviewed the Group’s risk management and internal control framework.
<p>Corporate governance</p> <ul style="list-style-type: none"> – Reviewed compliance against the 2018 Code. – Reviewed the schedule of matters reserved for the Board. – Conducted an internal evaluation of the Board and its Committees. – In consultation with the Nomination Committee, reviewed the independence of Non-Executive Directors.
<p>Sustainability</p> <ul style="list-style-type: none"> – Reviewed ethical performance and control systems. – Reviewed the Group’s Code of Conduct and Business Ethics Policy. – Considered bi-monthly updates in respect of environmental key performance indicators. – Reviewed and approved the Company’s Sustainability review. – Reviewed offsetting and environmental improvement initiatives to enable the Company to meet its target of Net Zero emissions by 2030.
<p>Succession planning and appointments</p> <ul style="list-style-type: none"> – Monitored progress against the Company’s succession plan for Non-Executive Directors. – Reviewed proposals from management on the Group’s leadership and organisational structure.
<p>Employees</p> <ul style="list-style-type: none"> – Monitored flexible working arrangements and employee wellbeing initiatives in view of the restrictions imposed due to the COVID-19 pandemic. – Engaged with the workforce (via the Group Staff Forum – see page 69 for more information) in accordance with the 2018 UK Corporate Governance Code.

Board activity during the year

The Board held seven scheduled meetings during the year and update conference calls were held between the scheduled meetings. Details of the number of Board meetings held and individual attendance by Directors at scheduled meetings are shown below:

10

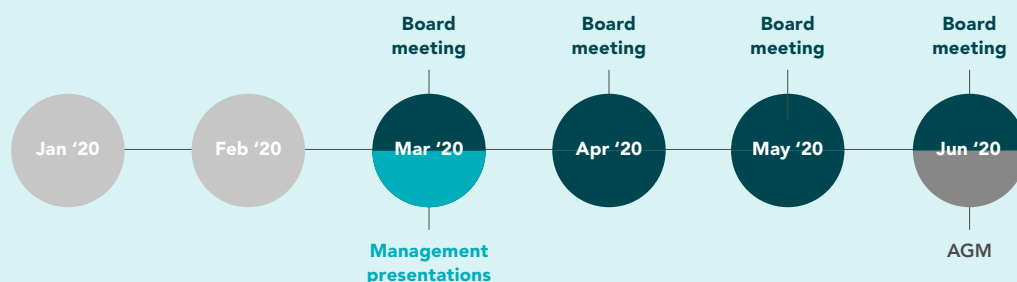
Scheduled Board meetings

2

Management presentations

30

Ad hoc Board meetings with an average attendance rate of 94%

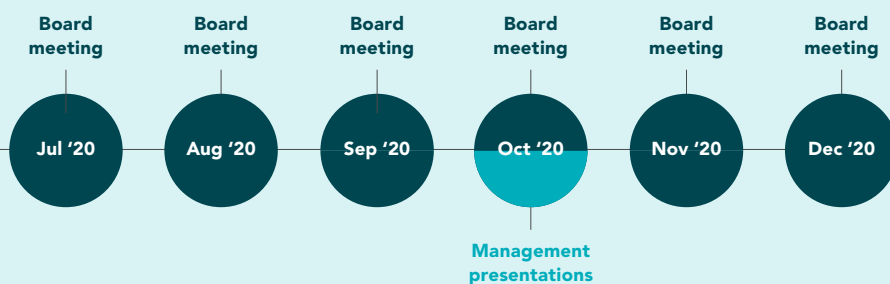


Strategic pillars

- 1 To operate in a safe and responsible manner
- 2 To focus on high quality assets with commercially advantaged positions
- 3 To secure access to capital and financial liquidity
- 4 To maintain an effective organisation sustained by the right people

Cross reference	Relevant strategic pillars	Stakeholder considerations
<ul style="list-style-type: none"> - Lender engagement activity (see page 18) - Shareholder engagement activity (see pages 18 and 73) 	3	Shareholders and Lenders <ul style="list-style-type: none"> - Covenant compliance - Refinancing capacity - Capital allocation - Financial performance
<ul style="list-style-type: none"> - Year in review (see pages 4 to 11) - Our strategy and business model (see pages 14 and 15) 	1 2 3 4	Shareholders and Lenders <ul style="list-style-type: none"> - Covenant compliance - Refinancing capacity - Capital allocation - Financial performance
<ul style="list-style-type: none"> - Financial review (see pages 48 to 51) - Financial statements (see pages 111 to 170) 	3	Shareholders and Lenders <ul style="list-style-type: none"> - Financial performance Customers <ul style="list-style-type: none"> - Financial capability
<ul style="list-style-type: none"> - Sustainability review (see pages 28 to 47) - Risk management (see pages 52 to 55) - Principal risks (see pages 56 to 61) 	1	Shareholders, Governments & regulators and Joint venture partners <ul style="list-style-type: none"> - Risk management and internal control - ESG performance Workforce <ul style="list-style-type: none"> - Health and safety of workforce
<ul style="list-style-type: none"> - The Governance section (see pages 62 to 110) 	1 2 3 4	Shareholders and Governments & regulators <ul style="list-style-type: none"> - Risk management and internal control - Board effectiveness
<ul style="list-style-type: none"> - Sustainability review (see pages 28 to 47) 	1 2 3 4	Shareholders, Governments & regulators and Joint venture partners <ul style="list-style-type: none"> - ESG performance - Risk management and internal control Workforce <ul style="list-style-type: none"> - ESG performance
<ul style="list-style-type: none"> - Nomination Committee Report (see pages 77 and 78) 	4	Shareholders and Workforce <ul style="list-style-type: none"> - Board effectiveness - Development and progression
<ul style="list-style-type: none"> - The Governance section (see pages 62 to 110) 	1 4	Workforce <ul style="list-style-type: none"> - Development and progression - Flexible working - Corporate culture

Significant number of unscheduled Board meetings



Attendance at 2020 scheduled Board meetings by individual Directors

Current Directors	Scheduled meetings attended
Robin Allan ¹	3/3 – 100%
Dave Blackwood	10/10 – 100%
Anne Marie Cannon	10/10 – 100%
Tony Durrant ²	10/10 – 100%
Roy A Franklin	10/10 – 100%
Barbara Jeremiah ³	9/9 – 100%
Elisabeth Proust ⁴	8/9 – 89%
Iain Macdonald	10/10 – 100%
Richard Rose	10/10 – 100%
Mike Wheeler	10/10 – 100%

1 Robin Allan stepped down from the Board on 25 June 2020.
 2 Tony Durrant stepped down from the Board on 16 December 2020.
 3 Barbara Jeremiah stepped down from the Board on 30 November 2020.
 4 Elisabeth Proust was appointed on 1 April 2020 and was unable to attend one meeting due to a pre-existing conflict with a meeting of another Board of which she is a member. This conflict was disclosed to the Chairman prior to her appointment.

Board and Committees' performance evaluation

An externally facilitated performance evaluation was last undertaken in 2018. The 2020 performance evaluation was undertaken internally and facilitated by the Company Secretary. The evaluation was conducted by the use of questionnaires completed by Board and Committee members and those regularly in attendance at their meetings. The questionnaires addressed:

- Board and Committee size and composition, skills and experience, and dynamics;
- the Board's oversight of strategy, risk and internal control;
- the performance of the Committee Chairs and individual members;
- the frequency, length, management and focus of meetings; and
- the quality of the papers considered at the meetings and the support given by staff.

The completed questionnaires were collated and anonymised by the Company Secretary and submitted to the Chair of each body, who discussed the findings with the individual members before preparing a summary report for discussion by the Board. In the case of the performance of the Chairman of the Board, the discussions with Board members were led by the Senior Independent Director.

Following the announcement of the debt restructuring and merger which will involve all but one of the existing Board members stepping down as Directors from completion, the Board agreed that no actions should be handed over to the Board of the enlarged group.

Board appointments

Premier is an international business and therefore manages a variety of political, technical and commercial risks. It is crucial therefore that the Board has the appropriate mix of skills, knowledge and experience as well as independence to enable it to meet these challenges.

To this end, the Nomination Committee reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any changes that are deemed necessary with due regard for the benefits of diversity on the Board, in its broadest sense and including gender, ethnic and social diversity.

When recruiting new Directors, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment in the context of the existing skills, experience, independence and knowledge on the Board and the time commitment expected.

Further details regarding succession planning can be found in the Nomination Committee Report on pages 77 and 78.

Induction of new Directors

New Directors receive a full, formal and tailored induction to the Company.

The induction programme consists of:

- a comprehensive briefing session with the Company Secretary to discuss the proposed induction programme and to provide details of Board and governance procedures;
- an introduction to the Company's online resource centre for Directors, through which they can access key corporate governance documents, including details of the policies and procedures forming part of the Group's governance framework; a dedicated resource library containing comprehensive information on key projects; copies of past Board presentations; and copies of external communications such as investor presentations, annual reports and sustainability reports;
- one-to-one meetings with each of the Executive Directors, members of senior management and external advisers; and
- meetings with other functional representatives as requested by Directors.

Shareholders are given the opportunity to meet with new Directors upon request or at the next Annual General Meeting ('AGM') following their appointment and, in the case of the Chairman, meetings are offered to the Company's major shareholders.

Board development

As part of the Board's annual rolling agenda, in-depth management presentations are planned throughout the year. These sessions are held outside main Board meetings and are designed to give the Board insight into key aspects of the Company's operations, its development projects and strategy. The presentations provide Directors with the opportunity to discuss matters with members of senior management in an informal setting.

Regular updates are provided to all Directors on governance and legal matters. Information is also provided on relevant external training courses available to further complement Directors' skills and knowledge.

Information and support

All Non-Executive Directors have access to the Company's senior management between Board meetings and the Board aims to hold at least one meeting each year in one of the business units to allow Non-Executive Directors to meet and engage with local staff. Non-Executive Directors also engage with staff via the Group Staff Forum. The continuing development of Board members is supported through in-depth management presentations into specific business areas as well as presentations by management and regular updates on changes to the legal and regulatory landscape.

All Directors have access to the Company Secretary and, if required, can take legal advice at the Company's expense. Directors also have access to an online Board resource library.

Election and re-election of Directors

In accordance with the Code, Directors are submitted for re-election annually subject to continued satisfactory performance.

In addition, Directors appointed since the last AGM are required to step down at the next AGM following their appointment and stand for election by shareholders.

Details of the Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are set out in the Directors' Remuneration Report on pages 90 to 92.

The main responsibilities of each Board role are set out on page 68 of this report. Full biographies can be found on pages 64 and 65.

Conflicts of interest

Under statute, a Director has a duty to avoid a situation in which he or she has, or may have, a direct or indirect interest that conflicts, or potentially may conflict, with the interests of the Company.

Formal procedures are in place to ensure that the Board's power to authorise conflicts or potential conflicts of interest of Directors is operated effectively. The Board is satisfied that during 2020 these procedures were enforced and adhered to appropriately.

Power of Directors and process for amending Articles of Association

Details regarding the Company's Articles of Association and any amendment thereto, including the powers of Directors under the Articles, are included in the Directors' Report on page 108.

Communication with shareholders

There is regular dialogue with institutional investors through meetings, presentations and conferences. Scheduled presentations are given to analysts and investors following the full-year and half-year results (which are broadcast live via the Company's website: www.premier-oil.com) and at other ad hoc events.

Over 300 meetings were held with investors and prospective investors during 2020. The Chairman, Chief Executive Officer and Finance Director are the Directors primarily responsible for engaging with shareholders. They ensure that other members of the Board receive full reports of these discussions. The Board also receives copies of analyst and broker briefings and shareholder sentiment reports prepared by the Investor Relations function. The Senior Independent Director is available to shareholders in the event that they have concerns that contact with the Chairman, Chief Executive Officer or Finance Director has failed to resolve, or where such contact would be inappropriate. Non-Executive Directors are expected to attend meetings with major shareholders, if requested. Extensive information about the Group's activities is provided in this Report, the half-year results and other trading statements and press releases, all of which are available on the Company's website.

The Company's website also provides detailed information on the Group's activities. Information regarding the Company's share capital, including details of significant shareholders, is included in the Directors' Report on page 108.

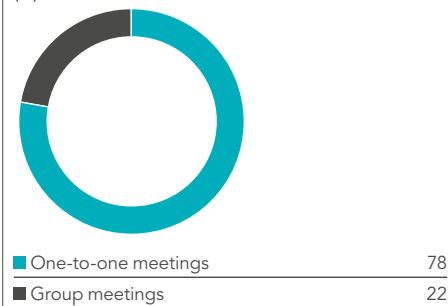
The primary method of ongoing communication with shareholders is the Investors section of the Company's website. This contains key information such as reports and financial results, investor presentations, share price information, regulatory news announcements and information on Premier's AGM.

In accordance with current regulations, the Company uses its website as its default method of publication for statutory documents in order to reduce printing costs and help reduce our impact on the environment. All shareholders are offered the choice of receiving shareholder documentation, including the Annual Report, electronically or in paper format, as well as the choice of submitting proxy votes either electronically or by post.

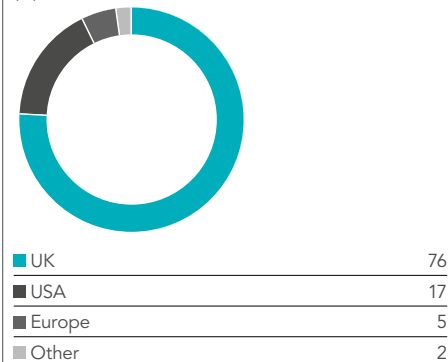
Premier promotes the use of online shareholder services via the Company's online share portal: www.premier-oil-shares.com. Using this service, shareholders are able to access information about their shareholding, update their address or submit queries on their account directly to the Company's Registrar. Shareholders also have the ability to vote online prior to general meetings. The share portal encourages shareholders to register to receive communications by email, rather than by post, thus further reducing the number of documents printed and distributed. Shareholders who have actively registered receive an email notifying them when the Company has added a statutory document to its website. The Company has posted guidelines on its website, advising shareholders of how to recognise and deal with potential share scams. Shareholders are advised to be extremely wary of any unsolicited advice or offers and only to deal with financial services firms that are authorised by the Financial Conduct Authority. More information can be found in the Investors section of the Company's website.

Enquiries from individuals on matters relating to their shareholding and the business of the Group are welcomed and shareholders are encouraged to participate in the AGM to discuss the progress of the Group.

Investor contact by type (%)



Investor contact by location of investor (%)



Dear shareholder,

I am pleased to present the Audit and Risk Committee's report to you for 2020. The objective of this report is to provide a summary of the Committee's work in ensuring that the interests of all of the Company's stakeholders are protected through a robust system of risk management and transparent financial reporting.

Key activities during the year

The Committee held five scheduled meetings during 2020. In addition to the members of the Committee listed on this page, meetings of the Committee are normally also attended by the Chairman, the Finance Director, the Group Financial Controller, the Group Audit and Risk Manager and representatives of the external auditors. Other members of the Executive Committee or senior managers are required to attend when significant risk management matters relating to their area of responsibility are considered by the Committee. During the year, the Committee meets privately with the Group Audit and Risk Manager and with the Company's auditors.

The Committee spent considerable time during the year reviewing the significant financial reporting judgements associated with the Group's full and half-year results. In particular, the Committee reviewed the appropriateness of the financial modelling work which supported the Group's going concern assessments and considered the clarity and completeness of disclosures in the financial statements. The underlying assumptions contained within the financial model were reviewed, included the Company's commodity price assumptions and the impact of ongoing corporate actions, including the proposed merger with Chrysaor. More detail about the work of the Committee in relation to financial reporting judgements can be found in the panel opposite.

The Committee reviewed and endorsed the schedule of reportable audits and reviews of the internal controls planned for the year, including the closeout of the remaining recommendations raised by the organisation health check conducted at the end of 2018. The Committee also reviewed the project to improve the Company's Business Management System and its successful completion in 2020. In discharging its duty to monitor and review the effectiveness of the Company's risk management and internal control systems, the Committee received presentations from various business functions. These included: prospective BP Andrew and Shearwater acquisition transition planning, prospective UK internal controls statement regime, company internal audit model, tax regulation, code of conduct and business ethics. These presentations included a detailed review by the Committee of the key risks facing each function and the controls in place to manage them.



Iain Macdonald
Committee Chair

Members	Meetings attended (eligible to attend)
Iain Macdonald (Committee Chair)	5(5)
Dave Blackwood	5(5)
Anne Marie Cannon ¹	4(4)
Mike Wheeler	5(5)

¹ Anne Marie Cannon joined the Committee on 3 March 2020.
² Roy A Franklin also attended all the meetings in his capacity as Chairman of the Board.

How the Committee spent its time during the year



Role of the Committee

Monitors and reviews the effectiveness of the Company's risk management and internal control systems.

Monitors and reviews the effectiveness and objectivity of the Company's Group Audit and Risk function, the appropriateness of its work plan, the results of audits and reviews undertaken, and the adequacy of management's response to matters raised.

Monitors the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance and the significant financial reporting judgements they contain.

Reviews the external auditors' independence and objectivity and the effectiveness of the audit process.

Develops and implements policy on the engagement of the external auditors to supply non-audit services.

Monitors the enforcement of the Company's Global Code of Conduct and the adequacy and security of its Whistleblowing Procedures.

Each meeting of the Committee includes a discussion on the current major business risks, including learnings from recent incidents and materialised risks, and a review of the emerging risks facing the business and the systems in place to identify them.

The Committee also noted significant findings from the reported audits and reviews conducted over the period, considered the closeout of actions arising from these audits and reviewed the audit priorities for 2021. In these meetings the Committee also completed its annual review of the effectiveness of the Group's risk management and internal control systems so as to be able to approve the statements on risk management and internal control in the Risk Management section of the Strategic Report on pages 52 to 55, and to report to the Board that, in the Committee's view, the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Risk management and internal control

The Committee continues to be responsible for reviewing the design and operating effectiveness of the Group's risk management system. This system is designed to assess, reduce, monitor and communicate the principal risks facing the Group and to identify emerging risks. Risk management and internal control in the Group is discussed more fully in the Risk Management section of the Strategic Report on pages 52 to 55.

The Group-wide governance, risk management and internal control systems include specific internal controls governing the financial reporting process and preparation of financial statements. These systems include clear policies, standards and procedures for ensuring that the Group's financial reporting processes and the preparation of its consolidated accounts comply with relevant regulatory reporting requirements. These policies are applied consistently by the finance reporting teams at head office and in each business unit in the preparation of the financial results.

Management representations covering compliance with relevant policies and the accuracy of financial information are collated on a biannual basis. Detailed management accounts for each reporting business unit are prepared monthly, comprising an income statement and a cash flow statement in a manner very similar to the year-end and half-yearly reporting processes. These are subject to management review and analysis in the monthly consolidated management accounts.

Internal assurance

The Company does not maintain a standalone internal audit function. Instead, internal assurance is achieved through the oversight of the Group Audit and Risk Manager in conjunction with the Group Financial Controller, the support of the Group Function Managers and the targeted use of third-party audit and review.

Financial judgements and internal control matters

The Committee considered the following significant judgements and internal control matters in preparing the 2020 Annual Report and Financial Statements, coming to the following conclusions:

Going concern

The Directors are required to consider the appropriateness of adopting the going concern basis of accounting.

The Committee reviewed in detail management's projections of the Group's liquidity position under the terms of the proposed merger and the Group position in respect of its main financial covenants. Key assumptions in the projections included those related to oil and gas prices during the period and the probability of completing the proposed merger with Chrysaor. The key assumptions were assessed and challenged by the Committee.

The Committee concluded that:

- the proposed merger and debt restructuring is expected to complete and the Group's base case projections indicated that the enlarged group will be able to operate under the requirements of its revised borrowing facilities and will have sufficient financial headroom throughout the going concern period;
- it is satisfied that the judgements applied in making the assumptions and estimates that underpin the forecasts and projections have been exercised in an appropriate manner;
- the going concern risks arising from the proposed merger and debt restructuring failing to complete are appropriately described within the Group's financial statements; and
- the going concern statement included on page 50 is fair and balanced.

Exploration and evaluation ('E&E') assets

Assessment of the carrying values of E&E assets and whether any indicators of impairment exist in relation to these assets.

The Committee satisfied itself that, in respect of all E&E assets, either commercially viable resources have been discovered or substantive expenditure on further exploration and evaluation activities in the specific area is budgeted or planned and an unexpired licence period remains. This included a review of the status of the Sea Lion project together with associated disclosures. Details of the Group's E&E assets are provided in note 9 to the financial statements on page 141.

Taxation

Assessment of deferred tax asset recoverability.

The Committee discussed with management their projections of probable UK taxable profits and noted that these projections include existing producing assets and certain currently un sanctioned UK development projects. The projections exclude any UK taxable profits that may arise as a result of the proposed merger with Chrysaor.

The projections use underlying assumptions which are consistent with those used in the asset impairment review and support the recognition of a net deferred tax asset. Further details of the deferred tax asset and the assumptions used to estimate the amount of tax recoverable in respect of tax losses and allowances are provided in notes 6 and 19 to the financial statements on pages 138 and 153, respectively.

Oil and gas reserves and resources

Estimation of oil and gas reserves and resources.

The Committee considered reports from management on the process applied to calculate the reserves estimates, addressing in particular the extent to which the methodology and techniques applied by the Company were generally accepted industry practice, whether the methodology and techniques applied were consistent with those applied in prior years, and the experience and expertise of the managers who prepared and reviewed the estimates.

The Committee noted that estimates of the Group's oil and gas proved and probable reserves prepared by independent reservoir engineers for producing and development fields were marginally lower than management's estimates. The Committee discussed with management the main reasons for the difference between the two estimates and was satisfied that it was appropriate to apply management's estimates for the purpose of preparing the financial statements.

Impairment of oil and gas properties

Assessment of indicators of impairment or reversals of previous impairments.

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

- reviewed and challenged management's key assumptions for each oil and gas property, including the long-term planning assumptions and future oil and gas prices;
- taking account of available market data, approved management's long-term planning assumptions, including oil prices of: US\$51/bbl in 2021, US\$55/bbl in 2022 followed by an oil price of US\$60/bbl in real terms thereafter (2019: long-term oil price assumption of US\$70/bbl in real terms); and
- considered the reduction in the long-term oil price assumption to be an indicator of impairment and assessed management's impairment calculations of all of the Group's oil and gas properties at this revised oil price.

The Committee was satisfied that the most significant assumptions on which the amount of the impairment charge are based are future oil and gas prices, the discount rate applied to the forecast future cash flows and the decommissioning discount rate. The Committee considered the disclosure of the sensitivity of the impairment charge to changes in the oil price, as set out in note 10 on page 142 to the financial statements, to be appropriate.

Provisions for decommissioning

Assessment of the estimate of costs to be incurred on decommissioning activities.

The Committee discussed with management the estimation process and the basis for the principal assumptions underlying the cost estimates, noting in particular, the reasons for any major changes in estimates as compared with the previous year. The Committee was satisfied that the approach applied was fair and reasonable. The Committee was also satisfied that the combination of discount and rig rates used to calculate the provision was appropriate. Further information on decommissioning provisions is provided in note 17 on pages 147 and 148.

The Company assures the effectiveness of its internal controls through an annual risk-based programme of management system audits and reviews.

The Company conducts three levels of review:

1. Business unit management review

Business unit management reviews are designed to assure the effectiveness of the management system of the business area.

2. Group function review of a business area

The Group functions are independent of the business area and their reviews are designed to assure the effectiveness of a Group management system as applied to the business area.

3. External third-party review

Third-party reviews are commissioned on a targeted risk basis to provide independent assurance of the effectiveness of a Group or business area management system. For certain risk-critical management systems, the Company assures the effectiveness of the management system to a recognised industry certification (e.g. ISO 14001, OHSAS 18001).

On an annual basis, the Committee agrees with management a risk-based programme of the most significant audits and reviews. In agreeing the programme, the Committee takes into account the significant and emerging risks facing the business which it reviews at each meeting.

The Committee and the external auditors then receive reports at each meeting from the Group Audit and Risk Manager covering progress against the audit programme, findings and actions. While the external auditors are made aware of the outcomes of the internal assurance programme, their remit is not impacted. During 2020 the Company further conducted a review of suitability of the existing audit operating model for consideration by the new Board following the completion of the proposed merger.

External audit effectiveness

The Committee reviewed the auditors' work plan at the start of the audit cycle, considering in particular the auditors' assessment of the significant areas of risk in the Group's financial statements. For 2020, the significant areas of risk corresponded with the major areas of judgement identified by the Committee, and the scope of their work. At the conclusion of the audit, the Committee discussed with the auditors the findings of the audit, including key accounting and audit judgements, the level of errors identified during the audit, the recommendations made to management by the auditors and management's response. The Committee met privately with the auditors in March and August of 2020 and in March 2021 at the conclusion of the 2020 audit.

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

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

FRC Audit Quality Review of the Company's 2019 Financial Statements

During 2019, the Audit Quality Review Team from the FRC undertook a review of Ernst and Young LLP's ('EY') audit of the Group's 2019 financial statements. There were no key findings arising from this review and limited improvements were required. The chair of the Audit and Risk Committee discussed the review findings with EY, reviewed EY's proposed actions to address these findings and is satisfied that these changes were implemented for the 2020 audit.

FRC Thematic Review of IFRS 16 Disclosures

During 2020, the FRC included the Group's 2019 financial statements in a sample for the thematic review of companies' disclosures following the first full year of adoption of IFRS 16. No questions of queries were raised as part of the review however a number of matters were brought to the Company's attention which have been taken into account in the 2020 financial statements.

The FRC's review was limited in scope and did not include a full review of the 2019 Annual Report and Accounts.

Auditors' independence and objectivity

EY were appointed as the Company's auditors for the financial year commencing 1 January 2017 following a formal competitive tender process conducted in 2016.

The Committee regularly reviews the independence and objectivity of the auditors. This review considers the overall relationship between the auditors and the Company, based on feedback from the Company's Finance function and from the auditors, and the nature and extent of non-audit services provided by the auditors, and takes account of the safeguards established by the auditors against loss of audit independence, including rotation of the audit engagement partner.

The Committee believes that certain non-audit work may be carried out by the auditors without compromising their independence and objectivity. The allocation of non-audit work is considered by reference to the Company's policy on the provision of non-audit services by the auditors, which can be found on the Company's website.

The use of the auditors for services relating to accounting systems or the preparation of financial statements is not permitted, and neither are various other services, such as

valuation work, which could give rise to conflicts of interest or other threats to the auditors' objectivity that cannot be reduced to an acceptable level by applying safeguards. The Committee believes that certain non-audit assurance and advisory services may be best performed by the auditors as a result of their unique knowledge of the Company. This includes reporting accountant services to support a prospectus and investment circulars in relation to future acquisitions or other corporate actions. Any non-audit work of this nature requires approval by the Committee. In 2020, the Committee approved the engagement of EY to perform permissible non-audit services relating to the proposed merger with Chrysaor that resulted in EY exceeding the UK non-audit services fee cap as defined in the FRC Revised Ethical Standard. A waiver was granted by the FRC on the basis exceptional circumstances existed.

The Committee approves the fees for the audit and half-yearly review after reviewing the scope of work to be performed, and reviews the scope and fees for non-audit assignments awarded to the auditors to satisfy itself that the assignments concerned do not give rise to threats to the auditors' independence and objectivity. Full details of the fees paid to EY are set out on page 137.

EY were required to confirm to the Committee that they have both the appropriate independence and objectivity to allow them to continue to serve the members of the Company. The Committee also requires the auditors to confirm that in providing non-audit services, they comply with the Ethical Standards for Auditors issued by the UK Auditing Practices Board. This confirmation was received for 2020.

Based on its review of the effectiveness of the 2020 audit and the independence and objectivity of the auditors, the Committee concluded that the auditors' effectiveness and independence has not been impaired in any way and the Committee has reported accordingly to the Board.

Audit tender

As part of the proposed merger with Chrysaor, the proposed Audit and Risk Committee of the enlarged group is currently conducting an audit tender process with a view to making a recommendation to shareholders at the 2021 AGM of the audit firm to be appointed to audit the 2021 financial statements.

On behalf of the Audit and Risk Committee:

Iain Macdonald
Committee Chair

Nomination Committee report

**Roy A Franklin**

Committee Chair

Members	Meetings attended (eligible to attend)
Roy A Franklin (Committee Chair)	6(6)
Dave Blackwood	6(6)
Anne Marie Cannon	6(6)
Tony Durrant ¹	5(5)
Barbara Jeremiah ²	6(6)
Iain Macdonald	6(6)
Elisabeth Proust ³	4(5)
Mike Wheeler	6(6)

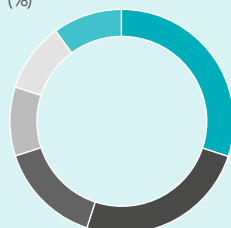
¹ Tony Durrant stepped down from the Committee on 16 December 2020.

² Barbara Jeremiah stepped down from the Committee on 30 November 2020.

³ Elisabeth Proust joined the Committee on 1 April 2020 and was unable to attend one meeting due to a pre-existing conflict with a meeting of another Board of which she is a member.

How the Committee spent its time during the year

(%)



Workforce engagement including staff forums	30
Governance and organisation structure	25
Executive Director and senior management succession	15
Talent management and development	10
Non-Executive Director succession	10
Diversity and inclusion	10

Role of the Committee

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

Dear shareholder,

During 2020, the Nomination Committee focused its attention on workforce engagement, talent management and succession planning for the Board and senior management, diversity and inclusion initiatives and the ongoing monitoring of actions taken in response to the 2018 'health check' of Premier's organisational structure.

Workforce engagement

In 2018, in line with the provisions of the revised UK Corporate Governance Code, the Board opted to constitute a workforce advisory panel as its chosen method of formal workforce engagement. Since then much work has been undertaken to bring this decision to life. In early 2019, staff in Premier's operating regions elected representatives to local staff forums. These local forums are facilitated by Human Resources but owned by the staff representatives themselves, under a Forum Charter communicated throughout the Group. A Group Staff Forum, which includes the staff members who chair the Aberdeen, Indonesia, London and Vietnam Forums, was then established and first met in November 2019. Since that inaugural meeting of the Group Staff Forum, the Nomination Committee has received quarterly updates on the actions arising from the feedback provided and reviewed progress achieved.

The second meeting between members of the Group Staff Forum and a subset of the Committee was held in November 2020. An agenda was prepared by the staff which included future Company strategy including: the proposed merger and its impact for staff; engagement and internal communications; home and flexible working; and reward, recognition and benefits. The outcome of the meeting was reviewed by the Executive Committee, Nomination Committee and the Board, and feedback from this review was in turn given to the Group Staff Forum. At a local level, business units are focused on building "bottom-up" staff engagement plans. A focus for the local staff forums will be the impending merger with Chrysaor and communication plans and the staff forum network will be invited to input into business unit engagement plans.

Talent and succession – review and planning

The Committee typically receives an annual report from the Executive on senior management leadership capability and succession planning. The three elements of this assessment are performance and potential, succession planning, and risk assessment (individual, organisational, and marketplace). The 2019 assessment also looked at the quality and diversity of the succession pipeline of senior management taking into consideration any skills shortages and contingency plans.

Forward-looking diversity and inclusion initiatives were also considered alongside these workstreams with a view to increasing diversity, reducing bias and broadening Premier's range of talent. In light of COVID-19 and the Company's response during 2020, the aforementioned annual activity was placed on hold. The Committee chose to focus on more immediate management requirements in the light of changing operational needs. These included interim management appointments in response to the proposed merger with Chrysaor and the restructuring of the Falkland Islands Business Unit.

Progress following the 2018 organisational structure review

The Committee continued to receive regular reports on the implementation of the recommendations of the 2018 organisational health check during 2020. Workstreams included a refresh of corporate culture and values, communication of strategy, simplification of Group policies and a simplification of the Business Management System.

Board and Committee composition

The Committee works to ensure that the Board continues to have the appropriate balance of skills, knowledge, experience, independence and diversity to lead Premier effectively. The Committee also keeps under review the composition of the Committees to ensure that they retain the appropriate combination of skills, experience, independence, knowledge and diversity, and that their non-executive members remain independent and are not so heavily committed elsewhere that they risk being unable to attend properly to Premier's affairs. Further, the Committee takes into account the findings of the annual Board and Committee evaluations in exercising its duties (conducted internally in 2020 – see Corporate Governance Report on page 72). During 2020, the Committee considered the proposed membership of the Health, Safety, Environment and Security Committee, as well as changes to the membership of the Audit and Risk Committee and Remuneration Committee.

Towards the end of 2019 it was agreed to recommend to the Board that an additional Non-Executive Director should be recruited, with strong experience in upstream oil and gas operations and, if possible, with ESG experience. The Committee appointed Spencer Stuart to conduct the search. A longlist of candidates was then prepared and circulated to Committee members for comment. A shortlist was then drawn up, from which the preferred candidates were interviewed by members of the Committee, and finally Elisabeth Proust was recommended to the Board for

appointment, joining the Board on 1 April 2020. Elisabeth Proust was then elected as a Non-Executive Director at the 2020 Annual General Meeting.

Barbara Jeremiah stepped down from the Board on 30 November 2020 at which point Mike Wheeler took on Chairmanship of the Remuneration Committee on an interim basis through to completion of the merger with Chrysaor. Mike Wheeler has been a member of the Remuneration Committee since October 2018 and is therefore well placed to Chair the Committee during this important period for the Group.

Diversity and inclusion

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

The objective of our Board Diversity Policy, which the Committee reviews annually, is to ensure the optimal composition of the Board for successfully delivering the Company's strategy. The Committee maintains its current policy of embracing diversity in its broadest sense, including gender, ethnic and social diversity but without setting formal, measurable objectives. The Committee is fully aware of the Parker Review recommendations that FTSE 250 boards should include a non-white Board director by 2024. The Committee is also mindful of the Hampton-Alexander target on gender diversity, that women should constitute at least one third of the membership of FTSE 350 company boards.

Following Jane Hinkley's retirement at the end of December 2019, the proportion of female Directors fell from 30 per cent to 22 per cent whilst the search for an additional Non-Executive Director continued. When Elisabeth Proust joined the Board on 1 April 2020, the proportion of female Directors returned to 30 per cent. Robin Allan stood down from the Board at the Company's AGM on 25 June 2020 at which point the proportion of female Directors on the Board increased to one third female to two thirds male, and the Hampton-Alexander target was met and remained so until 30 November 2020. When Barbara Jeremiah stood down from the Board at the end of November 2020, the Board decided not to replace her given the forthcoming merger with Chrysaor. However, in view of the proposed Board of Directors to be in place on completion of the merger, it is anticipated that the Hampton-Alexander target will again be met at that point forward.

Further details of the Board's composition are outlined on pages 64 and 65.

With regard to senior management gender diversity, women represent 24 per cent of the Executive Committee and their direct reports. As stated above we have worked to ensure that diversity and inclusion are, and remain, integrated into our Business Management System and HR standards and, alongside improvements to flexible working policies, we hope to see the above ratios improve with time.

Roy A Franklin
Committee Chair

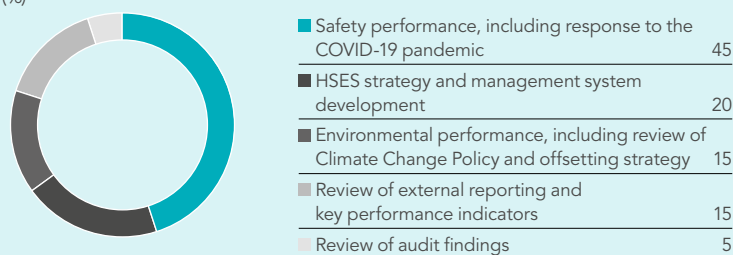


Dave Blackwood
Committee Chair

Members ¹	Meetings attended (eligible to attend)
Dave Blackwood (Committee Chair)	3(3)
Barbara Jeremiah ²	3(3)
Elisabeth Proust ³	2(3)

1 Roy A Franklin also attended all Committee meetings in his capacity as Chairman of the Board.
 2 Barbara Jeremiah stepped down from the Committee on 30 November 2020.
 3 Elisabeth Proust joined the Committee on 1 April 2020 and was unable to attend one meeting due to a pre-existing conflict with a meeting of another Board of which she is a member.

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



Role of the Committee

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

Dear shareholder,

In 2020 the Board resolved to constitute the Health, Safety, Environment and Security (HSES) Committee under my Chairmanship. The Directors believe that the creation of this additional Committee is important for the Group given the ever increasing prominence of HSES issues – particularly climate change – on the corporate agenda and the need for Directors and senior management to be able to devote sufficient time to considering these matters in detail. The Board continues to retain overall responsibility for HSES and receives regular reports from the Committee on the Group's policies, management systems, and performance.

Key responsibilities

The Committee was established as a Committee of the Board with clear terms of reference setting out its role and responsibilities. In particular, these include:

- to monitor and review the Group's HSES strategy;
- to evaluate the effectiveness of the Group's policies and systems for delivering the Group's HSES strategy;
- to perform deeper investigation of serious or potentially serious incidents on behalf of the Board;
- to monitor the quality and integrity of the Group's internal and external reporting of HSES performance and issues; and
- to assess the policies and systems within the Group for ensuring compliance with HSES regulatory requirements.

As Chair, I have responsibility for reporting formally to the Board as to how the Committee has discharged its role and I am also available to discuss these matters with shareholders should they wish to do so.

On constituting the Committee and determining its remit, the Directors considered the interaction between the Audit and Risk Committee and the HSES Committee to ensure that there is a clear division of responsibilities between the two forums. The Audit and Risk Committee retains overall responsibility for monitoring and reviewing the effectiveness of the Company's risk management and internal control systems, but where a detailed review of HSES risks or audit findings is required, this is referred to the HSES Committee. Similarly, if the HSES Committee determines that specific HSES incidents have broader implications for risk management or internal control across the Group, these are referred to the Audit and Risk Committee.

Key activities during the year

At its first meeting, the Committee considered its terms of reference and reviewed the annual work plan proposed by the Group HSES Function. In addition to reviewing HSES performance in the first quarter, this initial meeting also focused on the Group's response to the rapidly evolving COVID-19 pandemic, including:

- offshore operational protocols and operational resilience;
- emergency response and crisis management plans;
- COVID-19 offshore testing strategy; and
- working from home protocols for onshore workers.

I would like to take this opportunity to congratulate all of our employees, contractors and management on their response to the pandemic and their efforts in maintaining safe operations with limited disruption in what were hugely challenging circumstances. It is testament to the commitment of our people that none of our producing assets experienced any downtime as a result of the pandemic.

At its June meeting, the Committee received a presentation from the Group Head of HSES on the three-year HSES Strategy and the key focus areas for the Company, particularly with regards to the core structure of HSES management within the Group and completion of ongoing initiatives. In terms of performance monitoring, the Committee reviewed the Group's HSES scorecard alongside IOGP and peer group standards. This review focused in particular on performance within the UK Business Unit given its materiality within the Group and the significant volume of work undertaken.

At each of its meetings, the Committee devoted time to review serious incidents and high potential incidents ('HiPos'). These reviews included receiving reports from management on the specific details of an incident, the root causes, and any remedial actions being taken. In June, the Committee highlighted the need for lessons learned from incidents on non-operated assets to be captured in the development of HSES strategy and sought reassurance from management regarding ongoing investigations and actions to address specific issues.

I would like to note that it has been of great value for the Committee, and for the Board as a whole, to have this forum to enable the Directors to review these incidents in detail and in a way which is often difficult to do in a Board setting given the fullness of the agenda.

In the final quarter of the year, the Committee reviewed the ongoing operational measures being taken to manage COVID-19 risks and the potential impact on HSES performance as a result of the pandemic. The Group Head of HSES also provided an update on the development and continuous improvement of the HSES management system and some of the initiatives being deployed to ensure compliance across the Group. The Committee noted the development of the Training and Competency Management System ('TCMS') and the proposed rollout of an integrated TCMS across the three main business units. In addition, the Committee discussed some of the occupational health initiatives that had been developed by management in response to a significant portion of the workforce working from home for long periods of time. These initiatives focused on a variety of issues, including mental health, wellbeing strategies and the leadership development programme.

Of particular note at the October meeting, the Committee devoted significant time to reviewing the Group's environmental performance and considering various initiatives to meet the Company's recently stated target of Net Zero emissions by 2030. The Committee noted the steps already being taken by management to embed a 'low carbon culture' across the organisation and to incubate new ideas via an Environmental Improvement Hopper (see page 37). In addition, management presented a number of carbon offsetting strategies that were discussed at length by the Committee. A range of offsetting options are being considered for implementation after the Environmental Improvement Hopper has been exhausted and, given the announcement of the merger with Chrysaor Holdings Limited, it was agreed that these initiatives would be best considered by the incoming HSES Committee and Board members.

In closing, I would like to thank all of the Committee members, management employees and contractors who have worked hard during the year to develop and enhance the HSES culture at Premier. I believe that the Combined Group will have some strong foundations upon which to build and I wish all involved every success in the future.

On behalf of the HSES Committee.

Dave Blackwood
Committee Chair

Relationship between the HSES Committee and the Audit and Risk Committee

The Audit and Risk Committee monitors and reviews the effectiveness of the Group's risk management and internal control systems.

The role of the HSES Committee is set out on the previous page.



**Mike Wheeler**

Committee Chair

Members	Meetings attended (eligible to attend)
Mike Wheeler (Committee Chair) ¹	9(9)
Dave Blackwood ²	2(2)
Anne Marie Cannon	9(9)
Roy A Franklin ³	1(1)
Barbara Jeremiah ⁴	8(8)

1 Mike Wheeler replaced Barbara Jeremiah as Chair of the Committee on 4 December 2020.

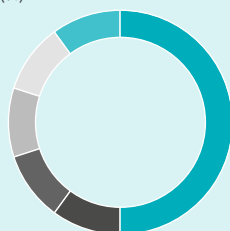
2 Dave Blackwood stepped down from the Committee on 3 March 2020.

3 Roy A Franklin joined the Committee on 6 December 2020.

4 Barbara Jeremiah stepped down from the Committee on 30 November 2020.

How the Committee spent its time during the year

(%)



Senior executive remuneration	50
Executive Director Policy review	10
Wider workforce pay and conditions	10
Employee engagement	10
Shareholder consultation	10
Remuneration reporting and governance	10

Role of the Committee

Develop and maintain a Remuneration Policy to attract, retain and motivate employees to enable the Company to meet its objectives, taking into account the long-term interests of employees, shareholders and other long-term stakeholders.

Consider and approve the remuneration arrangements for the Chairman, the Executive Directors and other senior executives as determined by the Committee.

Exercise oversight of the pay and performance conditions across the Group.

Dear shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020. This is my first (and last) statement as Chair of the Remuneration Committee, having succeeded Barbara Jeremiah as Chair on 4 December 2020.

The current Remuneration Policy was approved by shareholders at the Annual General Meeting ('AGM') held on 25 June 2020 with 96.71 per cent in favour. It was designed to ensure it supports shareholder interests, reinforces the business strategy and promotes long-term sustainable success. This report comprises an annual report on remuneration. It describes how the approved Directors' Remuneration Policy was implemented for the year ended 31 December 2020 and how we intend to implement the Policy up to the merger with Chrysaor Holdings Limited. Together with this annual statement, it will be put to an advisory vote at the AGM.

Implementation of our Remuneration Policy in 2020

Financial and operational highlights

2020 brought significant change for Premier Oil, culminating in the merger (announced on 6 October 2020) with Chrysaor Holdings Limited, to form Harbour Energy plc. The first half of the year saw significant commodity price weakness and volatility, driven by the unprecedented collapse in global oil demand due to the COVID-19 pandemic. While the global demand and supply position has subsequently stabilised, uncertainty remains regarding the near-term outlook for economies around the world. Despite this challenging backdrop, the Group ensured the continued safe operations of its producing assets during the year while also taking action to reduce costs and preserve cash. It is testament to the hard work of the Group's employees and management that production was maintained across the portfolio without significant disruption due to the pandemic and without utilising any of the UK Government's support schemes.

The proposed merger with Chrysaor has significant commercial and financial benefits and will create an oil and gas company that will have a leading position in the UK North Sea. This, together with the associated debt restructuring, provides the enlarged group with a solid foundation from which to pursue a fully funded growth strategy.

Impact of the merger on future policy

The merger is due to complete on 31 March 2021 and, while the current Premier Oil Policy will continue to run post-merger, one of the first tasks for the new Harbour Energy Remuneration Committee will be to review the current Premier Oil Policy to ascertain its suitability for the new Executive Directors of a group the size, complexity and nature of the new Company. It is intended that a new Harbour Energy Remuneration Policy will be published on the Company's website, included in the AGM Shareholder Circular and put to shareholders at the 2021 AGM. We hope shareholders will be able to give their support to both.

Annual bonus outcomes for 2020

In view of the performance outlined above, the Committee approved a bonus outcome of 12.5 per cent of salary across the organisation, including for the Executive Directors. In doing so, the Committee exercised its discretion to reduce the outcome for the Executive Directors and senior management to ensure alignment with the rest of the workforce. In line with the new policy, 50 per cent of the bonus paid to Richard Rose will be deferred in shares. The Committee has resolved that bonuses for Tony Durrant and Robin Allan will be paid entirely in cash, in accordance with the good leaver provisions of the Remuneration Policy.

2020 LTIP grant

In view of the commodity price environment and market conditions in 2020, the Remuneration Committee determined that no LTIP award would be made in respect of 2020.

2018 LTIP vesting

The three-year performance period relating to the Performance Share Awards ('PSAs') and Restricted Share Awards ('RSAs') granted in 2018 ended in December 2020.

The PSAs were based on three-year total shareholder return ('TSR') relative to a comparator group of international oil and gas sector peers. Premier ranked below median of the group, resulting in the award lapsing in full. The Committee considered the underlying performance of the Company and concluded that the outcome was justified.

The RSAs vest over three, four and five years subject to achievement of a financial underpin based on the reduction of the ratio of net debt to EBITDA, as agreed with the Company's lenders, measured at the end of year three. On 9 July 2020 the Company announced that it had entered into a Stable Platform Agreement with its lenders such that financial covenants would be waived through to 30 September 2020; this agreement was subsequently extended through to 5 November 2020. On 3 November 2020 the Company announced that it had agreed a Support Letter with lenders in respect of the proposed merger of Premier

and Chrysaor such that the lenders agreed to waive financial covenants through to the completion of the transaction. Notwithstanding these covenant waivers and, in view of the fact that without such waivers certain covenants would have been breached, the Committee determined that the underpin in respect of the RSAs was not met and therefore the awards should not vest.

Wider workforce considerations

The Committee has continued to develop its approach to engaging with the wider workforce. It receives regular updates on pay and benefits for the wider workforce and takes these into account when reviewing executive pay and benefits. The methodology for calculating the bonus payments for the Executive Directors for 2020 was aligned with the rest of the organisation at 12.5 per cent of salary.

Remuneration Committee discretion

The Remuneration Committee exercised discretion over the course of the year as follows:

- reduced the 2020 annual bonus outcome for the Executive Directors and senior management to ensure alignment with the rest of the workforce;
- determined that Robin Allan and Tony Durrant would be treated as good leavers under the terms of the 2017 LTIP;
- in line with good leaver provisions under the Remuneration Policy, determined that the 2020 annual bonus to Robin Allan and Tony Durrant be paid entirely in cash;
- determined that the underpin in respect of the RSAs was not met so that the awards lapsed in full; and
- determined that Richard Rose be paid an amount on completion of the merger with Chrysaor of £350,000 gross, less the aggregate value of all monthly salary supplements paid to him in view of him agreeing to act as Interim Chief Executive Officer, and his gross 2020 bonus award.

Executive Director changes

As announced last year, Robin Allan stepped down from the Board at the conclusion of the 2020 AGM. Tony Durrant also stepped down from the Board on 16 December 2020 and Richard Rose will step down on the later of the completion of the merger and 15 April 2021. The Remuneration Committee considers that it has achieved an outcome on remuneration which represents the best interests for the Company and its shareholders within the Remuneration Policy while adhering to contractual commitments. Pension benefits for both Robin Allan and Tony Durrant were set out in their service contracts, within the Directors' Remuneration Policy, and were agreed in 2003 and 2005 respectively. Having taken legal advice, the Committee has concluded that the pension benefits due to both Robin Allan and Tony Durrant represent legally binding contractual obligations which have therefore been settled accordingly.

Robin Allan

As reported last year, Robin Allan stepped down from the Board at the conclusion of the 2020 AGM on 25 June 2020, extended from 12 May 2020 following the change in AGM date. The Company made a payment of £285,908 gross in respect of his contractual notice period. He also received £67,842 gross as a redundancy payment (inclusive of a statutory redundancy payment) and a contribution of £5,500 plus VAT towards legal fees incurred in connection with his departure in line with the Remuneration Policy.

The Remuneration Committee determined that he would be treated as a good leaver. In line with the Remuneration Policy, Robin Allan was eligible to receive an annual bonus for FY2020 of £21,384 which is an amount pro-rated for time served. In line with the Remuneration Policy, the Committee has exercised its discretion to not defer part of the bonus into shares. Under the good leaver provisions of the rules of the 2017 LTIP and in accordance with the Remuneration Policy, Deferred Bonus Awards vested in full on termination. For outstanding awards granted in 2019 under the 2017 LTIP, they will vest, subject to performance, at their normal vesting dates and pro-rated on a time served basis. Any shares vesting under the LTIP remain subject to a two-year post vesting holding period providing shareholder alignment. As noted above, PSA and RSA awards granted in 2018 will lapse in full. In addition, Robin Allan will continue to hold a number of shares in the Company following the termination of his employment until 17 April 2021.

As set out in the Remuneration Policy and, in relation to the Company's legally binding contractual obligations to Robin Allan to provide a pension benefit substantially as if he were a member of the defined benefit pension without the earnings cap, a single final payment of £1,473,200 was made to him. Full details of this, and other payments made, are set out on page 96.

Tony Durrant

As announced on 16 December 2020, Tony Durrant stepped down from the Board on that date and left the Company on 31 December 2020. The Company made a payment of £442,043 gross in respect of his contractual notice period. He also received a compensation for loss of office payment of £340,790 and a contribution of £5,500 plus VAT towards legal fees incurred in connection with his departure in line with the Remuneration Policy.

The Remuneration Committee determined that he would be treated as a good leaver. Having served as a Director throughout 2020, under the Remuneration Policy, Tony Durrant was eligible to receive an annual bonus for FY2020 of £72,548. In line with the Remuneration Policy, the Committee has exercised its discretion to not defer part of the bonus into shares.

Under the good leaver provisions of the rules of the 2017 LTIP and in accordance with the Remuneration Policy, Deferred Bonus Awards vested in full on termination. For outstanding awards granted in 2019 under the 2017 LTIP, they will vest, subject to performance, at their normal vesting dates and pro-rated on a time served basis. Any shares vesting under the LTIP remain subject to a two-year post vesting holding period providing shareholder alignment. As noted above, PSA and RSA awards granted in 2018 will lapse in full. In addition, Tony Durrant will continue to hold a number of shares in the Company, in excess of the Policy requirement, following the termination of his employment until 31 December 2021.

As set out in the Remuneration Policy and, in relation to the Company's legally binding contractual obligations to Tony Durrant to provide a pension benefit substantially as if he were a member of the defined benefit pension without the earnings cap, a single final payment of £1,888,800 was made to him. Full details of this, and other payments made, are set out on page 96.

Richard Rose

Following the departure of Tony Durrant, Richard Rose was appointed Interim CEO from 1 January 2021. In recognition of the additional duties associated with the role, Richard Rose will receive a salary supplement of £15,000 per month to the later of the date of completion of the merger or the appointment of a new Chief Executive Officer. To retain and incentivise Richard to achieve successful completion of the merger, the Committee determined he will be paid an amount up to £350,000 gross less the aggregate value of all gross monthly salary supplements and the gross 2020 annual bonus.

Any section 430 (2B) statement in respect of Richard's leaving arrangements will be available on our website as appropriate and full details of the remuneration paid to him will be included in the 2021 Directors' Remuneration Report.

Remuneration for 2021

Given the forthcoming merger the Committee confirmed that there would be no salary increase for Richard Rose. As part of the agreement with him, he will not be entitled to an annual bonus or LTIP grant in respect of 2021.

The Board confirmed that there would be no increase to Non-Executive Director and Chairman fees.

Board and Committee changes

I was appointed to the Board as a Non-Executive Director on 10 August 2017 and prior to being appointed Chair, have been a member of the Remuneration Committee since October 2018. Barbara Jeremiah stepped down from the Board on 30 November 2020 and I would like to thank Barbara for her contribution and leadership of the Committee since 20 August 2019.

Following the completion of the merger, all Non-Executive Directors, other than Anne Marie Cannon, will step down from the Board and a new Board and Committee will be formed.

In conclusion

This is a time of significant change for Premier Oil. The senior management team has worked hard under enormous pressure during the year to maintain production and HSES standards, and agree the merger with Chrysaor. They have also worked assiduously to ensure maintenance of shareholder value during the transition period between announcement of the merger with Chrysaor and its completion. Thanks are due to them for their professionalism and dedication. The merger marks a new and exciting development for Premier and I wish the new Board well for the future.

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

Mike Wheeler

Committee Chair

Compliance Statement

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

Policy Report

This section of the Remuneration Report sets out the new Remuneration Policy which was approved by shareholders on 25 June 2020.

Key principles of our Remuneration Policy

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

The Committee reviews remuneration arrangements for executives and other key senior leaders to ensure they continue to support direct alignment with shareholders and a performance-oriented culture. In reviewing these remuneration arrangements, the Committee considers the following objectives:

- keep the design simple;
- gear remuneration towards performance-related pay;
- emphasise long-term performance;
- ensure annual incentives reward the achievement of short-term objectives key to delivering the long-term strategy;
- ensure that each element of the package is based on different performance criteria;
- incorporate significant deferral requirements;
- ensure incentive payments are commensurate with the Company's underlying performance; and
- take account of corporate governance guidance.

Committee process in determining the Remuneration Policy

The process the Committee went through in determining the 2020 Remuneration Policy was as follows:

- the Committee considered the Company's strategy, how the current Remuneration Policy related to and supported the strategy, and formed its own views on the changes (if any) required to the Policy to align with the strategy;
- the Committee considered feedback from shareholders and investor bodies on the 2018 Annual Remuneration Report;
- the Committee sought advice from its independent remuneration consultant on the impact of the 2018 UK Corporate Governance Code (the 'Code'), regulations and current investor sentiment in formulating the new Remuneration Policy. In particular, when determining the new Policy the Committee ensured it addressed the factors of Provision 40 of the Code, namely clarity, simplicity, risk, predictability, proportionality and alignment to culture.
- the Committee reviewed the wider workforce remuneration and incentives to ensure the approach to executive remuneration is consistent;
- the Committee consulted with Executive Directors and other relevant members of senior management on the proposed changes to the Remuneration Policy; and
- the Committee conducted a full consultation exercise with major shareholders (representing over 50 per cent of shares in issue) and investor bodies on the changes.

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

To view our previous Remuneration Policy, visit our website: www.premier-oil.com/investors.

Executive Director Policy

The Policy for Executive Directors is set out below:

Salary

Purpose and link to strategy	<ul style="list-style-type: none"> To provide an appropriate level of salary to support recruitment and retention, and with due regard to the role and the individual's responsibilities and experience
Operation	<ul style="list-style-type: none"> Typically reviewed annually with reference to Company and individual performance, each executive's responsibilities and experience, the external market for talent, and salary increases across the Group Salaries are benchmarked against oil and gas sector companies and UK-listed companies of a similar size to Premier Adjustments are normally effective 1 January
Opportunity	<ul style="list-style-type: none"> Salary increases are awarded taking into account the outcome of the review and also broader circumstances (including, but not limited to, a material increase in job complexity and inflation) Salary increases will normally be in line with increases awarded to other employees. The Committee may make additional adjustments in certain circumstances to reflect, for example, an increase in scope or responsibility, to address a gap in market positioning and/or to reward performance of an individual, and where it does so the Committee will provide an explanation in the relevant year's Annual Report on Remuneration
Performance metrics	<ul style="list-style-type: none"> Not applicable

Pension

Purpose and link to strategy	<ul style="list-style-type: none"> To help provide a competitive pension provision
Operation	<ul style="list-style-type: none"> Executive Directors who join Premier on or after 20 August 2013 are eligible to participate in the Company's defined contribution personal pension plan and/or receive an equivalent cash supplement For Executive Directors who joined prior to 20 August 2013, the Company provides a pension substantially as if they are contributing members of the Company's final salary Retirement and Death Benefits Plan (the 'Scheme'), which was closed to new members in 1997 The only pensionable element of pay is salary
Opportunity	<ul style="list-style-type: none"> Newly appointed Executive Directors will receive pension contributions and/or an equivalent cash supplement in line with the contribution for the majority of the workforce Current Executive Directors who joined Premier on or after 20 August 2013 receive pension contributions and/or an equivalent cash supplement equal to 20 per cent of salary. This will be reduced to 15 per cent of salary from 1 January 2023, in line with the UK workforce For Executive Directors who joined prior to 20 August 2013 the Scheme provides benefits of value equivalent to a defined benefit plan on broadly a fiftieths accrual basis up to two thirds of salary at age 60, with benefits actuarially reduced on early retirement and pensions in payment increased in line with the lower of inflation, or five per cent per annum. The way this promise is currently administered is as follows: <ul style="list-style-type: none"> Executive Directors are given a pension allowance equal to 20 per cent of uncapped salary. This may either be paid into a pension scheme and/or as a salary supplement Executive Directors accrue notional defined benefits entitlement within the Scheme To the extent that payments made are not paid into the Scheme, they are deemed to have been invested into a Life Fund At the point that a Director departs or retires, a comparison is undertaken between the value of the notional defined contribution pot and the cash equivalent transfer value of the notional defined benefits. Subject to appropriate deductions, the differential is available either as a contribution into their pension plan or a cash payment Regular reviews are carried out to assess the extent to which the payments already made to each Director are projected to be sufficient to provide the accrued component of their target pension; where such reviews indicate a shortfall, the Company may provide an additional payment This arrangement will cease on 31 December 2022 and from 1 January 2023 a pension contribution and/or equivalent cash supplement of 15 per cent of salary will be paid, in line with the UK workforce
Performance metrics	<ul style="list-style-type: none"> Not applicable

Benefits

Purpose and link to strategy	<ul style="list-style-type: none"> To provide a benefits package competitive in the market for talent
Operation	<ul style="list-style-type: none"> Executive Directors receive a competitive benefits package, which may include medical and dental insurance, car allowance, life assurance, income protection cover, personal accident insurance, expatriate benefits, relocation allowance, health checks and a subsidised gym membership. Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual Director, for example relocation allowances
Opportunity	<ul style="list-style-type: none"> Set at a level which the Committee considers appropriate for the role and individual circumstances
Performance metrics	<ul style="list-style-type: none"> Not applicable

All-employee share plans

Purpose and link to strategy	<ul style="list-style-type: none"> To encourage share ownership in Premier
Operation	<ul style="list-style-type: none"> Executive Directors may participate in all-employee share plans on the same terms as other employees In particular, UK-based employees (including Executive Directors) may be invited to participate in the following HMRC approved share plans: <ul style="list-style-type: none"> Share Incentive Plan ('SIP'), under which employees may buy partnership shares using gross pay and the Company may then grant matching shares. Under the SIP, free shares may also be granted. Dividends may accrue on any shares and be automatically reinvested Save As You Earn ('SAYE') scheme under which employees are invited to make regular monthly contributions over three or five years to purchase shares through options which may be granted at a discount
Opportunity	<ul style="list-style-type: none"> Under the SIP, participants may spend up to the HMRC permitted allowance to buy partnership shares, and matching shares may be granted up to the HMRC permitted limit Under the SAYE, employees may save up to the HMRC permitted allowance
Performance metrics	<ul style="list-style-type: none"> Not applicable

Annual bonus

Purpose and link to strategy	<ul style="list-style-type: none"> To reinforce the delivery of key short-term financial and operational objectives and, through the deferred share element, help ensure alignment with shareholders and support retention
Operation	<ul style="list-style-type: none"> Performance is measured on an annual basis for each financial year against stretching but achievable financial and non-financial targets, comprising Key Performance Indicators ('KPIs'), and other corporate objectives Performance measures, weightings and targets are set at the beginning of the year and weighted to reflect business priorities 50 per cent of any annual bonus earned is deferred in shares for three years Dividend equivalents may accrue on Deferred Bonus Awards and be paid on those shares which vest. For the avoidance of doubt, dividend equivalent payments made under this Policy will be made in shares Annual bonus payouts and deferred shares are subject to malus and clawback in the event of material misstatement of the Company's financial results, gross misconduct, material error in the calculation of performance conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit The Committee may exercise malus and clawback until the later of: (i) two years from the payment of the bonus or the vesting of the shares, or (ii) the completion of the second audit after payment/vesting
Opportunity	<ul style="list-style-type: none"> Up to 120 per cent of salary Target amount is 60 per cent of salary Threshold amount is 25 per cent of the maximum, with no payout below threshold

Annual bonus

Performance metrics	<ul style="list-style-type: none"> • Performance is assessed against a corporate scorecard encompassing several performance categories, which may include some or all of: production; exploration; Health, Safety, Environment and Security; finance; business development; capital; and strategic objectives • Normally, the Committee would not expect the weighting for any performance category in the corporate scorecard to be higher than 50 per cent. However, it retains discretion to adjust weightings to align with the business plan for each year • The Committee may adjust the bonus outcome to ensure alignment with underlying Company performance
---------------------	---

Long-term incentives

The Premier Oil 2017 Long Term Incentive Plan – Performance Share Awards

Purpose and link to strategy	<ul style="list-style-type: none"> • To support alignment with shareholders by reinforcing the delivery of returns to shareholders, with a focus on relative stock market out-performance over the long term, and with due regard for the underlying financial and operational performance of the Company
Operation	<ul style="list-style-type: none"> • The Committee may grant Performance Share Awards annually • Awards may be in the form of nil or nominal priced options or conditional shares • Performance Share Awards vest after three years subject to performance and continued employment • Award levels and performance conditions are reviewed in advance of each grant to ensure they remain appropriate • The net (i.e. after tax) shares received from any awards vesting are subject to a minimum two-year Holding Period such that the total time horizon is at least five years • Dividend equivalents may accrue on Performance Share Awards. For the avoidance of doubt, dividend payments made under this Policy will be made in shares • All Performance Share Awards are subject to malus and clawback in the event of a material misstatement of the Company's financial results, gross misconduct, material error in the calculation of performance conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit • The Committee may exercise malus and clawback until the later of: (i) two years from the vesting date or (ii) the completion of the second audit after vesting
Opportunity	<ul style="list-style-type: none"> • Performance Share Awards may be granted up to 200 per cent of salary • 25 per cent of the award will vest for threshold performance, with full vesting for stretch performance. Vesting increases on a straight-line basis between threshold and stretch
Performance metrics	<ul style="list-style-type: none"> • The Committee will select performance measures for each cycle to ensure that they continue to be linked to the delivery of Company strategy • Performance Share Awards will normally vest based on relative Total Shareholder Return and Return on Capital Employed. The Committee will consult with key shareholders on substantive changes to the LTIP performance metrics • Where the measure is relative TSR, for each performance cycle, the Committee may review and adjust the TSR comparator group to ensure relevance to Premier. The Committee may adjust the TSR comparator group for outstanding cycles in the event that a TSR comparator ceases to exist, de-lists or is acquired or the Committee deems it to be no longer a suitable comparator • The Committee may adjust the vesting outcome to ensure alignment with underlying Company performance and in line with the 2018 UK Corporate Governance Code

Further details on the Policy

Legacy arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy set out in this report where the terms of the payment were agreed before the Policy came into effect or at a time when the relevant individual was not a Director of the Company. This includes the following.

- Restricted Share Awards and Performance Share Awards granted in 2017, 2018 and 2019 under the 2017 Long Term Incentive Plan.
- Deferred Bonus Awards granted in relation to bonuses for the 2016, 2017, 2018 and 2019 financial years.
- Malus and clawback and change of control provisions will continue to apply to the 2017, 2018 and 2019 LTIP awards under the 2017 Long Term Incentive Plan, and to bonus awards made to Directors for the 2016, 2017, 2018 and 2019 financial years.
- Robin Allan was employed by the Company between September 1986 and November 1999 and is entitled to a deferred pension under the Scheme in respect of this period of employment.

Remuneration Policy for other employees

The Company's policy for all employees is to provide remuneration packages which reward them fairly and responsibly for their contributions.

Premier's approach to annual salary reviews is consistent across the Group. All employees participate in the Company's incentive structures and, like the remuneration package for Executive Directors, remuneration is structured such that a proportion of total remuneration is delivered through long-term share-based incentives to ensure maximum alignment with shareholders.

The Executive Committee and other senior leaders all participate in the same annual bonus plan as for Executive Directors with the opportunity tailored to the role and level of seniority. They also participate in the same long-term incentive plan and structure but for the most part at a lower quantum of opportunity.

The broader employee population participates in the Premier Value Share Plan ('PVSP'). Similar to the 2017 LTIP for senior executives, under the PVSP annual awards of time-vesting restricted shares and three-year performance-vesting shares are made, with performance-vesting shares subject to the achievement of Premier's delivery of long-term shareholder return.

Similarly, all employees are eligible to receive an Annual Incentive award, with measures and targets tailored to individual business units and responsibilities as appropriate. The specific bonus framework varies by job level and scope to ensure annual incentives support motivation and retention accordingly. These schemes provide a clear link between pay and performance, ensuring that superior remuneration is paid only if superior performance is delivered.

Share ownership requirements

The Committee aims to ensure that our Remuneration Policy serves shareholder interests and closely reflects the Group's business strategy. Further, the Company recognises the importance of aligning the interests of Executive Directors with shareholders through the building up of a significant shareholding in the Company. Accordingly, the Company requires the Executive Directors to retain no less than 50 per cent of the net value of shares vesting under the Company's long-term incentive plans until such a time that they have reached a holding worth 250 per cent of salary. Shares owned outright, shares held in the Share Incentive Plan and unvested deferred bonus awards (net of taxes), will count towards this requirement. Executive Directors are expected to have reached this holding requirement within five years of the approval of this Policy or, if later, from their appointment date.

On cessation of employment, Executive Directors are required to retain their minimum shareholding requirement immediately prior to departure for two years. Shares acquired from own resources and/or in-flight LTIP Awards are excluded from the post-cessation shareholding requirement. Where their shareholding at departure is below the minimum requirement, the Executive Director's shareholding is required to be retained for two years. The Committee will operate a robust enforcement mechanism of the post-cessation shareholding requirement.

Incentive plan discretions

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

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

- who participates;
- the timing of grant and/or payment;
- the size of an award and/or payment (within the plan limits approved by shareholders);
- the manner in which awards are settled;
- the choice of (and adjustment of) performance measures and targets in accordance with the Remuneration Policy and the plan rules;
- in exceptional circumstances, amendment of any performance conditions applying to an award, provided the new performance conditions are considered fair and reasonable and are neither materially more nor materially less challenging than the original performance targets when set;
- discretion relating to the measurement of performance in the event of a variation of share capital, change of control, special dividend, distribution or any other corporate event which may affect the current or future value of an award;
- determination of a good leaver (in addition to any specified categories) for incentive-plan purposes, based on the plan rules and the appropriate treatment under the plan rules; and
- adjustments required in certain circumstances (e.g. rights issues, share buybacks, special dividends, other corporate events, etc.).

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

Minor changes

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

Dilution limits

In accordance with the Investment Association's Remuneration Principles, commitments to issue new shares under all of the Company's incentive plans will not exceed 10 per cent of issued Ordinary Share capital in any rolling 10-year period. In addition, commitments to issue new shares in respect of discretionary incentives awarded to executives and senior management will not exceed 5 per cent of issued Ordinary Share capital in any rolling 10-year period.

Illustration of application of the Executive Director Remuneration Policy

The 2020 Policy is geared towards performance-orientated pay, with a particular emphasis on long-term performance. For example, at 'on-target' performance, approximately 46 per cent of the CEO's remuneration package is delivered through variable components; this is increased from the 2017 Policy with the removal of the Restricted Share Awards.

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

Remuneration receivable for different performance scenarios

	Minimum	On-target	Maximum	Maximum with share price growth
Fixed pay	<ul style="list-style-type: none"> • 2021 salary, as disclosed in the Annual Report on Remuneration on page 106 • 2020 taxable benefits, as provided in the single figure table on page 95 • Pension contribution of 20 per cent of salary as provided in the single figure table on page 95 			
Annual bonus	Nil payout	Payout of 50 per cent of maximum	Maximum payout (120 per cent of salary)	As per maximum
Long-term incentive plan	Nil payout	Performance Share Awards vest at 25 per cent of maximum	Performance Share Awards vest in full (200 per cent of salary)	As per Maximum with a 50 per cent share price increase over three years

The chart below illustrates the potential reward opportunities for the current Executive Director for the four performance scenarios:

Richard Rose, Interim Chief Executive Officer and Finance Director (£'000s)



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

Approach to remuneration of Executive Directors on recruitment

In the cases of hiring or appointing a new Executive Director, the Committee may make use of all the existing components of remuneration.

The salaries of new appointees will be determined by reference to the experience and skills of the individual, relevant market data, internal relativities and their current salary, and may be higher or lower than the previous incumbent. Salaries may be set at a lower level initially with the intention of increasing salaries at a higher than usual rate as the executive gains experience in the role. New appointees will be eligible to receive a personal pension, benefits and to participate in the Company's HMRC approved all-employee share schemes, in line with the Policy.

The annual bonus structure described in the Policy Table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the period served. New appointees are eligible for awards under the Company's Long Term Incentive Plan which will normally be on the same terms as other Executive Directors, as described in the Policy Table.

When determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that the pay arrangements are in the best interests of both Premier and its shareholders. The Committee may consider it appropriate to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will use the existing Policy where possible or, in exceptional circumstances, the Committee may exercise the discretion available under Listing Rule 9.4.2R. The value of any such award will not be higher than the expected value of the outstanding equity awards and, in determining the expected value, the Committee will use a Black-Scholes, or equivalent, valuation and, where applicable, discount for any performance conditions attached to these awards.

In cases of appointing a new Executive Director by way of internal promotion, the Committee will apply the Policy for external appointees detailed above. Where an individual has contractual commitments that vary from our Policy for Executive Directors, but made prior to his or her promotion to Executive Director level, the Company will continue to honour these arrangements.

Service contracts and exit payments and change of control provisions

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

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

Director	Contract date	Unexpired term of contract
Richard Rose	25.07.14	Rolling contract

The Company will consider termination payments in light of the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. In such an event, the remuneration commitments in respect of the Executive Director contracts could amount to one year's remuneration based on salary, benefits in kind and pension rights during the notice period, together with payment in lieu of any accrued but untaken holiday leave, if applicable. There are provisions for termination with less than 12 months' notice by the Company in certain circumstances.

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

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

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

Note:

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

Upon exit or change of control, SAYE and SIP awards will be treated in line with the approved plan rules.

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

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

External appointments

Executive Directors are entitled to accept non-executive director appointments outside the Company and retain any fees received providing that the Board's prior approval is obtained. Details of external directorships held by Executive Directors along with fees retained are provided in the Annual Report on Remuneration.

Consideration of employment conditions elsewhere in the Company

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

Consideration of shareholder views

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

Non-Executive Director Remuneration Policy

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

Director	Year appointed as a Director	Date of current term of appointment
Roy A Franklin	2017	01.09.2020
Dave Blackwood	2017	10.08.2020
Anne Marie Cannon	2014	01.01.2020
Iain Macdonald	2016	23.04.2019
Elisabeth Proust	2020	01.04.2020
Mike Wheeler	2017	10.08.2020

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

Non-Executive Director fees

Purpose and link to strategy	<ul style="list-style-type: none"> To provide fees that allow Premier to attract and retain Non-Executive Directors of the highest calibre
Operation	<ul style="list-style-type: none"> Fees for Non-Executive Directors are normally reviewed at least every two years Fees are set with reference to oil and gas sector companies and UK-listed companies of a similar size to Premier Fees paid to the Chairman are determined by the Committee, while the fees of the other Non-Executive Directors are determined by the Board Additional fees are payable for additional responsibilities, including acting as Senior Independent Director, and as Chairman of any of the Board's Committees Adjustments are normally effective 1 January The Non-Executive Director fees for the financial year under review are disclosed in the Annual Report on Remuneration
Opportunity	<ul style="list-style-type: none"> Non-Executive Director fees are set at a level that is considered appropriate in the light of relevant market practice and the size/complexity of the role Aggregate fees are within the limit approved by shareholders in the Articles of Association
Performance metrics	<ul style="list-style-type: none"> Not applicable

Approach to Non-Executive Director recruitment remuneration

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

Annual Report on Remuneration

Committee membership and operation

Committee member	Date of appointment to the Committee	Scheduled meetings attended	Ad hoc meetings attended
Mike Wheeler (Committee Chair)	15 October 2018	4(4)	5(5)
Anne Marie Cannon	17 May 2017	4(4)	5(5)
Roy A Franklin	9 December 2020	1(1)	0(0)
Dave Blackwood	12 December 2017 (retired 3 March 2020)	2(2)	0(0)
Barbara Jeremiah	16 May 2019 (retired 30 November 2020)	3(3)	5(5)

Committee terms of reference

The Committee acts within written terms of reference which are reviewed regularly and published on the Company's website www.premier-oil.com. The terms of reference were reviewed in 2018 with amendments made in order to comply with the 2018 UK Corporate Governance Code. Minor amendments were also made in August 2020. The main responsibilities of the Committee include:

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

Advisers

The Remuneration Committee received advice on executive remuneration from PricewaterhouseCoopers LLP ('PwC') until 3 November 2020. From 20 November 2020 Aon plc ('Aon') were appointed by the Remuneration Committee as independent adviser. During 2020, PwC provided support and advice on remuneration for senior executives including the Policy review for Executive Directors, market practice and corporate governance developments, shareholder consultation, retirement and exit arrangements for Executive Directors and other stakeholder obligations. They also assisted with the drafting of the Directors' Remuneration Report and attended Committee meetings. The fees charged for the provision of independent advice to the Committee during the year were £202,500 from PwC, £14,750 from Aon and £23,141 from Bryan Cave Leighton Paisner ('BCLP'). Separately, both PwC and Aon provided performance updates on outstanding LTIP awards, for which fees for 2020 were £4,000 and £3,000 respectively. Other than in relation to advice on remuneration, PwC provides support to management in relation to tax reporting, tax compliance and ad hoc tax and accounting advice. PwC are founding members of the Remuneration Consultants Group and voluntarily operated under its Code of Conduct in dealings with the Committee. The Committee is satisfied that the PwC and Aon engagement teams, who provided remuneration advice to the Committee, do not have connections with Premier Oil plc or its Directors that may impair their independence. However, due to PwC's role as reporting accountant to the Company in respect of the Merger and Debt Restructuring, PwC resigned from its role as independent remuneration adviser on 3 November 2020. It is intended that Aon will serve as interim remuneration adviser to the Committee until completion of the Merger and the Debt Restructuring.

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

Voting on remuneration matters

Votes received at the 2020 AGM in respect of approval of the Annual Report on Remuneration along with votes received on the Directors' Remuneration Policy are set out below:

Resolution	Votes FOR and % of votes cast		Votes AGAINST and % of votes cast		Votes WITHHELD
Annual Report on Remuneration (2020 AGM)	321,033,466	94.20%	19,761,250	5.80%	2,581,313
Directors' Remuneration Policy (2020 AGM)	331,786,237	96.71%	11,300,114	3.29%	289,678

Single total figure of remuneration for Executive Directors (audited)

All figures in £'000s	Former Directors ^{1,6,7}					
	Richard Rose		Tony Durrant		Robin Allan	
	2020	2019	2020	2019	2020	2019
Fixed pay						
Salary	360.8	353.8	580.4	569.0	173.2	353.8
Taxable benefits ²	22.4	22.4	24.5	24.5	10.8	21.9
Pension ³	64.1	63.4	135.2	117.3	20.4	70.2
Other payments ⁴	1.8	1.8	1.5	1.5	0.9	1.5
Total fixed pay	449.1	441.4	741.6	712.3	205.3	447.4
Performance related pay						
Bonus	45.1	275.9	72.5	443.8	21.4	275.9
– LTIP: Value delivered through performance	–	48.7	–	78.3	–	71.5
– LTIP: Value delivered through share price growth	–	–	–	–	–	–
LTIP total⁵	–	48.7	–	78.3	–	71.5
Total performance related pay	45.1	324.6	72.5	522.1	21.4	347.4
Single total figure of remuneration	494.2	766.0	814.1	1,234.4	226.7	794.8

Notes to 2020 figures (unless stated):

- Tony Durrant and Robin Allan stepped down from the Board on 16 December 2020 and 25 June 2020 respectively.
- Taxable benefits include car allowance, healthcare and other taxable benefits.
- Richard Rose's pension figure includes a combination of pension contributions to the defined contribution scheme and a salary supplement. For other Executive Directors, pension figures are accrued pension entitlements under the Company's final salary scheme and exclude Director contributions.
- Other payments comprise Share Incentive Plan ('SIP') awards only. SIP awards are valued as the number of Matching Awards granted, multiplied by the share price at the date of award.
- As the 2017 long-term incentive awards had not vested at the point that the 2019 Directors' Remuneration Report was published, figures disclosed in that Report were calculated based on the average share price between 1 October 2019 and 31 December 2019. The long-term incentives for 2019 disclosed above are based on an actual share price at vesting of 14.21p for Richard Rose and Tony Durrant, and 20.87p for Robin Allan. Single-figure comparators for 2019 have been updated accordingly.
- The Company made a gross payment of £442,043 in lieu of Tony Durrant's notice period not worked. Tony Durrant also received a gross payment for loss of employment of £340,790. Further details of payments made to him are set out on page 96.
- The Company made a gross payment to Robin Allan of £285,908 in lieu of notice and a gross redundancy payment (inclusive of any statutory redundancy payment) of £67,842. Further details of payments made to him are set out page 96.

Single total figure of remuneration for Non-Executive Directors (audited)

All figures in £'000s		Roy A Franklin (Chairman)	Dave Blackwood	Anne Marie Cannon	Barbara Jeremiah ¹	Iain Macdonald	Elisabeth Proust ²	Mike Wheeler
	Base fee	2020	173.0	54.0	54.0	49.6	54.0	40.5
	2019	169.6	53.0	53.0	33.4	53.0	–	53.0
Additional fees ³	2020	–	8.1	10.8	9.9	10.8	–	0.9
	2019	–	–	–	3.9	10.6	–	–
Expenses ⁴	2020	1.9	–	–	4.1	–	0.2	–
	2019	5.2	–	–	0.5	–	–	–
Total	2020	174.9	62.1	64.8	63.6	64.8	40.7	54.9
	2019	174.8	53.0	53.0	37.8	63.6	–	53.0

Notes to 2020 figures (unless stated):

- Barbara Jeremiah stepped down from the Board on 30 November 2020.
- Elisabeth Proust joined the Board on 1 April 2020.
- Additional fees of £10,812 were payable for acting as Senior Independent Director or as Chair of a Committee. The Chairman of the Board waived the fee payable to him as Chair of the Nomination Committee.
- Amounts disclosed relate to taxable travel and accommodation expenses paid to Non-Executive Directors in respect of qualifying services during the year.

Payments for loss of office and payments to former Directors (audited)

Tony Durrant

Tony Durrant served as an Executive Director of the Company up to and including 16 December 2020 with his last day of employment being 31 December 2020. The Company made a gross payment of £442,043 in lieu of Tony Durrant's notice period not worked. Tony Durrant also received a gross payment for loss of employment of £340,790.

In respect of 2020 performance, Tony Durrant received a bonus of £72,548 relating to scorecard performance as disclosed on page 97.

The Remuneration Committee exercised its discretion to treat Tony Durrant as a 'good leaver' in relation to his Long-Term Incentive Plan and Deferred Bonus Plan awards. Under the good leaver provisions of the rules of the 2017 LTIP and, in accordance with the Remuneration Policy, Deferred Bonus Awards vested in full on termination. For outstanding awards granted in 2019 under the 2017 LTIP, they will vest, subject to performance, at their normal vesting dates and pro-rated on a time served basis. Any shares vesting under the LTIP remain subject to a two-year post vesting holding period providing shareholder alignment. As noted on page 98, PSA and RSA awards granted in 2018 will lapse in full. Tony Durrant's entitlements under the Share Incentive Plan and the SAYE scheme will be dealt with in accordance with the relevant plan rules. In addition, he will continue to hold a number of shares in the Company, in excess of the Policy requirement, following the termination of his employment until 31 December 2021.

In relation to the Company's contractual obligations to Tony Durrant, agreed on his appointment in 2005, to provide a pension benefit substantially as if he was a member of the defined benefit pension scheme without the earnings cap, a single final payment of £1,888,800 (subject to appropriate deductions for income tax and National Insurance contributions) was made to Tony Durrant. This payment is an amount by which the capitalised value of his target pension exceeds the value of the payments already made to him. Having taken legal advice, the Committee concluded that the pension benefits due to Tony Durrant represent legally binding contractual obligations which have therefore been settled accordingly. Further details regarding the actuarial assumptions used are set out on page 103.

Tony Durrant also received a contribution of £5,500 plus VAT towards legal fees incurred in connection with his departure.

Robin Allan

Robin Allan served as an Executive Director of the Company up to and including 25 June 2020. The Company made a gross payment of £285,908 in lieu of notice, subject to mitigation if he were to undertake work for another organisation from the end of his employment with the Company until 17 April 2021.

In respect of 2020 performance, Robin Allan received a bonus of £21,384 relating to scorecard performance as disclosed on page 97 and reflecting his active performance up to his departure date of 25 June 2020.

The Remuneration Committee exercised its discretion to treat Robin Allan as a 'good leaver' in relation to his Long-Term Incentive Plan and Deferred Bonus Plan awards. Under the good leaver provisions of the rules of the 2017 LTIP and in accordance with the Remuneration Policy, Deferred Bonus Awards vested in full on termination. For outstanding awards granted in 2019 under the 2017 LTIP, they will vest, subject to performance, at their normal vesting dates and pro-rated on a time served basis. Any shares vesting under the LTIP remain subject to a two-year post vesting holding period providing shareholder alignment. As noted on page 98, PSA and RSA awards granted in 2018 will lapse in full. Robin Allan's entitlements under the Share Incentive Plan, the Expat Share Incentive Plan and the SAYE scheme will be dealt with in accordance with the relevant plan rules. In addition, he will continue to hold a number of shares in the Company, in excess of the Policy requirement, following the termination of his employment until 17 April 2021.

In relation to the Company's contractual obligations to Robin Allan, agreed on his appointment to the Board in 2003, to provide a pension benefit substantially as if he was a member of the defined benefit pension scheme without the earnings cap, a single final payment of £1,473,200 was made to him following his departure from the Board. The payment was in respect of the amount by which the capitalised value of his target pension exceeded the value of the payments already made to him. Having taken legal advice, the Committee concluded that the pension benefits due to Robin Allan represent legally binding contractual obligations which have therefore been settled accordingly. Further details regarding the actuarial assumptions used are set out on page 103.

Robin Allan received a gross redundancy payment of £67,842 (inclusive of any statutory redundancy payment) and a contribution of £5,500 plus VAT towards legal fees incurred in connection with his departure.

As announced on 5 March 2020, Robin Allan will continue to work for Premier on a part-time consultancy basis, with a particular focus on ESG matters and Premier's response to the climate change agenda.

2020 Annual bonus outcome (audited)

The maximum bonus opportunity for Executives for 2020 was 120 per cent of salary. The scorecard below summarises the Group's performance against the financial and operational targets set by the Board for 2020 that are used to determine the level of bonus awarded.

2020 Corporate targets		Performance target ranges					Actual % of formulaic	outcome
Category	Target	Weighting	Threshold	Target	Stretch	performance		
Financial and operational	Operating cash flow	12.5%	US\$729m	US\$810m	US\$891m	US\$526.6m	0%	
	Production	12.5%	70.0kboepd	71.9kboepd	75kboepd	61.4kboepd	0%	
Project management	Tolmount first gas	12.5%	Q1 2021 first gas and on budget	December 2020 first gas and below budget	November 2020 first gas and below budget	Threshold not met	0%	
	Reserves replacement	12.5%	100%	110%	120%	Threshold not met	0%	
Exploration	Discovery/prospective resources	25%	Replacement of prospective resources by new licences	1 successful key well	2 successful key wells	Net addition +400mmboe	6.25%	
HSES	LTIR (Lost time injury rate per million man hours)	12.5%	0.26	0.21	0.00	0.65	0%	
	GHG intensity (te CO ₂ e/1000 te produced)	12.5%	160	152	144	153	5.85%	
Formulaic outcome total:								12.1%

Financial and operational**Outcome: Below threshold performance**

Group production for the year was below the threshold level due to production constraints on Catcher during the year, Huntington and Balmoral ceasing production and natural decline elsewhere in the portfolio. These operational challenges, combined with sustained low oil prices during the year due to the impact of COVID-19 on end user demand, led to operating cash flow also being below threshold.

Project management**Outcome: Below threshold performance**

The Tolmount development schedule was impacted by COVID-19 when the Italian yard where the platform was being built entered lockdown at the end of March. As a result of this delay, first gas from the field is now forecast for the second quarter of 2021. In terms of reserves replacement, despite a reserves upgrade on Catcher, incremental reserves downgrades on Natuna Block A, Chim São and Solan meant that the target was not met.

Exploration**Outcome: Threshold performance**

In excess of 400 mmboe of prospective resources were added during the year through prospect maturation on Block 30 in Mexico and in the Group's Andaman Sea acreage in Indonesia.

HSES**Outcome: Threshold performance**

The Group's lost time injury rate ('LTIR') per million man hours was 0.65 due to three lost time injury cases during the year, resulting in the threshold target for this measure not being met. In terms of emissions, GHG intensity was 153 tonnes of CO₂ equivalent per 1000 tonnes of production, thereby meeting the threshold level set at the start of the year. This demonstrates the initial benefits of the Group's new Environmental Improvement Hopper as a mechanism to reduce the Company's emissions and achieve our Net Zero commitment.

In January 2021, the Committee resolved to award bonuses to Executive Directors and employees across the organisation of 12.5 per cent of salary based on the provisional formulaic outcome at that time and subject to finalisation of the scorecard as part of the year-end reporting process. In March 2021 the scorecard outcome was finalised at 12.1 per cent based on the metrics outlined above. The Committee noted a 12.1 per cent outcome would result in a bonus award to Executive Directors and senior management of 14.5 per cent of salary (where the maximum bonus opportunity for those individuals is 120 per cent of salary). The Committee determined that, in view of market conditions, it was appropriate to use its discretion to deviate from the final formulaic outcome and instead award flat bonuses across the Group of 12.5 per cent of salary. For Executive Directors and senior management, this decision is a reduction in their annual bonus when compared with what would have been paid had the formulaic scorecard outcome been used.

Amounts paid to Executive Directors are set out overleaf. In accordance with the terms of their leaving arrangements, bonuses for Tony Durrant and Robin Allan were paid wholly in cash. 50 per cent of the bonus paid to Richard Rose will be deferred into shares in line with the Remuneration Policy.

Director	Bonus as % of maximum	Total value £000s	Cash amount £000s	Amount deferred into shares £000s
Richard Rose	10.4%	45.1	22.6	22.5
Former Director				
Tony Durrant	10.4%	72.5	72.5	–
Robin Allan ¹	10.3%	21.4	21.4	–

Note:

¹ The bonus awarded to Robin Allan is a pro-rated amount to reflect time served during the year.

LTIP vesting outcome in 2020 (audited)

In March 2021, the Committee assessed the Performance Targets for LTIP awards granted in 2018 with a vesting date of 15 March 2021. The Performance Period for these awards ran from 1 January 2018 to 31 December 2020 with the outcomes being as follows:

- **Performance Share Awards ('PSAs')**: Vesting levels for the PSAs granted in 2018 are subject to the Company's Total Shareholder Return ('TSR') over the Performance Period relative to a comparator group of 18 international oil and gas sector peers as set out below. During the Performance Period, three comparator companies delisted and were removed from the comparator group. The Company's TSR over the Performance Period was -75 per cent resulting in a ranking between 13th and 14th within the comparator group. Under the Group's Remuneration Policy, 25 per cent of an award vests for median performance, 100 per cent for upper decile performance and pro-rata vesting in between. The Company's ranking below the median of the comparator group for the 2018 PSA gives a vesting level of 0 per cent.
- **Restricted Share Awards ('RSAs')**: Vesting levels for the RSAs granted in 2018 are subject to a financial underpin based on the reduction of the ratio of net debt to EBITDA, as agreed with the Company's lenders. On 9 July 2020 the Company announced that it had entered into a Stable Platform Agreement with its lenders such that financial covenants would be waived through to 30 September 2020; this agreement was subsequently extended through to 5 November 2020. On 3 November 2020 the Company announced that it had entered into a Support Letter with lenders in respect of the proposed merger of Premier and Chrysaor such that the lenders agreed to waive financial covenants through to the completion of the transaction. Notwithstanding these covenant waivers and, in view of the fact that without such waivers certain covenants would have been breached, the Committee determined that the underpin in respect of the RSAs was not met and therefore the awards should not vest.

LTIP awards granted in 2020 under the terms of the 2017 Long Term Incentive Plan (audited)

Due to the exceptionally volatile market conditions during 2020, the Committee resolved that no grants of Performance Share Awards should be made.

TSR comparator group by Performance Share Award

Company	2018	2019	Company	2018	2019
Aker BP ASA	✓	✓	Kosmos Energy Ltd	✗	✓
Beach Energy Ltd	✓	✓	Lundin Energy	✓	✓
Cairn Energy Plc	✓	✓	Maurel & Prom	✓	✓
DNO ASA	✓	✓	Nostrum Oil & Gas Plc	✗	✓
Energiean Plc	✗	✓	Ophir Energy Plc	✓	✓
Energi Mega Persada Tbk	✓	✗	Origin Energy	✓	✗
EnQuest Plc	✓	✓	Pharos Energy Plc	✓	✓
Faroe Petroleum Plc	✓	✗	Rockhopper Exploration Plc	✓	✓
Forza Petroleum Plc	✓	✗	Santos Ltd	✓	✓
Genel Energy Plc	✓	✓	Tullow Oil Plc	✓	✓
Gulf Keystone Petroleum Ltd	✓	✓			

Notes:

The following amendments have been made to the comparator groups since the date of award:

- Origin Energy has been removed from the 2018 comparator group following the sale of its upstream oil and gas assets to Beach Energy.
- Ophir Energy has been removed from all comparator groups following the takeover by Medco.
- Faroe Petroleum has been removed from the 2018 comparator group following the takeover by DNO.
- SOCO International changed its name to Pharos Energy on 16 October 2019.
- Lundin Petroleum changed its name to Lundin Energy on 21 May 2020.
- Oryx Petroleum changed its name to Forza Petroleum on 10 December 2020.

Outstanding share awards

2017 Long Term Incentive Plan ('2017 LTIP')

As at 31 December 2020, Richard Rose, Robin Allan and Tony Durrant held the following outstanding Performance Share Awards ('PSA') and Restricted Share Awards ('RSA') under the 2017 LTIP:

Director	Award type	Date of grant	Awards held at 1 January 2020	Granted	Lapsed	Vested	Awards held at 31 December 2020	Market price of shares on date of award	Earliest vesting date
Richard Rose	PSA 2017-20	01.09.17	562,784	–	348,927	213,857	–	55.00p	01.09.20
	PSA 2018-21	15.03.18	865,458	–	–	–	865,458	71.53p	15.03.21
	PSA 2019-22	14.03.19	787,010	–	–	–	787,010	78.66p	14.03.22
	RSA 2017-20	01.09.17	128,636	–	–	42,878	85,758	55.00p	01.09.20
	RSA 2018-21	15.03.18	98,909	–	–	–	98,909	71.53p	15.03.21
	RSA 2019-22	14.03.19	89,944	–	–	–	89,944	78.66p	14.03.22
			2,532,741	–	348,927	256,735	1,927,079		
Former Director									
Robin Allan	PSA 2017-20	01.09.17	562,784	–	366,748	196,036	–	55.00p	01.09.20
	PSA 2018-21	15.03.18	865,458	–	216,364	–	649,094	71.53p	15.03.21
	PSA 2019-22	14.03.19	787,010	–	459,089	–	327,921	78.66p	14.03.22
	RSA 2017-20	01.09.17	128,636	–	36,268	39,305	53,063	55.00p	01.09.20
	RSA 2018-21	15.03.18	98,909	–	40,800	–	58,109	71.53p	15.03.21
	RSA 2019-22	14.03.19	89,944	–	60,588	–	29,356	78.66p	14.03.22
			2,532,741	–	1,179,857	235,341	1,117,543		
Tony Durrant	PSA 2017-20	01.09.17	905,227	–	561,241	343,986	–	55.00p	01.09.20
	PSA 2018-21	15.03.18	1,392,073	–	116,006	–	1,276,067	71.53p	15.03.21
	PSA 2019-22	14.03.19	1,265,891	–	527,455	–	738,436	78.66p	14.03.22
	RSA 2017-20	01.09.17	206,909	–	34,485	68,969	103,455	55.00p	01.09.20
	RSA 2018-21	15.03.18	159,094	–	44,855	–	114,239	71.53p	15.03.21
	RSA 2019-22	14.03.19	144,673	–	78,566	–	66,107	78.66p	14.03.22
			4,073,867	–	1,362,608	412,955	2,298,304		

Notes:

- Awards shown as lapsed for Robin Allan and Tony Durrant illustrate the impact of time pro-rating following cessation of their employment on 25 June 2020 and 31 December 2020 respectively.
- Any vested awards are subject to a two-year holding period such that the total time horizon is five years.
- Restricted Share Awards vest in one third increments in years three, four and five respectively, subject to continued employment and the achievement of the financial underpin at the end of year three.
- Vesting outcomes for PSAs and RSAs that vested on 01.09.20 were determined by the Committee in March 2020 in respect of the performance period running between 1 January 2017 and 31 December 2019.

2009 Long Term Incentive Plan ('2009 LTIP')

On 4 March 2019, the Committee determined that the Equity Pool and Performance Share Awards granted to Executive Directors on 1 January 2016 should vest. Details of the vesting outcomes are set out on page 98 of the Company's 2018 Annual Report. 50 per cent of the vested awards were released immediately with the remaining 50 per cent being granted as a Deferred Share Award subject to a further three-year deferral period. The table below sets out details of the Executive Directors' outstanding awards under the 2009 LTIP.

Director	Award type	Date of grant	Awards held at 1 January 2020	Granted	Lapsed	Vested	Awards held at 31 December 2020	Market price of shares on date of award	Earliest vesting date
Richard Rose	Deferred Share Award	01.01.19	151,499	–	–	–	151,499	78.66p	01.01.22
Former Director									
Robin Allan	Deferred Share Award	01.01.19	168,285	–	–	–	168,285	78.66p	01.01.22
Tony Durrant	Deferred Share Award	01.01.19	294,849	–	–	–	294,849	78.66p	01.01.22

Deferred Bonus Awards

As at 31 December 2020 the following Deferred Bonus Awards were held in respect of the deferred element of the annual bonus awarded for the years ending 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019.

Director	Date of grant	Awards held at 1 January 2020	Granted	Lapsed	Vested	Awards held at 31 December 2020	Market price of shares on date of award ¹	Earliest vesting date (or date of leaving)	
Richard Rose	12.04.17	72,437	–	–	72,437	–	65.85p	12.04.20	
	15.03.18	129,077	–	–	–	129,077	71.53p	15.03.21	
	14.03.19	74,113	–	–	–	74,113	78.66p	14.03.22	
	25.06.20	–	193,517	–	–	193,517	51.18p	25.06.23	
		275,627	193,517	–	72,437	396,707			
Former Director									
Robin Allan	12.04.17	77,357	–	–	77,357	–	65.85p	12.04.20	
	15.03.18	123,637	–	–	123,637	–	71.53p	25.06.20	
	14.03.19	62,016	–	–	62,016	–	78.66p	25.06.20	
	25.06.20	–	193,517	–	193,517	–	51.18p	25.06.20	
		263,010	193,517	–	456,527	–			
Tony Durrant	12.04.17	142,574	–	–	142,574	–	65.85p	12.04.20	
	15.03.18	207,617	–	–	207,617	–	71.53p	31.12.20	
	14.03.19	109,155	–	–	109,155	–	78.66p	31.12.20	
	25.06.20	–	311,269	–	311,269	–	51.18p	31.12.20	
		459,346	311,269	–	770,615	–			

Notes:

1 The average of the closing prices of a Premier Oil share over the five dealing days immediately preceding the award date.

2 Awards for Robin Allan and Tony Durrant vested on cessation of their employment on 25 June 2020 and 31 December 2020 respectively.

All-employee share schemes

The Executive Directors may also participate, on the same terms as all other eligible employees, in a Share Incentive Plan ('SIP') and a Savings Related Share Option Scheme ('SAYE Scheme'). Executive Directors' interests under the SAYE Scheme are shown below:

Director	Date of grant	Exercisable dates	Acquisition price per share	Options held at 1 January 2020	Granted	Exercised	Lapsed	Options held at 31 December 2020
Richard Rose	08.05.19	01.06.22 – 30.11.22	100.45p	17,919	–	–	17,919	–
	05.05.20	01.06.23 – 30.11.23	27.67p	–	65,052	–	–	65,052
Former Director								
Robin Allan	08.05.19	01.06.22 – 30.11.22	100.45p	17,919	–	–	17,919	–
Tony Durrant	08.05.19	01.06.22 – 30.11.22	100.45p	17,919	–	–	17,919	–
	05.05.20	01.06.23 – 30.11.23	27.67p	–	65,052	–	–	65,052

Shares held beneficially in the SIP by the Executive Directors during the financial year were as follows:

Director	Shares held on 1 January 2020	Total Partnership Shares purchased in 2020 at prices between £0.1158 and £0.9928	Total Matching Shares awarded in 2020 at prices between £0.1158 and £0.9928	Shares held on 31 December 2020	Partnership and Matching Shares acquired between 1 January and 4 March 2021
Richard Rose	23,742	6,743	6,743	37,228	4,020
Former Director					
Robin Allan¹	39,664	2,250	2,250	44,164	–
Tony Durrant²	29,211	5,618	5,618	40,447	1,240

Notes:

1 Robin Allan participated in the plan until his leaving date of 25 June 2020 but was included in the July monthly purchase.

2 Tony Durrant participated in the plan until his leaving date of 31 December 2020 but was included in January 2021 monthly purchase.

Statement of directors' shareholdings and scheme interests (audited)

The table below summarises the Directors' interests in shares, including unvested awards under employee share schemes, as at 31 December 2020. Further details of all outstanding awards are provided on pages 99 to 101.

Director	Owned outright at 31 December 2020 (or date of leaving) ¹	Deferred shares subject to continued employment at 31 December 2020 (or date of leaving) ^{2,3}	Unvested shares subject to performance at 31 December 2020 ⁴	Unvested SAYE options at 31 December 2020
Dave Blackwood	10,000	–	–	–
Anne Marie Cannon	10,000	–	–	–
Roy A Franklin	60,000	–	–	–
Iain Macdonald	23,076	–	–	–
Elisabeth Proust	10,000	–	–	–
Richard Rose	419,492	548,206	1,927,079	65,052
Mike Wheeler	30,000	–	–	–
Former Director				
Robin Allan ⁵	837,656	547,455	1,117,543	–
Tony Durrant ⁶	1,976,164	922,890	2,298,304	65,052
Barbara Jeremiah ⁷	10,000	–	–	–

- Notes:**
- Owned outright includes shares held by the Director and/or connected persons. This figure also includes shares held in the tax-advantaged Share Incentive Plan ('SIP') which may be subject to forfeiture on leaving the Company, dependent upon the time for which they have been held.
 - Deferred shares subject to continued employment comprise Deferred Bonus Awards and Deferred Share Awards under the 2009 LTIP. The awards are subject to malus and clawback in the event of a material misstatement of the Company's financial results, gross misconduct or material error in the calculation of performance conditions. The Committee may exercise clawback until the later of: (i) one year from vesting, or (ii) the completion of the next audit after vesting.
 - Deferred bonus shares for Robin Allan and Tony Durrant vested on cessation of their employment on 25 June 2020 and 31 December 2020 respectively.
 - Unvested shares for Robin Allan and Tony Durrant illustrate the impact of time pro-rating following cessation of their employment.
 - Shares owned outright are reported as at 25 June 2020, the date on which Robin Allan's directorship ceased.
 - Shares owned outright are reported as at 16 December 2020, the date on which Tony Durrant's directorship ceased.
 - Shares owned outright are reported as at 30 November 2020, the date on which Barbara Jeremiah's directorship ceased.

Awards under all of the Company's share schemes may be met using a combination of market purchases, financed by the Company through the Premier Oil plc Employee Benefit Trust, and newly issued shares. The Company complies with the Investment Association's recommended guidelines on shareholder dilution through employee share schemes: awards under the Group's discretionary schemes which may be satisfied with newly issued shares must not exceed 5 per cent of the Company's issued share capital in any rolling 10-year period, and the total of all awards satisfied with newly issued shares under all plans must not exceed 10 per cent of the Company's issued share capital in any rolling 10-year period.

Directors' shareholding requirements

The Company requires the Executive Directors to retain no less than 50 per cent of the net value of shares vesting under the Company's long-term incentive plans until such a time that they have reached a holding worth 250 per cent of salary. Shares owned outright, shares held in the Share Incentive Plan and unvested deferred bonus awards (net of taxes), count towards this requirement. Under the Company's Remuneration Policy, the shareholding requirement extends for two years post-cessation of employment. Shares acquired from own resources and/or in-flight LTIP awards are excluded from the post-cessation shareholding requirement. The shares held by the departing Executive Directors were granted prior to the adoption of the post-cessation requirement and are therefore exempt. However, any outstanding awards under the 2017 LTIP remain subject to their original vesting dates and a two-year post-vesting holding period.

Based on an average share price of £0.17 during the final three months of 2020, Richard Rose's shareholding as a percentage of his base salary was 30 per cent, including the net value of his outstanding deferred share awards.

Total pension entitlements (audited)

In line with the Policy, as Executive Directors appointed prior to 20 August 2013, the Company is committed to providing Robin Allan and Tony Durrant with the cash value of a target pension calculated as if they were contributing members of the Company's final salary Retirement and Death Benefits Plan (the 'Scheme'), not subject to the Scheme's cap on pensionable earnings (£170,400 for the 2020/21 tax year). This cash value is assessed at the point that the individual ceases to be an Executive Director or at an earlier date of their choosing and the Company will make good at that time any shortfall relative to the value of payments which had already been made. The normal retirement age is 60, although benefits can accrue until the relevant Executive Director ceases employment. Having taken legal advice, the Committee has concluded that these pension benefits for Robin Allan and Tony Durrant represent legally binding contractual obligations.

Financial provision for this commitment is made by giving Directors a pension allowance equal to 20 per cent of salary. At their option, part or all of this allowance may be paid as cash (subject to a deduction in respect of the Company's national insurance contributions) with any balance being contributed to an approved pension plan. In addition, at its discretion, the Company may pay supplemental cash sums to the Directors in order to reduce the projected extent of any eventual shortfall.

The accrued pension entitlements of the Directors are as follows:

	(a) Accrued pension as at 31 December 2019 £'000s pa ^{2,4}	(b) Accrued pension in (a) after allowing for inflation £'000s pa ⁴	(c) Accrued pension as at date of leaving £'000s pa ^{2,4}	(d) Value of growth in accrued pension above inflation £'000s ^{3,4}	(e) Deduction for deemed contributions by Director £'000s ⁴	(f) Value of growth in accrued pension above inflation less deemed contributions by Director £'000s ⁴
Former Directors						
Tony Durrant ¹	159.5	162.2	170.5	166.0	30.8	135.2
Robin Allan ^{1,5}	107.2	109.0	110.5	30.0	9.6	20.4

Notes:

- Tony Durrant and Robin Allan crystallised their benefit under this structure with effect from 2 December 2020 and 25 June 2020 respectively.
- The amounts of accrued pension under (a) represent the accrued pension entitlements of the Director as at 31 December 2019 and under (c) relate to the accrued pension entitlements at the relevant date set out in note 1.
- The values under (d) have been calculated by applying a capitalisation factor of 20 to the difference between amounts shown in (c) and (b) and are principally due to the additional pension accrued over the year.
- The values stated above correspond with the target level of final salary pension provision; in practice, the pension benefits for these Directors are principally established through individual money purchase arrangements and salary supplements.
- In addition to the current provision noted above, Robin Allan is entitled to a deferred pension under the Scheme in respect of service with the Company between September 1986 and November 1999.

As a Director who joined the Company after 20 August 2013, Richard Rose is entitled to receive a pension contribution and/or cash supplement equal to 20 per cent of his salary.

Payments made by the Company in respect of pension benefits in relation to 2020 are summarised below:

Former Directors	Pension plan contributions £'000s	Cash payments made during 2020 £'000s	Total pension benefits paid by Company £'000s
Tony Durrant	0.0	1,983.1	1,983.1
Robin Allan	0.0	1,503.6	1,503.6
Director			
Richard Rose	5.5	58.6	64.1

In respect of 2020, Tony Durrant and Robin Allan elected to receive their total pension entitlement in cash.

Richard Rose receives a contribution to the defined contribution scheme and receives the remaining amount of his entitlement in cash. Under the defined contribution scheme, Richard Rose's normal retirement age is 65.

In relation to the Company's contractual obligations to Tony Durrant and Robin Allan, as set out in their service contracts agreed in 2005 and 2003 respectively, to provide a pension substantially as if they were a member of the defined benefit pension scheme without the earnings cap, the Company's obligations were settled by lump sum payments of £1,888,800 and £1,473,200 respectively.

Former Executive Director external appointments

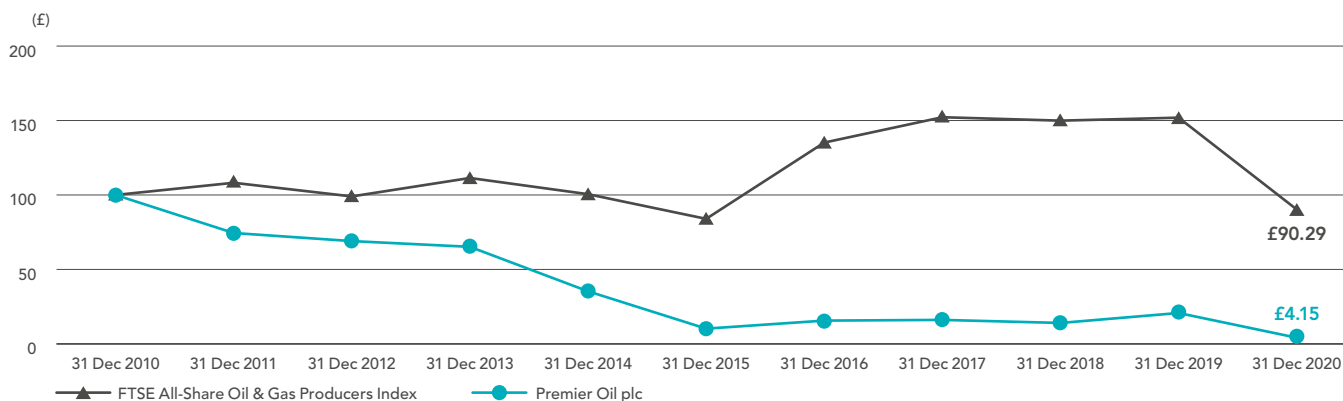
Executive Directors are permitted to accept non-executive appointments outside the Company providing that the Board's approval is obtained. Robin Allan is Chairman of the Association of British Independent Oil Exploration Companies ('BRINDEX') and received no fee for this role. Robin Allan was also a Board member of Oil & Gas UK until 3 July 2020. He did not receive a fee for this role.

Comparison of Company performance

The chart below compares the value of £100 invested in Premier shares, including re-invested dividends, on 31 December 2010 compared to the equivalent investment in the FTSE All-Share Oil & Gas Producers Index over the last ten financial years. The FTSE All-Share Oil & Gas Producers Index has been chosen as it comprises companies who are exposed to broadly similar risks and opportunities as Premier.

10-year TSR performance

Value of £100 invested on 31 December 2010:



Note:

1 The closing share price of the Company on 31 December 2020 was 19.64p. On 17 March 2021, being the date of approval of this Report, the closing share price was 29.85p.

The table below shows the CEO single figure of remuneration for the past 10 years and corresponding performance under the annual and long-term incentives, as a percentage of maximum.

Year	CEO	CEO single figure of remuneration £'000s	Annual bonus payout as % of maximum	Equity Pool as % of maximum ¹	Restricted Share Award vesting as % of maximum ²	Performance Share Award vesting as % of maximum	Matching Share Award vesting as % of maximum
2011	Simon Lockett	3,827.3	55%	100%	N/A	100%	100%
2012	Simon Lockett	2,728.2	45%	0%	N/A	90%	66%
2013	Simon Lockett	1,002.7	24%	0%	N/A	0%	0%
2014 ³	Simon Lockett	680.3	39% (and pro-rated)	0%	N/A	0%	0%
	Tony Durrant	428.7	40%	0%	N/A	0%	0%
2015	Tony Durrant	1,040.4	10%	0%	N/A	0%	0%
2016	Tony Durrant	1,404.3	66.5%	0%	N/A	0%	0%
2017	Tony Durrant	1,474.3	63.4%	0%	N/A	0%	0%
2018	Tony Durrant	1,558.4	54.3%	45.1%	N/A	75.1%	0%
2019	Tony Durrant	1,631.1	65%	N/A	100%	38%	N/A
2020 ⁴	Tony Durrant	814.1	10.4%	N/A	0%	0%	N/A

Notes:

1 Maximum opportunity for the 2016 Equity Pool was 50 per cent of salary.

2 The maximum opportunity for the Restricted Share Award was 20 per cent of salary.

3 Figures shown for 2014 for Tony Durrant relate to the period during 2014 that he served as Chief Executive Officer: 25 June to 31 December 2014; and for Simon Lockett relate to the period during 2014 that he served as Chief Executive Officer: 1 January to 25 June 2014.

4 Tony Durrant stepped down from the Board on 16 December 2020.

Percentage change in Directors' remuneration compared with other employees

The table below shows the percentage change in Directors' remuneration, comprising salary/fees, taxable benefits and annual bonus, and comparable data for the average of all UK-based employees within the Company. The Company has chosen UK-based employees as the comparator group for the Company as a whole, due to countries outside the UK having significantly different inflation rates.

	Salary/fees	Taxable benefits	Annual bonus ¹
Executive Directors			
Richard Rose	1.98%	0%	(83.65%)
Non-Executive Directors			
Roy A Franklin	2.00%	–	–
Dave Blackwood ³	17.36%	–	–
Anne Marie Cannon ⁴	22.45%	–	–
Iain Macdonald	2.04%	–	–
Elisabeth Proust	N/A	–	–
Mike Wheeler ⁵	3.77%	–	–
UK-based employees² (average per capita)	2.51%	(3.54%)	(69.43%)

Notes:

1 Includes cash bonus and amount deferred into shares (amounts above 50 per cent of salary are deferred into shares).

2 UK-based employees who were employed for the full year in both 2019 and 2020.

3 Increased fees for Dave Blackwood reflect additional amounts payable to him in respect of his Chairmanship of the HSES Committee which was constituted in April 2020.

4 Increased fees for Anne Marie Cannon reflect additional amounts payable to her in respect of her new role as Senior Independent Director from January 2020.

5 Increased fees for Mike Wheeler reflect additional amounts payable to him in respect of his Chairmanship of the Remuneration Committee from December 2020.

CEO pay ratio

In accordance with new statutory requirements in the UK, listed companies with more than 250 employees are required to disclose annually the ratio of their CEO's pay to the median, lower quartile and upper quartile pay of their UK employees. The table below sets out the CEO pay ratio for the Company for 2020.

Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2020	Method A	10.8 : 1	7.5 : 1	5.1 : 1
	Total pay and benefits	£75,717	£108,225	£160,027
	Salary	£58,140	£81,412	£121,107
2019	Method A	19.8 : 1	11.9 : 1	8.2 : 1
	Total pay and benefits	£82,237	£136,538	£200,076
	Salary	£52,508	£79,465	£124,584

The Committee believes that, of the methodologies permitted under the regulations, Method A provides the most statistically accurate representation of the Chief Executive Officer's remuneration relative to the UK workforce. Total pay and benefits (on a full-time equivalent basis) for the people employed during the full 12-month period to 31 December 2020 have been calculated in line with the 'single figure methodology' used for the Chief Executive Officer. Employees were then ranked to identify each individual at the 25th, 50th and 75th percentiles.

The median pay ratio is consistent with the pay, reward and progression policies for the Company's UK employees as a whole, as we have pay grades benchmarked to the oil and gas industry, a graduated bonus scheme based on these grades and share plans for all employees. The results are consistent for the professional nature of our workforce and we would not expect to see a disconnect between the CEO pay and the pay of the UK workforce.

Relative importance of spend on pay

The table below shows the Company's actual expenditure on shareholder distributions and total employee pay expenditure for the financial years ending 31 December 2019 and 31 December 2020. Total shareholder distribution expenditure is composed of dividends and share buybacks. The Company did not pay a dividend nor re-purchase shares for the financial years ending 31 December 2019 and 31 December 2020.

	2020 US\$ million	2019 US\$ million	% change
Remuneration paid to or receivable by all employees of the Group	108.5	120.2	(9.7%)
Distributions to shareholders by way of dividend	–	–	–
Distributions to shareholders by way of share buyback	–	–	–

Implementation of Executive Director Remuneration Policy for 2021

This section sets out the proposed implementation of the Directors' Remuneration Policy in 2021.

Salary

The salaries of the Executive Directors are reviewed annually to ensure they remain appropriate. Below are the base salaries of the Executive Directors effective from 1 January 2021.

Director	Position	Salary from 1 January 2020 £	Salary from 1 January 2021 £	Percentage increase %
Richard Rose	Interim Chief Executive Officer and Finance Director	360,825	360,825	0%

In addition to Richard Rose's base salary, the Committee has approved an additional gross salary allowance of £15,000 per month in view of his agreement to act as Interim Chief Executive Officer and Finance Director through to completion of the merger with Chrysaor. Furthermore, in the event that Richard Rose's additional salary allowance and 2020 bonus award is less in aggregate than £350,000, the Company will make a further payment to him of an amount equal to £350,000 less the value of the aforementioned payments in consideration of his continued employment and appointment as an Executive Director. Full details regarding the final payments made to Richard will be disclosed in the Annual Report on Remuneration for 2021.

Pension, benefits and all-employee share plans

There are no changes intended to the benefits or rights of participation in all-employee share plans provided to Executive Directors. Pension contributions and arrangements for the existing Executive Directors will be unchanged compared to 2021.

Annual bonus

The Executive Director annual bonus corporate scorecard, setting out measures and targets for 2021, is summarised below. The scorecard is subject to review by the Committee following completion of the merger with Chrysaor.

Category	Targets	Weighting (% of maximum corporate bonus opportunity)
1. Operational	Production	12.5%
2. Finance	Capex and costs	15%
3. HSES	Safety and environmental performance	20%
4. Exploration	Discovery/prospective resources	7.5%
5. Strategic/corporate projects	Special projects	45%

2017 Long Term Incentive Plan

The Committee does not intend to make any grants to Executive Directors under the 2017 LTIP. However, the position will be reviewed by the Committee following completion of the merger with Chrysaor.

Non-Executive Director remuneration

No increases are proposed for Non-Executive Director fees during 2021, however, the position will be reviewed by the Committee following completion of the merger with Chrysaor.

Role	Fee type	From 1 January 2020 £	From 1 January 2021 £	Percentage increase %
Chairman	Total fee	172,992	172,992	0%
Other Non-Executive Directors	Basic fee	54,060	54,060	0%
	Committee Chairmanship	10,812	10,812	0%
	Senior Independent Director	10,812	10,812	0%

Exercise of Committee discretion

The table below illustrates how the Committee has exercised discretion in relation to long-term incentives and the bonus plan over the five-year period ending 31 December 2020.

Year	Annual bonus	Long-term incentives
2016	None	2009 Long Term Incentive Plan: Performance Share Awards scaled back by 50% of maximum potential opportunity; Equity Pool Awards vesting capped at 50% of base salary; Matching Award removed.
2017	None	2017 Long Term Incentive Plan: Restricted Share Awards and Performance Share Awards scaled back by 50% of the maximum potential opportunity.
2018	None	2017 Long Term Incentive Plan: Restricted Share Awards scaled back by 50% of maximum potential opportunity. Full vesting of the Performance Share Awards requires Premier Oil TSR to be upper decile relative to the TSR of comparators, as opposed to upper quartile TSR.
2019	Total bonus outcome reduced to 65% (formulaic outcome of 66.3%)	2017 Long Term Incentive Plan: Restricted Share Awards scaled back by 50% of maximum potential opportunity. Full vesting of the Performance Share Awards requires Premier Oil TSR to be upper decile relative to the TSR of comparators, as opposed to upper quartile TSR.
2020	Total bonus outcome reduced to 12.5% of salary (formulaic outcome of 12.1% of 120% maximum)	No long-term incentive awards granted. Performance underpin for the Restricted Share Awards vesting during the year deemed not to have been met.

In relation to retention and leaving arrangements for the Executive Directors and, in accordance with the Company's Remuneration Policy, the Committee exercised discretion over the course of the year as follows:

- Determined that Robin Allan and Tony Durrant would be treated as 'good leavers' under the terms of the 2017 LTIP;
- Determined that 2020 bonus awards for Robin Allan and Tony Durrant should be paid entirely in cash; and
- Determined that Richard Rose be paid a gross amount on completion of the merger with Chrysaor of £350,000, less the aggregate value of all gross monthly salary supplements and his gross 2020 bonus award.

In view of the exceptional circumstances faced by the Company during 2020, the Committee is of the view that the discretion exercised in each of these areas is in the best interests of the Company and its shareholders.

For and on behalf of the Remuneration Committee:

Mike Wheeler

Committee Chair
17 March 2021

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the audited Group financial statements and Auditors' Report for the year ended 31 December 2020. There are certain disclosure requirements which form part of the Directors' Report and are included elsewhere in this Annual Report. The location of information incorporated by reference into this Directors' Report is set out on the next page.

Dividend

No dividend is proposed in respect of the year ended 31 December 2020 (2019: nil).

Annual General Meeting

The Company anticipates that the next AGM will be held on 23 June 2021. The Notice of the AGM, together with details of all resolutions which will be placed before the meeting, will be published in due course and will be available online.

Directors

The Directors of the Company as at 17 March 2021 are shown on pages 64 and 65.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a General Meeting of shareholders.

The Company's Articles of Association contain provisions regarding the appointment, retirement and removal of Directors.

A Director may be appointed by an ordinary resolution of shareholders in a General Meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. The Directors may appoint a Director during any year provided that the individual stands for election by shareholders at the next AGM. Further detail regarding the appointment and replacement of Directors is included in the Corporate Governance Report.

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company. Details of the Matters Reserved for the Board are set out on the Company's website and summarised in the Corporate Governance Report on page 66.

Indemnification of Directors and insurance

During the financial year, the Company had in place an indemnity to each of its Directors and the Company Secretary under which the Company will, to the fullest extent permitted by law and to the extent provided by the Articles of Association, indemnify them against all costs, charges, losses and liabilities incurred by them in the execution of their duties. The indemnity was in force for all Directors who served during the year. The Company also has Directors' and Officers' liability insurance in place.

Share capital

Details of the Company's issued share capital, together with details of any movement in the issued share capital during the year, are shown in note 20 to the consolidated financial statements on page 154. The Company has one class of Ordinary Shares which carries no right to fixed income. Each share carries the right to one vote at General Meetings of the Company.

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares, subject to an appropriate authority being given to the Directors by shareholders in a General Meeting and any conditions attaching to such authority. The current authority, approved at the General Meeting held on 25 June 2020, for the allotment of relevant securities is for a nominal amount of up to (i) £34,994,356 and (ii) equity securities up to a nominal amount of £69,988,713 less the nominal amount of any shares issued under part (i) of the authority.

In addition to the authority given at the 2020 AGM, at the General Meeting held on 15 June 2017, in connection with the Company's refinancing which was completed on 28 July 2017 shareholders authorised the Directors to allot Ordinary Shares in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary Shares in the Company up to a nominal amount of £59,039,247.10. This authority is specific to the issue of shares pursuant to the terms of the Company's refinancing. Further details are contained in the Circular to Shareholders dated 30 May 2017, a copy of which can be accessed in the Shareholder Information section of the Company's website.

Furthermore, at the 2020 AGM, shareholders authorised the Directors to make market purchases up to a maximum of approximately 10 per cent of the Company's issued share capital (being £10,498,307 in nominal value) excluding treasury shares. Any shares purchased under this authority may either be cancelled or may be held as treasury shares provided that the number of shares held does not exceed 10 per cent of issued share capital. No shares were bought back during the year.

There are no specific restrictions on the size of a holding nor on the transfer of shares, both of which are governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of employee share schemes are set out in note 21 to the consolidated financial statements on page 155. The voting rights in relation to the shares held within the Employee Benefit Trust are exercisable by the Trustee but it has no obligation to do so. Details of the number of shares held by the Employee Benefit Trust are set out in note 20 on page 154. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

American Depositary Receipt programme

Premier Oil plc has a sponsored Level 1 American Depositary Receipt ('ADR') programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one Ordinary Share of the Company. The ADRs trade on the US over-the-counter market under the symbol PMO1Y.

Significant shareholdings

As at 17 March 2021, the Company had received notification from the institutions below, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of their significant holdings of voting rights (3 per cent or more) in its Ordinary Shares:

Name of shareholder	Date of notification to the stock exchange	Notified number of voting rights	Notified percentage of voting rights ¹	Nature of holding
Aberforth Partners LLP	12.11.2020	69,389,053	7.50%	Indirect
Goldman Sachs Group, Inc	08.03.2021	57,908,282	6.26%	Indirect
Schroders Plc	17.09.2020	46,563,242	5.03%	Indirect
Artemis Investment Management LLP	13.05.2015	25,451,951	4.98%	Direct & Indirect
Aviva plc and its subsidiaries ¹	27.04.2009	3,933,529	4.95%	Direct & Indirect
Dimensional Fund Advisors LP	15.06.2020	43,531,400	4.72%	Indirect
AXA Investment Managers SA	03.03.2017	23,907,981	4.68%	Indirect
Ameriprise Financial Inc	20.01.2012	24,666,346	4.66%	Direct & Indirect

Note:

¹ Interests shown for Aviva plc and its subsidiaries pre-date the Share Split in 2011.

Hedging and risk management

Details of the Group's hedging and risk management are provided in the Financial Review on pages 49 and 50. A further disclosure has been made in note 18 to the consolidated financial statements on pages 148 to 152, related to various financial instruments and exposure of the Group to price, credit, liquidity and cash flow risk.

Significant agreements

The following significant agreements will, in the event of a change of control of the Company, be affected as follows:

- Under the US\$718,967,054 super senior revolving credit facility agreement between, among others, the Company, certain subsidiaries of the Company and a syndicate of financial institutions, upon a change of control the commitments under the agreement would be cancelled and all amounts owing would be immediately due and payable.
- Under the US\$1,781,032,945 senior revolving credit facility agreement between, among others, the Company, certain subsidiaries of the Company and a syndicate of financial institutions, upon a change of control the commitments under the agreement would be cancelled and all amounts owing would be immediately due and payable.
- Under the £100 million and US\$150 million term loan facilities between, among others, the Company, certain subsidiaries of the Company and current lenders, upon a change of control, the commitments under the agreement would be cancelled and all amounts owing would be immediately due and payable.
- The Group has outstanding retail bonds with a principal amount of £150 million which were issued under a £500 million Euro Medium Term Notes programme. Upon a change of control, the bonds would become immediately redeemable, together with any accrued interest.
- The Group has outstanding senior loan notes totalling €63.6 million and US\$335 million, which were issued to insurance companies and funds predominantly based in the US. Upon a change of control, the entire unpaid principal amount of the notes would become immediately repayable, together with any accrued interest.
- The Company has an outstanding English-law governed term loan facility totalling US\$130 million. Upon a change of control, the commitments under the facility would be cancelled and all amounts owing would be immediately due and payable, together with accrued interest.

Political donations

No political donations were made during the year (2019: US\$nil).

Significant events since 31 December 2020

Details of significant events since the balance sheet date are contained in note 6 to the financial statements on page 139.

Information set out in the Strategic Report

The Strategic Report set out on pages 2 to 61 provides a comprehensive review of the performance of the Company's operations for the year ended 31 December 2020 and the potential future developments of those operations. The Strategic Report also includes details of the Company's principal risks and uncertainties and research and development activities during the year. Information regarding the Company's policy applied during the year relating to the recruitment, employment, training, career development and promotion of staff including employment of disabled persons is included within the People section of the Sustainability Review in the Strategic Report on pages 40 to 43. In addition, information regarding the Company's greenhouse gas emissions is also included in the Planet section of the Sustainability Review in the Strategic Report on pages 36 to 39. In accordance with s414C(11) of the Companies Act 2006, the Directors have chosen to set out the information outlined above, required to be included in the Directors' Report, in the Strategic Report.

The Strategic Report and the Directors' Report together include the 'management report' for the purposes of the FCA's Disclosure & Transparency Rules (DTR 4.1.8R).

Information set out elsewhere in this Annual Report

Information regarding the Company's governance arrangements is included in the Corporate Governance Report and related Board Committee reports on pages 66 to 107. These sections of the report are incorporated into this report by reference.

For the purposes of Listing Rule 9.8.4C R, the information required to be disclosed by Listing Rule 9.8.4 R can be found in the following locations:

Listing Rule sub-section	Item	Location
9.8.4 (1)	Interest capitalised	Financial statements, note 5, page 138
9.8.4 (5)	Waiver of emoluments by a director	Directors' Remuneration Report, page 95

Audit information

Each of the persons who is a Director at the date of approval of this Annual Report and Financial Statements confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- the Director has taken all reasonable steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

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

By order of the Board:

Rachel Rickard

Company Secretary
17 March 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable United Kingdom law and regulations.

Group financial statements

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group financial statements are required to be prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the Parent Company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.premier-oil.com).

Directors' responsibility statement

The Directors confirm to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and undertakings included in the consolidation taken as a whole;
- that the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 17 March 2021 and is signed on its behalf by:

Richard Rose

Interim Chief Executive Officer and Finance Director

Opinion

In our opinion:

- Premier Oil plc's group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Premier Oil plc (the 'Parent Company') and its subsidiaries (collectively, 'Premier' or the 'group') for the year ended 31 December 2020, which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 December 2020	Balance sheet as at 31 December 2020
Consolidated income statement for the year then ended	
Consolidated statement of comprehensive income for the year then ended	
Consolidated statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Consolidated cash flow statement for the year then ended	
Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 10 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Material uncertainties related to going concern

We draw attention to the basis of preparation note as set out on page 123, which highlights the following events or conditions that may cast significant doubt on the Group's ability to continue as a going concern:

- management's ability to complete the Corporate Actions (as defined on page 50); and
- should the Corporate Actions fail to complete, management's ability to complete an alternative restructuring of its existing debt facilities and certain hedging liabilities and obtain covenant deferrals or waivers in the intervening period to prevent its existing debt falling due within the period from the date of approval of the 2020 Annual Report and Accounts ('ARA') and 31 March 2022 ('going concern period').

As stated on page 123, these events or conditions, along with the other matters as set forth on page 123, indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

How we evaluated management's assessment

Management's going concern assessment considers the ability of the Group to continue as a going concern from the date of approval of the 2020 Annual Report and Accounts ('ARA') to 31 March 2022 ('going concern period').

Management's base case going concern assessment assumes the successful completion of the Corporate Actions on 31 March 2021. On this basis, the assessment includes cash flows associated with the assets of both Premier and Chrysaor Holdings Limited ('Chrysaor') (together, the 'enlarged group'). Management also assesses forecasted covenant compliance in accordance with the proposed lending arrangements of the enlarged group, including the enlarged group's Reserve Base Lending ('RBL') facility and junior debt facility. As the Corporate Actions are yet to complete, management's going concern assessment also considers the impact on Premier's ability to continue as a going concern should the Corporate Actions fail to complete by 30 September 2021, being the back-stop date for the transaction.

Further detail on the assumptions applied by management in its going concern assessment are provided in the basis of preparation note on page 123.

Our evaluation of the directors' assessment of Premier's ability to continue to adopt the going concern basis of accounting included the following procedures:

Area	Our procedures and key observations
Going concern assessment process	<p>We confirmed our understanding of Premier's going concern assessment process, as well as the control environment implemented by management; and</p> <p>Based on our understanding of oil and gas sector conditions and ongoing Premier business activities, we independently considered potential events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We used our independent assessment to assess the completeness of events or conditions considered in management's assessment.</p> <p>Based on the results of our audit procedures, we consider management's going concern assessment process to be appropriate.</p>
Likelihood of the Corporate Actions completing	<p>We performed the following procedures to assess the likelihood of the Corporate Actions completing:</p> <ul style="list-style-type: none"> • obtained the Merger (as defined on page 50) agreement and relevant related documents in order to identify independently the remaining activities that have to occur in order for the Merger to complete; and • performed the following procedures to assess the likelihood of the court approving the Scheme of Arrangement ('Scheme'): <ul style="list-style-type: none"> – inquired of Premier's internal and external legal counsel in order to understand their assessment of the risks associated with the Court approving the Scheme; – with the assistance of internal EY specialists, we considered if the assessment of Premier's internal and external legal counsel was reasonable; and – considered potentially contradictory evidence to indicate whether the Scheme may not be approved. <p>Given the significance of this assumption on the impact on Premier's ability to continue as a going concern, we consider there to be a material uncertainty relating to Premier's ability to complete the Corporate Actions.</p>
The conditions attached to Premier's existing debt agreements	<p>In considering the impact on Premier of the Corporate Actions not completing, we performed the following procedures to determine the implications on existing debt facilities:</p> <ul style="list-style-type: none"> • obtained the agreement allowing Premier to extend the maturity of its debt to March 2022; • obtained evidence of covenant deferrals previously provided by Premier's lenders; • made inquiries of Premier's internal and external legal counsel in order to understand their assessment of the likelihood of Premier's creditors agreeing to provide financial covenant deferrals or waivers for a sufficient period of time to allow Premier to complete an alternative restructuring plan; and • utilised the knowledge and experience of EY Restructuring specialists in order to assess the reasonableness of Premier's internal and external legal counsel's position. <p>Should the Merger fail to complete, we confirmed that there are agreements in place that would extend the maturity of Premier's debt to March 2022. However, as a result of previous covenant breaches, Premier's ability to continue as a going concern throughout the going concern period is dependent on: (i) the Group agreeing an alternative plan for the restructuring of its debt facilities with its lenders such that Premier's debt is extended beyond 31 March 2022 or settled by other means; and (ii) the required portion (75%) of Premier's creditors agreeing to provide financial covenant deferrals or waivers in the intervening period to prevent the debt falling payable prior to the completion of an alternative restructuring plan. We consider this to represent a further material uncertainty relating to Premier's ability to continue as a going concern.</p>

Area	Our procedures and key observations
Modelling the forecasted cash flows of the enlarged group	<p>Overall Performed the following procedures in respect to the forecasted liquidity and covenant compliance of the entity formed out of the Merger ('enlarged group'):</p> <ul style="list-style-type: none"> • with the assistance of EY Business Modelling specialists, tested the integrity of management's going concern model; and • in conjunction with EY Valuation specialists, audited management's oil and gas price assumptions. Our audit procedures included the comparison of management's price assumptions with recent market participant estimates. <p>Cash flows of the enlarged group that relate to Premier's existing assets</p> <ul style="list-style-type: none"> • Ensured that the forecast was consistent with the budget approved by Premier's Board; • assessed the appropriateness of reliance on management's internal and external reserve specialists by performing procedures to evaluate their objectivity and competency; • compared management's production profiles to that of its independent external reserve specialist and investigated all significant variations; and • audited the reasonableness of all other key assumptions, including cost forecasts, through: reconciliation to the budget approved by the Board; assessment of historical forecast accuracy; and assessment of their consistency with other areas of the audit, including impairment assessments and deferred tax asset recognition. <p>Cash flows of the enlarged group that are forecast to be generated by Chrysaor assets</p> <ul style="list-style-type: none"> • Reconciled production forecasts to the independent Competent Persons Report ('CPR'); • obtained and reviewed the terms of the proposed lending facilities of the enlarged group; and • performed procedures to assess the reasonableness of cost profiles. <p>Forecasted covenant compliance and liquidity</p> <ul style="list-style-type: none"> • Agreed the basis of management's forecast covenant compliance calculations to the terms of the debt agreements and recalculated management's calculations to attest that there were no covenant breaches forecasted throughout the going concern period under management's base case; and • conducted severe but plausible independent stress testing and a reverse stress test to determine the conditions under which the enlarged group could potentially experience a liquidity shortfall or breach of financial covenants throughout the going concern period. <p>Our reverse stress testing analysis indicated that the enlarged group would maintain liquidity and covenant compliance throughout the going concern period at an average oil price below any historic 12-month rolling average Brent price since 2004.</p>
Modelling the forecasted cash flows of Premier on a standalone basis	<p>Cash flows of Premier on a standalone basis</p> <ul style="list-style-type: none"> • Our audit procedures in respect to the cash flow forecasts of Premier on a standalone basis were consistent with those listed above, excluding those specifically relating to Chrysaor's assets and the proposed debt facilities of the enlarged group. <p>Forecasted covenant compliance and liquidity</p> <ul style="list-style-type: none"> • Conducted severe but plausible independent stress testing and a reverse stress test to determine the conditions under which, should the Corporate Actions fail to complete, Premier would maintain liquidity throughout the going concern period, subject to Premier's debt not falling due in the going concern period. <p>Our reverse stress testing analysis indicated that, should the Corporate Actions fail to complete and the lenders elect not to call Premier's debt due (in respect to which a material uncertainty has been identified), Premier would maintain liquidity throughout the going concern period at an average oil price below any historic 12-month rolling average Brent price since 2004.</p>

Conclusion

In relation to the Group's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in respect of the directors' identification in the financial statements of the material uncertainties to the Group's ability to continue to do so throughout the going concern period.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

We draw attention to the Viability Statement on page 55, which indicates that an assumption to the statement of viability is management's ability to complete the Corporate Actions or, should the Corporate Actions fail to complete, be provided sufficient time by its lenders to agree an alternative plan for the restructuring of its debt facilities. The Directors consider that the material uncertainties referred to in respect of going concern may cast significant doubt over the future viability of the Group and company should these events not complete. Our opinion is not modified in respect of this matter.

Overview of our audit approach

Materiality	<p>We performed our audit of the Group financial statements to an overall materiality level of US\$14.5 million, which represents 2% of Premier's earnings before interest, tax, depreciation and amortisation, excluding non-recurring items and the impact of the adoption of IFRS 16 Leases ('adjusted EBITDA'). We normalised the adjusted EBITDA basis by adopting the average of 2018 and 2019 actuals and the estimated result for 2020.</p> <p>We performed our audit of the Parent Company financial statements to an overall materiality level of US\$10 million, which represents 0.5% of total assets.</p>
Audit scope	<p>We performed an audit of the complete financial information of five components and audit procedures on specific balances for a further six components.</p> <p>The components where we performed full or specific audit procedures accounted for 100% of normalised adjusted EBITDA, 100% of Revenue and 96% of Total assets.</p>
Key audit matters	<p>We identified the following key audit matters that, in our professional judgement, had the greatest effect on our overall audit strategy, the allocation of resources in the audit and in directing the global audit team's efforts:</p> <ul style="list-style-type: none"> • Oil and gas reserve estimation, including reserves used in the calculation of depreciation, depletion and amortisation, impairment testing and the assessment of the recoverability of deferred tax assets. • Impairment of tangible oil and gas properties. • The recoverability of deferred tax assets ('DTA'). • Impairment of Falkland Islands ('Falklands') exploration and evaluation ('E&E') assets. <p>Although going concern was considered to represent a key audit matter, detail on our audit procedures and key observations are summarised in the 'Material uncertainties related to going concern' section of our report as opposed to the key audit matters table below.</p>

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk and our evaluation of materiality determined our audit scope for each component within Premier, which, when taken together, enabled us to form an opinion on the financial statements under ISAs (UK). Our audit effort was focused towards higher risk areas, such as management judgements, and on components that we considered significant based upon size, complexity or risk. In determining the scope of our audit, we take into account the size, risk profile, effectiveness of group-wide controls, changes in the business environment and other factors such as the potential for and history of material misstatements.

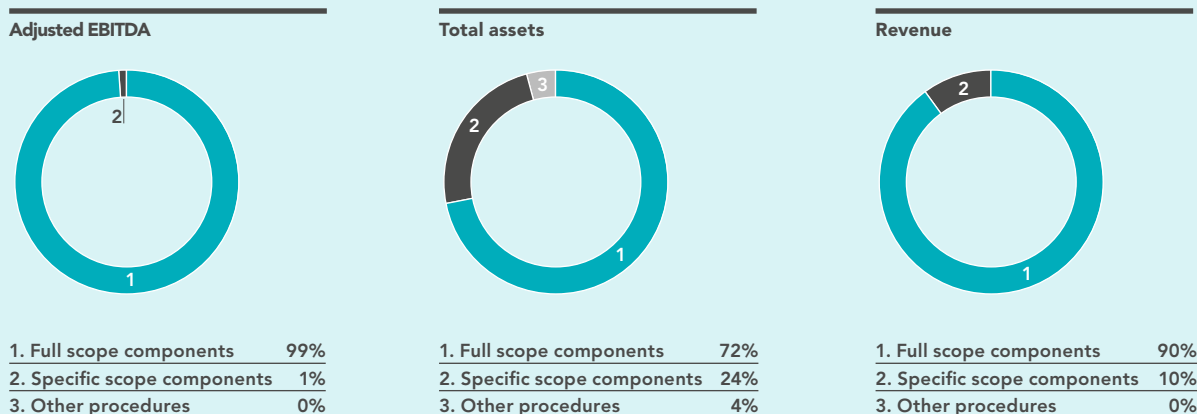
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 49 reporting components of the Group (2019: 47), we selected 11 components (2019: 13) covering entities within the United Kingdom, Vietnam, Indonesia and Falkland Islands, which represent the principal business units within the Group.

Of the 11 (2019: 13) components selected, we performed an audit of the complete financial information of five (2019: six) components ('full scope components'), which were selected based on their size or risk characteristics. For the remaining six (2019: seven) components ('specific scope components'), we performed audit procedures on specific accounts within the component based on their size and risk profiles. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of the Group. Changes to our audit scope since the prior period primarily relate to: declining business activity driven by cessation of production at certain assets; and the disposal of Premier's Pakistan operations, which was completed in the prior period.

Of the remaining 38 components, which together represent 0 per cent of the Group's normalised adjusted EBITDA, we performed other procedures, including the following to respond to any potential risks of material misstatement to the consolidated financial statements:

- to the extent that the component's activity related to E&E activity, reviewed management's intended activities in respect to the acreage in order to assess the risk of impairment to capitalised E&E balances;
- reviewed group wide entity level controls, including the level of management oversight;
- performed analytical review procedures at a component level;
- tested consolidation journals, intercompany eliminations and foreign currency translation recalculations;
- enquired of management in respect to any unusual transactions; and
- reviewed the minutes of Board meetings held throughout the period.

Our audit coverage by full scope components, specific scope components and other procedures is illustrated below:



Involvement with component teams

The overall audit strategy is determined by the Senior Statutory Auditor, Gary Donald. In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. We deployed component teams in Aberdeen (United Kingdom), Ho Chi Minh (Vietnam) and Jakarta (Indonesia).

Of the 5 full and 6 specific scope components, audit procedures were performed by component teams in respect to 4 full and 3 specific scope components, respectively. The remainder of components were audited directly by the primary audit team.

Under normal circumstances, Gary Donald or other senior members of the primary audit team would have visited all component teams, at least once, throughout the audit cycle. The purpose of these visits would be to discuss the audit approach with the local EY teams and any issues arising from their work, meet with local management, attend planning and closing meetings, and review key audit working papers. However, in planning our audit, we assumed a worst-case scenario where travel restrictions and lockdowns would persist throughout the period of the audit. As a result, we developed an audit strategy that enabled the Group engagement team to fulfil its responsibilities under auditing standards to evaluate, review and oversee the work of component teams on a remote basis.

In the absence of Group team members being able to travel to visit local EY teams at component locations as a result of travel restrictions, our remote oversight procedures included the following:

- held a virtual planning event, with members of all component teams in attendance, in order to discuss the audit approach and relevant business updates;
- increased the frequency of our dialogue with our component teams throughout the audit cycle;
- reviewed key workpapers prepared by component teams in areas of particular risk such as impairment, revenue recognition and deferred tax asset recoverability, through the interactive capability of EY Canvas, our global audit workflow tool, or share-screen functionality; and
- virtually attended closing meetings held between EY component teams and local management in order to discuss the audit status and any issues arising.

These procedures, together with the additional procedures performed at a Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the 'Material uncertainties related to going concern' section of our report, we identified the following key audit matters.

Oil and gas reserves estimation

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Refer to the Audit and Risk Committee Report (page 74); and Accounting policies (page 123).</p> <p>At 31 December 2020, Premier reported 151 million barrels of oil equivalent ('mmboe') of proved and probable ('2P') reserves (2019: 175 mmboe).</p> <p>The estimation and measurement of oil and gas reserves impacts many material elements of the financial statements including depreciation, depletion and amortisation ('DD&A'), impairment, going concern, decommissioning and DTA recoverability. There is technical uncertainty in assessing reserve quantities and there are complex contractual arrangements that determine Premier's entitlement of reserves.</p> <p>Management's 2P reserves estimates are prepared by an internal specialist whilst an external specialist is engaged for the purpose of assessing the appropriateness of management's internal estimate.</p> <p>The scope of our procedures in respect to reserve estimation included contingent resources that impact the financial statements, primarily being those associated with fields yet to be sanctioned but included in management's DTA recoverability assessment.</p> <p>This risk has remained consistent with the prior year.</p>	<p>Our audit response was primarily performed by the primary audit team, with input from our three component audit teams based in Aberdeen (United Kingdom), Ho Chi Minh (Vietnam) and Jakarta (Indonesia). Our procedures covered 100% of volumes with a direct impact on the financial statements.</p> <p>We performed the following audit procedures with respect to management's estimation of oil and gas reserves:</p> <ul style="list-style-type: none"> • confirmed our understanding of Premier's oil and gas reserve estimation process as well as the control environment implemented by management; • assessed the appropriateness of reliance on management's internal and external reserve specialists by performing procedures to evaluate their objectivity and competency; • met with management's internal and external specialists to understand the basis, and therefore appropriateness, of variances between the two estimates; • where variances of a technical nature were identified, we utilised the knowledge and expertise of an EY partner with significant oil and gas reserves expertise and valuation experience to assess the nature of the variance and appropriateness of management's estimate; • based on variances identified, considered the potential for management bias in the estimation of Premier's internal estimates; • investigated all material volume movements from management's prior period estimate and lack of movement where changes were expected based on our understanding of operations and findings from other areas of our audit; • in light of Premier's support for the objectives of UK Oil and Gas to reach Net Zero carbon emissions by 2030, we considered the extent of reserves recognised that are due to be produced beyond 2030 in assessing the potential impact of the energy transition on the recognition of Premier's reserves; and • ensured reserve volumes were consistently applied throughout all relevant accounting processes including DD&A, impairment, going concern, decommissioning provisions and DTA recoverability. 	<p>We reported to the Audit and Risk Committee in its March 2021 meeting that, based on our testing performed, we had not identified any errors or factual inconsistencies between Premier's internal and external oil and gas reserve and resource estimates that would materially impact the financial statements and that, as a result, we consider the internal estimate appropriate.</p> <p>93% of Premier's 2P reserves are expected to be produced before 2030. The remaining 7% will be extracted by 2040 and relate to gas volumes. Consequently, we do not believe that Premier's 2P reserves, as well as associated tangible oil and gas properties, are significantly exposed to the risks of energy transition.</p>

Impairment of tangible oil and gas properties

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Refer to the Audit and Risk Committee Report (page 74); Accounting policies (page 123); and note 10 of the Consolidated Financial Statements (page 142).</p> <p>In the current period, management recorded an impairment charge of US\$143.8 million (2019: US\$41.5 million), primarily relating to Solan. A further charge of US\$52.7 million was recognised relating to the impact of changes to decommissioning provisions on nil-carrying value assets, primarily as a result of the reduction in management's decommissioning discount rate.</p> <p>Following the identification of group-wide indicators of impairment, being a revision to management's long-term price assumptions and discount rate applied to decommissioning provisions, all of management's tangible oil and gas assets, as well as the goodwill balance that forms part of the Catcher cash generating unit ('CGU'), were tested for impairment in the period.</p> <p>Management prepare their tangible asset impairment tests under the value-in-use ('VIU') methodology. The models include a number of accounting estimates and judgements including: future oil and gas prices; discount rates; inflation rates; production forecasts; operating expenditures; and capital expenditures for each CGU. Changes to any of these key inputs could lead to a potential impairment or a reversal of impairment.</p> <p>This risk has remained consistent with the prior year.</p>	<p>Our audit response was executed by the primary audit team and Aberdeen component audit team, covering all assets at risk of material impairment.</p> <p>We performed the following audit procedures with respect to management's impairment assessment:</p> <ul style="list-style-type: none"> • confirmed our understanding of Premier's impairment process, as well as the control environment implemented by management; and • following identification of indicators of impairment in respect of all tangible oil and gas properties, for each CGU, we: <ul style="list-style-type: none"> – obtained the underlying VIU model and tested the model integrity; – in conjunction with our EY valuations specialists, we assessed the appropriateness of management's oil and gas price assumptions through comparison with the estimates of market participants. Reflective of a narrowing of the range of long-term oil price forecasts, management elected to revise its long-term Brent oil price assumption to US\$60/bbl (real) (2019: US\$70/bbl, real) during the current period. Our assessment of management's long-term oil price assumption considered the estimates of recognised consultants, including those that reflect the potential impact of the Paris Agreement on future prices; – in conjunction with our EY valuations specialists, we assessed the appropriateness of management's impairment discount rates based on an independent re-calculation of the Group's weighted average cost of capital; – tested management's production profiles through reconciliation to the results of our testing in respect to reserve estimation; and – tested the appropriateness of other cash flow assumptions, including cost estimates, inflation rate and FX rates based on comparison with recent actuals and our understanding obtained from other areas of the audit. 	<p>We reported to the Audit and Risk Committee in its March 2021 meeting that, based on our testing performed, we considered the current period impairment charge to be materially correctly stated.</p> <p>We reported to the Audit and Risk Committee how management's long-term oil price (US\$60/bbl real) and discount rate (9% pre-tax in respect to UK assets) assumptions compared with the range of acceptable estimates, which we consider to be US\$48/bbl to US\$69/bbl (real) and 9.0% to 12.9% respectively.</p> <p>Management's long-term oil and discount rate assumptions are at or towards the optimistic end of their respective ranges and above their respective mid-points of US\$58/bbl (real) and 11%; however, as they are within the range of acceptable estimates determined by our EY valuations specialists, we are satisfied they are reasonable. We also reported to the Committee the impact on management's impairment charge, had a long-term Brent price and discount assumption of US\$55/bbl (real) and 11% been adopted, respectively. Equivalent disclosures have been made by management in note 10. We consider management's disclosures appropriate for the purpose of providing the users of the financial statements with adequate information to determine the impact on the current period impairment charge had alternative estimates been adopted.</p>

The recoverability of deferred tax assets ('DTAs')

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Refer to the Audit and Risk Committee Report (page 74); Accounting policies (page 123); and note 19 of the Consolidated Financial Statements (page 153).</p> <p>As at 31 December 2020, Premier recognised a gross deferred tax asset of US\$870 million (2019: US\$1,556 million), primarily relating to the value of historical UK tax losses that are expected to be utilised in future periods.</p> <p>As at 31 December 2019, management's future taxable profits against which DTAs were recorded included those associated with its previously proposed UK acquisitions. Following the termination of such acquisitions as announced by the company on 6 October 2020 as well as the reduction in management's long-term price assumptions, a deferred tax charge of US\$664 million was recognised in the period, primarily driven by the partial derecognition of DTAs.</p> <p>This risk is reduced compared to the prior year due to the exclusion of future taxable profits associated with Premier's previously proposed acquisitions.</p>	<p>Our response to the risk associated with the recoverability of DTAs was performed by the primary audit team and Aberdeen component audit team, covering 100% of the recognised DTA.</p> <p>We performed the following audit procedures in respect to management's DTA recoverability assessment:</p> <ul style="list-style-type: none"> • confirmed our understanding of Premier's DTA recoverability assessment process as well as the control environment implemented by management; • considered the impact of the Merger on Premier's DTA recoverability assessment through assessment of relevant accounting guidance; • ensured the forecasts used by management for assessing the recoverability of DTAs, including production profiles and cost estimates, were consistent with those used when testing for impairment; • ensured the oil and gas prices used by management for assessing the recoverability of DTAs were consistent with those used when testing for impairment and assessing going concern and viability; • performed a sensitivity assessment to identify the impact on DTA recognition had a long-term oil and gas price assumption of US\$55/bbl (real) and 37.5p/therm been applied, being US\$5/bbl (real) and 5p/therm lower than those applied by management, respectively; • evaluated the reasonableness of tax planning strategies applied in determining the recoverability of deferred tax assets based on tax legislation and historical execution of similar strategies; and • in respect to fields that are yet to commence production, we assessed the likelihood of Premier executing the required development activities to bring the particular assets to production based on our understanding of the outstanding development activities and testing of forecasted capital expenditure within the cash flow model. 	<p>We reported to the Audit and Risk Committee in its March 2021 meeting that, based on our testing performed, the forecasted future taxable profits underpinning the recognised DTA are probable. We also reported that the forecasts were consistent with the assumptions applied in asset impairment testing and the going concern and viability assessments.</p> <p>Based on our procedures performed in respect to the Merger, which will reflect a reverse takeover, on the basis that Premier will represent the acquiree from an accounting perspective, we concur with management's assessment that forecast taxable profits associated with Chrysaor assets should not be included in assessing the recoverability of DTAs as at 31 December 2020.</p> <p>Although management's price estimates are considered reasonable on the basis they are within the range of acceptable estimates determined by EY valuation specialists, had a long-term oil and gas price assumption of US\$55/bbl (real) and 37.5p/therm been applied, the current period deferred tax charge would be approximately US\$40 million and US\$85 million higher, respectively.</p>

Impairment of Falklands E&E assets

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Refer to the Audit and Risk Committee Report (page 74); Accounting policies (page 123); and note 9 of the Consolidated Financial Statements (page 141).</p> <p>As at 31 December 2020, Premier's exploration and evaluation ('E&E') assets are carried at US\$785 million (2019: US\$934 million), of which US\$503 million relates to Premier's interests in the Sea Lion development, located in the Falkland Islands ('Falklands').</p> <p>In the absence of data to indicate that the carrying amount of an E&E asset is unlikely to be recovered, to the extent that technical and commercial evaluation activities are ongoing, it is appropriate to continue to carry E&E assets on the balance sheet in accordance with IFRS 6.</p> <p>The Sea Lion development is nearing final investment decision. Prior to the Merger being announced, Premier were expecting to sanction the development in Q4 2021. The ability of Premier to recover the carrying value of Sea Lion capitalised E&E expenditure is primarily dependent on its ability to secure the required finance to progress the development activities.</p> <p>This risk is now considered a key audit matter as a result of increased uncertainty in respect to the future development of Sea Lion caused by recent announcements of the UK government which highlights concern over the ability of Premier to secure UK Export Finance ('UKEF') backing.</p>	<p>Our audit response was executed by the primary audit team, covering the entirety of the balance of E&E expenditure capitalised in respect to Falkland Islands acreage.</p> <p>We performed the following audit procedures in respect to management's assessment of the presence of indicators of impairment in respect to Falkland Islands E&E assets:</p> <ul style="list-style-type: none"> • confirmed our understanding of Premier's E&E impairment process as well as the control environment implemented by management; • met with management to understand recent progress in respect to the Sea Lion development; and • performed a search for contradictory evidence that would suggest challenges in respect to management's ability to source the required funds to develop Sea Lion, including assessment of the UK government's recent announcements in respect to its Net Zero pledge. <p>In order to test the presence of indicators of impairment in accordance with those identified in IFRS 6 Exploration for and Evaluation of Mineral Resources ('IFRS 6'), we performed the following procedures:</p> <p>Exploration rights</p> <p>Obtained and reviewed the licence extension granted by Falkland Islands Government ('FIG'), providing Premier with exploration rights until November 2022.</p> <p>Continued intent and progress of management to realise value of project</p> <ul style="list-style-type: none"> • Obtained and reviewed the 'Heads of Terms' farm down agreement agreed with the proposed farm down partner during the period; • obtained and reviewed management's plan, evidencing the fact that substantive expenditure continues to be budgeted by management; and • obtained monthly development progress reports evidencing continued activity in respect to the project. <p>Management's ability to source the required funding to proceed the development</p> <ul style="list-style-type: none"> • Reviewed internal and external projections in respect to the project in order to attest the presence of a commercial project; • assessed cash flow projections in respect to the enlarged group in assessing its ability to source the required funds to proceed with the development in the future; and • utilised the knowledge and experience of EY project-financing specialists in order to assess the ability of management to source the required funds in the future. <p>The impact of the Merger on the carrying value of Sea Lion</p> <ul style="list-style-type: none"> • We searched for external evidence to indicate as to whether, as yet, the new board has made a decision in respect to the future development of the project; and • considered internal correspondence between Premier, FIG and Chrysaor regarding the Sea Lion development. <p>Other</p> <ul style="list-style-type: none"> • Reviewed management's proposed disclosure in relation to Sea Lion E&E intangibles. 	<p>We reported to the Audit and Risk Committee in its March 2021 meeting that, based on our testing performed, we concur with management that no indicator of impairment is apparent in respect to Sea Lion as at 31 December 2020 when considering the requirements of IFRS 6.</p> <p>In particular, based on the results of our procedures, we obtained sufficient and appropriate audit evidence to confirm that technical and commercial evaluation activities are ongoing.</p> <p>Based on our procedures in respect to the ability to source the required funds to develop Sea Lion, including the use of EY specialists, we concur with management that there are feasible options available to management to fund the development in the future.</p> <p>Based on the forecasted economics of the project as well as the continuation of technical and commercial evaluation activities, we consider it reasonable to continue to carry capitalised E&E expenditure in respect to Sea Lion. However, uncertainties do remain in respect to the ability to fund the development and, should the Merger complete, the intent of the proposed board of the enlarged group in respect to the development. We consider management's disclosure to be adequate in highlighting these uncertainties.</p>

The key audit matters identified above are consistent with those identified in our prior period auditors' report, except for the addition of 'Impairment of Falklands E&E assets' in the current period. This risk was escalated to a key audit matter for the purpose of our current period audit as a result of increased uncertainty in respect to the future development of Sea Lion.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

In determining this year's materiality, we have considered both Premier's changing risk landscape and various macro-economic factors, such as the impact of the pandemic on the global economy and on GDP growth, the pace of decarbonisation and the energy transition and volatility in oil and gas prices and the demand for petroleum products.

Our assessment of overall materiality was US\$14.5 million (2019: US\$18.0 million). This was calculated as 2 per cent of adjusted earnings before interest, tax, depreciation and amortisation, excluding non-recurring items and the impact of the adoption of IFRS 16 Leases ('adjusted EBITDA'). In the current period, we normalised adjusted EBITDA by calculating the average of adjusted EBITDA in 2018 and 2019 and the estimated result for 2020.

We believe that adjusted EBITDA provides us with a suitable basis for setting materiality as adjusted EBITDA is a measure of particular focus of shareholders, the basis of covenants included in the Group's loan agreements and a key performance indicator of the Group. We adjusted for the impact of IFRS 16 adoption when determining our basis of materiality by deducting finance costs and depreciation incurred in respect of lease liabilities and right-of-use assets, respectively, on the basis that IFRS 16 adoption has no impact on the underlying performance of the Group and lease expenditure continues to be classified as an operating cost when calculating covenant compliance in accordance with the Group's existing borrowing facilities. IFRS 16 has the effect of reducing operating expenditure incurred in respect of leases previously classified as operating leases under IAS 17 Leases. Non-recurring items excluded from the determination of our materiality basis included impairment charges as well as exploration expenditure and new venture costs, which primarily represent exploration write-offs and costs incurred in respect to the Group's corporate actions, including the Merger.

Although this is an unprecedented time for the industry and there is uncertainty as to the outlook for prices, the views of economists and market participants are that demand will return and that the supply/demand balance will be re-addressed over time. Given this, we believed that it was important that in setting materiality we did not overreact to what is expected to be a relatively temporary phenomenon – especially when Premier continues to be the same company structurally. In the fourth quarter of 2020 and post year-end, the oil price has more than recovered to levels where it was before the pandemic and the oil price collapse witnessed in March 2020. As a result, in the current period, we derived overall materiality from an average of Premier's Adjusted EBITDA for 2018 and 2019 and the estimated result for 2020.

Our preliminary assessment of overall materiality was based on 2018 and 2019 actual results and management's 2020 budget. Applying the same basis, if 2020 actuals were used, our materiality threshold would have been US\$15 million. We elected not to revise our materiality threshold upwards given our testing was substantially complete.

The non-recurring items excluded in 2020 were: exploration expenditure and new venture costs (US\$293.4 million charge), net impairments (US\$143.8 million charge) and profit on disposal of non-current assets (US\$1.1 million profit). The impact of the adoption of IFRS 16 Leases was eliminated by deducting depreciation on right-of-use assets (US\$124.9 million) and finance costs recognised on lease liabilities (US\$45.7 million).

The non-recurring items excluded in 2019 were: exploration expenditure and new venture costs (US\$21.3 million charge), net impairments (US\$41.5 million charge) and profit on disposal of non-current assets (US\$4.2 million profit). The impact of the adoption of IFRS 16 Leases was eliminated by deducting depreciation on right-of-use assets (US\$223.0 million) and finance costs recognised on lease liabilities (US\$50.0 million).

The non-recurring items excluded in 2018 were: exploration expenditure and new venture costs (US\$35.2 million charge), net impairments (US\$35.2 million reversal) and profit on disposal of non-current assets (US\$42.3 million profit).

We determined materiality for the Parent Company to be US\$10 million (2019: US\$9 million), which is 0.5 per cent (2019: 0.5 per cent) of total assets. Total assets is an appropriate basis to determine materiality for an investment holding company. Any balances in the Parent Company financial statements that were relevant to our audit of the consolidated Group were audited using an allocation of Group performance materiality.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment exercise, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50 per cent (2019: 75 per cent) of our planning materiality, namely US\$7.25 million (2019: US\$13.50 million). We set performance materiality at this percentage following: a quantitative and qualitative assessment of prior year misstatements; our assessment of the Group's overall control environment; and consideration of the adverse change in market conditions during the period.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was US\$1 million to US\$5 million (2019: US\$3 million to US\$9 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of US\$0.7 million (2019: US\$0.9 million), which is set at 5 per cent of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 110 and 171 to 180, including the Strategic Report, Governance and Additional Information sections, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Aside from the impact of the matters disclosed in the 'Material uncertainties related to going concern section' of our report, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 123;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate as set out on page 55;
- Directors' statement on fair, balanced and understandable as set out on page 110;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 52;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 52; and
- The section describing the work of the Audit and Risk Committee as set out on page 74.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 110, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which Premier operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, including those relating to health and safety, employee matters, environmental, and bribery and corruption practices;
- we understood how Premier is complying with those frameworks by making enquiries of management, legal counsel and the Company Secretary. We corroborated the results of our enquiries through our review of Board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence;
- we assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the degree of incentive, opportunity and rationalisation that may exist to perform fraud. Where fraud risks were identified, we applied journal entry selection criteria to identify journals that were considered unusual or indicative of potential fraud before tracing such transactions back to source information in order to test their validity and appropriateness. In addition, our procedures included review of the volume and nature of complaints received by the whistleblowing hotline during the year; and
- based on the results of our audit procedures, there were no significant instances of non-compliance with laws and regulations identified at the Group or component level.

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

Other matters we are required to address

Following the recommendation of the Audit and Risk Committee we were appointed by the company on 25 June 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the period from our initial appointment through to the year ending 31 December 2020.

As stated in the Audit and Risk Committee Report on page 76, a waiver was granted by the FRC UK in respect to the non-audit services fee cap as defined in the FRC Revised Ethical Standard as a result of exceptional circumstances.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Our audit opinion is consistent with our additional report to the Audit and Risk Committee, within which we explained the results of our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006.

Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Donald (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP
Statutory Auditor, London
17 March 2021

Accounting policies For the year ended 31 December 2020

General information

Premier Oil plc is a limited company incorporated in Scotland and listed on the London Stock Exchange. The address of the registered office is Premier Oil plc, 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN. The principal activities of the Company and its subsidiaries (the 'Group') are oil and gas exploration and production in the Falkland Islands, Indonesia, Pakistan, the United Kingdom, Vietnam and Rest of the World.

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

Adoption of new and revised standards

In the current year the following new and revised Standards and Interpretations have been adopted. None of these have a material impact on the Group's annual results.

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform; and
- Amendments to IAS 1 and IAS 8 Definition of Material.

Basis of preparation

The financial information has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union ('IFRS').

The financial statements are prepared under the historical cost convention except for derivative financial instruments that have been measured at fair value, including the equity warrants.

The financial statements have been prepared on the going concern basis. Further information relating to the going concern assumption is provided in the Financial Review, including details on the material uncertainties in relation to (1) management's ability to complete the Corporate Actions; and (2) should the Corporate Actions fail to complete, management's ability to complete an alternative restructuring of its existing debt facilities and certain hedging liabilities and obtain covenant deferrals or waivers in the intervening period to prevent its existing debt falling due within the going concern period.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when a company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

Critical accounting judgements

- The application of the going concern basis of accounting (basis of preparation section above);
- carrying value of intangible exploration and evaluation assets (note 9 on page 141), in relation to whether commercial determination of an exploration prospect had been reached;
- carrying value of property, plant and equipment (note 10 on page 142) regarding assessing assets for indicators of impairment;
- decommissioning costs (note 17 on page 147), relating to the timing of when decommissioning would occur; and
- tax and recognition of deferred tax assets (note 19 on page 153), relating to the extent to which future taxable profits are included in the assessment of recoverability.

Key sources of estimation uncertainty

Details of the Group's critical accounting estimates are set out in these financial statements and are considered to be:

- carrying value of property, plant and equipment (note 10 on page 142), where the key assumptions relate to oil and gas prices expected to be realised and 2P production profiles;
- decommissioning costs (note 17 on page 147) where the key assumptions relate to the discount and inflation rates applied, applicable rig rates and expected timing of cessation of production ('COP') on each field;
- estimating the fair value of the equity warrants recognised in the year (note 18 on page 148), where key assumptions relate to the expected timing of exercise and future share price volatility; and
- tax and recognition of deferred tax assets (note 19 on page 153), where key assumptions relate to oil and gas prices expected to be realised, 2P production profiles and the inclusion of 2C resources from certain unsanctioned projects.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs with any gains or losses recorded in the income statement, unless it is classified as equity.

The acquiree's identifiable assets, liabilities and contingent liabilities 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 assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- lease arrangements that represent leases as defined by IFRS 16 Leases are recognised and measured in accordance with IFRS 16 Leases;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; 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 (see below), 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, and is subject to a maximum of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as an excess of fair value over cost.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interest in joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group reports its interests in joint operations using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of the joint operation are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

A joint venture, which normally involves the establishment of a separate legal entity, is a contractual arrangement whereby the parties that have joint control of the arrangement have the rights to the arrangement's net assets. The results, assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. During 2020, the Group did not have any material interests in joint ventures.

Where the Group transacts with its joint operations, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

Interests in associates

An associate is an entity over which the Group has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement. The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting.

Assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operation. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Sales revenue and other income

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids, and other items sold by the Group usually coincides with title passing to the customer and the customer taking physical possession. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Under the Group's joint operation arrangements, revenue is recognised according to the actual liftings. However, where liftings do not match working interest or entitlement interest, an adjustment is made to cost of sales representing the amount due to/from joint venture partners representing over/underlift movements.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Oil and gas assets

The Company applies the successful efforts method of accounting for exploration and evaluation ('E&E') costs, having regard to the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources.

(a) Exploration and evaluation assets

Under the successful efforts method of accounting, all licence acquisition, exploration and appraisal costs are initially capitalised in well, field or specific exploration cost centres as appropriate, pending determination. Expenditure incurred during the various exploration and appraisal phases is then written off unless commercial reserves have been established or the determination process has not been completed.

Pre-licence costs

Costs incurred prior to having obtained the legal rights to explore an area are expensed as they are incurred.

Exploration and evaluation costs

Costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Tangible assets used in E&E activities (such as the Group's vehicles, drilling rigs, seismic equipment and other property, plant and equipment used by the Company's Exploration Function) are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overhead, including the depreciation of property, plant and equipment utilised in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases. E&E costs are not amortised prior to the conclusion of appraisal activities.

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration licence/prospect are carried forward until the existence (or otherwise) of commercial reserves has been determined subject to certain limitations, including review for indications of impairment. If commercial reserves have been discovered, the carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets, once the project is deemed to be justified for development. If, however, commercial reserves have not been found, the capitalised costs are charged to expense after conclusion of appraisal activities.

(b) Oil and gas properties

Oil and gas properties are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets, as outlined in accounting policy (a) above.

The cost of oil and gas properties also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provision for future restoration and decommissioning.

Depreciation of producing assets

The net book values of producing assets (including pipelines) are depreciated generally on a field-by-field basis using the unit-of-production method by reference to the ratio of production in the year and the related commercial (proved and probable) reserves of the field, taking into account future development expenditures necessary to bring those reserves into production.

Producing assets are generally grouped with other assets that are dedicated to serving the same reserves for depreciation purposes, but are depreciated separately from producing assets that serve other reserves.

(c) Impairment of oil and gas properties' assets

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of an oil and gas property may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash-generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single cash-generating unit where the cash inflows of each field are interdependent.

Any impairment identified is charged to the income statement. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

(d) Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for using the acquisition method when the assets acquired and liabilities assumed constitute a business.

Transactions involving the purchase of an individual field interest, or a group of field interests, that do not constitute a business, are treated as asset purchases irrespective of whether the specific transactions involve the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or oil and gas properties disposed of and any surplus is recorded as a gain on disposal in the income statement.

(e) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. The amount recognised is the present value of the estimated future expenditure. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas property. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is dealt with from the start of the financial year as an adjustment to the opening provision and the oil and gas property. The unwinding of the discount is included as a finance cost.

Leases

Premier adopted IFRS 16 Leases ('IFRS 16') with effect from 1 January 2019. IFRS 16 was issued in January 2016 to replace IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases, with limited exceptions, under a single on-balance sheet model. Under IFRS 16, at the commencement date of a lease, a lessee is required to recognise a liability to make lease payments ('lease liability') and an asset representing the right to use the underlying asset during the lease term ('right-of-use asset'). Lease liabilities are measured at the present value of future lease payments over the reasonably certain lease term. Variable lease payments that do not depend on an index or a rate are not included in the lease liability. Such payments are expensed as incurred throughout the lease term.

Lessees are required to separately recognise the interest expense associated with the unwinding of the lease liability and the depreciation expense on the right-of-use asset. Principal payments related to leases are presented as financing cash flows in the cash flow statement.

For lease arrangements where all partners of a joint operation are considered to share the primary responsibility for lease payments under a lease contract, the Group recognises its share of the respective right-of-use asset and lease liability. This situation is most common where the parties of a joint operation co-sign the lease contract. The Group recognises a gross lease liability for leases entered into on behalf of a joint operation where it has primary responsibility for making the lease payments. In such instances, if the arrangement between the Group and the joint operation represents a finance sublease, the Group recognises a net investment in sublease for amounts recoverable from non-operators whilst derecognising the respective portion of the gross right-of-use asset. The gross lease liability is retained on the balance sheet. The net investment in sublease is classified as either trade and other receivables or long-term receivables on the balance sheet according to whether or not the amounts will be recovered within 12 months of the balance sheet date. Finance income recognised in respect of net investment in subleases is presented in interest revenue, finance and other gains.

The assessment as to whether a sublease exists predominantly depends on whether the operator or the joint operation directs the use of the respective right-of-use asset. Where the arrangement between the operator and joint operation does not represent a sublease or the sublease represents an operating sublease, the Group retains the gross lease liability and right-of-use asset on the balance sheet.

Inventories

Inventories, except for petroleum products, are valued at the lower of cost and net realisable value. Petroleum products and underlifts and overlifts of crude oil are measured at net realisable value using an observable year-end oil or gas market price, and included in inventories and other debtors or creditors respectively.

Tax

The tax expense/credit represents the sum of the tax currently payable/recoverable and deferred tax movements during the year.

The tax currently payable is based on taxable profit for the year. Taxable profit/loss differs from net profit/loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from any excess of fair value over cost, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Group reassesses its unrecognised deferred tax asset each year taking into account changes in oil and gas prices, the Group's proved and probable reserves and resources profile and forecast capital and operating expenditures.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

Translation of foreign currencies

In the accounts of individual companies, transactions denominated in foreign currencies, being currencies other than the functional currency, are recorded in the local currency at actual exchange rates as of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Any gain or loss arising from a change in exchange rate subsequent to the dates of the transactions is included as an exchange gain or loss in the income statement. Non-monetary assets held at historic cost are translated at the date of purchase and are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are generally translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as other comprehensive income or expense and are transferred to the Group's translation reserve. When an overseas operation is disposed of, such translation differences relating to it are recognised as income or expense.

Group retirement benefits

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

The Group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Royalties

Royalties are charged as production costs to the income statement in the year in which the related production is recognised as income.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Borrowing costs

Borrowing costs directly relating to the construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the asset is substantially ready for its intended use, i.e. when it is capable of commercial production. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Trade payables

Initial recognition of trade payables is at fair value. Subsequently they are stated at amortised cost.

Derivative financial instruments

(a) Classification of financial assets and financial liabilities

IFRS 9 requires the use of two criteria to determine the classification of financial assets: the entity's business model for the financial assets and the contractual cash flow characteristics of the financial assets. The Standard goes on to identify three categories of financial assets – amortised cost; fair value through profit or loss ('FVTPL'); and fair value through other comprehensive income ('FVOCI'). IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

(b) Impairment

IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. 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.

Trade receivables are generally settled on a short time frame and the Group's other financial assets are due from counterparties without material credit risk. For trade receivables, the Group adopts the simplified approach as allowed under IFRS 9. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date.

(c) Hedge accounting

The Group uses derivative financial instruments such as forward currency contracts, cross currency interest rate, commodity option contracts and commodity swap arrangements, to hedge its foreign currency risks, interest rate and commodity price risks respectively.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

If the hedged item is transaction related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the time value hedge reserve is reclassified to profit or loss on a rational basis. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- hedges of a net investment in a foreign operation.

Fair value hedges

Changes in fair value are recognised in other comprehensive income and accumulated in the hedge reserve. If the hedged item is transaction related, the fair value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the hedge reserve is reclassified to profit or loss on a rational basis. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the Group expects that some or all of the loss accumulated in hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Cash flow hedge accounting is discontinued only when the hedging relationship or a part thereof ceases to meet the qualifying criteria. This includes when the designated hedged forecast transaction or part thereof is no longer considered to be highly probable to occur, or when the hedging instrument is sold, terminated or exercised without replacement or rollover. When cash flow hedge accounting is discontinued, amounts previously recognised within other comprehensive income remain in equity until the forecast transaction occurs and are reclassified to profit or loss or transferred to the initial carrying amount of a non-financial asset or liability as above. If the forecast transaction is no longer expected to occur, amounts previously recognised within other comprehensive income will be immediately reclassified to profit or loss.

Hedges of a net investment in a foreign operation

The Group does not apply hedge accounting in respect of any net investments in a foreign operation.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents comprise funds held in term deposit accounts with an original maturity not exceeding three months.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of a Monte Carlo simulation model. The main assumptions are provided in note 21 on page 155.

	Note	2020 US\$ million	2019 US\$ million
Continuing operations			
Sales revenues	1	949.4	1,584.7
Other operating income/(costs)	17	3.5	(2.9)
Cost of operations	2	(324.7)	(342.8)
Depreciation, depletion, amortisation and impairment	1	(671.3)	(757.9)
Exploration expenses and new ventures	9	(293.4)	(21.3)
Profit on disposal of non-current assets	7	1.1	4.2
General and administration costs		(8.4)	(9.0)
Operating (loss)/profit		(343.8)	455.0
Interest revenue, finance and other gains	5	84.8	31.4
Finance costs, other finance expenses and losses	5	(346.3)	(383.9)
(Loss)/profit before tax from continuing operations		(605.3)	102.5
Tax (charge)/credit	6	(696.9)	52.5
(Loss)/profit for the year from continuing operations		(1,302.2)	155.0
Discontinued operations			
Profit for the year from discontinued operations	7	–	9.3
(Loss)/profit after tax		(1,302.2)	164.3
(Loss)/earnings per share (cents):			
From continuing operations			
Basic	8	(146.7)	18.8
Diluted	8	(146.7)	17.2
From continuing and discontinued operations			
Basic	8	(146.7)	19.9
Diluted	8	(146.7)	18.2

Consolidated statement of comprehensive income For the year ended 31 December 2020

	Note	2020 US\$ million	2019 US\$ million
(Loss)/profit for the year		(1,302.2)	164.3
Cash flow hedges on commodity swaps and options:			
Gains/(losses) arising during the year		112.6	(50.8)
Less: reclassification adjustments for gains in the year		(149.5)	(45.6)
	18	(36.9)	(96.4)
Cash flow hedges on foreign exchange swaps:			
Losses arising during the year		(12.4)	(13.4)
Add: reclassification adjustments for losses in the year		19.8	10.3
	18	7.4	(3.1)
Tax relating to components of other comprehensive income	19	1.9	25.0
Exchange differences on translation of foreign operations		(9.3)	(3.8)
Gain on long-term employee benefit plans ¹		0.3	0.2
Other comprehensive expenses		(36.6)	(78.1)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(1,338.8)	86.2

Note:

¹ Not expected to be reclassified subsequently to income statement.

All comprehensive (loss)/income is attributable to the equity holders of the parent.

Consolidated balance sheet As at 31 December 2020

	Note	2020 US\$ million	2019 US\$ million
Non-current assets			
Intangible exploration and evaluation assets	9	785.3	934.0
Property, plant and equipment	10	2,101.8	2,481.8
Goodwill	10	240.8	240.8
Long-term receivables	11	248.2	231.1
Deferred tax assets	19	869.7	1,556.1
		4,245.8	5,443.8
Current assets			
Inventories		12.7	16.3
Trade and other receivables	11	279.1	378.9
Derivative financial instruments	18	14.1	55.3
Cash and cash equivalents	12	108.3	198.1
		414.2	648.6
TOTAL ASSETS		4,660.0	6,092.4
Current liabilities			
Trade and other payables	13	(399.5)	(356.2)
Lease liabilities	14	(74.3)	(149.7)
Short-term provisions	17	(116.9)	(76.8)
Derivative financial instruments	18	(95.9)	(98.8)
Short-term debt	16	(2,181.0)	–
Deferred income	15	(15.7)	(15.3)
		(2,883.3)	(696.8)
Net current liabilities		(2,469.1)	(48.2)
Non-current liabilities			
Long-term debt	16	–	(2,169.8)
Deferred tax liabilities	19	(106.3)	(129.9)
Lease liabilities	14	(525.3)	(582.8)
Deferred income	15	(22.8)	(60.5)
Derivative financial instruments	18	–	(62.3)
Long-term provisions	17	(1,285.2)	(1,258.8)
		(1,939.6)	(4,264.1)
TOTAL LIABILITIES		(4,822.9)	(4,960.9)
Net (liabilities)/assets		(162.9)	1,131.5
Equity and reserves			
Share capital	20	171.1	156.5
Share premium account		517.5	499.4
Other reserves	26	(851.5)	475.6
		(162.9)	1,131.5

The financial statements were approved by the Board of Directors and authorised for issue on 17 March 2021.

They were signed on its behalf by:

Richard Rose

Interim Chief Executive Officer and Finance Director

Consolidated statement of changes in equity For the year ended 31 December 2020

	Note	Attributable to the equity holders of the parent			Total US\$ million
		Share capital US\$ million	Share premium account US\$ million	Other reserves US\$ million	
At 1 January 2019		154.2	491.7	380.1	1,026.0
Issue of Ordinary Shares		2.3	7.7	0.9	10.9
Purchase of ESOP Trust shares		–	–	(3.6)	(3.6)
Provision for share-based payments	21	–	–	12.0	12.0
Profit for the year		–	–	164.3	164.3
Other comprehensive expense		–	–	(78.1)	(78.1)
At 1 January 2020		156.5	499.4	475.6	1,131.5
Issue of Ordinary Shares		14.6	18.1	1.9	34.6
Purchase of ESOP Trust shares		–	–	(1.5)	(1.5)
Provision for share-based payments	21	–	–	11.3	11.3
Loss for the year		–	–	(1,302.2)	(1,302.2)
Other comprehensive expense		–	–	(36.6)	(36.6)
AT 31 DECEMBER 2020		171.1	517.5	(851.5)	(162.9)

	Note	2020 US\$ million	2019 US\$ million
Net cash from operating activities	22	610.6	1,108.7
Investing activities			
Capital expenditure		(266.6)	(241.4)
Decommissioning pre-funding	11	(5.4)	(9.9)
Decommissioning expenditure		(48.9)	(35.3)
Receipts for sublease income	14	26.7	20.2
Proceeds from disposal of oil and gas properties		2.7	4.2
Net cash used in investing activities		(291.5)	(262.2)
Financing activities			
Issuance of Ordinary Shares		30.2	4.7
Net (purchase)/release of ESOP Trust shares		(0.4)	1.1
Warrant cash consideration		–	(13.8)
Proceeds from drawdown of bank loans		35.0	–
Repayment of bank loans		(52.3)	(399.7)
Lease liability payments	14	(181.0)	(224.7)
Interest paid		(230.4)	(251.9)
Net cash from financing activities		(398.9)	(884.3)
Currency translation differences relating to cash and cash equivalents		(10.0)	(8.7)
Net decrease in cash and cash equivalents		(89.8)	(46.5)
Cash and cash equivalents at the beginning of the year		198.1	244.6
Cash and cash equivalents at the end of the year	22	108.3	198.1

1. Operating segments

The Group's operations are located and managed in five business units; namely the Falkland Islands, Indonesia, Vietnam, the United Kingdom and the Rest of the World. The results for Pakistan, the disposal of which completed in the prior year, are reported as a discontinued operation in the prior year.

Some of the business units currently do not generate revenue or have any material operating income.

The Group is only engaged in one business of upstream oil and gas exploration and production.

	2020 US\$ million	2019 US\$ million
Revenue		
Indonesia	144.7	172.2
Vietnam	103.7	198.6
United Kingdom	701.0	1,213.9
Total Group sales revenue	949.4	1,584.7
Interest and other finance revenue	0.8	2.4
TOTAL GROUP REVENUE FROM CONTINUING OPERATIONS	950.2	1,587.1
Group operating (loss)/profit		
Indonesia	59.8	90.9
Vietnam	19.4	96.2
United Kingdom	(109.9)	291.7
Rest of the World ¹	(235.4)	(0.9)
Unallocated ²	(77.7)	(22.9)
Group operating (loss)/profit	(343.8)	455.0
Interest revenue, finance and other gains	84.8	31.4
Finance costs, other finance expenses and losses	(346.3)	(383.9)
(Loss)/profit before tax from continuing operations	(605.3)	102.5
Tax	(696.9)	52.5
(Loss)/profit after tax from continuing operations	(1,302.2)	155.0
Profit from discontinued operations	–	9.3
Balance sheet		
Segment assets:		
Falkland Islands	504.4	680.0
Indonesia	430.0	481.5
Vietnam	378.2	437.8
United Kingdom	3,040.8	4,060.3
Rest of the World	179.7	179.4
Unallocated ²	126.9	253.4
TOTAL ASSETS	4,660.0	6,092.4

Notes:

- The Group operating loss relating to the Rest of the World is primarily driven by the write-off to non-Sea Lion Falkland Islands exploration and evaluation assets in the period.
- Unallocated expenditure, assets and liabilities include amounts of a corporate nature and not specifically attributable to a geographical segment. These items include corporate general and administration costs, new venture and pre-licence exploration costs, cash and cash equivalents, mark-to-market valuations of commodity contracts, warrants and other short and long-term debt.

1. Operating segments continued

	2020 US\$ million	2019 US\$ million
Liabilities		
Falkland Islands	(5.6)	(13.0)
Indonesia	(206.7)	(216.5)
Vietnam	(281.2)	(324.3)
United Kingdom	(2,020.7)	(2,041.7)
Rest of the World	(31.8)	(34.5)
Unallocated ¹	(2,276.9)	(2,330.9)
TOTAL LIABILITIES	(4,822.9)	(4,960.9)
Other information		
Capital additions and acquisitions:		
Falkland Islands	24.7	30.0
Indonesia	11.6	72.1
Pakistan	–	1.3
Vietnam	2.4	5.0
United Kingdom	276.3	142.6
Rest of the World	58.5	61.2
TOTAL CAPITAL ADDITIONS AND ACQUISITIONS	373.5	312.2
Depreciation, depletion, amortisation and impairment²		
Indonesia	50.1	44.5
Vietnam	44.1	60.0
United Kingdom	566.6	652.6
Rest of the World	10.5	0.8
TOTAL DD&A AND IMPAIRMENT (CONTINUING OPERATIONS)	671.3	757.9

Notes:
 1 Unallocated expenditure, assets and liabilities include amounts of a corporate nature and not specifically attributable to a geographical segment. These items include corporate general and administration costs, new venture and pre-licence exploration costs, cash and cash equivalents, mark-to-market valuations of commodity contracts, warrants and other short and long-term debt.
 2 Includes DD&A in respect of right-of-use assets.

Out of the total Group worldwide sales revenues of US\$949.4 million (2019: US\$1,584.7 million), revenues of US\$701.0 million (2019: US\$1,213.9 million) arose from sales of oil and gas to customers located in the UK. Included within the total revenues were revenues of US\$799.9 million (2019: US\$1,539.1 million) from contracts with customers. This was in addition to hedging gains of US\$149.5 million (2019: US\$45.6 million).

Included in assets of the United Kingdom segment are non-current assets (excluding deferred tax assets) of US\$2,000.1 million (2019: US\$2,286.3 million). Included in depreciation, depletion, amortisation and impairment is an impairment charge in relation to the UK of US\$143.8 million (2019: US\$41.5 million net charge).

Revenue from two customers (2019: three customers) each exceeded 10 per cent of the Group's consolidated revenue. Sales to one customer in the UK amounted to US\$128.8 million (2019: two customers for US\$318.8 million and US\$187.3 million). Sales to one customer in Indonesia totalled US\$113.0 million (2019: one customer amounting to US\$160.4 million).

2. Cost of operations

	2020 US\$ million	2019 US\$ million
Operating costs	273.8	322.6
Gas purchases	18.4	21.6
Stock overlift/(underlift) movement	28.0	(10.5)
Royalties	4.5	9.1
	324.7	342.8

3. Auditors' remuneration

	2020 US\$ million	2019 US\$ million
Audit fees		
Fees payable to the Company's auditor for the Company's Annual Report	0.9	0.9
Audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
	1.2	1.2
Non-audit fees		
Other services pursuant to legislation – interim review	0.2	0.2
Other services ¹	1.0	1.4
	1.2	1.6

Note:

¹ Other services primarily relate to reporting accountant services provided by EY in respect to proposed acquisitions or other corporate transactions. These services are typically provided by a company's auditors, and the Audit and Risk Committee concluded that shareholder value was best served by appointing our auditors for this work.

The Company has a policy on the provision of non-audit services by the auditor which is aimed at ensuring their continued independence. This policy is available on the Group's website. The use of the external auditor for services relating to accounting systems or financial statement preparations is not permitted, as are various other services that could give rise to conflicts of interest or other threats to the auditors' objectivity that cannot be reduced to an acceptable level by applying safeguards.

4. Staff costs

	2020 US\$ million	2019 US\$ million
Staff costs, including Executive Directors		
Wages and salaries	89.2	98.6
Social security costs	4.7	8.4
Pension costs		
Defined contribution	11.5	7.9
Defined benefit	3.1	5.3
	108.5	120.2

Staff costs above are recharged to joint venture partners or capitalised to the extent that they are directly attributable to capital projects. The above costs include share-based payments to employees as disclosed in note 21 on page 155.

	2020	2019
Average number of employees during the year		
Technical and operations	488	500
Management and administration	276	275
	764	775

5. Interest revenue and finance costs

	Note	2020 US\$ million	2019 US\$ million
Interest revenue, finance and other gains			
Short-term deposits and loans		0.4	2.4
Lease finance income	10	4.2	5.3
Derivative gains	18	47.1	14.8
Finance income on deferred income	15	32.2	–
Exchange differences and other gains		0.9	8.9
		84.8	31.4
Finance costs			
Bank loans, overdrafts and bonds		(148.2)	(190.7)
Payable in respect of senior loan notes		(37.8)	(37.8)
Long-term debt arrangement fees		(12.5)	(5.1)
Exchange differences and other costs		(59.3)	(31.9)
		(257.8)	(265.5)
Other finance expenses			
Lease finance costs	14	(45.7)	(50.0)
Unwinding of discount on decommissioning provision	17	(38.1)	(44.0)
Derivative losses	18	(8.2)	(29.4)
Finance income on deferred income	15	–	0.7
		(92.0)	(122.7)
Gross finance costs and other finance expenses		(349.8)	(388.2)
Finance costs capitalised during the year		3.5	4.3
		(346.3)	(383.9)

The amount of finance costs capitalised was determined by applying the weighted average rate of finance costs applicable to the borrowings of the Group of 7.4 per cent (2019: 8.2 per cent) to the expenditures on the qualifying assets.

In the current period, included within Exchange differences and other costs, is US\$32.0 million cost associated with refinancing activities.

6. Tax

	2020 US\$ million	2019 US\$ million
Current tax		
UK corporation tax on profits	(22.6)	(6.0)
Overseas tax	44.6	81.6
Adjustments in respect of prior years	11.1	(24.5)
TOTAL CURRENT TAX	33.1	51.1
Deferred tax		
UK corporation tax	687.3	(94.0)
Overseas tax	(23.5)	(9.6)
TOTAL DEFERRED TAX	663.8	(103.6)
Tax charge/(credit) on (loss)/profit on ordinary activities	696.9	(52.5)

The tax charge for the year can be reconciled to the (loss)/profit per the consolidated income statement as follows:

	2020 US\$ million	2019 US\$ million
Group (loss)/profit on ordinary activities before tax	(605.3)	102.5
Group (loss)/profit on ordinary activities before tax at 32.8% weighted average rate (2019: 46.0%)	(198.5)	47.2
Tax effects of		
(Income)/expenses that are not (taxable)/deductible in determining taxable profit ¹	64.7	16.2
Financing costs disallowed for UK supplementary charge	20.3	19.4
Non deductible field expenditure	–	11.3
Tax and tax credits not related to (loss)/profit before tax (mainly ring fence expenditure supplement)	(12.1)	(89.2)
Unrecognised tax losses ²	827.1	10.0
Effect of change in foreign exchange	1.8	0.3
Adjustments in respect of prior years	(9.1)	(40.3)
Recognition that decommissioning provision will unwind at 50%	2.7	(8.0)
Recognition of deferred tax asset	–	(19.4)
Tax charge/(credit) for the year	696.9	(52.5)
Effective tax rate for the year	(115.1%)	(51.2%)

Notes:

1 Includes the tax effect of the US\$194 million exploration write-off in respect of the Falkland Islands licences.

2 Includes US\$817 million of unrecognised deferred tax asset in respect of ring fence tax losses, decommissioning asset and allowances.

The UK deferred tax charge arises primarily due to the derecognition of previously recognised UK ring fence tax losses and allowances. It is no longer appropriate to recognise a deferred tax asset of US\$817.2 million of the Group's ring fence tax losses, decommissioning asset and allowances at 31 December 2020 based on expected future profitability. The future taxable profits represent those solely relating to Premier's existing assets and do not include those assets associated with the proposed merger. The reduction from the prior year primarily relates to the exclusion of taxable profits associated with previously proposed acquisitions and the reduction in management's long-term price assumptions.

More detail on assumptions applied in assessing the recoverability of deferred tax assets is provided in note 19.

The weighted average rate is calculated based on the tax rates weighted according to the profit or loss before tax earned by the Group in each jurisdiction. The change in the weighted average rate year-on-year relates to the mix of profit and loss in each jurisdiction.

The future effective tax rate for the Group is impacted by the mix of jurisdictions in which the Group operates (with corporation tax rates ranging from 19 per cent to 44 per cent), assumptions around future oil prices and changes to tax rates and legislation.

Post balance sheet event note

On 3 March 2021 it was announced in the UK budget that the UK non-ring fence corporation tax rate will increase from 19 per cent to 25 per cent with effect from 2023. The Group does not currently recognise any deferred tax assets in respect of UK non-ring fence tax losses and therefore this rate change did not impact the disclosed results.

7. Discontinued operations and disposals

In April 2017, Premier announced it had reached an agreement and signed a Sale and Purchase Agreement with Al-Haj Energy Limited for the sale of Premier Oil Pakistan Holdings BV, which comprised Premier's Pakistan Business Unit, for a cash consideration of US\$65.6 million. The disposal was completed in March 2019, following the receipt of necessary governmental approvals and the full consideration of US\$65.6 million through deposits and completion payments paid by the buyer, and net cash flows collected by Premier since the economic date of the transaction.

7. Discontinued operations and disposals continued

The results of the disposal group included as discontinued operations in the prior year consolidated income statement were as below. Following completion of the disposal of the Pakistan operations, there were no discontinued operations in the current period.

	2019 US\$ million
Revenue	11.8
Expenses	(3.6)
Profit before tax	8.2
Attributable tax charge	(2.0)
Gain on disposal	3.1
Net profit for the period from discontinued operations	9.3

In the prior year, the Pakistan disposal group contributed US\$7.2 million to the Group's net operating cash flows and paid US\$1.9 million in respect of investing activities. There were no financing cash flows in prior year associated with the Pakistan disposal group.

The net gain of US\$1.1 million (2019: US\$4.2 million) from disposals of non-current assets includes gains from the resolution of an overseas tax matter relating to a subsidiary sold in 2018.

8. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit after tax and the weighted average number of Ordinary Shares in issue during the year. Basic and diluted earnings per share are calculated as follows:

	2020 US\$ million	2019 US\$ million
(Loss)/earnings		
(Loss)/earnings for the purpose of diluted earnings per share on continuing operations	(1,302.2)	155.0
Profit from discontinued operations	–	9.3
(Loss)/earnings for the purpose of diluted earnings per share on continuing and discontinued operations	(1,302.2)	164.3
Number of shares (millions)		
Weighted average number of Ordinary Shares for the purpose of basic earnings per share	887.7	826.2
Effects of dilutive potential Ordinary Shares:		
Contingently issuable shares (2020: anti-dilutive)	–	76.9
Weighted average number of Ordinary Shares for the purpose of diluted earnings per share	887.7	903.1
(Loss)/earnings per share from continuing operations (cents)		
Basic	(146.7)	18.8
Diluted	(146.7)	17.2
Earnings per share from discontinued operations (cents)		
Basic	–	1.1
Diluted	–	1.0

As at 31 December 2020, there are 57.8 million potentially dilutive contingently issuable shares related to unexercised Equity warrants and Share Options, the inclusion of which gives rise to an anti-dilutive loss per share.

9. Intangible exploration and evaluation ('E&E') assets

Oil and gas properties	Total US\$ million
Cost	
At 1 January 2019	812.6
Exchange movements	1.3
Additions during the year	129.3
Transfer to PP&E	(1.9)
Exploration expense ¹	(7.3)
At 31 December 2019	934.0
Exchange movements	(12.5)
Additions during the year	85.5
Exploration expense ¹	(221.7)
AT 31 DECEMBER 2020	785.3

Note:

¹ Expensed in the income statement together with new venture expenditure of US\$69.3 million (2019: US\$14.0 million) and US\$2.4 million of E&E expenditure that was charged directly to the income statement, resulting in a total exploration expense and new venture costs of US\$293.4 million. In the current period, new venture expenditure includes costs incurred in respect to Corporate Actions, including previously proposed acquisitions and the proposed merger with Chrysaor.

The amounts for intangible E&E assets represent costs incurred on active exploration projects. These amounts are written off to the income statement as exploration expense unless commercial reserves are established or the determination process is not completed and there are no indications of impairment.

The outcome of ongoing exploration, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain. To the extent that we have an active licence to continue to explore for resources and have an intention to continue exploration activity, the exploration cost associated with the licence will remain capitalised as an E&E asset on the balance sheet. Once exploration activity has completed and we have no further intention to explore the licence for resources, costs capitalised up to that point will be expensed and no further costs associated with the licence will be capitalised.

During the year, exploration expenditure of US\$194.1 million has been written off for costs previously capitalised for exploration prospects in the North Falklands basin which will not be developed as part of the Sea Lion Phase 1 project. In addition, the drilling of the Charlie-1 well in Area A in Alaska encountered non-commercial gas condensate for which US\$27.1 million of costs have been expensed in the year. The balance carried forward is predominantly in relation to the Sea Lion (Falkland Islands) and Tuna (Indonesia) projects, as well as our share of expenditure on the Zama prospect in Mexico.

Based on the continuation of commercial and technical evaluation activities and in the absence of data to suggest that the carrying value of capitalised expenditure incurred to date could not be recovered in full, capitalised E&E costs in respect to Sea Lion (Falkland Islands) continue to be carried on the balance sheet. During 2020, terms of a farm-out, which remains subject to approval, were agreed with Navitas Petroleum LP and planning for the development of Sea Lion continued to be progressed, albeit at a reduced level given the macro environment. A joint venture approved work programme and budget is in place for 2021 and an extension of the Sea Lion licence to November 2022 has been agreed by the Falkland Islands Government. Should the proposed merger with Chrysaor complete, it is anticipated that the enlarged group will have significant financial resources to support a future development decision. However, this will remain subject to the completion of technical and commercial evaluation activities by the board of the enlarged group. Because the proposed merger will represent a reverse takeover by Chrysaor, on completion Sea Lion will be measured at fair value, which could differ to its current carrying value. Should the merger not complete, Premier would have to identify alternative finance options for Sea Lion. In those circumstances, the lack of a clear financing solution for the project would be considered as an indicator of impairment.

10. Property, plant and equipment

	Oil and gas properties US\$ million	Right-of-use assets US\$ million	Other fixed assets US\$ million	Total US\$ million
Cost				
At 1 January 2019	7,807.6	803.3	57.3	8,668.2
Exchange movements	(1.7)	(0.6)	1.1	(1.2)
Re-measurement of lease liabilities	–	8.3	–	8.3
Additions and changes in decommissioning estimates	180.1	–	2.8	182.9
Transferred from E&E	1.9	–	–	1.9
Disposals	(1.3)	–	–	(1.3)
At 31 December 2019	7,986.6	811.0	61.2	8,858.8
Exchange movements	(0.7)	1.0	0.7	1.0
Re-measurement of lease liabilities	–	2.5	–	2.5
Additions and changes in decommissioning estimates	285.3	–	2.7	288.0
AT 31 DECEMBER 2020	8,271.2	814.5	64.6	9,150.3
Amortisation, depreciation and impairment				
At 1 January 2019	5,568.2	–	51.1	5,619.3
Exchange movements	(1.1)	–	0.9	(0.2)
Charge for the year	489.4	223.0	4.0	716.4
Net impairment charge	41.5	–	–	41.5
At 31 December 2019	6,098.0	223.0	56.0	6,377.0
Exchange movements	(0.8)	0.3	0.7	0.2
Charge for the year	399.6	124.9	3.0	527.5
Impairment charge	143.8	–	–	143.8
AT 31 DECEMBER 2020	6,640.6	348.2	59.7	7,048.5
Net book value				
At 31 December 2019	1,888.6	588.0	5.2	2,481.8
AT 31 DECEMBER 2020	1,630.6	466.3	4.9	2,101.8

Finance costs that have been capitalised within oil and gas properties during the year total US\$3.5 million (2019: US\$4.3 million), at a weighted average interest rate of 7.4 per cent (2019: 8.2 per cent).

Amortisation and depreciation of oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves on an entitlement basis at the end of the period plus production in the period, on a field-by-field basis. Proved and probable reserve estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Management uses established industry techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

The current period charge includes US\$52.7 million relating to the net effect of changes in decommissioning provisions on assets previously depreciated to nil net book value as a result of a change in decommissioning discount rates.

Impairment charge

In the period, Group-wide indicators of impairment, being a reduction in management's long-term oil and gas price assumptions and decommissioning discount rate, were identified. The impairment charge in the current year primarily relates to Solan (UK) as a result of a reduction in management's long-term oil price assumption and a decrease in reserves associated with future investments decisions. The impairment charge of US\$143.8 million (pre-tax) (2019: net impairment charge of US\$41.5 million) was calculated by comparing the future discounted pre-tax cash flows expected to be derived from production of commercial reserves (the value-in-use) against the carrying value of the cash-generating unit. When testing producing assets for impairment, future cash flows were estimated using the following oil price assumption: US\$51/bbl in 2021, US\$55/bbl in 2022 and US\$60/bbl in 'real' terms thereafter (2019: US\$65/bbl in 2020 and 2021, US\$70/bbl in 2022 followed by a long-term price of US\$70/bbl (real) thereafter) and were discounted using a pre-tax discount rate of 9 per cent for the UK assets (2019: 9 per cent) and 12.5 per cent for the non-UK assets (2019: 12.5 per cent). 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.

Sensitivity

A US\$5/bbl reduction in the long-term oil price (to US\$55/bbl (real)) would increase the impairment charge by US\$72.1 million, of which US\$67.1 million would be in respect to goodwill associated with the Catcher cash-generating unit. A 1 per cent increase in the discount rates used when determining the value-in-use for each oil and gas property would increase the impairment charge by US\$12.3 million of which US\$10.9 million would be in respect to goodwill associated with the Catcher cash-generating unit.

Goodwill

Goodwill of US\$240.8 million has been specifically assigned to the Catcher field in the UK, which is considered the cash-generating unit for the purposes of any impairment testing of this goodwill. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts are determined from value-in-use calculations with the same key assumptions as noted above for the impairment calculations. The discount rate used is 9 per cent (2019: 9 per cent). The value-in-use forecast takes into consideration cash flows which are expected to arise during the life of the Catcher field as a whole, currently expected to be until 2028. This period exceeds five years but is believed to be appropriate as it is underpinned by estimates of commercial reserves provided by our in-house reservoir engineers using industry standard reservoir estimation techniques. The headroom between the recoverable amount and the carrying amount of the Catcher cash-generating unit, including the goodwill, is US\$15.2 million (2019: US\$203.8 million).

The key assumptions applied in the measurement of the value-in-use of the Catcher asset are discount rate, oil prices and forecasted recoverable reserves. A change in any of these key assumptions would cause the asset's carrying amount to exceed its recoverable amount as disclosed above.

Right-of-use assets

There were no new leases entered into during the period. The re-measurement above represents the net impact of re-measurements of the Catcher FPSO lease which were driven by changes in assumed cessation of production ('COP') dates during the year based on field performance and the extension of the Chim São lease by two years to 2030 to reflect revised COP date.

In addition to the above the Group has a net investment in sublease of US\$57.1 million (2019: US\$75.7 million), of which US\$53.1 million is classified as a long-term receivable and US\$4.0 million as trade and other receivables. The net investment in sublease represents our joint operations partners' share of lease liabilities on lease arrangements for which Premier has entered into in its role as operator as sole signatory on behalf of the joint operation and the asset is controlled by the joint operation.

Income of US\$4.2 million, which predominantly represents unwinding of the net investment in sublease, has been recognised as finance income in the year (see note 5).

11. Receivables

Trade and other receivables

	2020 US\$ million	2019 US\$ million
Trade receivables	130.1	162.9
Other receivables	47.3	87.4
Prepayments	54.1	65.5
Tax recoverable	47.6	63.1
	279.1	378.9

The carrying values of the trade and other receivables are equal to their fair value as at the balance sheet date.

11. Receivables continued**Long-term receivables**

	Note	2020 US\$ million	2019 US\$ million
Other long-term receivables		132.1	119.8
Net investment in sublease	10	53.1	54.1
Decommissioning funding asset		62.0	56.5
Long-term employee benefit plan surplus	24	1.0	0.7
		248.2	231.1

Other long-term receivables include US\$117.0 million in cash held in escrow accounts for expected future decommissioning expenditure in Indonesia, Vietnam and Mauritania (2019: US\$111.2 million).

The decommissioning funding asset relates to the Decommissioning Liability Agreement entered into with E.ON whereby E.ON agreed to part fund Premier's share of decommissioning the Johnston and Ravenspurn North assets. Under the terms of the agreement, E.ON will reimburse 70 per cent of the decommissioning costs between a range of £40 million to £130 million based on Premier's net share of the total decommissioning cost of the two assets. This results in maximum possible funding of £63 million from E.ON. At 31 December 2020, a long-term decommissioning funding asset of US\$62.0 million has been recognised utilising the year-end US\$/£ exchange rate and underlying assumptions consistent with those used for the corresponding decommissioning provision.

As a result of the above, the Group has recognised a deferred tax asset in relation to an expected future tax deduction associated with decommissioning costs funded by E.ON. As this tax deduction will be reimbursed to E.ON once received by Premier a payable has also been recognised.

12. Cash and cash equivalents

	Note	2020 US\$ million	2019 US\$ million
Cash at bank and in hand		105.9	181.2
Short-term deposits		2.4	16.9
	22	108.3	198.1

Included within cash at bank and in hand balances are partners' share of cash balances on our operated assets of US\$12.0 million (2019: US\$22.8 million) and US\$24.3 million (2019: US\$24.3 million) held as security for the Mexican letters of credit and performance bonds relating to Andaman (Indonesia) E&E licences.

13. Trade and other payables

	2020 US\$ million	2019 US\$ million
Trade payables	89.5	30.5
Other payables	69.4	54.3
Accrued expenses	213.1	254.8
Tax payable	27.5	16.6
	399.5	356.2

The carrying values of the trade and other payables approximates to their fair value as at the balance sheet date.

14. Leases

	2020 US\$ million	2019 US\$ million
At 1 January	732.5	899.6
Re-measurement	6.9	8.3
Finance costs	45.7	50.0
Lease payments	(186.3)	(224.7)
Exchange differences	0.8	(0.7)
At 31 December	599.6	732.5
Classified as:		
Short-term	74.3	149.7
Non-current	525.3	582.8

Expenses related to both short-term and low value lease arrangements are considered to be immaterial for reporting purposes. During the period variable lease costs of US\$6.6 million (2019: US\$23.3 million) were expensed. Lease liabilities have been classified as either short-term or non-current in the balance sheet according to whether they are expected to be settled within 12 months of the balance sheet date.

The significant portion of the Group's lease liabilities represent lease arrangements for FPSO vessels on the Catcher and Chim São assets. The lease liabilities, and associated right-of-use-assets have been calculated by reference to in-substance fixed lease payments in the underlying agreements incurred throughout the non-cancellable period of the lease along with periods covered by options to extend the lease where the Group is reasonably certain that such options will be exercised. When assessing whether extension options were likely to be exercised, assumptions are consistent with those applied when testing for impairment.

There were no new leases entered into during the period. The re-measurement above represents the net impact of re-measurements of the Catcher FPSO lease which were driven by changes in assumed cessation of production ('COP') dates during the year based on field performance and the extension of the Chim São lease by two years to 2030 to reflect the revised COP date.

Under the modified retrospective transition method, lease payments were discounted at 1 January 2019 using an incremental borrowing rate representing the rate of interest that Premier would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate applied to each lease was determined by taking into account the risk-free rate, adjusted for factors such as the credit rating linked to the life of the underlying lease agreement. The weighted average incremental borrowing rate applied by Premier upon transition was 7.2 per cent. Incremental borrowing rates applied to individual leases ranged between 7.2 per cent and 9.2 per cent.

15. Deferred income

In June 2015, Premier received US\$100.0 million from FlowStream in return for granting them 15 per cent of production from the Solan field until sufficient barrels have been delivered to achieve the rate of return within the agreement. This balance is being released to the income statement within revenue as barrels are delivered to FlowStream from production from Solan. The deferred income is the closing year-end fair value payable to FlowStream. The estimated fair value includes unobservable inputs and is level 3 in the IFRS 13 hierarchy and is held at fair value through profit and loss. The balance has reduced by US\$37.3 million during the year reflecting the impact of barrels delivered to FlowStream and a change in estimate following a decline in the long-term oil price assumption resulting in a credit to the income statement under finance income.

The portion of the deferred income that is expected to be delivered to FlowStream within the next 12 months has been classified as a current liability.

16. Borrowings

The Group's loans are carried at amortised cost as follows:

	2020 US\$ million			2019 US\$ million		
	Carrying value	Fees	Total	Carrying value	Fees	Total
Bank loans	1,439.2	(5.3)	1,433.9	1,452.6	(16.7)	1,435.9
Senior loan notes	542.7	–	542.7	536.4	–	536.4
Retail bonds	204.8	(0.4)	204.4	198.9	(1.4)	197.5
TOTAL BORROWINGS	2,186.7	(5.7)	2,181.0	2,187.9	(18.1)	2,169.8
Due within one year			2,181.0			–
Due after more than one year			–			2,169.8
TOTAL BORROWINGS			2,181.0			2,169.8

A maturity analysis showing the ageing profile of the total borrowings is shown in note 18.

At the year-end, the Group's principal credit facilities comprised:

- Bank loans: US\$2.5 billion revolving and letter of credit facility ('RCF'), US\$150 million and £100 million term loans (together the 'Term Loan');
- Senior loan notes: US\$335 million and €63.6 million of US Private Placement ('USPP') notes and US\$130 million converted loan facility; and
- £150 million of retail bonds.

All of the above facilities mature in May 2021 and have been classified as due within one year in the consolidated balance sheet.

The Company has financing in US\$, £ and €. The £ and € loans have been swapped into US\$ at the original issue dates. In total, £250.0 million and €60.0 million have been swapped into US\$ using cross currency swap markets at an average exchange rate of US\$1.64:£ and US\$1.37:€ respectively. However, all liabilities in currencies other than US\$ have been translated at the exchange rate prevailing at the year-end.

In October 2020, the Group announced the proposed merger with Chrysaor, which is expected to be completed on 31 March 2021. Under the terms of the merger, the Group's debt and certain hedging liabilities will be settled on completion. Should the merger fail to complete, the maturity of the Group's existing debt will extend from 31 May 2021 to 31 March 2022. Further detail is provided in the basis of preparation note on page 123.

Financial covenants

Financial covenants are the same across all Group financings except for the £150.0 million retail bonds which have no financial covenants. These financial covenants are tested on a quarterly (annualised) basis.

The financial covenants are as follows:

- Net debt/EBITDA cover ratio 3.0x.
- Interest cover ratio of 3.0x.

From July 2020, the Group has been granted covenant deferrals from its lenders. Without these deferrals the Group would have breached its financial covenants in respect of testing periods ended 30 June 2020, 30 September 2020 and 31 December 2020. Further detail on the covenant deferrals received in the period and the implications of the proposed Corporate Actions is provided in the basis of preparation note on page 123.

Capital management

The primary objective of the Group's capital management policy is to ensure that it maintains healthy capital ratios in order to support its business and increase shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by net assets plus net debt. The Group's policy is to target to keep the long-term gearing ratio below 50 per cent. Net debt comprises interest-bearing bank loans, senior loan notes and retail bonds, less cash and short-term deposits.

	2020	2019
Net debt (US\$ million)	(2,078.4)	(1,989.8)
Net (liabilities)/assets (US\$ million)	(162.9)	1,131.5
Net (liabilities)/assets plus net debt (US\$ million)	1,915.5	3,121.3
Gearing ratio (%)	108.5	63.7

17. Provisions

	Note	2020 US\$ million	2019 US\$ million
Decommissioning		1,372.1	1,303.4
Contingent consideration		5.1	10.0
Indonesia termination benefit provision		24.1	21.4
Long-term employee benefit plan deficit	24	0.8	0.8
		1,402.1	1,335.6

	Note	2020 US\$ million	2019 US\$ million
Decommissioning costs			
Total provisions at 1 January		1,303.4	1,214.5
Revision arising from:			
New provisions and changes in estimates	10	18.2	(59.7)
Change in provision as a result of a change in discount rate		43.9	80.1
Paid/utilised		(66.6)	(23.7)
Exchange differences		35.1	48.2
Unwinding of discount on decommissioning provision	5	38.1	44.0
Total provisions at 31 December		1,372.1	1,303.4
Reclassification of short-term provisions to current liabilities		(116.9)	(76.8)
Long-term provisions at 31 December		1,255.2	1,226.6

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas interests in the UK, Indonesia, Vietnam and Mauritania which are expected to be incurred up to 2038. These provisions have been created based on Premier's internal estimates and, where available, operator's estimates. Based on the current economic environment, assumptions have been made which are believed to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

A discount rate of 3.0 per cent (2019: 3.6 per cent) and an inflation rate of 2.5 per cent (2019: 2.5 per cent) have been applied to all decommissioning estimates when determining the net present value of the decommissioning provision. Rig rates used to determine the relevant part of the decommissioning cost estimates are based on a rolling five year average observed in the market place for similar types of rigs. The oil and gas price assumptions used to determine the field life COP are consistent with those applied for the impairment assessment (see note 10).

17. Provisions continued

Decommissioning provisions include expected future obligations for Ravenspurn North and Johnston assets in the UK. The first £63 million of decommissioning expenditure related to these assets is funded via a separate agreement with E.ON (see note 11).

Contingent consideration

The contingent consideration is the closing year-end fair value of the royalty stream payable to Chrysaor for the acquisition of 40 per cent of the Solan asset in May 2015. The estimate of fair value of this contingent consideration includes unobservable inputs and is level 3 in the IFRS 13 hierarchy and is held at fair value through profit and loss. The movement in fair value for the year was US\$2.3 million income (2019: US\$2.9 million charge) and has been recognised within other operating income/(costs).

Indonesia termination benefit provision

In Indonesia, the Group operates a Service, Severance and Compensation pay scheme under a Collective Labour Agreement with the local workforce. In early 2003, the government of Indonesia introduced a labour law which requires that on dismissal, companies are required to make certain payments to employees that are dependent on numbers of years' service and salary. The 'scheme' effectively provides a termination benefit to employees, but does not represent a defined benefit pension scheme.

The Company operates a defined termination benefit scheme, the cost of providing benefits is determined using the projected unit credit method, with valuations being carried out at each balance sheet date. Gains and losses are recognised immediately. Past service cost is also recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The provision recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

18. Financial instruments**Financial risk management objectives and policies**

The Group's principal financial liabilities, other than derivative financial instruments (derivatives), are comprised of accounts payable, bank loans, retail bonds and senior loan notes. The main purpose of these financial instruments is to manage short-term cash flow and to raise finance for the Group's capital expenditure programme. The Group has various financial assets such as accounts receivable and cash and short-term deposits, which arise directly from its operations.

It is Group policy that all transactions involving derivatives must be directly related to the underlying business of the Group. The Group does not use derivative financial instruments for speculative exposures.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are commodity price risk, interest rate risk, foreign currency exchange risk, credit risk, liquidity risk and the Group's share price. The Group uses derivative financial instruments to hedge certain of these risk exposures. The use of financial derivatives is governed by the Group's policies as approved by the Board of Directors.

Derivative financial instruments

The Group uses derivatives to manage its exposure to oil and gas price fluctuations and to changes in interest rates and foreign currency.

Oil and gas price commodity hedging is undertaken using swaps, options, collar options, reverse collars, collar structures, hedges embedded in long-term crude offtake agreements and selling forward using fixed price sales contracts. Oil is hedged using Dated Brent oil price swaps and options. Indonesian gas is hedged using HSFO Singapore 180cst which is the variable component of the gas price and UK gas is hedged by selling gas forward through fixed price contracts and through UK NBP gas swaps and options.

The Group's exposure to interest rates is managed by maintaining an appropriate mix of both fixed and floating interest rate borrowings within its debt portfolio.

The Group has £ and € currency exposure as a result of its borrowings. These are managed through cross currency swap arrangements.

As the Group reports in US dollars, since that is the currency in which the majority of the Group's transactions are denominated, aside from some of its borrowings, significant exchange rate exposures currently relate only to certain local currency (such as Pound sterling) receipts and expenditures within individual business units. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and options.

Fair value hierarchy

The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy. The estimate of the Chrysaor contingent consideration (see note 17), FlowStream deferred income (see note 15) and fair value of the warrants (see below) include estimates based on unobservable inputs and are level 3 in the IFRS 13 hierarchy.

As at 31 December 2020, the Group held the following financial instruments measured at fair value (excluding any primary financial instruments such as cash and bank loans):

Assets measured at fair value

Financial assets at fair value:

	At 31 December 2020 US\$ million	At 31 December 2019 US\$ million
Fair value of gas contract acquired from E.ON	3.4	4.9
Forward foreign exchange contracts	–	3.8
Gas forward sale contracts ¹	2.3	34.7
Oil forward sale contracts ¹	4.4	11.9
Gas option contracts ²	8.5	–
TOTAL	18.6	55.3

Notes:

- 1 Cash receivable in January 2021 from forward swap contracts which expired at the year-end.
2 US\$4.5 million is classified as long-term receivable.

Liabilities measured at fair value

Financial liabilities at fair value:

	At 31 December 2020 US\$ million	At 31 December 2019 US\$ million
Cross currency swaps ¹	88.7	123.6
Forward foreign exchange contracts	2.7	–
Gas forward sale contracts	1.6	–
Oil forward sale contracts ²	2.2	1.9
Warrants	0.7	35.6
TOTAL	95.9	161.1

Notes:

- 1 As at 31 December 2020, the entirety of cross currency swaps are classified as current based on a maturity of May 2021, consistent with the maturity of the Group's debt facilities.
2 Includes US\$0.5 million payable from forward swap contracts which expired at the year-end.

Income statement

Fair value movements recognised in the income statement in the year:

	2020 US\$ million	2019 US\$ million
Interest revenue, finance and other gains		
Change in fair value of embedded derivative within gas contract	–	8.6
Forward foreign exchange contracts	–	6.2
Cross currency swaps	15.4	–
Warrants	31.7	–
	47.1	14.8
Finance costs		
Cross currency swaps	–	(8.3)
Change in fair value of embedded derivative within gas contract	(1.6)	–
Forward foreign exchange contracts	(6.6)	–
Interest rate options	–	(1.1)
Interest rate swaps	–	(0.9)
Warrants	–	(19.1)
	(8.2)	(29.4)

18. Financial instruments continued**Statement of comprehensive income**

Fair value movements recognised in the statement of comprehensive income for the year:

	2020 US\$ million	2019 US\$ million
Cash flow hedges		
Commodity swaps – gas	(31.3)	6.2
Commodity swaps – oil	(1.4)	(102.6)
Commodity options – gas	(4.2)	–
	(36.9)	(96.4)
Cross currency swaps	19.8	10.3
Unrealised exchange differences	(12.4)	(13.4)
Cash flow hedges on foreign exchange swaps	7.4	(3.1)

Commodity price risk**Oil**

At 31 December 2020, the Group had 0.6 million barrels of Dated Brent oil hedged through forward sales for 2021 at an average floor price of US\$48.1/bbl. The forward sales have been designated as cash flow hedges and were assessed to be effective, with a fair value movement of US\$2.0 million charge (2019: US\$0.6 million charge) in retained earnings.

During the year, forward oil sales contracts for 5.27 mmbbls matured generating a gain of US\$105.2 million (2019: US\$35.9 million gain). This gain is an increase to sales revenue.

Gas

During the year, HSFO forward sales contracts for 252,000 mt, for the Group's gas pricing in Singapore matured, generating an income of US\$28.3 million. The gain is an increase to sales revenue. There were no further HSFO forward sales contracts outstanding at year-end.

As at 31 December 2020, the Group had forward UK gas swap sales contracts for 2021 of 52.4 million therms at an average price of 39.7p/therm. These forward sales contracts have been designated as cash flow hedges and were assessed to be effective, with a fair value movement of US\$2.6 million charge (2019: US\$12.5 million credit) to retained earnings.

During the year, UK forward gas sales contracts for 47.8 million therms matured generating an income of US\$16.0 million. This gain is an increase to sales revenue.

As at 31 December 2020, the Group had forward UK gas option sales contracts for 2021 of 59.6 million therms at an average price of 33.5p/therm (including premium) and 63.7 million therms at an average of 34.3p/therm (including premium). These forward sales contracts have been designated as cash flow hedges and were assessed to be effective, with a fair value movement of US\$4.2 million charge to retained earnings.

Equity warrants

The fair value of the warrants includes unobservable inputs and is level 3 in the IFRS 13 hierarchy. The key assumptions underpinning the fair value relate to the expected future share price of the Company, US\$/£ exchange rates and the expected date of exercise of the warrants. The fair value has been determined using a Black-Scholes valuation model.

In June 2020, the Group issued 82.2 million shares to Asia Research and Capital Management ('ARCM'), the Group's largest creditor, for fixed consideration of 26.69 pence/share. This resulted in cash proceeds of US\$27.0 million being received in the period. As part of the requirements under the Group's equity warrant instruments, the warrant exercise price was adjusted to ensure no dilution of value for the holders of the Group's equity warrant instruments. The exercise price was adjusted from 41.8 pence to 40.8 pence per warrant. The equity warrants are exercisable from their issuance until 31 May 2022, at the option of the warrant holder, and are settled with Ordinary Shares of the Company.

During the period, 9.9 million equity warrants were converted, resulting in an allotment of 8.3 million shares. The closing fair value of the open equity warrants at 31 December 2020 was US\$0.7 million, resulting in a gain of US\$31.7 million being credited in the year, classified as a derivative gain within finance income.

When determining the fair value of the equity warrants, if the share price assumed increased/decreased by 10 per cent, the closing total fair value recognised for the equity warrants at the year-end would have increased/decreased by US\$0.2 million. Changes in the Company's share price is the main driver with regards to changing the fair value of the warrant instruments.

Commodity contract sensitivity analysis

The key variable which affects the fair value of the Group's hedging instruments is market expectations about future commodity prices.

An increase/decrease of 10 per cent in oil prices would have an immaterial impact on other comprehensive income. An increase/decrease of 10 per cent in gas prices would have an immaterial impact on the mark-to-market valuation of gas commodity swaps. An increase/decrease of 10 per cent in gas prices would increase or decrease the mark-to-market loss on the gas options by US\$9.5 million, respectively.

Interest rate risk

The Group had purchased interest rate caps for US\$1 billion to protect against increasing interest rates as the Group has long-term bank borrowings. Such contracts enable the Group to mitigate the risk of rising interest rates and the cash flow exposure on the issued variable rate debt held should the rates go above the 3 to 3.1 per cent range. These contracts had matured by the end of 2020.

Foreign currency exchange risk

The majority of borrowings at year-end were denominated in US dollars to match the currency of the Group's assets. The Group has issued £150.0 million retail bonds and £100.0 million term loan at a fixed exchange rate of US\$1.64/£, senior loan notes of €25.0 million at fixed rate of US\$1.33/€, and €35.0 million at a fixed rate of US\$1.42/€. All these amounts have been hedged under cross currency swaps into US dollars.

In addition, to cover sterling exposures an amount of £135 million was purchased and matured with spot and forward contracts during the year (2019: £208.5 million) to cater for its North Sea developments and operations.

Other financial instruments

Credit risk

Credit risk arises from the Group's trade receivables and its bank deposits. The amount of receivables presented in the balance sheet is net of allowances for doubtful receivables, which were immaterial in 2020 and 2019. The Group does not require collateral or other security to support receivables from customers or related parties, unless they fall below an acceptable credit rating where letters of credit are requested from buyers to mitigate credit exposure. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with at least single A credit ratings assigned by international credit rating agencies.

An indication of the concentration of credit risk is shown in note 1, whereby the revenue from two customers each exceeded 10 per cent of the Group's consolidated revenue in 2020 (2019: three).

The age profile of the Group's trade and other receivables and trade and other payables as at 31 December, including the related undiscounted interest amounts payable, was:

	Less than 1 month US\$ million	2 to 3 months US\$ million	3 months to 1 year US\$ million	1 to 5 years US\$ million	Over 5 years US\$ million	Total US\$ million
2020						
Long-term receivables	–	–	–	47.0	201.2	248.2
Trade and other receivables	161.9	3.8	11.7	–	–	177.4
Trade and other payables	(112.5)	(2.8)	(43.6)	–	–	(158.9)
Lease liabilities	(6.2)	(12.4)	(55.7)	(363.1)	(162.2)	(599.6)
Bank loans	(28.4)	(4.4)	(1,460.6)	–	–	(1,493.4)
Senior loan notes	(0.3)	(11.3)	(557.9)	–	–	(569.5)
Retail bonds	–	–	(211.0)	–	–	(211.0)
TOTAL	14.5	(27.1)	(2,317.1)	(316.1)	39.0	(2,606.8)
2019						
Long-term receivables	–	–	–	40.1	191.0	231.1
Trade and other receivables	217.5	6.1	26.7	–	–	250.3
Trade and other payables	(46.8)	(1.1)	(36.9)	–	–	(84.8)
Lease liabilities	(12.5)	(25.0)	(112.3)	(424.7)	(158.0)	(732.5)
Bank loans	(38.6)	(5.7)	(53.7)	(1,463.9)	–	(1,561.9)
Senior loan notes	(0.5)	(11.9)	(37.7)	(558.4)	–	(608.5)
Retail bonds	–	–	(12.7)	(200.1)	–	(212.8)
TOTAL	119.1	(37.6)	(226.6)	(2,607.0)	33.0	(2,719.1)

18. Financial instruments continued

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has approved an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments.

Borrowing facilities

The Group has committed borrowing facilities of US\$1,658.5 million (2019: US\$1,784.1 million) and letter of credit facilities of US\$456.0 million (2019: US\$455.8 million), in addition to the retail bonds and senior loan notes. The undrawn balance of the committed borrowing facilities as at 31 December 2020 was US\$219.3 million (31 December 2019: US\$331.5 million).

The undrawn balance of the letter of credit facilities as at 31 December 2020 was US\$36.5 million (2019: US\$66.7 million).

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 December (excluding trade and other payables which are interest free) was:

	Fixed rate US\$ million	Floating rate US\$ million	Total US\$ million	Fixed rate weighted average interest rate %
2020				
Bank loans	–	1,439.2	1,439.2	–
Senior loan notes	412.7	130.0	542.7	9.20
Retail bonds	204.8	–	204.8	6.50
TOTAL	617.5	1,569.2	2,186.7	
2019				
Bank loans	1,000.0	452.6	1,452.6	8.10
Senior loan notes	406.4	130.0	536.4	9.20
Retail bonds	198.9	–	198.9	6.50
TOTAL	1,605.3	582.6	2,187.9	

The floating rate financial liabilities at 31 December 2020 comprised bank loans bearing interest at rates set by reference to US\$ and £ LIBOR, exposing the Group to a cash flow interest rate risk.

Fair value of financial assets and financial liabilities

Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are as at the balance sheet date, and will not necessarily be the amounts that are realised. Non-interest bearing financial instruments, which include amounts receivable from customers and accounts payable, are measured at amortised cost which, due to the short-term maturity are approximate to fair value.

The carrying values and fair values of the Group's non derivative financial assets and financial liabilities (excluding current assets and current liabilities for which carrying values are approximate to fair values due to their short-term nature) are:

	2020 Fair value amount US\$ million	2020 Carrying amount US\$ million	2019 Fair value amount US\$ million	2019 Carrying amount US\$ million
Primary financial instruments held or issued to finance the Group's operations				
Retail bonds	160.1	204.8	201.6	198.9

As detailed in the Financial Review, under the terms of the proposed Corporate Actions, Premier's creditors will receive US\$1.23 billion cash and 14.25 billion shares in return for the settlement of the Group's existing debt facilities, including the retail bonds. Applying the Group's share price as at the balance sheet date, the value of such settlement equates to approximately US\$2.1 billion, which is considered to reflect the fair value of the Group's outstanding debt facilities as at the period end.

19. Deferred tax

	2020 US\$ million	2019 US\$ million
Deferred tax assets	869.7	1,556.1
Deferred tax liabilities	(106.3)	(129.9)
	763.4	1,426.2

	At 1 January 2020 US\$ million	Exchange movements US\$ million	(Charged)/ credited to income statement US\$ million	Credited to retained earnings US\$ million	At 31 December 2020 US\$ million
UK deferred corporation tax					
Fixed assets and allowances	(513.4)	–	44.2	–	(469.2)
Decommissioning	439.6	(0.4)	(8.9)	–	430.3
Tax losses and allowances	1,536.6	(0.6)	(688.2)	–	847.8
Investment allowance	82.5	–	(46.7)	–	35.8
Derivative financial instruments	10.8	–	12.4	1.9	25.1
Total UK deferred corporation tax	1,556.1	(1.0)	(687.2)	1.9	869.8
Overseas deferred tax¹	(129.9)	–	23.5	–	(106.4)
TOTAL	1,426.2	(1.0)	(663.7)	1.9	763.4

	At 1 January 2019 US\$ million	Exchange movements US\$ million	(Charged)/ credited to income statement US\$ million	Credited to retained earnings US\$ million	At 31 December 2019 US\$ million
UK deferred corporation tax					
Fixed assets and allowances	(609.2)	0.1	95.7	–	(513.4)
Decommissioning	376.8	2.1	60.7	–	439.6
Tax losses and allowances	1,602.5	0.8	(66.7)	–	1,536.6
Investment allowance	77.8	0.1	4.6	–	82.5
Derivative financial instruments	(13.8)	(0.1)	(0.3)	25.0	10.8
Total UK deferred corporation tax	1,434.1	3.0	94.0	25.0	1,556.1
Overseas deferred tax¹	(139.5)	–	9.6	–	(129.9)
TOTAL	1,294.6	3.0	103.6	25.0	1,426.2

Note:

¹ The overseas deferred tax relates mainly to temporary differences associated with fixed asset balances.

The Group's deferred tax assets at 31 December 2020 are recognised to the extent that taxable profits are expected to arise in the future against which the UK ring fence tax losses and allowances can be utilised. In accordance with paragraph 37 of IAS 12 – 'Income Taxes', the Group reassessed its deferred tax assets at 31 December 2020 with respect to UK ring fence tax losses and allowances. The corporate model used to assess whether it is appropriate to recognise the Group's deferred tax losses and allowances was re-run, using an oil price assumption of US\$51/bbl in 2021, US\$55/bbl in 2022 and US\$60/bbl in 'real' terms thereafter (2019: US\$65/bbl in 2020 and 2021, US\$70/bbl in 2022 and US\$70/bbl in 'real' terms thereafter) and gas price assumption of 37.5p/therm in 2021, 42.5p/therm in 2022 and 42.5p/therm, 'real' terms thereafter. These price assumptions are consistent with those used when assessing the Group's underlying assets for impairment. As at 31 December 2019, approximately US\$267 million of the recognised deferred tax asset was supported by future taxable profits associated with previously proposed acquisitions which have since been terminated. As at 31 December 2020, the future taxable profits in the corporate model represent those relating to Premier's existing assets and do not include those associated with the proposed merger. The proposed merger will represent a reverse takeover by Chrysaor and, therefore, Premier will represent the accounting acquiree. On the basis that Premier will represent the accounting acquiree, and therefore does not have control of the future taxable profits of the enlarged group as at the balance sheet date, future taxable profits associated with the merger were not included in the corporate model as at 31 December 2020.

19. Deferred tax continued

The results of the corporate model concluded that it is no longer appropriate to recognise a deferred tax asset of US\$817.2 million of the Group's UK ring fence tax losses, decommissioning asset and allowances at 31 December 2020 based on expected future profitability. The reduction from the prior year primarily relates to the exclusion of taxable profits associated with previously proposed acquisitions and the reduction in management's long-term price assumptions.

In addition to the above, there are carried forward non-ring fence UK tax losses of approximately US\$425.3 million (2019: US\$376.4 million) and overseas tax losses of US\$288.7 million (2019: US\$267.7 million) for which a deferred tax asset has not been recognised.

None of the UK tax losses (ring fence and non-ring fence) have a fixed expiry date for tax purposes.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, following a change in UK tax legislation in 2009 which exempted foreign dividends from the scope of UK corporation tax, where certain conditions are satisfied.

The recognition of the Group's UK deferred tax asset is sensitive to commodity prices. A US\$5/bbl reduction in the long-term oil price would result in an additional deferred tax asset derecognition charge of US\$40 million. A 5p/therm reduction in the long-term gas price would result in an additional deferred tax asset derecognition charge of US\$86 million.

20. Share capital

	2020 12.5p shares	2020 £	2019 12.5p shares	2019 £
Ordinary Shares				
Authorised, called-up, issued and fully paid	925,532,676	115,691,585	831,536,079	103,942,010

The rights and restrictions attached to the Ordinary Shares are as follows:

- **Dividend rights:** the rights of the holders of Ordinary Shares shall rank pari passu in all respects with each other in relation to dividends.
- **Winding up or reduction of capital:** on a return of capital on a winding up or otherwise (other than on conversion, redemption or purchase of shares) the rights of the holders of Ordinary Shares to participate in the distribution of the assets of the Company available for distribution shall rank pari passu in all respects with each other.
- **Voting rights:** the holders of Ordinary Shares shall be entitled to receive notice of, attend, vote and speak at any General Meeting of the Company.

Issue of Ordinary Shares

During the year the Company issued 93,996,597 Ordinary Shares at a nominal value of 12.5 pence per share. This increased the share capital of the Company by US\$14.6 million (2019: US\$2.3 million) to US\$171.1 million (2019: US\$156.5 million).

A significant portion of the current period share issuance relates to the settlement agreement, in June 2020, with Premier's creditor ARCM in relation to support for the BP Acquisition and Stable Platform Agreement. The Group issued 82.2 million shares to ARCM for a fixed consideration of 26.69 pence/share, resulting in equity proceeds of US\$27.0 million.

Purchase and cancellation of own shares

During 2020, none of the Company's Ordinary Shares were re-purchased or cancelled.

Own shares

	Total US\$ million
At 1 January 2019	2.2
Purchase of ESOP Trust shares	4.7
Release of shares	(3.8)
At 31 December 2019	3.1
Purchase of ESOP Trust shares	1.3
Release of shares	(3.9)
At 31 December 2020	0.5

The own shares represent the net cost of shares in Premier Oil plc purchased in the market or issued by the Company into the Premier Oil plc Employee Benefit Trust. This ESOP Trust holds shares to satisfy awards under the Group's share incentive plans. At 31 December 2020, the number of Ordinary Shares of 12.5 pence each held by the Trust was 791,051 (2019: 2,926,042 Ordinary Shares of 12.5 pence each).

21. Share-based payments

The Group currently operates a Long Term Incentive Plan ('LTIP') for all employees and a Share Incentive Plan and a Save As You Earn Scheme for UK-based and expatriate employees only.

For the year ended 31 December 2020, the total cost recognised by the Company for equity-settled share-based payment transactions was US\$11.3 million (2019: US\$12.0 million). A credit of US\$11.3 million has been recorded in retained earnings (2019: US\$12.0 million) for all equity-settled payments of the Company. Like other elements of remuneration, this charge is processed through the time-writing system which allocates cost, based on time spent by individuals, to various entities within the Premier Oil plc group. Part of this cost is therefore recharged to the relevant subsidiary undertaking, part is capitalised as directly attributable to capital projects and part is charged to the income statement as operating costs, pre-licence exploration costs or general and administration costs.

Details of the various share incentive plans currently in operation are set out below:

2017 Long Term Incentive Plan ('2017 LTIP')

The Long Term Incentive Plan ('LTIP') was introduced in 2017 for Executive Directors and certain senior staff. At its inception, the LTIP comprised two types of awards to support different elements of the Company's strategy.

- Performance Share Awards ('PSA'): vesting is subject to a Performance Target measured over a three year period from 1 January based on Total Shareholder Return relative to a peer group of companies and aligns to longer-term strategic objectives.
- Restricted Share Awards ('RSA'): aligns to the primary objective of balance sheet recovery, independent of other performance objectives and vesting of awards is subject to a financial underpin and continued employment.

Following a review of the Company's Remuneration Policy in 2020, shareholders approved a change to the 2017 LTIP such that RSA grants will no longer be made. Only RSAs from previous grants remain outstanding.

Long-term alignment to shareholders' interests is maintained with the introduction of a compulsory two-year Holding Period for both Performance Share Awards and Restricted Share Awards ending on the fifth anniversary of the award date.

No LTIP award was granted for 2020.

As described in the Remuneration Report the 2018 LTIP award did not meet the vesting conditions. These awards will lapse.

The following table shows the movement in the number of restricted shares awarded:

	2020 million	2019 million
Outstanding at 1 January	3.0	2.1
Granted during the year	–	1.0
Vested	(0.3)	–
Forfeited during the year	(0.4)	(0.1)
Outstanding as at 31 December	2.3	3.0

21. Share-based payments continued

The PSA element of the 2017 LTIP award is fair valued by the Company using a Monte Carlo simulation model. The performance period commences from 1 January of the year of grant. The main assumptions for the calculation are as follows:

	2020 million	2019 million
Outstanding at 1 January	21.2	13.5
Granted during the year	–	8.3
Vested	(2.2)	–
Forfeited during the year ¹	(5.2)	(0.6)
Outstanding as at 31 December	13.8	21.2
Volatility	n/a	61-63%
Risk free rate of interest	n/a	0.3-0.8%
Correlation factor with comparator group	n/a	0.40

Note:

¹ This also includes awards which have lapsed as a result of vesting conditions not being met.

Premier Value Share Plan ('PVSP')

The broader employee population participates in the Premier Value Share Plan ('PVSP'), which forms part of the 2017 LTIP. The PVSP is made up of two awards, Base Awards and Multiplier Awards. Under the PVSP, annual awards of time-vesting restricted shares and three-year performance-vesting shares may be made, with performance-vesting shares subject to achievements or Premier's delivery of long-term shareholder return.

Outstanding PVSP awards were granted to employees in 2018 and 2019 and these awards will vest in 2021 and 2022 respectively. Owing to the prevailing business environment, the multiplier element of the PVSP (Multiplier Award) was removed from the 2017 award. This award vested in September 2020 with each employee receiving a fixed award (Base Award). The 2018 and 2019 awards however included the multiplier based on a pre-scale-back Base Award. The value of the Base Award is set at a fixed percentage of the award of each employee's salary and the number of shares awarded is fixed according to the average closing price of a Premier Oil share over the five dealing days immediately preceding the award date, being 72 pence for 2018 awards and 79 pence for 2019 awards. All these Base Awards were scaled back by 50 per cent.

No PVSP award was granted for 2020.

The 2018 award is due to vest on 15 March 2021. The Base Award will vest as normal, however with the performance period multiplier award ending on 31 December 2020 it was assessed that Premier did not meet the vesting performance criteria. The multiplier award will lapse in full at the vesting date.

Included in the below table are an immaterial number of cash settled shares which are revalued using the year-end share price.

The following table shows the movement in the number of shares awarded under the PVSP scheme Base Award:

	2020 million	2019 million
Outstanding at 1 January	19.5	19.7
Granted during the year	–	6.3
Vested	(6.9)	(5.0)
Forfeited during the year	(1.5)	(1.5)
Outstanding as at 31 December	11.1	19.5

The following table shows the movement in the number of shares awarded under the PVSP scheme Multiplier Award:

	2020 million	2019 million
Outstanding at 1 January	23.6	13.2
Granted during the year	–	12.7
Forfeited during the year ¹	(3.4)	(2.3)
Outstanding as at 31 December	20.2	23.6
Volatility	n/a	58-63%
Risk free rate of interest	n/a	0.3-0.8%
Correlation factor with comparator group	n/a	0.36-0.37

Note:

¹ This also includes awards which have lapsed as a result of vesting conditions not being met.

No PVSP multiplier awards vested during the year.

Share Incentive Plan

Under the Share Incentive Plan employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one basis. After three years the employee has the right to receive their original contributions plus the shares awarded in either cash or shares of the Company, at the employee's option. The amount owed by the Company to employees under this scheme is deemed to be insignificant.

Save As You Earn ('SAYE') scheme

Under the SAYE eligible employees with one month or more continuous service can join the scheme. Employees can save to a maximum of £500 per month through payroll deductions for a period of three or five years, after which time they can acquire shares at up to a 20 per cent discount. During 2020, employees were invited to save up to £500 per month for a period of three years and with no discount offered.

	2020		2019	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at 1 January (million)	2.4	£0.92	5.2	£0.46
Granted during the year	10.6	£0.28	1.8	£1.00
Lapsed during the year	(2.7)	£0.81	(0.2)	£0.65
Exercised during the year ¹	–	£0.00	(4.4)	£0.42
Outstanding as at 31 December	10.3	£0.29	2.4	£0.92

Note:

¹ No Ordinary Shares were issued under the Group's share option scheme during the year (2019: 4,397,788).

The options outstanding at 31 December 2020 had a weighted average exercise price of £0.29 and a weighted average remaining contractual life of 2.89 years.

The fair value of the options granted during the year was determined using the Black-Scholes valuation model and is not material.

22. Notes to the cash flow statement

	2020 US\$ million	2019 US\$ million
(Loss)/profit before tax for the year	(605.3)	102.5
Adjustments for:		
Depreciation, depletion, amortisation and impairment	671.3	757.9
Other operating (income)/costs	(3.5)	2.9
Exploration expense	227.1	7.3
Provision for share-based payments	6.3	7.1
Interest revenue and finance gains	(84.8)	(31.4)
Finance costs and other finance expenses	346.3	383.9
Profit on disposal of non-current assets	(1.1)	(4.2)
Operating cash flows before movements in working capital	556.3	1,226.0
Decrease/(increase) in inventories	3.6	(3.8)
Decrease/(increase) in receivables	54.3	(74.9)
Increase/(decrease) in payables	12.7	(19.5)
Cash generated by operations	626.9	1,127.8
Income taxes received	2.0	(61.2)
Interest income received	1.2	6.2
Net cash from continuing operating activities	630.1	1,072.8
Net cash from discontinued operating activities	–	7.2
Net cash from operating activities	630.1	1,080.0
Movement in joint venture cash	(19.5)	28.7
TOTAL NET CASH FROM OPERATING ACTIVITIES	610.6	1,108.7

Analysis of changes in net debt:

	Note	2020 US\$ million	2019 US\$ million
(a) Reconciliation of net cash flow to movement in net debt			
Movement in cash and cash equivalents		(89.8)	(46.5)
Proceeds from drawdown of bank loans		(35.0)	–
Repayment of bank loans		52.3	399.7
Non-cash movements on debt and cash balances (primarily foreign exchange)		(16.1)	(12.3)
(Increase)/reduction in net debt in the year		(88.6)	340.9
Opening net debt		(1,989.8)	(2,330.7)
Closing net debt		(2,078.4)	(1,989.8)
(b) Analysis of net debt			
Cash and cash equivalents		108.3	198.1
Borrowings	16	(2,186.7)	(2,187.9)
TOTAL NET DEBT		(2,078.4)	(1,989.8)

The carrying amounts of the borrowings on the balance sheet are stated net of the unamortised portion of the refinancing fees of US\$5.7 million (2019: US\$18.1 million).

23. Capital commitments and guarantees

At 31 December 2020, the Group had capital commitments on exploration and development licences totalling US\$71.3 million (2019: US\$118.5 million).

In addition, the Group had issued letters of credit for future decommissioning liabilities totalling £307.3 million, US\$22.6 million held as security for the Mexican letters of credit to meet minimum work programme requirements and performance bonds for the Indonesia Andaman licences of US\$1.2 million, totalling US\$443.3 million (2019: US\$412.9 million).

24. Group pension schemes

Balance sheet

	2020 US\$ million	2019 US\$ million
UK funded pension scheme	1.0	0.7
TOTAL SURPLUS IN BALANCE SHEET	1.0	0.7
	2020 US\$ million	2019 US\$ million
UK unfunded pension scheme	0.8	0.8
TOTAL LIABILITY IN BALANCE SHEET	0.8	0.8

Unfunded pensions

The Group is paying an unfunded pension to a former Director in the UK in regard to which annual increases and a reversionary spouse's pension apply on the same basis as to pensions paid under the Scheme.

On the same actuarial basis as used to assess the Scheme's pension costs, the present value as at 31 December 2020 of the future payments projected to be made in respect of UK unfunded pensions is US\$0.8 million (2019: US\$0.8 million).

Funded pensions

The Group operates a defined benefit pension scheme in the UK – The Premier Oil plc Retirement and Death Benefits Plan (the Scheme), primarily inflation-linked annuities based on an employee's length of service and final salary. The Scheme was closed to new members (aside from the provision of insured death in service benefits) in 1997 and a new scheme, providing benefits on a defined contribution basis, was started. Both schemes are funded by the payment of contributions to separately administered trust funds.

The disclosures set out below are based on calculations carried out as at 31 December 2020 by a qualified independent actuary. The figures have been prepared in compliance with IAS 19 – 'Employee Benefits'.

The Scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustee of the Scheme is required to act in the best interest of the Scheme's beneficiaries. The appointment of members of the Trustee Board is determined by the trust documentation.

The liabilities of the defined benefit Scheme are measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit credit method. This amount is reflected in the surplus or the deficit in the balance sheet. The projected unit credit method is an accrued benefits valuation method in which the Scheme liabilities make allowance for the projected earnings.

The liabilities set out in this note have been calculated using membership data current as at 31 December 2020. The results of the calculations and the assumptions adopted are shown below.

As at 31 December 2020, contributions are payable to the Scheme by the Group at the rates set out in the schedule of contributions signed by the trustees on 19 January 2018. Under this schedule, the Company contributes on a monthly basis at the rate of 30 per cent of the aggregate of members' pensionable salaries.

24. Group pension schemes continued

Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	At 31 December 2020	At 31 December 2019
Discount rate	1.2% pa	1.9% pa
RPI inflation	3.0% pa	3.0% pa
CPI inflation	2.0% pa	2.0% pa
Rate of increase in salaries	3.0% pa	3.0% pa
Rate of increase in pensions in payment: LPI (max 5%)	2.9% pa	2.9% pa
Mortality	S3PA Light CMI_2019 with 0.5% IAMI and 1.25% long term	S3PA Light CMI_2018 with 0.5% IAMI and 1.25% long term
Proportion married	80%	80%
Withdrawals	No allowance	No allowance
Cash commutation	75% of maximum tax free cash	75% of maximum tax free cash
Life expectancy of male aged 65 now	23.5	23.4
Life expectancy of male aged 65 in 20 years	24.8	24.7
Life expectancy of female aged 65 now	25.0	24.8
Life expectancy of female aged 65 in 20 years	26.4	26.2

Asset breakdown

The major categories of Scheme assets as a percentage of total Scheme assets are:

	At 31 December 2020	At 31 December 2019
Equities	41.4%	39.9%
Gilts	28.4%	29.9%
Corporate bonds	29.8%	29.9%
Cash	0.4%	0.3%
TOTAL	100.0%	100.0%

Reconciliation of funded status and amount recognised in balance sheet

	At 31 December 2020 US\$ million	At 31 December 2019 US\$ million
Fair value of Scheme assets	(53.4)	(48.5)
Present value of defined benefit obligation	41.5	36.9
Surplus	(11.9)	(11.6)
Unrecognised amount due to effect of IFRIC 14 ¹	10.9	10.9
Defined benefit asset recognised in balance sheet	(1.0)	(0.7)

Note:

¹ The trustees have certain rights to grant benefit increases to members and accordingly it has been concluded the Group does not have an unconditional right to the surplus by way of a refund.

Statement of amount recognised in the income statement

	2020 US\$ million	2019 US\$ million
Current service cost	0.1	0.1
Net interest on the net defined benefit liability/(asset)	-	-
TOTAL	0.1	0.1

Reconciliation of defined benefit obligation

	2020 US\$ million	2019 US\$ million
Opening present value of defined benefit obligation	36.9	28.9
Service cost	0.1	0.1
Interest cost	0.7	0.8
Actuarial losses from changes in demographic assumptions	0.1	1.5
Actuarial losses from changes in financial assumptions	4.1	5.2
Changes due to experience adjustments	(0.5)	(0.1)
Benefits paid	(1.2)	(1.2)
Currency translation effects	1.3	1.7
Closing defined benefit obligation	41.5	36.9

Reconciliation of fair value of assets

	2020 US\$ million	2019 US\$ million
Opening fair value of Scheme assets	48.5	41.4
Interest income	0.9	1.2
Return on assets less interest income	3.6	4.9
Contributions by employer	0.1	0.1
Benefits paid	(1.2)	(1.2)
Currency translation effects	1.5	2.1
Closing fair value of Scheme assets	53.4	48.5
Actual return on Scheme assets	4.5	6.1

Statement of amount recognised in other comprehensive income

	At 31 December 2020 US\$ million	At 31 December 2019 US\$ million
Loss from changes in the financial assumptions for value of Scheme liabilities	4.1	5.2
Loss from changes in the demographic assumptions for value of Scheme liabilities	0.1	1.5
Changes due to experience adjustments	(0.5)	(0.1)
Return on assets (excluding amounts included in net interest on the net defined benefit liability (asset))	(3.6)	(4.9)
Change in the effect of the asset ceiling excluding amounts included in net interest on the net defined liability	(0.2)	(1.6)
Currency translation effect	(0.2)	(0.4)
Other comprehensive income	(0.3)	(0.3)

Statement of amount recognised in profit and loss and other comprehensive income

	At 31 December 2020 US\$ million	At 31 December 2019 US\$ million
Amount recognised in profit and loss	0.1	0.1
Other comprehensive income	(0.3)	(0.3)
TOTAL COMPREHENSIVE INCOME	(0.2)	(0.2)

24. Group pension schemes continued

Sensitivity of balance sheet at 31 December 2020

The results of the calculations are sensitive to the assumptions used. The balance sheet position revealed by IAS 19 calculations must be expected to be volatile, principally because the market value of assets (with significant exposure to equities) is being compared with a liability assessment derived from corporate bond yields.

The below table shows the sensitivity of the IAS 19 balance sheet position to small changes in some of the assumptions. Where one assumption has been changed all the other assumptions are kept as disclosed above.

	Revised (surplus)/deficit US\$ million	Change from disclosed (surplus)/deficit US\$ million
Discount rate less 0.1% p.a.	(11.2)	0.7
RPI inflation and linked assumptions plus 0.1% p.a.	(11.3)	0.6
Members living one year longer than assumed	(10.3)	1.6

Projected components of pension costs for period to 31 December 2021

Because of the significant volatility in investment markets, it is difficult to project forward the IAS 19 figures for the next year with confidence. The following projections should therefore be treated with caution. Assumptions implicit in the following projections are:

- The interest on the defined benefit liability/(asset) from 31 December 2020 is 1.2% p.a.;
- Contributions to the Scheme will continue throughout 2021 in accordance with the current Schedule of Contributions in place at the date of signing this report; and
- There will be no changes to the terms of the Scheme.

The amounts recognised in the components of pension expense are:

	2021 US\$ million
Current service cost	0.1
Interest on defined benefit liability/(asset)	–
Net actuarial (gain)/loss recognised	–
TOTAL	0.1

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions. Payments to the defined contribution scheme are charged as an expense as they fall due. The total cost charged to income of US\$11.5 million (2019: US\$7.9 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the scheme.

25. Related party transactions

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

Director and executive remuneration

The remuneration of Directors during the year is set out below.

Further information regarding the remuneration of individual Directors is provided in the audited part of the Remuneration Report.

	2020 US\$ million	2019 US\$ million
Short-term employee benefits	2.3	3.2
Post-employment benefits	4.6	1.0
Other long-term benefits: share-based payments	0.5	1.4
	7.4	5.6

26. Other reserves

	Note	Retained earnings US\$ million	Merger redemption reserve ¹ US\$ million	Capital redemption reserve ² US\$ million	Translation reserve ³ US\$ million	Hedge reserve ⁴ US\$ million	Total US\$ million
At January 2019		(50.4)	374.3	8.1	(80.2)	128.3	380.1
Issue of Ordinary Shares		0.9	–	–	–	–	0.9
Purchase of ESOP Trust shares		(3.6)	–	–	–	–	(3.6)
Provision for share-based payments	21	12.0	–	–	–	–	12.0
Profit for the year		164.3	–	–	–	–	164.3
Other comprehensive expense		0.2	–	–	(3.8)	(74.5)	(78.1)
At January 2020		123.4	374.3	8.1	(84.0)	53.8	475.6
Other reserves transfer ⁵		27.3	–	–	–	(27.3)	–
Issue of Ordinary Shares		1.9	–	–	–	–	1.9
Purchase of ESOP Trust shares		(1.5)	–	–	–	–	(1.5)
Provision for share-based payments	21	11.3	–	–	–	–	11.3
Loss for the year		(1,302.2)	–	–	–	–	(1,302.2)
Other comprehensive expense		0.3	–	–	(9.3)	(27.6)	(36.6)
AT 31 DECEMBER 2020		(1,139.5)	374.3	8.1	(93.3)	(1.1)	(851.5)

Notes:

- In 2012 the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the Encore plc acquisition. The non-statutory premium arising on shares issued by Premier as consideration has been recognised in the merger reserve.
- The capital redemption reserve represents the nominal value of shares transferred following the Company's purchase of them.
- The translation reserve is used to record unrealised exchange differences arising from the translation of the financial statements of entities within the Group that have a functional currency other than US Dollars.
- The hedging reserve is used to record unrealised movements in the Group's hedging instruments.
- Amount relates to the reclassification of Other Comprehensive Income associated with cash flow hedging instruments that were discontinued in 2015 and 2017, to reflect reclassification that should have occurred at that point, from the hedge reserve to retained earnings.

27. Subsequent events

Proposed merger with Chrysaor Holdings Limited

Subsequent to year-end, the proposed merger with Chrysaor Holdings Limited has been progressed as planned with completion expected to occur on 31 March 2021.

During January 2021 a convening hearing was held in connection with the restructuring plans required to implement the merger. At the hearing the court granted Premier's request to start the restructuring plans process and the Group convened creditor meetings for February 2021. At these meetings the restructuring plans to implement the merger were approved by the requisite proportion of lenders. The restructuring plans remain subject to approval by the Scottish Court of Session with the sanction hearing scheduled to commence on 19 March 2021.

All elections were received from senior lenders in respect of the take-up of a partial cash alternative capped at US\$175 million (the 'Cash-Out Option'). As a result of the elections, the take-up of the Cash-Out Option is expected to be less than US\$175 million and will be satisfied through funds received from senior creditors able to elect to subscribe for new shares, in cash at a pre-agreed price, which would have been issued to other creditors if they had not elected the Cash-Out Option. Therefore the enlarged group expects to retain the US\$175 million of cash that it may otherwise have needed to use to fund the Cash-Out Option.

The satisfaction of all regulatory conditions and the receipt of anti-trust approval was progressed with all necessary conditions met and approvals granted by 22 February 2021.

28. Investments

Subsidiary undertakings

At 31 December 2020, the Group had investments in the following 100 per cent owned subsidiaries.

Principal subsidiaries

Name of company	Business and area of operation	Registered office address
Premier Oil Group Holdings Limited ¹	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Group Limited	Intermediate holding company, UK	4 th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
Premier Oil Finance (Jersey) Limited ¹	Convertible bond issuing company, Jersey	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Overseas BV	Intermediate holding company, Netherlands	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Premier Oil UK Limited	Exploration, production and development, UK	4 th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
Premier Oil E&P Holdings Limited	Holding company (E&P), UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK Limited	Exploration, production and development, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK EU Limited	Exploration, production and development, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil E&P UK Energy Trading Limited	Gas trading company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Natuna Sea BV	Exploration, production and development, Indonesia	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Premier Oil Vietnam Offshore BV	Exploration, production and development, Vietnam	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Premier Oil (Vietnam) Limited	Exploration, production and development, Vietnam	Commerce House, Wickhams Cay 1, Road Town, Tortola, VG1110
Premier Oil Andaman Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Andaman I Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ANS Limited	Exploration, production and development, Alaska	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration and Production Limited	Exploration, production and development, Falkland Islands	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil do Brasil Petróleo e Gás Ltda	Exploration, production and development, Brazil	Rua Lauro Müller, 116 – Sala 2006, Torre Rio Sul Shopping, 20 ^o andar, Botafogo, Rio de Janeiro – RJ – CEP: 22.290-906, Brazil
Premier Oil Exploration and Production Mexico S.A de C.V	Exploration, production and development, Mexico	Presidente Masaryk 111, Piso 1, Polanco V Seccion, Mexico City, CP 11560, Mexico
Premier Oil Mexico Recursos S.A de C.V	Exploration, production and development, Mexico	Presidente Masaryk 111, Piso 1, Polanco V Seccion, Mexico City, CP 11560, Mexico
Premier Oil South Andaman Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Tuna BV	Exploration, production and development, Indonesia	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Ebury Gate Limited	Risk Mitigation Services, Guernsey	Level 5, Mill Court, La Charroterie, St Peter Port, GY1 1EJ

Note:

¹ Held directly by Premier Oil plc. All other companies are held through a subsidiary undertaking.

Other subsidiaries

Name of company	Business and area of operation	Registered office address
EnCore (NNS) Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
EnCore (VOG) Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore CCS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Barakuda Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Natural Resources Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil and Gas Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
FP Mauritania A BV	Decommissioning activities, Mauritania	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
FP Mauritania B BV	Decommissioning activities, Mauritania	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Premier Oil (EnCore Petroleum) Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ANS Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Aberdeen Services Limited	Service company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil and Gas Services Limited	Service company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil B Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Belgravia Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Belgravia Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Bukit Barat Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Buton BV	Dormant	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Premier Oil CCS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Congo (Marine IX) Limited	Dormant	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Ebury Limited	Activities of head office, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration (Mauritania) Limited	Decommissioning activities, Mauritania	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Exploration and Production (Iraq) Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration Limited	Dormant	4 th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, Scotland
Premier Oil Exploration ONS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Far East Limited	Service company, Singapore	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil International Holding BV	Dormant	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Premier Oil Investments Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Mauritania B Limited	Decommissioning activities, Mauritania	IFC 5, St Helier, Jersey, JE1 1ST
Premier Oil Mexico Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ONS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR

28. Investments continued

Name of company	Business and area of operation	Registered office address
Premier Oil Pacific Limited	Dormant	36/F, Tower Two, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong
Premier Oil Pakistan Offshore BV	Dormant	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Premier Oil Philippines BV	Dormant	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Premier Oil Vietnam 121 Limited	Exploration, production and development, Vietnam	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Vietnam North BV	Dormant	Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands
Premier Oil Mexico Investments Limited	Intermediate holdings company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Overseas Holdings Ltd	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
XEO Exploration plc	Dormant	23 Lower Belgrave Street, London, SW1W 0NR

Company balance sheet As at 31 December 2020

	Note	2020 US\$ million	2019 US\$ million
Non-current assets			
Investments in subsidiaries	3	565.5	565.5
Long-term employee benefit plan surplus	7	1.0	0.7
Long-term receivables	4	–	1,374.8
TOTAL NON-CURRENT ASSETS		566.5	1,941.0
Current assets			
Trade and other receivables	4	1,403.8	0.7
TOTAL CURRENT ASSETS		1,403.8	0.7
Current liabilities			
Trade and other payables	5	(2.9)	(40.4)
Derivative financial instruments	6	(40.9)	–
Borrowings	6	(204.4)	–
Net current assets/(liabilities)		1,155.6	(39.7)
Non-current liabilities			
Borrowings	6	–	(197.6)
Long-term employee benefit plan deficit	7	(0.8)	(0.8)
Derivative financial instruments	6	–	(45.6)
		(0.8)	(244.0)
Net assets		1,721.3	1,657.3
Equity and reserves			
Share capital	9	171.1	156.5
Share premium account		517.5	499.4
Retained earnings		650.3	619.0
Other reserves		382.4	382.4
		1,721.3	1,657.3

Profit for the year ending 31 December 2020 was US\$20.4 million (2019: US\$61.5 million).

The financial statements of Premier Oil plc (registered number SC234781) were approved by the Board of Directors and authorised for issue on 17 March 2021.

They were signed on its behalf by:

Richard Rose
Interim Chief Executive Officer and Finance Director

	Note	Share capital US\$ million	Share premium account US\$ million	Profit and loss account US\$ million	Merger reserve account US\$ million	Capital redemption reserve US\$ million	Total US\$ million
At 1 January 2019		154.2	491.7	547.8	374.3	8.1	1,576.1
Issue of Ordinary Shares		2.3	7.7	0.9	–	–	10.9
Purchase of ESOP Trust shares		–	–	(3.6)	–	–	(3.6)
Profit for the financial year	2	–	–	61.5	–	–	61.5
Provision for share-based payments		–	–	12.0	–	–	12.0
Pension costs – actuarial gains		–	–	0.2	–	–	0.2
Movement in cash flow hedges		–	–	0.2	–	–	0.2
At 1 January 2020		156.5	499.4	619.0	374.3	8.1	1,657.3
Issue of Ordinary Shares		14.6	18.1	1.9	–	–	34.6
Purchase of ESOP Trust shares		–	–	(1.5)	–	–	(1.5)
Profit for the financial year	2	–	–	20.4	–	–	20.4
Provision for share-based payments		–	–	11.3	–	–	11.3
Pension costs – actuarial gains		–	–	0.3	–	–	0.3
Movement in cash flow hedges		–	–	(1.1)	–	–	(1.1)
AT 31 DECEMBER 2020		171.1	517.5	650.3	374.3	8.1	1,721.3

1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ('FRS 100') issued by the Financial Reporting Council. These financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to accounting standards issued but not yet effective or implemented, share-based payment information, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

The financial statements have been prepared on a going concern basis. Further information relating to the going concern assumption is provided in the Financial Review on page 48.

Where required, the equivalent disclosures are given in the consolidated financial statements. Key sources of estimation uncertainty disclosure are provided in the Accounting Policies and in relevant notes to the consolidated financial statements as applicable. Details of the Company's share-based payment schemes are provided in note 21 of the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out on pages 123 to 129 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2. Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2020 of US\$20.4 million (2019: US\$61.5 million).

Other comprehensive expense for the year was US\$0.8 million (2019: US\$0.4 million income).

The auditors' remuneration for audit and other services is disclosed in note 3 to the consolidated financial statements.

3. Fixed asset investments

	2020 US\$ million
Cost and net book value:	
At 1 January	565.5
Additions	–
AT 31 DECEMBER	565.5

A list of all investments in subsidiaries held at 31 December 2020, including the name and type of business, the country of operation and the country of incorporation or registration, is given in note 28 to the consolidated financial statements.

4. Receivables

Long-term receivables: amounts falling due after more than one year

	2020 US\$ million	2019 US\$ million
Amounts owed by subsidiary undertakings	–	1,374.8

Trade and other receivables

	2020 US\$ million	2019 US\$ million
Amounts owed by subsidiary undertakings	1,399.3	0.6
Other receivables	4.5	–
Prepayments	–	0.1
	1,403.8	0.7

The amounts owed by subsidiary undertakings are denominated in US dollars and are classified as current due to falling due for repayment in 2021.

The above carrying value reflects an impairment provision required under IFRS 9, which was calculated using the Group's 12 month probability of default.

The carrying values of the Company's debtors approximate their fair value.

5. Trade and other payables

	2020 US\$ million	2019 US\$ million
Derivative financial instruments – warrants	0.7	35.6
Accruals	2.2	4.8
	2.9	40.4

The carrying values of the Company's creditors approximate their fair value.

Further details on the warrants are disclosed in note 18 of the consolidated financial statements.

6. Borrowings

	2020 Fair value amount US\$ million	2020 Carrying amount US\$ million	2019 Fair value amount US\$ million	2019 Carrying amount US\$ million
Retail bonds	160.1	204.8	201.6	198.9

In December 2013, the Company put in place a £500.0 million Euro Medium Term Notes ('EMTN') programme under which it has issued £150.0 million UK retail bonds (the 'bonds'). The bonds have been listed on the Official List of the UK Listings Authority and admitted to trading on the London Stock Exchange's regulated market and the electronic Order Book of Retail Bonds ('ORB'). The bonds have a fixed coupon of 6.5 per cent and mature in 2021. The bonds are issued at a fixed exchange rate of US\$1.64/£ and have been hedged under cross currency swaps into US dollars.

The carrying value of the retail bonds are stated in the Company balance net of the unamortised portion of the debt arrangement fee of US\$0.4 million (2019: US\$1.4 million).

The liability has been translated at the exchange rate prevailing at the year-end.

7. Long-term employee benefit plan**Defined benefit schemes**

The Company operates a defined benefit scheme in the UK – The Premier Oil plc Retirement and Death Benefits Plan ('the Scheme'). Further details of the Scheme are disclosed in note 24 of the consolidated financial statements on page 159.

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme. Further details of this scheme are provided in note 24 of the consolidated financial statements on page 159.

8. Commitments and guarantees

At the year-end date the Company, together with certain subsidiary undertakings, had jointly guaranteed the Group's borrowing facilities.

These consist of the following:

- bank loans: US\$2.5 billion revolving and letter of credit facility ('RCF'), US\$150 million and £100 million term loans (together the 'Term Loan');
- senior loan notes: US\$335 million and €63.6 million of US Private Placement ('USPP') notes and US\$130 million converted loan facility; and
- £150 million of retail bonds.

All of the above facilities mature in May 2021. In October 2020, the Group announced the proposed merger with Chrysaor which is expected to be completed on 31 March 2021. The Corporate Action will include the cancellation and repayment of the Group's debt which expires in May 2021 and certain hedging liabilities on completion. Should the merger fail to complete the maturity of the Group's existing debt will extend from 31 May 2021 to 31 March 2022. Details of the merger and related debt restructuring are further described in the Financial Review under Going Concern on page 50.

9. Share capital and share premium

Further details of these items are disclosed in note 20 of the consolidated financial statements on page 154.

10. Dividends

No dividend is proposed for the year ended 31 December 2020 (2019: nil).

UK Government payment reporting

EUAD – basis of preparation

The Reports on Payments to Governments Regulations ('UK Regulations') came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The aim of the regulations is to enhance the transparency of the payments made by companies in the extractive sector to host governments in the form of taxes, bonuses, royalties, fees and support for infrastructure improvements. The regulations implement Chapter 10 of EU Accounting Directive (2013/34/EU) ('EU Directive').

The UK Regulations have an effective date of 1 January 2015, and this section of the Annual Report is in line with the EU Directive and the UK Regulations. This basis of preparation provides an explanation of the payments that we are disclosing.

The payments disclosed are based on where the obligation for the payment arose: payments levied at a project level have been disclosed at a project level and payments levied at a corporate level have been disclosed on that basis.

Within the UK Regulations, a project is defined as being the operational activities which are governed by a single contract, licence, lease, concession or a similar legal agreement. The Company undertakes extractive activities in different types of fiscal petroleum regimes and therefore the types of payments disclosed vary from country to country. For the purposes of our reporting, for the UK and Falkland Islands we have classified each individual licence as a project, whereas for Indonesia, Vietnam and Mexico each PSC arrangement has been classified as a project.

All of the payments disclosed in accordance with the EU Directive have been made to national governments, either directly or through a Ministry or Department, or to a national oil company, who have a working interest in a particular licence. For projects where we are the operator we have disclosed the full payment made on behalf of the project; where we have a non-operated interest we have not disclosed payments made on our behalf by another party.

In line with the UK Regulations, where a payment or a series of related payments do not exceed US\$110,407 (£86,000), they have not been disclosed. Where the aggregate payments made in the period for a project or country are less than US\$110,407 we have not disclosed the payments made for this project or country.

Our total economic value distributed to all stakeholders can be found on page 47 of the Annual Report.

Reporting currency – Payments disclosed in this report have been disclosed in US dollars, consistent with the rest of the 2020 Annual Report. Where actual payments have been made in a currency other than US dollars, they have been translated using the prevailing exchange rate when the payment was made.

Production entitlements in barrels – Includes non-cash royalties and state non-participating interest paid in barrels of oil or gas out of the Group's working interest share of production in a licence. The figures disclosed are on a cash paid liftings basis.

Income taxes – This represents cash tax calculated on the basis of profits including income or capital gains and taxes on production. Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebate received from the government or revenue authority during the year. Income taxes do not include fines and penalties. In accordance with the UK Regulations, payments made in relation to sales, employee, environmental or withholding taxes have not been disclosed.

Dividends – This includes dividends that are paid in lieu of a production entitlement or royalty. It does not include any dividends paid to a government as an ordinary shareholder.

Royalties – This represents cash royalties paid to governments during the year for the extraction of oil or gas. The terms of the royalties are described within our PSCs and can vary from project to project within one country. Export duties paid in kind have been recognised within the royalties category. The cash payment of royalties occurs in the year in which the tax has arisen.

Bonus payments – This represents any bonus paid to governments during the year, usually as a result of achieving certain milestones, such as a signature, discovery or production bonuses.

Licence fees – This represents licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

Infrastructure improvement payments – This represents payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a PSC or a discretionary payment for building/improving local infrastructure such as roads, bridges and ports.

2020 European transparency directive disclosure

Country	Licence/company level	Production entitlements bbbls '000s	Production entitlements US\$ '000s	Income taxes US\$ '000s	Royalties (cash only) US\$ '000s	Dividends US\$ '000s	Bonus payments US\$ '000s	Licence fees US\$ '000s	Infrastructure improvement payments US\$ '000s	Total US\$ '000s
Falkland Islands	Sea Lion	–	–	–	–	–	–	418	–	418
	Total Falkland Islands	–	–	–	–	–	–	418	–	418
Indonesia	Natuna Sea Block A	3,717	134,919	28,076	–	–	–	–	–	162,995
	Total Indonesia	3,717	134,919	28,076	–	–	–	–	–	162,995
Mexico	Block 11	–	–	–	–	–	–	747	–	747
	Block 13	–	–	–	–	–	–	747	–	747
	Total Mexico	–	–	–	–	–	–	1,494	–	1,494
United Kingdom	Johnston	–	–	–	–	–	–	950	–	950
	Huntington	–	–	–	–	–	–	252	–	252
	Brenda	–	–	–	–	–	–	173	–	173
	Catcher	–	–	–	–	–	–	773	–	773
	Tolmount	–	–	–	–	–	–	748	–	748
	Laverda	–	–	–	–	–	–	121	–	121
	Corporate	–	–	(27,808)	–	–	–	–	–	(27,808)
	Total UK	–	–	(27,808)	–	–	–	3,017	–	(24,791)
Vietnam	Chim Sáo	262	10,313	–	–	–	450	–	–	10,763
	Corporate	–	–	16,239	7,492	–	–	–	–	23,731
	Total Vietnam	262	10,313	16,239	7,492	–	450	–	–	34,494
TOTAL GROUP	3,979	145,232	16,507	7,492	–	450	4,929	–	174,610	

Country	Government	Production entitlements bbls '000s	Production entitlements US\$ '000s	Income taxes US\$ '000s	Royalties (cash only) US\$ '000s	Dividends US\$ '000s	Bonus payments US\$ '000s	Licence fees US\$ '000s	Infrastructure improvement payments US\$ '000s	Total US\$ '000s
Falkland Islands	Falkland Islands Government – Department of Mineral Resources	–	–	–	–	–	–	418	–	418
	Total Falkland Islands	–	–	–	–	–	–	418	–	418
Indonesia	SKK Migas	3,717	134,919	–	–	–	–	–	–	134,919
	Directorate General of Taxes	–	–	28,076	–	–	–	–	–	28,076
	Total Indonesia	3,717	134,919	28,076	–	–	–	–	–	162,995
Mexico	Fondo Mexicano del Petróleo para la Estabilización y el Desarrollo ('FMP')	–	–	–	–	–	–	949	–	949
	Servicio de Administración Tributaria ('SAT')	–	–	–	–	–	–	545	–	545
	Total Mexico	–	–	–	–	–	–	1,494	–	1,494
United Kingdom	HM Revenue & Customs	–	–	(27,808)	–	–	–	–	–	(27,808)
	Oil and Gas Authority	–	–	–	–	–	–	3,017	–	3,017
	Total UK	–	–	(27,808)	–	–	–	3,017	–	(24,791)
Vietnam	Petro Vietnam	262	10,313	–	–	–	450	–	–	10,763
	HCM Tax Department	–	–	16,239	4,628	–	–	–	–	20,867
	Vung Tau Customs office	–	–	–	2,864	–	–	–	–	2,864
	Total Vietnam	262	10,313	16,239	7,492	–	450	–	–	34,494
TOTAL GROUP		3,979	145,232	16,507	7,492	–	450	4,929	–	174,610

Five year summary

FINANCIALS		2020	2019 ¹	2018 ¹	2017 ¹	2016
Sales revenues	(US\$ million)	949.4	1,596.5	1,438.3	1,083.9	983.4
(Loss)/profit before tax	(US\$ million)	(605.3)	113.8	184.0	(347.9)	(390.6)
(Loss)/profit for the year after tax	(US\$ million)	(1,302.2)	164.3	133.4	(253.8)	122.6
Cash flow from operating activities	(US\$ million)	630.1	1,080.0	777.2	475.3	431.4
Shareholders' (deficit)/funds	(US\$ million)	(162.9)	1,131.5	1,026.0	616.9	809.1
Net debt	(US\$ million)	(2,078.4)	(1,989.8)	(2,330.7)	(2,724.2)	(2,765.2)
Per share statistics:						
Revenue per share	(cents/share)	107.0	193.2	185.8	211.0	192.5
(Loss)/earnings per share – basic	(cents/share)	(146.7)	19.9	17.3	(49.4)	24.0
(Loss)/earnings per share – diluted	(cents/share)	(146.7)	18.2	15.5	(49.4)	23.7
Cash flow from operating activities per share	(cents/share)	71.0	130.7	100.4	92.5	84.5
Reserves per share – year-end	(boe/share)	0.17	0.21	0.25	0.59	0.69
Issued Ordinary Shares – average	(million)	887.7	826.2	774.0	513.7	510.8
Operations:						
Production (working interest basis)	(kboepd)	61.4	78.4	80.5	75.0	71.4
Proved and probable reserves (working interest basis)	(mmboe)	151.4	174.7	193.7	301.8	353.3
Employees (average) – UK	(number)	240	232	230	237	242
Employees (average) – Overseas	(number)	524	543	552	552	559
Key indices:						
Realised average oil price	(US\$/bbl)	42.1	66.3	67.9	52.9	44.1
Average exchange rates	(US\$/£)	1.28	1.28	1.34	1.29	1.36
Closing exchange rates	(US\$/£)	1.37	1.33	1.27	1.35	1.23

Note:

¹ From all operations (continuing and discontinued) unless otherwise stated.

Oil and gas reserves Working interest reserves as at 31 December 2020

	Working interest basis												TOTAL		Oil, NGLs and gas mmboe		
	Falklands		Indonesia		UK		Vietnam		Mexico		Oil and NGLs mmbbls	Gas Bcf					
	Oil and NGLs mmbbls	Gas Bcf	Oil and NGLs mmbbls	Gas Bcf	Oil and NGLs mmbbls	Gas Bcf	Oil and NGLs mmbbls	Gas Bcf	Oil and NGLs mmbbls	Gas Bcf							
Group proved and probable reserves																	
At 1 January 2020	–	–	1.09	156.79	56.84	357.30	14.16	19.39	–	–	72.09	533.48	174.73				
Revisions	–	–	(0.30)	(17.10)	3.92	(12.54)	1.55	3.88	–	–	5.17	(25.76)	(0.65)				
Discoveries and extensions	–	–	–	–	–	–	–	–	–	–	–	–	–				
Acquisitions and divestments	–	–	–	–	(0.08)	(0.01)	–	–	–	–	(0.08)	(0.01)	(0.08)				
Production	–	–	(0.23)	(22.12)	(11.99)	(15.42)	(2.52)	(3.15)	–	–	(14.74)	(40.69)	(22.62)				
At 31 December 2020	–	–	0.56	117.57	48.69	329.33	13.19	20.12	–	–	62.44	467.02	151.38				
Total Group developed and undeveloped reserves																	
Proved on production	–	–	0.41	72.31	22.74	45.45	7.52	10.85	–	–	30.67	128.61	54.95				
Proved approved/justified for development	–	–	0.07	19.99	7.80	155.66	0.55	1.95	–	–	8.42	177.60	42.40				
Probable on production	–	–	0.01	9.96	12.44	16.81	4.52	5.26	–	–	16.97	32.03	22.94				
Probable approved/justified for development	–	–	0.07	15.31	5.71	111.41	0.60	2.06	–	–	6.38	128.78	31.09				
At 31 December 2020	–	–	0.56	117.57	48.69	329.33	13.19	20.12	–	–	62.44	467.02	151.38				

Notes:

- Revision of gas in Indonesia based on observed depletion behaviour in Gajah Puteri field and observed water ingress on other Natuna A gas fields.
- Revisions in the UK relate to better reservoir performance observed in the Catcher Area, offset by revisions in Solan; earlier anticipated cessation of production ('COP') on Ravenspurn North and Johnston, and earlier actual COP in the Balmoral Area, Huntington and Kyle.
- Vietnam revision reflects a slightly better decline based on production behaviour with a later COP than anticipated last year.
- Proved and probable gas includes 38.8 Bcf of fuel gas.
- The Zama field (Mexico), Tuna field (Indonesia), Sea Lion (Falkland Islands) and Tolmount East (UK) remain categorised as contingent resources and consequently have no booked reserves.
- The divestment in the UK relates to the reduction in working interest in Laverda from 54 per cent to 50 per cent.

Premier Oil plc categorises petroleum resources in accordance with the June 2018 SPE/WPC/AAPG/SPEE/SEG/SPWLA/EAGE Petroleum Resource Management System ('SPE PRMS'). Proved and probable reserves are based on operator, third-party reports and internal estimates and are defined in accordance with the Statement of Recommended Practice ('SORP') issued by the Oil Industry Accounting Committee ('OI-AC'), dated July 2001.

The Group provides for amortisation of costs relating to evaluated properties based on direct interests on an entitlement basis, which incorporates the terms of the PSCs in Indonesia and Vietnam. On an entitlement basis, reserves were 143.5 mmboe as at 31 December 2020 (2019: 164.4 mmboe). This was calculated at year-end 2020, using the following oil price assumption: US\$51/bbl in 2021, US\$55/bbl in 2022 and US\$60/bbl in real terms thereafter (2019: US\$65/bbl in 2020 and 2021, US\$70/bbl in 2022 and US\$70/bbl in real terms thereafter).

Worldwide licence interests As at 31 December 2020

Licence	Blocks	Operator	Premier equity	Unit interest (if applicable)	Associated fields / discoveries
Brazil					
CE-M-661	CE-M-661	Total	30.00		
CE-M-717_R11	CE-M-717	Premier	50.00		Pecem
Falkland Islands					
PL003a	14/14 (part) & 14/19 (part)	Rockhopper	4.50		
PL003b	14/14 (part) & 14/19 (part)	Rockhopper	4.50		
PL004a	14/15 (part), 14/20, 15/11 (part) & 15/16 (part)	Premier	36.00		Isobel Deep
PL004b	14/15 (part)	Premier	36.00		Beverley; Casper South; Zebedee
PL004c	14/15 (part)	Premier	36.00		
PL032	14/5, 14/10	Premier	60.00		Casper North; Sea Lion
PL033	15/1 (part) & 15/6 (part)	Premier	60.00		
Indonesia					
South Andaman	South Andaman	Mubadala Petroleum	20.00		
Andaman I	Andaman I	Mubadala Petroleum	20.00		
Andaman II	Andaman II	Premier	40.00		
Natuna Sea Block A	Natuna Sea Block A	Premier	28.67		Anoa; Gajah Baru; Naga; Pelikan; Bison, Iguana & Gajah Puteri
Tuna Block	Tuna Block	Premier	100.00		Kuda Laut; Singa Laut
Mauritania					
PSC B	Chinguetti EEA	Petronas	8.12		Chinguetti
Mexico					
Mexico Block 7	7	Talos	25.00		Zama
Mexico Block 11	11	Premier	100.00		
Mexico Block 13	13	Premier	100.00		
Mexico Block 30	30	WDEA	30.00		

Licence	Blocks	Operator	Premier equity	Unit interest (if applicable)	Associated fields / discoveries
United Kingdom					
P077	22/12a (Nelson Field (NELS))	Enterprise	50.00	1.66	Nelson
P087	22/7a (Nelson Field (NELS))	Premier (Shell for field)	46.50	1.66	Nelson
P111	22/25a (Merganser down to 3,300 metres (MERG))	Premier (Shell for field)	65.99	7.92	Merganser
P164	205/26a (ALL)	Premier	100.00		Solan
P185	15/22 (Rest of Block (Non-Palaeocene Formation) (A))	CNOOC	50.00		Blackhorse
P188	22/30b (Area A – Elgin Field (ELGN))	Total	5.20	5.20	Elgin; Franklin
P201	16/21a Balmoral & Glamis Field Areas (BALMO), Rest of Block (Exploration Area) (REST), Stirling Field Area (STIRL); and 16/21d Balmoral & Glamis Field Areas (BALMO), Rest of Block (Exploration Area) (REST)	Premier	85.00	Balmoral: 78.12 Stirling: 68.68	Balmoral; Glamis; Stirling
P201	16/21d (Brenda Field Area (above 7,500 feet) (A))	Premier	100.00		Brenda
P213	16/26a (Area P – Caledonia Field Area (P-CAL))	Premier	100.00		Caledonia
P233	15/25a (ALL)	Premier	70.00		Nicol
P264	23/26d (Scoter Field Area (A))	Premier (Shell for field)	100.00	12.00	Scoter
P344	16/21b (Balmoral Field Area (BALM)) and 16/21c (Stirling Field (STIR))	Premier	44.20	Balmoral: 78.12 Stirling: 68.68	Balmoral; Stirling
P362	29/5b (ALL)	Total	5.20	5.20	Elgin; Franklin
P380	43/26a (Rave (RAVE A)) and (Rave (Rave B))	Perenco	35.94	28.75	Ravenspur North
P380	43/26a (Residual Area excluding Ravenspur North (RESID))	Premier	72.22	50.11	Johnston
P454	44/29b (Orca Field Area (B))	Neptune	42.67	19.50	Orca
P611	44/24a (ALL) and 44/30a (ALL)	Neptune	42.67	Orca: 19.50	Minke; Orca
P666	22/30c (ALL) and 29/5c (ALL)	Total	5.20	5.20	West Franklin
P686	43/27a (ALL)	Premier	42.22	50.11	Johnston
P752	29/4d (ALL)	Total	18.57		Glenelg
P1042	15/25b (ALL)	Premier	100.00		Brenda
P1114	22/14b (ALL)	Premier	100.00		Huntington
P1330	42/28d (ALL)	Premier	50.00		Tolmount
P1430	28/9a (ALL)	Premier	50.00		Burgman; Carnaby; Catcher; Varadero
P2070	28/4a (ALL)	Premier	50.00		Laverda
P2305	42/28c (ALL)	Premier	50.00		Greater Tolmount
P2453	28/9c (ALL)	Premier	50.00		Bonneville
P2454	28/9d (ALL)	Premier	50.00		Laverda
P2550	28/9f (ALL)	Premier	50.00		Cougar; Rapide
P2563	42/27; 47/2b (ALL); and 47/3g (ALL)	Dana	50.00		Greater Tolmount
P2564	42/28e (ALL) and 42/29b (ALL)	Premier	50.00		Greater Tolmount
Vietnam					
Block 12W	12W	Premier	53.13		Chim Sáo; Dua

Glossary

AGM	Annual General Meeting	IFRIC	IFRS Interpretations Committee
ALARP	As low as reasonably practicable	IFRS	International Financial Reporting Standards
bbl	Barrel	IOGP	International Association of Oil and Gas Producers
BBtud	Billion British thermal units per day	IPIECA	International Petroleum Industry Environmental Conservation Association
Bcf	Billion cubic feet	ISAs (UK)	International Standards on Auditing (UK)
BIG-P	Bison, Iguana and Gajah Puteri	IVC	Investor Code
BMS	Business Management System	kboepd	Thousand barrels of oil equivalent per day
boe	Barrel(s) of oil equivalent	KPI	Key performance indicator
boepd	Barrel(s) of oil equivalent per day	LDAR	Leak detection and repair programmes
BRINDEX	The Association of British Independent Oil Exploration Companies	LNG	Liquefied natural gas
CAGR	Compound annual growth rate	LOPC	Loss of primary containment
CGU	Cash-generating unit	LTIP	Long Term Incentive Plan
COP	Cessation of production	LWDC	Lost work day cases
CPRs	Competent Person Reports	M&A	Mergers and acquisitions
DD&A	Depreciation, depletion and amortisation	mmbbls	Million barrels
DTA	Deferred tax asset	mmboe	Million barrels of oil equivalent
E&E	Exploration and evaluation	MSA	Matching Share Awards
E&P	Exploration and production	mscf	Thousand standard cubic feet
EBITDA	Earnings before interest, tax, depreciation and amortisation	mt	Metric tonne
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration	MTC	Medical treatment cases
EIA	Environmental Impact Assessment	OGA	Oil and Gas Agency
EIS	Environmental Impact Statement	ORB	Order Book of Retail Bonds
EMTN	Euro Medium Term Notes	PB3	OPT PB3 PowerBuoy®
EPA	Equity Pool Awards	PSA	Performance Share Awards
ERM	Enterprise risk management	PSC	Production sharing contract
ESG	Environmental, social and governance	PVSP	Premier Value Share Plan
ExCo	Executive Committee	RSA	Restricted Share Award
FDP	Field development plan	RWDC	Restricted work day cases
FEED	Front end engineering and design	SAYE	Save As You Earn
FPZO	Floating production, storage and offtake vessel	SDGs	UN Sustainable Development Goals
FVOCI	Fair value through other comprehensive income	SIP	Share Incentive Plan
FVTPL	Fair value through profit or loss	SPA	Sale and Purchase Agreements
GHG	Greenhouse gas	Tcf	Trillion cubic feet
GRI	Global Reporting Initiative	TCFD	Task Force on Climate-related Financial Disclosures
GSA	Gas Sales Agreement	te	Tonnes
HiPo	High potential incidents	TRIR	Total Recordable Injury Rate
HiPoR	High Potential Incident Rate	TSR	Total shareholder return
HSES	Health, safety, environment and security	UNGC	UN Global Compact
HSFO	High Sulphur Fuel Oil	USPP	US Private Placement
IAS	International Accounting Standard	WTI	West Texas Intermediate
IEA	International Energy Agency	2C	Best estimate of contingent resources
		2P	Proved and probable reserves

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 are EBITDAX, free cash flow, operating cost per barrel, DD&A per barrel, net debt and liquidity, and are defined below:

- **EBITDAX:** Earnings before interest, tax, depreciation, amortisation, impairment, exploration spend and other one-off items. In the current year it also excludes the gain on disposal recognised in the income statement. This is a useful indicator of underlying business performance.
- **Free cash flow:** Positive cash flow generation from operating, investing and financing activities excluding drawdowns from and repayments of borrowing facilities and equity issuances.
- **Operating cost per barrel:** Operating costs for the year divided by working interest production. This is a useful indicator of ongoing operating costs from the Group's producing assets.
- **DD&A per barrel:** Depreciation and amortisation of oil and gas properties and right-of-use assets 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.
- **Net debt:** The net of cash and cash equivalents and debt recognised on the balance sheet. This is an indicator of the Group's indebtedness and capital structure.
- **Liquidity:** The sum of cash and cash equivalents on the balance sheet, and the undrawn amounts available to the Group on our principal facilities, including letters of credit facilities, less our joint venture partners' share of cash balances. This is a key measure of the Group's financial flexibility and ability to fund day-to-day operations.

Each of the above non-IFRS measures are presented within the Financial review on pages 48 to 51 with detail on how they are reconciled to the statutory financial statements.

Registrar

All enquiries concerning your shareholding should be directed to Link Group:

Link Group
Central Square
29 Wellington Street
Leeds LS1 4DL
United Kingdom

Telephone: +44 (0)371 664 0300
Calls are charged at the standard geographic rate and will vary by provider.

Calls from outside the United Kingdom will be charged at the applicable international rate.

Lines are open 9.00am – 5.30pm
Monday to Friday, excluding public holidays in England and Wales.

Email: shareholderenquiries@linkgroup.co.uk

Share portal

As a shareholder you have direct access to an online share portal operated by Link Group: www.premier-oil-shares.com. You can access the share portal with your Investor Code ('IVC') which can be found on your share certificate. The portal provides a range of services, free of charge, to help you to administer your shareholding quickly and efficiently by allowing you to:

- check your share balance;
- change your address details;
- choose to receive electronic shareholder communications;
- set up or amend a dividend mandate so dividends can be paid directly to your bank account; and
- buy and sell Premier Oil plc shares using the dealing service operated by Link Share Deal.

E-communications

Shareholders have the option to receive communications including Annual Reports and notices of meetings electronically. This is a faster, more environmentally friendly and, for Premier Oil plc, a more cost-effective way for shareholders to receive Annual Reports and other statutory communications as soon as they are available.

To register for this service, please visit the share portal: www.premier-oil-shares.com. You will need your IVC which can be found on your share certificate. Once registered, Premier Oil plc will communicate with you via email rather than post.

Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice, including offers to buy Premier Oil plc shares at inflated prices, or offers of free reports about Premier. More information can be found: www.fca.org.uk/consumers/scams and in the Shareholder Information section of the Investors area of the Company website: www.premier-oil.com.

American Depositary Receipt programme

Premier Oil plc has a sponsored Level 1 American Depositary Receipt ('ADR') programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one Ordinary Share of the Company. The ADRs trade on the US over-the-counter market under the symbol PMOY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders.

Registered Depositary Receipt holders can trade, access account balances and transaction history, find answers to frequently asked questions and download commonly needed forms online at www.adrbnymellon.com. To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the United States, please call 001-201-680-6825.

You may also send an email inquiry to shrrelations@cpushareownerservices.com or visit the website:

www.computershare-na.com/bnym_adr.



Registered Office**Premier Oil plc**

4th Floor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Registered No. SC234781

Head Office**Premier Oil plc**

23 Lower Belgrave Street
London
SW1W 0NR

Tel: +44 (0)20 7730 1111

Email: premier@premier-oil.com

Further information

Full contact details for all of our advisers are available on our website: www.premier-oil.com