VikingCCS

Viking CCS Pipeline

3.1 Funding Statement - Revision A - Tracked

Document Reference: EN070008/APP/3.1

Applicant: Chrysaor Production (U.K.) Limited,
a Harbour Energy Company
PINS Reference: EN070008
Planning Act 2008 (as amended)
The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 - Regulation 5(2)(h)
Date: October 2023

Harbour Energy | AECOM

Quality information

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Revision History

Revision	Revision date	Details
Rev 1.0	28/06/2023	First Full Draft
Rev 2.0	25/07/2023	Second Updated Draft
Rev 3.0	29/09/2023	Third for Final Review

Glossary

Term	Definition
Applicant	The organisation (Chrysaor Production (U.K.) Limited) applying for the DCO.
Application	The Application for a Development Consent Order (DCO) that is submitted by the Applicant to the Secretary of State (SoS) for the Department for Energy Security and Net Zero (DESNZ).
Block Valve	A valve located at strategic points along the pipeline that can be used to isolate sections of the pipeline if required
Block Valve Station (BVS)	An area containing a Block Valve and Electrical and Instrumentation (E&I) Kiosk and includes perimeter security fencing
Book of Reference	A list of all of the land directly affected by the Proposed Development, as well as the owners and occupiers of the affected land and those with an interest in it.
Climate Change	Large scale, long term shift in the Earth's weather patterns or average temperature.
Decommissioning	The final process of shutting down the infrastructure comprised in the Proposed Development when it is no longer required once it has reached end of life.
Development Consent Order (DCO)	A Development Consent Order (DCO) is a Statutory Instrument (SI) made by the Secretary of State (SoS) pursuant to the Planning Act 2008.
Environmental Statement (ES)	A statement prepared in accordance with the EIA Regulations that includes the information that is reasonably required to assess the likely effects of a development and which the applicant can, having regard in particular to current knowledge and methods of assessment, reasonably be required to compile
Ground Investigations	The physical investigation stage of the Geotechnical Survey of which Geophysical Surveys may be one element. Comprised of targeted investigations including both intrusive and non-intrusive techniques to prove ground conditions, determine soil / rock parameters and identify hazards associated with the ground conditions to inform a Proposed Development.
Hazardous waste	Waste with hazardous properties.
Immingham Facility	Proposed new facility at which compressed and conditioned CO_2 will be received from emitters before transport along the pipeline route.

Term	Definition
LOGGS Pipeline	Existing 36-inch Lincolnshire Offshore Gas Gathering System (LOGGS) being repurposed for this Proposed Development. The offshore system will not form part of the DCO and will be subject to a separate consent.
Mean Low Water Springs (MLWS)	MLWS is the average throughout a year of the heights of two successive low waters during those periods of 24 hours (approximately once a fortnight) when the range of the tide is greatest
Nationally Significant Infrastructure Project (NSIP)	Projects which fall under one of the categories in Part 3 of the Planning Act 2008.
Order Limits	The outer limits for the Proposed Development, including the route and any temporary working areas that would be required to construct the pipeline, such as access routes, and working compounds. The limits will be shown on the Works Plan provided as part of examination.
Planning Inspectorate	The Government agency responsible for administering applications for development consent under the Planning Act 2008 (as amended) (PA2008) on behalf of the Secretary of State (SoS).
Proposed Development	The Viking CCS Pipeline which comprises of the onshore elements of the wider Viking CCS Project, from the point of receipt of CO_2 at the Immingham Facility, through its onshore transportation in the new pipeline to the Theddlethorpe Facility, and onward transportation through the existing LOGGS offshore pipeline to MLWS tide mark. This forms the basis of this DCO application.
Secretary of State (SoS)	For this Proposed Development, the Secretary of State for Energy Security and Net Zero.
Significance	A measure of the importance or gravity of the effect defined by significance criteria specific to the environmental topic.
Significant Observed Adverse Effect Level (SOAEL)	The level above which significant adverse effects on health and quality of life occur as a result of noise or vibration.
Sites of Importance for Nature Conservation (SINC)	Sites of Importance for Nature Conservation are usually selected within a local authority area and support both locally and nationally threatened Habitats and Species that are priorities under the county or UK Biodiversity Action Plan (BAP).
Theddlethorpe Facility	Proposed new facility at which CO_2 will be transferred from the new 24" pipeline to the existing LOGGS pipeline via a cross over connection.

Term	Definition
Town and Country Planning Act	The Town and Country Planning Act 1990 (as amended) gives Local Planning Authorities in England and Wales the power to regulate and grant permission for local development.
Viking CCS Pipeline	This scheme – i.e. the development for which a Development Consent Order (DCO) is sought. Also referred to as '*The Proposed Development*'
Viking CCS Project	Comprises the onshore Viking CCS Pipeline (The Proposed Development), the offshore LOGGS pipeline, a new Not Permanently Attended Installation (NPAI) and additional new pipeline sections which will facilitate the transportation and storage of CO_2

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Funding Statement

1.1 Introduction

1.1.1 The Funding Statement has been prepared by Chrysaor Production (U.K.) Limited, a Harbour Energy company, (hereafter 'The Applicant') as part of an application for a Development Consent Order (DCO) for the Viking CCS Pipeline. The application is being submitted to the Secretary of State Energy Security and Net Zero pursuant to the Planning Act 2008 (as amended) (PA2008).

1.1.2 A DCO is required for the Proposed Development as it falls within the definition and thresholds for a Nationally Significant Infrastructure Project (NSIP) under sections 14 (1)(g) and 21 off the PA2008.

1.1.3 The purpose of this Funding Statement is to demonstrate that the Proposed Development, and its operation, will be adequately funded and therefore that funding is not an impediment to the delivery of the Proposed Development.

1.1.4 It will be necessary to acquire rights over land for the purposes of constructing, operating and decommissioning the Proposed Development including the potential for compulsory purchase, such powers have been included in the draft DCO **[application document reference EN070008/APP/2.1].**This Funding Statement also explains how the Applicant expects that the Proposed Development will be funded, including the construction of the Proposed Development, as well as providing for the payment of compensation to those affected by compulsory acquisition, temporary possession, or blight claims.

1.1.5 This Funding Statement has been prepared in accordance with the requirements of Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (APFP Regulations) and the Department for Communities and Local Government (now the Department for Levelling Up, House and Communities) guidance 'Planning Act 2008: Guidance related to procedures for compulsory acquisition' (September 2013).

1.2 Description of the Proposed Development

1.2.1 The Viking CCS Pipeline ('the Proposed Development') comprises a new 24 '' (609 mm) diameter onshore pipeline of approximately 55.5km in length, which will transport Carbon Dioxide (CO2) from the Immingham industrial area to the Theddlethorpe area on the Lincolnshire coast, where it will connect into the existing 36 '' (921 mm) diameter offshore LOGGS pipeline.

1.2.2 The Proposed Development is an integral part of the overall Viking CCS Project, which intends to transport compressed and conditioned CO2 received at a facility at Immingham to store in depleted gas reservoirs under the Southern North Sea. The offshore elements of the Viking CCS Project, including the transport of CO2 through the LOGGS pipeline to the Viking gas fields under the North Sea, are subject to a separate consenting process.

1.2.3 The key components of the Proposed Development comprise:

- Immingham Facility;
- Approximately 55.5 km 24 inch (") onshore steel pipeline (including cathodic protection);
- Three Block Valve Stations;

- Theddlethorpe Facility;
- Existing LOGGS pipeline and isolation valve to the extent of the Order Limits at Mean Low Water Springs (MLWS);
- Permanent access to facilities;
- Mitigation and landscaping works;
- Temporary construction compounds, laydown, parking and welfare facilities;
- Temporary access points during construction.

1.2.4 Further details of each element of the Proposed Development are set out in Chapter 3 of the Environmental Statement **[application document reference EN070008/APP/6.2].**

1.2.5 **The Immingham Facility**

The Immingham Facility will be located on brownfield land covering an area of approximately 1.0 ha located off Rosper Road in the Immingham industrial area. CO2 will be received by pipe from separately consented capture plants. The Immingham Facility will consist of a central control room, local equipment room, analyser house and various pipework, valves, pipeline inspection equipment, safety protection systems and a 25 m high vent. The Immingham Facility will be surrounded by security fencing.

1.2.6 **The Pipeline**

The pipeline to convey CO2 will be a heavy walled steel pipe with a diameter of 24 ". For the majority of the route it will be buried to a minimum depth of 1.2 m from the top of the pipe to ground level. This will be deeper at crossing points such as railways, roads and watercourses.

1.2.7 **Block Valve Stations**

Three Block Valve Stations are required along the pipeline to enable sections to be isolated for operational and maintenance reasons. Block Valve Stations will comprise a kiosk, block valve, bypass valves, pipework and a local vent approximately 4 m high. The Block Valve Stations will include security fencing with vehicle access gates and the surface within this fenced area will mostly comprise gravel. The Block Valve Stations will cover approximately 0.3 ha including a 10m wide planting strip around the perimeter to provide screening.

1.2.8 **Theddlethorpe Facility and LOGGS Pipeline**

The Theddlethorpe Facility near the Lincolnshire coast is required to connect the new 24 " pipeline to the existing 36 " LOGGS pipeline. There are currently two options for locating the Theddlethorpe Facility:

Option 1: A new facility on brownfield land at the former Theddlethorpe Gas Terminal (TGT) site covering an area of approximately 1.35 ha. The onshore pipeline would enter the site from the west and terminate at the new facility, where a connection would be made to the existing LOGGS Pipeline, which then exits the site to the east.

Option 2: A new facility west of the former TGT site located on arable land covering an area of approximately 1.76 ha. A new section of buried 36" pipeline would connect the Theddlethorpe Facility to the existing LOGGS Pipeline.

For either option the Theddlethorpe Facility will consist of a local equipment room, analyser house and various pipework, valves, pipeline inspection equipment, safety protection systems and a 25 m high vent.

An existing isolation valve is located on the onshore section of the LOGGS pipeline east of the former TGT site. This valve will be replaced, and new electrical cables may be installed.

1.2.9 Construction Compounds

Three construction compounds are proposed, each of which will include pipe storage areas, welfare facilities, and plant storage and maintenance areas. The North Compound will be located to the south of Habrough Roundabout and the A160 covering an area of approximately 2.15 ha of arable land with access from Habrough Road. The Central Compound will be located south of Laceby and east of Barton Street (A18) covering an area of approximately 1.71 ha of arable land with access from the A18. The South Compound will be located at the car park on the former TGT site accessed from Mablethorpe Road, covering an area of approximately 1.3 ha of brownfield land. In addition, temporary laydown, parking and welfare areas will be required at certain access points along the pipeline route.

1.2.10 Whilst the Applicant is committed to trying to secure the necessary land and rights through voluntary agreement, the draft DCO includes powers of compulsory acquisition to enable the acquisition of land and/or rights over land, imposition of restrictive covenants, powers for the temporary occupation of land, the extinguishment or overriding of easements and other rights over or affecting land required for the Proposed Development. The powers sought also include the application and/or disapplication of legislation, highway powers and tree and hedgerow removal powers, amongst other matters. The Applicant is currently in discussions with affected persons with the intention of securing the necessary rights and interest in the land required for the life of the Proposed Development by voluntary agreement and will continue these discussions throughout the DCO examination of the Proposed Development. Compulsory acquisition powers would only be used as a last resort.

1.2.11 As well as being the applicant for the Proposed Development, the Applicant is also defined as the “undertaker” for the purposes of the draft DCO and will be the entity in which the powers of the DCO are vested should the DCO be granted.

1.3 Corporate Structure

1.3.1 60% of the project sits within Chrysaor Production (U.K.) Limited which is a private subsidiary of Harbour Energy plc (“Harbour” or the “Group”). Harbour Energy is the largest UK listed independent oil and gas company with a current market capitalisation of £1.8 billion, producing over 200,000 barrels of oil equivalent per day from the UK and South East Asia. With 90% of the Group’s production from its UK assets, Harbour Energy is the top oil and gas producer in the UK. Harbour Energy formed through an all-share merger between Chrysaor and Premier Oil plc in April 2021 and sits on the upper tier of FTSE 250. As part of the regulatory process for the approval of the all-share merger, the UK Oil & Gas Authority (now the North Sea Transition Authority) reviewed the corporate model and detailed financial projections for the enlarged group (which included Energy Transition spend) to ensure financial capability to meet its future obligations. An extract of the Group’s corporate structure is detailed below.

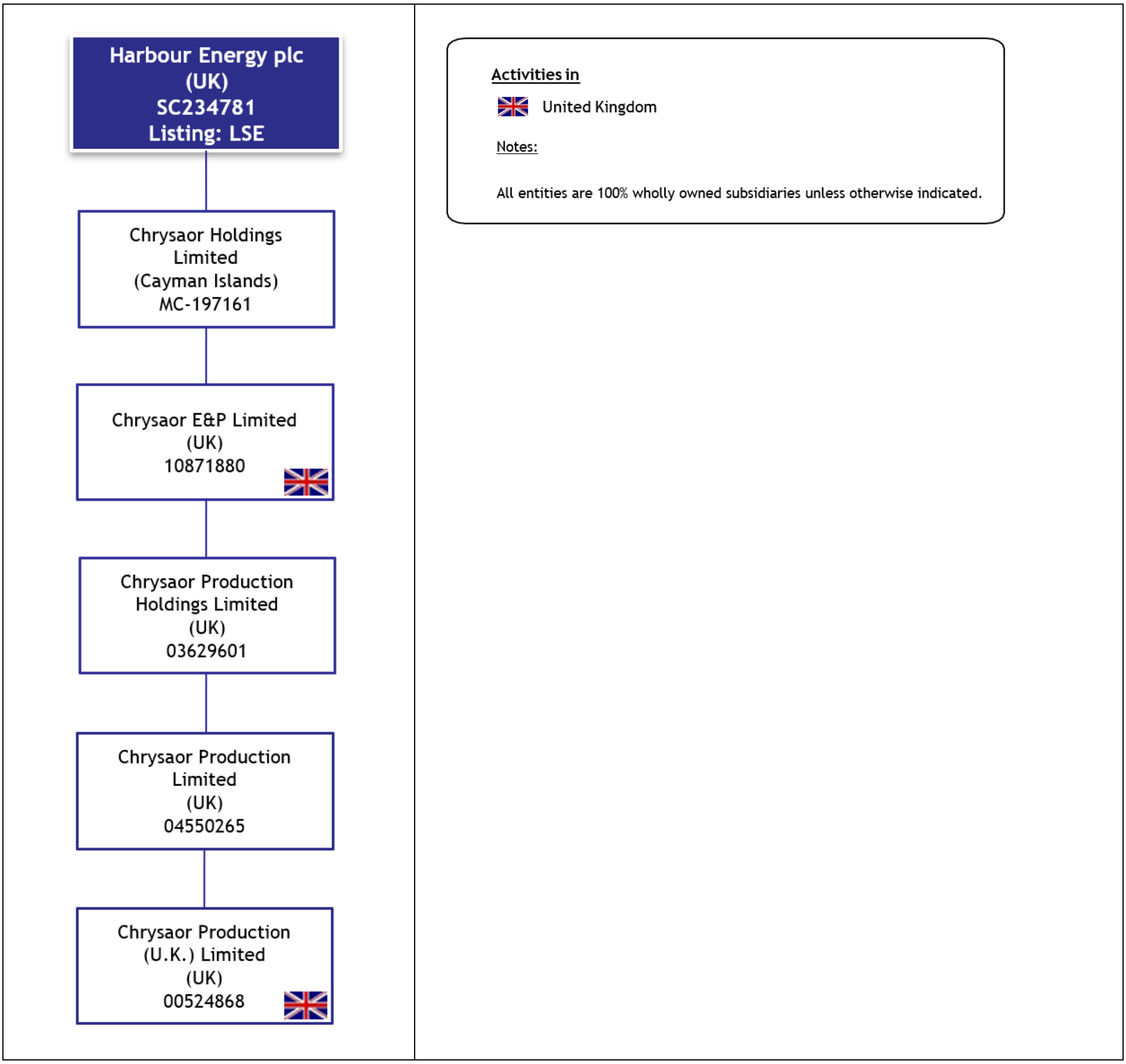

Figure 1 Harbour Energy Corporate plc Structure

1.3.2 Harbour Energy has a cash-generative diversified UK business with a significant position in the high-quality operated hubs: Britannia, J-Area, Armada/Everest/Lomond, Catcher and Tolmount and also has interests in other major UK producing hubs, including: Clair, Buzzard, Beryl Area, Elgin-Franklin and Schiehallion. Alongside competitive operating costs, this provides resilience to commodity price volatility. The Group has decades of experience of new developments in the UK and internationally, and in 2023 Harbour Energy forecasts a circa $900 million capital spend across the complete asset life cycle of exploration, development and production assets and decommissioning.

1.3.3 Harbour Energy has a broad set of international growth opportunities, including an attractive development and exploration portfolio and a management team with a strong record of value creation through disciplined M&A transactions. The Group has a strong balance sheet and the financial flexibility to fund both further growth and shareholder returns. Harbour Energy has a credit rating of BB (S&P) and BB- (Fitch).

1.3.4 Harbour Energy is committed to producing oil and gas responsibly to help meet the world's energy needs. Harbour Energy's focus on safety and the environment is highlighted by a proven track record and highly competent organisation. With its CO2, Capture & Storage ("CCS") projects and the Group's Reserve Based Loan debt facility being the first in Europe to include an incentive for emissions reduction Harbour Energy is committed to industry ESG leadership and the UK's Net Zero ambitions. Harbour Energy has lower carbon intensity than the UK average with targets in place for further improvement with a commitment to achieve Net Zero greenhouse gas emissions by 2035.

1.3.5 Harbour Energy entered into an agreement with BP Exploration Operating Company Limited in March 2023, whose ultimate parent company is BP plc ("BP"). BP have acquired a 40% share (non-operating) of the Viking CCS Project. As the fifth largest listed company on the London Stock Exchange with a market capitalisation of £80 billion it is a full chain energy company with operations globally. BP is committed to a responsible energy transition through investments in technologies to support their net zero ambitions. BP has an investment grade credit rating of A (Fitch) and A- (S&P). The company is a strong supporter of the UK economy through ensuring its energy security and its climate change initiatives by investing billions in low carbon and transition businesses.

1.3.6 BP strives to be a balanced energy company that offers solutions across the entire energy spectrum. The company is structured into three business groups: gas & low carbon energy, production & operations and Customers & Products. BP is involved in oil and gas operations across six continents producing over two million barrels of oil equivalent per day alongside the refineries, pipelines and terminals in which they participate. The company is a strong investor in low carbon energies including biofuels, onshore and offshore wind, solar energy, hydrogen and carbon capture, utilisation and storage to strengthen its position as an energy provider through the energy transition. These technologies are critical to BP's aims of become CO2 net zero by 2050 or earlier. The customers & products segment offers an extensive network of services used by millions of customers each day. These services include retail fuel, electric vehicle charging, lubricants, aviation fuel and business-to-business fuel supply.

1.3.7 To date all development costs of the project have been equity funded by the two companies in accordance to their equity stake with the Applicant having provided 60% and BP Exploration Operating Company Limited Financial having provided 40% of funding. Subject to taking a final investment decision, and once construction has commenced the project will be funded through a mixture of equity from the sponsors and debt provided by a consortium of lenders.

1.3.8 To support the financial strength of the financing entities and their parent companies the following documents have been provided. The financial accounts of the Applicant can be found in Appendix A of the funding statement. Furthermore, the financial accounts of Harbour Energy plc are included in Appendix B.

1.4 Compulsory Acquisition of Land and Blight

1.4.1 As outlined above the draft DCO contains powers of compulsory acquisition that would be exercised in the event that the Applicant is unable to secure all of the land and rights required for the Proposed Development through voluntary negotiation.

1.4.2 The current position regarding negotiations with landowners and those with interests in the land affected by the DCO is summarised in the Statement of Reasons **[application document reference EN070008/APP/3.2].**

1.4.3 The Applicant has issued offers of terms for voluntary agreements to the identified affected parties detailed in the Book of Reference **[application document reference**

EN070008/APP/3.3] and will continue to negotiate with those affected parties through the course of the DCO examination.

1.4.4 The Applicant has taken expert advice from specialist property consultants on the potential costs of funding the acquisition of all those interests and rights in land identified and described in the Book of Reference **[application document reference EN070008/APP/3.3],** including potential cost of claims under Part 1 of the Land Compensation Act 1973 (although it should be noted that the Applicant does not believe that any claims under Part 1 will arise).

1.4.5 The Applicant has taken account of the possibility of blight claims under the Town and Country Planning Act 1990 and such associated costs are factored into the funding assessment. Whilst the Applicant believes that the risk of receiving a valid blight notice in connection with the DCO and the Proposed Development is low, provision for such costs has been made and such costs will be met should a valid claim arise.

1.4.6 The total estimated costs to acquire land and rights required for the Proposed Development, along with relevant claims (being claims under Part 1 of the Land and Compensation Act 1973, section 10 of the Compulsory Purchase Act 1965 and/or section 152(3) of the PA 2008), either voluntarily or through compulsion, have been based on national, regional and local data that provide direct comparables for similar property to that over which the rights are required and independent third party valuations.

1.4.7 The total estimated cost of acquisition of land and rights over land is £20MM this includes costs of acquiring long term lease rights, permanent easement rights, land for above ground facilities, disturbance compensation, severance, injurious affection and professional fees.

1.4.8 Funding of the Applicant required in relation to land assembly, including any exercise of powers of compulsory acquisition, will be provided by Chrysaor Production (U.K.) Limited

1.4.9 It will not be necessary to obtain any third party funding in respect of the land assembly requirements. This is because Chrysaor Production (U.K) Limited has made allowances for these costs, as they would with any large infrastructure project they fund, and will ensure that the necessary funds will be available to the Applicant when required.

1.5 Proposed Development Funding

1.5.1 The total development cost of the Proposed Development is estimated at £240MM. This includes the costs of construction, development, project management, land acquisition and operation. Funding for the Proposed Development will be provided through internal sources and possibly external debt arrangements.

1.5.2 All activities to support detailed design will be funded by Chrysaor Production (U.K) Limited. Costs to be incurred after the final investment decision on the Proposed Development will be funded from a combination of equity and debt finance, with the exact combination dependent upon finalisation of the business models being developed by the Department for Energy Security and Net Zero (DESNZ) and ongoing discussions with financial advisors.

1.6 Conclusion

1.6.1 The Secretary of State can be satisfied that the Applicant has access to sufficient financial resources to meet any compensation obligations as they fall due. The Proposed Development is well-resourced financially and there is no reason to believe that, if the DCO is granted, the Proposed Development will not proceed.

Appendix A Chrysaor Production (U.K.) Limited Financial Statement 2022

Chrysaor Production (U.K.) Limited

Registered Company Number 00524868

Report and Financial Statements

31 December 2022

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Corporate information

Directors

Alexander Krane
Howard Landes

Secretary

Harbour Energy Secretaries Limited

Independent auditor

Ernst & Young LLP
Statutory Auditor
1 More London Place
London
SE1 2AF

Registered office

23 Lower Belgrave Street
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SW1W 0NR

Company No. 00524868

Strategic report

The directors present their strategic report for the year ended 31 December 2022.

Principal activities and review of the business

Chrysaor Production (U.K.) Limited (the Company) is part of the Harbour Energy group of companies (the Group). The Company's immediate parent company is Chrysaor Production Limited. The Company's ultimate and controlling parent is Harbour Energy plc.

The Company's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK Continental Shelf. The Group's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK and Norwegian Continental Shelves, Indonesia, Vietnam and Mexico. Further information can be found in Harbour Energy plc's consolidated annual report and accounts for the year ended 31 December 2022 (the "Group Report").

The Company also holds the Group's investment in a number of subsidiary companies, as detailed in note 10 to the financial statements, and until 31 March 2023 was one of the Group's employment companies.

Business review

The Company has various interests in the Greater Britannia Area (GBA) which comprises the operated Britannia field and the Brodgar, Callanish, Enochdhu, Alder and Finlaggan satellite fields. The Company also has interests in various fields and infrastructure in the Southern North Sea (SNS), the non-producing MacCulloch field, the non-operated Galleon field, and in various non-operated assets undergoing decommissioning.

Greater Britannia Area

The Group owns a 58.65 percent equity in the operated Britannia field, of which 42.41 percent is owned by the Company. The Company operates and owns a 87.5 percent equity in the Brodgar field, a 23.5 percent equity in the Callanish field and a 50 percent equity in the Enochdhu field. The Company also owns a 26.32 percent equity in the non-operated Alder field.

GBA was the Group's largest producer in 2022, supported by high operating efficiency and consistent reservoir outperformance from satellite fields Brodgar and Callanish. The Group plans to return to drilling at Callanish in the second half of 2023 with the F6 infill well scheduled as part of a wider rig share programme with North Sea operator NEO. As part of that programme, the Leverett discovery will also be appraised which, if successful, would be tied back to GBA infrastructure. This follows the equalisation of interests between NEO and the Group across the Leverett licences in 2022. The Group is also maturing further exploration and appraisal opportunities in the area as well as a potential infill opportunity on Brodgar targeting an area to the east of the field.

Operated decommissioning

The Company has interests in various fields and infrastructure in the Southern North Sea. The Company's equity across the SNS fields and infrastructure ranges from 9.0-59.5 percent.

Production from the legacy ConocoPhillips' SNS fields ceased permanently in August 2018 and the Group's campaign for decommissioning legacy SNS infrastructure is expected to complete in 2024, concluding a 10-year programme. The Group's decommissioning team continued to deliver a strong safety and environmental performance, leveraging the Group's significant in-house expertise. The Company continued to provide control and monitoring services to certain SNS user fields.

Strategic report (continued)

Energy transition

Significant progress was made in 2022 on the Group led Viking Carbon Capture and Storage (CCS) which aims to capture, transport and store UK emissions using Harbour's existing LOGGS offshore pipeline and the decommissioned Viking gas fields in the Southern North Sea. 2022 achievements included completing the non-statutory and statutory consultations for the onshore pipeline, participating in the UK's first CCS licensing round and having our CO2 storage capacity evaluated by an independent third party, the first project in the UK to have done so. Subject to inclusion in the government's Track 2 sequencing process and progress around the regulatory and business model, the Group is aiming to progress Viking CCS to a final investment decision in 2024 with first CO2 injection as early as 2027.

Financial performance and position

The Company's results and financial position during the year were as follows:

Production and revenue

Production for 2022 averaged 21.7 mboepd compared to 24.7 mboepd during 2021.

A certain amount of the Company's hydrocarbon production is sold under fixed priced contracts, as described below under derivative financial instruments. The remainder is sold at market values subject to standard quality and basis adjustments. The Company generated revenue of £576.8 million for the year (2021: £396.9 million).

Operating profit

An operating profit of £333.1 million was recognised during the year (2021: £86.8 million).

Cost of sales for the year totalled £153.3 million (2021: £94.3 million), which included depreciation charges on property, plant and equipment of £6.9 million (2021: £20.8 million), amortisation charges on non-oil and gas assets of £11.7 million (2021: £12.1 million) and depreciation charges on IFRS 16 right of use assets (net of amounts capitalised) of £7.7 million (2021: £8.5 million). A charge of £15.7 million (2021: credit of £19.3 million) was recognised in respect of movements in over/under-lift balances and hydrocarbon inventories.

The Company recognised a credit of £39.9 million (2021: charge of £16.6 million) within the income statement in relation to updates to decommissioning estimates for fully depreciated producing assets and non-producing assets. The Company recognised an impairment charge of £5.0 million (2021: £nil) on its investments in subsidiary undertakings. The Company expensed £0.9 million on exploration and appraisal activities (2021: £4.6 million). The Company recognised a loss of £148.4 million (2021: £209.5 million) in relation to fair value movements in commodity derivatives as a result of changes in future commodity prices.

Net financing income

Net financing income for the year totalled £45.1 million (2021: expense of £2.5 million).

Taxation

Taxation expense amounted to £44.6 million (2021: £25.2 million), split between the current tax expense of £184.7 million (2021: £71.1 million) and a deferred tax credit of £140.0 million (2021: £45.9 million).

Profit for the financial year

Profit after tax for the year was £333.5 million (2021: £59.1 million).

Capital expenditure

During the year, the Company incurred capital spend of £4.9 million (2021: £nil million) in relation to exploration and evaluation assets, £11.3 million (2021: £9.0 million) in relation to intangible assets and £14.3 million (2021: £14.6 million) in relation to property, plant and equipment.

Strategic report (continued)

Derivative financial instruments

The Company participates in the Harbour Energy group's hedging arrangements. Fellow subsidiary Chrysaor E&P Finance Limited ("CEPFL"), on behalf of the Company, enters into a combination of fixed price physical sales contracts and cash-settled financial commodity derivatives to manage the price risk associated with Company's underlying oil and gas revenues, and cash-settled financial carbon swaps to manage the price risk associated with the Company's carbon emissions costs. Consecutive ('back to back') agreements were put in place for the derivative contracts with the Company. The commodity hedging activity ensures that the Company is compliant with the requirements of the Group's Reserve Based Loan (RBL) facility.

At 31 December 2022, the Company's financial hedging programme showed a negative fair value of £370.2 million (2021: £221.5 million). These balances are included within amounts owed to group undertakings due to the back to back agreements with CEPFL.

Balance sheet and capital structure

At 31 December 2022, the balance sheet showed net assets of £712.9 million (2021: £379.0 million), consisting of non-current assets of £2,077.9 million (2021: £1,967.5 million), net current liabilities of £768.5 million (2021: £831.5 million) and non-current liabilities of £596.5 million (2021: £757.0 million).

Total equity balance of £712.9 million (2021: £379.0 million) consists of share capital of £0.3 million (2021: £0.3 million), share premium of £81.2 million (2021: £81.2 million) and retained earnings of £631.4 million (2021: £297.5 million).

Insurance

The Company undertakes a significant and appropriate range of insurance programmes to minimise the risk to its operational and investment programmes, which includes business interruption insurance.

Key performance indicators (KPIs)

The Group's activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves. The Company's KPIs are aligned with those of the Group. Further information about KPIs in the context of the Group business can be found in the Group Report and are reflected in the 'Financial performance and position' section above.

Principal risks and uncertainties

The Company is subject to a range of risks and uncertainties which are identified and managed by the Group. Information about risks and uncertainties in the context of the Group business can be found in the strategic report within the Group Report.

Section 172 Companies Act 2006

The Group adopted the requirement to include a compliance statement in relation to Section 172 Companies Act 2006. Further information can be found in the strategic report within the Group Report.

Strategic report (continued)

Streamlined energy and carbon reporting

The Group adopted the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and has reported all relevant emissions and energy data in relation to Streamlined Energy and Carbon Reporting. Further information can be found in the Group Report and the supplementary ESG Report.

On behalf of the Board

DocuSigned by:
[redacted]

Alexander Krane (Director)

27 September 2023

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2022.

Directors

The following served as directors of the Company during the year and up to the date of signing of the financial statements:

Alexander Krane
Howard Landes
Phil Kirk (resigned 28 February 2022)

Secretary

The following served as secretary of the Company during the year and up to the date of signing of the financial statements:

Harbour Energy Secretaries Limited (appointed 10 October 2022)
Howard Landes (resigned 10 October 2022)

Results and dividends

The profit for the financial year amounted to £333.5 million (2021: £59.1 million). During the year, the Company did not pay any dividends (2021: £nil). The directors do not recommend a final dividend for the year ended 31 December 2022 (2021: £nil).

The dividends on the 5 percent redeemable preference shares, amounting to £20,850 (2021: £20,850), were paid throughout the year.

Financial instruments

The Company finances its activities with cash and intercompany loans. Other financial assets and liabilities, such as trade debtors, trade creditors and intercompany balances, arise directly from the Company's operating activities.

Financial instruments can give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on these risks is set out in the Group Report.

CEPFL, on behalf of the Company, entered into a combination of fixed price physical sales contracts and cash-settled financial commodity derivatives during the year to manage the price risk associated with Company's underlying oil and gas revenues, and cash-settled financial carbon swaps to manage the price risk associated with the Company's carbon emissions costs. Back to back agreements were put in place for the derivative contracts with the Company. The fair value movements during the year relating to the back to back agreements are disclosed within these financial statements.

Future developments

Future activities will include the continuation of operating and developing the Company's existing licences and looking for further transactions to enhance the Company's portfolio and bring added longevity and development opportunities to the Company.

Directors' report (continued)

Post balance sheet events

On 1 April 2023, the contracts of employment for all employees of the Company were transferred to another group company, Harbour Energy Services Limited.

On 3 July 2023, the Company subscribed for additional share capital of £5.0 million in Chrysaor Investments Limited. On 3 July 2023, Chrysaor Investments Limited reduced its share capital by cancelling all but one of the issued ordinary shares in the capital of the company. The reduction was made using the solvency statement procedure under section 642 of the Companies Act 2006. On 20 September 2023, Chrysaor Investments Limited was placed into liquidation. The net carrying value of the Company's investment in Chrysaor Investments Limited at 31 December 2022 was £nil. The net impact on the Company's income statement from the liquidation of this subsidiary undertaking will be £nil.

Directors' liabilities

The Company has made qualifying third-party indemnity provisions for the benefit of the directors which remain in force at the date of this report.

Employees

The Company is committed to creating diversity and inclusion in the workplace by providing equal opportunities in employment, safeguarding and promoting a working environment in which all individuals are able to make best use of their skills, and where all decisions are based on merit. Furthermore, the Company provides training for existing and future managers on unconscious bias, diversity and inclusion to ensure that they are not influenced by factors such as disability, gender, race, ethnic origin, colour, marital status, nationality, religion, sexual orientation or age.

Disabled employees

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

Employee engagement

The Company aims to have an open culture of employee engagement where people are involved and encouraged to make a strong contribution to the Company's success. The Company works hard to set people up for success, through inductions and diverse employee-engagement processes. Open and ongoing communication is encouraged between employees and managers. Employees are kept informed about wider company issues using several formal and informal communication mechanisms, including 'town hall' meetings, safety representative meetings, an employee forum and performance reviews. Further information on employee engagement can be found in the strategic report within the Group Report.

Going concern

The directors have adopted the going concern basis of accounting for the preparation of the financial statements as the Company's ultimate parent company, Harbour Energy plc, has undertaken to directly provide the necessary financial support to the Company, as and when required, to meet all liabilities for a period of 12 months from the date of signing these financial statements. In making their assessment of going concern, the directors have considered the letter of support from Harbour Energy plc and are confident that it has adequate resources to support the Company for 12 months from the date of signing these financial statements.

Directors' report (continued)

Disclosure of information to the auditor

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

Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the Board

DocuSigned by:
[redacted]

Alexander Krane (Director)
27 September 2023

Company Registered No. 00524868

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 Company and of the net income or loss of the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether applicable United Kingdom 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 inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSAOR PRODUCTION (U.K.) LIMITED

Opinion

We have audited the financial statements of Chrysaor Production (U.K.) Limited ("the Company") for the year ended 31 December 2022 which comprise the Income statement, Balance sheet, Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining a letter of support from the parent company (Harbour Energy plc) which states that support will be provided to the Company in meeting its liabilities as they fall due for a period of 12 months from when the financial statements are authorised for issue.

To determine whether the parent company (Harbour Energy plc) and its subsidiaries (the 'Group') have the ability to support the Company to continue as a going concern, we reviewed the procedures performed by the Harbour Energy plc group audit team including the reverse stress testing performed. Our review assessed whether Harbour Energy plc had sufficient ability to support the Company should it be required.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CHRYSAOR PRODUCTION (U.K.) LIMITED (CONTINUED)

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 Company’s ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors’ Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors’ Report.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSAOR PRODUCTION (U.K.) LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, environmental, GDPR and anti-bribery and corruption.

- We understood how Chrysaor Production (U.K.) Limited is complying with those frameworks by making enquiries of management, legal counsel and the Company Secretary to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this to supporting documentation. We corroborated the results of our enquiries through our review of Board minutes and correspondence received from regulatory bodies and noted there was no contradictory evidence.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSAOR PRODUCTION (U.K.) LIMITED (CONTINUED)

- We assessed the susceptibility of the company'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 to test their validity and appropriateness.

- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, enquiries of legal counsel, and focused testing, including in respect of management override through manual journals.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [redacted]. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:
[redacted]
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Andrew Smyth (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
27 September 2023

Income statement

For the year ended 31 December

	Note	2022 £000	2021 £000
Revenue		576,757	396,863
Other income		30,547	21,598
Revenue and other income	3	607,304	418,461
Cost of sales		(153,293)	(94,260)
Gross profit		454,011	324,201
Gain on sale of assets	5	-	2,744
Credit/(expense) due to revisions to decommissioning estimates		39,917	(16,626)
Impairment of investments		(4,985)	-
Exploration and evaluation expenses		(908)	(4,563)
Remeasurements		(148,424)	(209,500)
General and administrative costs		(6,497)	(9,431)
Operating profit	4	333,114	86,825
Finance income	7	60,401	15,088
Finance expenses	7	(15,321)	(17,614)
Profit before taxation		378,194	84,299
Tax expense	8	(44,646)	(25,225)
Profit for the financial year		333,548	59,074

No other comprehensive income or expense arose during the year ended 31 December 2022 (2021: £nil).

The notes on pages 18 to 46 form part of these financial statements.

Balance sheet

As at 31 December

	Note	2022 £000	2021 £000
Non-current assets			
Investments	10	835,350	840,335
Exploration and evaluation assets	11	6,348	1,447
Intangible assets	12	24,868	25,323
Property, plant and equipment	13	13,867	61,907
Right of use asset	14	27,608	31,042
Debtors: amounts falling due after one year	17	687,935	665,819
Deferred tax asset	8	481,954	341,592
Total non-current assets		2,077,930	1,967,465
Current assets			
Inventories	15	12,617	12,728
Debtors: amounts falling due within one year	16	589,133	789,430
Cash and cash equivalents	18	-	-
Total current assets		601,750	802,158
Total assets		2,679,680	2,769,623
Current liabilities			
Creditors: amounts falling due within one year	19	(1,276,821)	(1,551,228)
Provisions for liabilities	21	(80,138)	(69,000)
Lease creditor	14	(13,269)	(13,406)
Total current liabilities		(1,370,228)	(1,633,634)
Non-current liabilities			
Creditors: amounts falling due after one year	20	(145,604)	(144,046)
Provisions for liabilities	21	(431,266)	(590,943)
Lease creditor	14	(19,654)	(21,968)
Total non-current liabilities		(596,524)	(756,957)
Total liabilities		(1,966,752)	(2,390,591)
Net assets		712,928	379,032
Capital and reserves			
Called up share capital	22	251	251
Share premium		81,237	81,237
Capital redemption reserve		-	-
Retained earnings		631,440	297,544
Total equity		712,928	379,032

The notes on pages 18 to 46 form part of these financial statements.

The financial statements on pages 15 to 46 were approved by the Board of Directors on 27 September 2023 and signed on its behalf by:

DocuSigned by:

Alexander Krane

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Alexander Krane (Director)

27 September 2023

Company Registration No: 00524868

Statement of changes in equity
For the year ended 31 December

	Called up share capital	*Share premium*	*Capital redemption reserve*	*Retained earnings*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 1 January 2021	251	81,237	-	238,470	319,958
Profit for the financial year	-	-	-	59,074	59,074
At 31 December 2021	251	81,237	-	297,544	379,032
Profit for the financial year	-	-	-	333,548	333,548
Deferred tax on share-based payments	-	-	-	348	348
At 31 December 2022	251	81,237	-	631,440	712,928

Notes to the financial statements

For the year ended 31 December 2022

1. Authorisation of financial statements

The financial statements of the Company for the year ended 31 December 2022 were authorised for issue by the board of directors on 27 September 2023 and the balance sheet was signed on the board's behalf by Alexander Krane.

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom. The Company's principal place of business is London, United Kingdom and its registered office is 23 Lower Belgrave Street, London, SW1W 0NR.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

The financial statements are prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments) which have been measured at fair value, and are in accordance with The Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). The financial statements are presented in pounds Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise stated.

The Company has taken advantage of the disclosure exemption from preparing consolidated financial statements, under Section 400 of the Companies Act 2006. The financial statements present information about the Company as an individual entity and not about its group.

The accounting policies which follow, set out those policies which apply in preparing the financial statements for the year ended 31 December 2022 under FRS 101. All accounting policies have been applied consistently, other than where new policies have been adopted. The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;

(b) the requirements of IFRS 7 *Financial Instruments: Disclosures*;

(c) the requirements of paragraphs 91-99 of IFRS *13 Fair Value Measurement;*

(d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

   (i) paragraph 79(a)(iv) of IAS 1;
   (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*; and
   (iii) paragraph 118(e) of IAS 38 Intangible Assets;

(e) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;

(f) the requirements of IAS 7 *Statement of Cash Flows*;

(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, *Changes in Accounting Estimates and Errors;*

(h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

(i) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

(j) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS *36 Impairment of Assets*.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Going concern

The directors have adopted the going concern basis of accounting for the preparation of the financial statements as the Company's ultimate parent company, Harbour Energy plc, has undertaken to directly provide the necessary financial support to the Company, as and when required, to meet all liabilities for a period of 12 months from the date of signing these financial statements. In making their assessment of going concern, the directors have considered the letter of support from Harbour Energy plc and are confident that it has adequate resources to support the Company for 12 months from the date of signing these financial statements.

Segment reporting

The Company's activities consist of one class of business - the acquisition, exploration, development and production of oil and gas reserves and related activities in a single geographical area, being the North Sea.

Joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Exploration and production operations are usually conducted through joint arrangements with other parties. The Company reviews all joint arrangements and classifies them as either joint operations or joint ventures depending on the rights and obligations of each party to the arrangement and whether the arrangement is structured through a separate vehicle. All interests in joint arrangements held by the Company are classified as joint operations.

In relation to its interests in joint operations, the Company recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

Foreign currency translation

The Company's functional currency and presentation currency is pounds Sterling.

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying an average rate of exchange. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are recognised through the Income Statement. Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the transaction and subsequently not retranslated.

Intangible assets – exploration and evaluation assets

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

(a) Pre-licence costs

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

(b) Licencing and property acquisition costs

Licence and property acquisition costs paid in connection with a right to explore in an existing exploration area are capitalised as exploration and evaluation costs within intangible assets.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds that recoverable amount. If no future activity is planned or the related licence has been relinquished or has expired, the carrying value of the property acquisition costs is written off through the income statement. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

(c) Exploration and evaluation costs

Once the legal right to explore has been acquired, costs directly associated with the exploration are capitalised as exploration and evaluation intangible non-current assets until the exploration is complete and the results have been evaluated. If no potential commercial resources are discovered, the exploration asset is written off.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the income statement.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties within development and production assets. No amortisation is charged during the exploration and evaluation phase.

Property, plant and equipment – oil and gas development and production assets

Oil and gas development and production assets are accumulated generally on a field-by-field basis. This represents expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development, and any exploration and evaluation expenditures incurred in finding commercial reserves transferred from intangible exploration and evaluation assets.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

An item of development and production expenditure and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is provided generally on a field-by-field basis, using the unit of production method by reference to the ratio of production in the year and the related commercial proven and probable reserves of the field, taking into account future development expenditures necessary to bring those reserves into production. When there is a change in the estimated total recoverable proven and probable reserves of a field, that change is accounted for in the depreciation charge over the revised remaining proven and probable reserves.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Fixtures and fittings and office equipment assets

Fixtures and fittings and office equipment (non-oil and gas property, plant and equipment) is stated at cost less accumulated depreciation and impairment. Depreciation is provided for on a straight-line basis at rates sufficient to write off the cost of the asset less any residual value over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

Fixtures and fittings	Up to 10 years
Office furniture and equipment	Up to 5 years

Intangible assets

Intangible assets, which principally comprise IT software, are carried at cost less any accumulated amortisation. These assets are amortised on a straight-line basis over their useful economic lives of up to three years.

Impairment of non-current assets

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

Investments

Investments in subsidiaries are held at cost less accumulated impairment losses.

The Company assesses, at each reporting date, whether there is an indication that an investment may be impaired. Where an indicator of impairment exists, the Company estimates the recoverable amount of the underlying net assets of the relevant subsidiary, being the higher of the fair value less costs of disposal and value in use. If the recoverable amount is less than the carrying amount of the investment, the carrying amount is reduced to its recoverable amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in the income statement.

Financial instruments

a. Financial assets

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

Financial assets held at amortised cost

Financial assets held at amortised cost are initially measured at fair value except for trade debtors which are initially measured at cost. Both are subsequently carried at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is presented within finance income in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

Default events could include:

- payment default, i.e. the failure to pay principal or interest when it falls due for payment;
- prospective default, when payment is not yet due but it is clear that it will not be capable of being paid when it does fall due.

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Provision rates are calculated based on estimates including the probability of default by assessing counterparty credit ratings, as adjusted for forward-looking factors specific to the debtors and the economic environment and the Company's historical credit loss experience.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as default or past due event
- the restructuring of a loan or advance by the Company on terms that the Company would otherwise not consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation, or
- the disappearance of an active market for a security because of financial difficulties

b. Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Borrowings and loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

c. Derivative financial instruments

Derivative financial instruments are initially recognised and subsequently re-measured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with the Company's risk management policies. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instrument are recognised within the income statement.

d. Fair values

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows.

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

Equity

Share capital

Share capital includes the total net proceeds, both nominal and share premium, on the issue of ordinary and preference shares of the Company.

The Company's non-voting, cumulative preference shares are classified as liabilities (note 20) and the dividends on these preference shares are recognised in the income statement as finance costs.

Share-based payments

The Company has applied the requirements of IFRS 2 Share-Based Payment to the share-based payment transactions entered into by Harbour Energy plc directly with the Company's employees. The Company has share-based awards that are equity-settled as defined by IFRS2. The fair value of the equity-settled awards has been determined at the date of grant of the award allowing for the effect of any market-based conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Inventories

All inventories, except for petroleum products, are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on a first-in, first-out basis. Petroleum products and underlift and overlift positions are measured at net realisable value using an observable year-end oil or gas market price, and are included in inventories, other debtors or creditors respectively.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the lease term or useful life. The Company recognises right-of-use assets and lease liabilities on a gross basis and the recovery of lease costs from joint operations' partners is recorded as other income.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Company assuming leases run to full term. The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

The lease payments are discounted using the Company's incremental borrowing rates of between 4.25 and 6.60 percent, being the rates that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company where possible:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- makes adjustments specific to the lease, for example term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the income statement.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full when the related facilities are installed. The amount provided is the present value of the estimated future restoration cost. A non-current asset is also recognised. Any changes to estimated costs or discount rates are dealt with prospectively.

Trade payables

Initial recognition of trade payables is at fair value. Subsequently they are stated at amortised cost.

Taxes

i. Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity, not in the income statement.

ii. Deferred tax

Deferred taxation is recognised in respect of all timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised. This includes ensuring that the Company has the ability to carry back decommissioning tax losses against prior period profits.
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised, or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date. The carrying amount of the deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
- Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Company to make a single net payment.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Company satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Revenue associated with the sale of crude oil, natural gas, and natural gas liquids is measured based on the consideration specified in contracts with customers with reference to quoted market prices in active markets, adjusted according to specific terms and conditions as applicable according to the sales contracts. The transfer of control of oil, natural gas, natural gas liquids and other items sold by the Company occurs when title passes at the point the customer takes physical delivery. The Company principally satisfies its performance obligations at this point in time.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Over/underlift

Differences between the production sold and the Company's share of production result in an overlift or an underlift. Overlift and underlift are valued at net realisable value using an observable year-end oil or gas market price and included within payables or receivables respectively. Movements during the accounting period are recognised within cost of sales in the income statement such that gross profit is recognised on an entitlement basis.

Interest income

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

New accounting standards and interpretations

The Company has assessed the requirements of new accounting standards and other amendments and interpretations which apply for the first time in 2022, none of which have significantly impacted upon the financial statements of the Company.

Accounting standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1, 'Presentation of financial statements' – classification of liabilities as current or non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The Company will consider if its liabilities are either current or non-current when the standard is effective from 1 January 2023.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the International Accounting Standards Board issued Definition of Accounting Estimates, which amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies, with the distinction important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

On 7 May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

The amendments listed above are not expected to have a material impact on the Company.

Critical accounting judgements and estimates

The preparation of the Company's financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

In particular the Company has identified the following areas where significant judgement, estimates and assumptions are required.

Critical accounting judgements

• carrying value of intangible exploration and evaluation assets, in relation to whether commercial determination of an exploration prospect had been reached;

• carrying value of property, plant and equipment regarding assessing assets for indicators of impairment;

• carrying value of investments in subsidiaries regarding assessing for indicators of impairment;

• decommissioning costs, including the timing of when decommissioning would occur;

• tax and recognition of deferred tax assets, relating to the extent to which future taxable profits are included in the assessment of recoverability; and

• the impact of climate change.

Key sources of estimation uncertainty

- *Recoverability of exploration and evaluation assets*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the income statement in the period when the new information becomes available.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

- *Recoverability of oil and gas assets*

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

The Company's estimate of recoverable value of assets is sensitive to commodity prices and discount rate. A change in the long-term price assumptions of 10 percent and an increase in the discount rate of 1 percent are considered to be reasonably possible for the purposes of sensitivity analysis, the results of which can be found in note 13.

- *Recoverability of investments in subsidiaries*

The Company assesses, at each reporting date, whether there is an indication that an investment in a subsidiary may be impaired. Where an indicator of impairment exists, an estimate of the recoverable amount of the underlying net assets of the relevant subsidiary is made and compared to the carrying amount of the investment. This assessment requires the use of estimates and assumptions. The key sources of estimation uncertainty are long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves, operating performance and tax exposures.

- *Decommissioning costs*

Decommissioning costs will be incurred by the Company at the end of the operating life of some of the Company's facilities and properties. The Company assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including the expected timing, extent and amount of expenditure. On the basis that all other assumptions in the calculation remain the same, a 10% increase in the cost estimates used to assess the final decommissioning obligation would result in an increase to the decommissioning provision of approximately £51 million. This change would be principally offset by a change to the value of the associated asset, which would be reflected as an immediate impairment in the financial statements for any non-producing assets.

- *Recovery of deferred tax assets*

Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Company will recover the value. This includes ensuring that the company has the ability to carry back decommissioning tax losses against prior period profits.

- *Climate change*

The Group monitors global climate change and energy transition developments and plans accordingly. Management recognises there is a general high level of uncertainty about the speed and scale of impacts which, together with limited historical information, provides significant challenges in the preparation of forecasts and plans with a range of possible future scenarios.

All new economic investment decisions include the cost of carbon and opportunities are assessed on their climate-impact potential and alignment with Harbour Energy's Net Zero goal, taking into consideration both greenhouse gas volumes and intensity. Emissions reduction incentives are part of staff remuneration and annual bonus schemes.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

As a result, climate change and the energy transition have the potential to significantly impact the accounting estimates adopted by management and therefore the valuation of assets and liabilities reported on the balance sheet. On an ongoing basis management continues to assess the potential impacts on the significant judgements and estimates used in the financial statements. Estimates adopted in the preparation of the financial statements reflect management's best estimate of future market conditions where, in particular, commodity prices can be volatile. Notwithstanding the challenges around climate change and the energy transition, it is management's view that the financial statements are consistent with the disclosures in this report.

Property, plant and equipment – depreciation and expected useful lives

The energy transition has the potential to reduce the expected useful lives of assets and consequently accelerate depreciation charges. No changes have been identified or recognised to date.

Intangible assets – exploration and evaluation assets

The energy transition has the potential to affect the future development or viability of exploration and evaluation prospects. The Company's exploration and evaluation assets relate to prospects that could be tied back to existing infrastructure and hence require less capital investment and are less exposed to the impacts of the energy transition compared to large frontier developments. At each balance sheet date, all exploration and evaluation prospects are reviewed against the Group's financial framework to ensure that the continuation of activities is planned and expected.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

3. Revenue and other income

Revenue, which excludes value added tax, represents amounts receivable for sales of hydrocarbons and tariff income as follows:

	2022 *£000*	*2021* *£000*
Crude oil sales	186,349	132,423
Gas sales	573,962	351,779
Condensate and liquefied petroleum gas sales	15,377	13,843
Realised hedging losses on commodity derivatives	(202,985)	(106,123)
Tariff income and other sundry sales	4,054	4,941
Total revenue from production activities	576,757	396,863
Other income	30,547	21,598
Total revenue and other income	607,304	418,461

Revenues of £779.7 million (2021: £503.0 million) were from contracts with customers. This excludes realised hedging losses on crude and gas sales in the year of £203.0 million (2021: £106.1 million).

Other income includes £12.0 million partner recovery on IFRS16 lease accounting (2021: £10.0 million), realised gains on carbon emissions swaps of £8.4 million (2021: £9.8 million), research and development expenditure credits of £7.1 million (2021: £1.8 million) and other sundry income of £3.0 million (2021: £nil).

4. Operating profit

This is stated after charging/(crediting):

	2022 *£000*	*2021* *£000*
Depreciation of property, plant and equipment (note 13)	6,899	20,764
(Credit)/expense due to revisions to decommissioning estimates		
- exploration and evaluation assets (note 11)	(4,298)	1,554
- property, plant and equipment (note 13)	(35,619)	15,072
Amortisation of non-oil and gas intangible assets (note 12)	11,745	12,121
Depreciation of IFRS 16 right of use assets (note 14)	14,211	13,439
Capitalisation of IFRS 16 right of use assets depreciation (note 14)	(6,539)	(4,934)
Impairment of investments (note 10)	4,985	-
Movement in over/under-lift balances and hydrocarbon inventories	15,696	(19,268)
Exploration & evaluation expenses	908	4,563
Remeasurement of derivatives	148,424	209,500
Gain on sale of assets (note 5)	-	(2,744)
Auditor's remuneration – audit of the financial statements	218	189

Fees paid to the Company's auditor for services other than the statutory audit of the Company are disclosed on a consolidated basis in the group financial statements of the Company's ultimate parent, Harbour Energy plc.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Operating profit (continued)

During the year, CEPFL, on behalf of the Company, entered into a combination of fixed price physical sales contracts and cash-settled financial commodity derivatives to manage the price risk associated with the Company's underlying oil and gas revenues, and cash-settled financial carbon swaps to manage the price risk associated with the Company's carbon emissions costs. Back to back agreements were put in place for the derivative contracts with the Company. The Company incurred a loss of £148.4 million (2021: £209.5 million) due to the fair value movement on these back to back derivatives. An amount of £225.3 million (2021: £108.1 million) is included as a payable within amounts due to group undertakings in less than one year (note 19) and £144.9 million (2021: £113.4 million) is included as a payable within amounts due to group undertakings in more than one year (note 20).

5. Gain on sale of assets

On 1 June 2021, the Company transferred 60% of its 83.5% interest in the operated Callanish field to a fellow group undertaking, Chrysaor (U.K.) Sigma Limited, for cash consideration of £1. The Company recognised a pre-tax gain on disposal of £2.7 million.

6. Staff costs and directors' remuneration

(a) Employees

	2022 *£000*	*2021* *£000*
Wages and salaries	62,697	56,810
Severance costs	772	519
Social security costs	10,388	7,621
Pension costs	9,267	8,667
Other staff costs	26,566	8,787
	109,690	82,404

The average monthly number of employees (including directors) was as follows:

	2022 *No.*	*2021* *No.*
Exploration and production	625	590
	625	590

Certain employees were engaged in providing services in support of other group companies and their costs recharged accordingly.

(b) Directors' remuneration

The directors received no remuneration for their services to the Company in the current or preceding year. All directors' contracts of employment are held with other group companies. The Company's directors believe that it is not practicable to apportion their remuneration between qualifying services for the Company and other group companies in which they hold office.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

7. Finance income and finance expenses

	2022	*2021*
	£000	*£000*
Finance income		
Bank interest	-	-
Other interest receivable	1,669	1,866
Interest received from group companies	4,111	869
Foreign exchange gain	54,621	12,353
	60,401	15,088
Finance expenses		
Intercompany interest expense on bank loans	(455)	(937)
Bank and financing fees	(4,646)	(3,547)
Unwinding of discount on decommissioning provisions (note 21)	(8,132)	(11,102)
Other interest payable	(34)	(2)
Lease interest payable (note 14)	(2,033)	(2,005)
Dividends paid on preference shares	(21)	(21)
	(15,321)	(17,614)
Net finance expenses	45,080	(2,526)

The intercompany interest expense on bank loans relates to the pass through of the interest charged on the long-term repayable element of the senior debt passed down to the Company from fellow subsidiary CEPFL (note 20). This debt was repaid during 2022.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

8. Tax expense

(a) Tax expense in the income statement

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	2022	*2021*
	£000	*£000*
Current income tax:		
UK corporation tax	189,693	73,272
UK petroleum revenue tax	(3,418)	(3,302)
Group relief – prior year	-	1,440
Amounts over provided in previous year	(1,615)	(335)
Total current income tax	184,660	71,075
Deferred tax:		
Origination and reversal of temporary differences	(40,042)	(51,808)
Petroleum revenue tax	4,566	5,747
Energy Profits Levy	(92,239)	-
Amounts (over)/under provided in previous year	(12,299)	211
Total deferred tax	(140,014)	(45,850)
Tax expense in the income statement	44,646	25,225

(b) Reconciliation of the total tax expense

Reconciliation between tax expense and the profit before taxation multiplied by the UK standard rate of corporation tax for UK ring-fence companies is as follows:

	2022	*2021*
	£000	*£000*
Profit before taxation	378,194	84,299
Tax calculated at UK standard rate of corporation tax for UK ring-fence companies of 55% (2021: 40%)	208,007	33,720
Effects of:		
Impact of different tax rates	(52,452)	(5,771)
Investment allowance	(869)	(7,746)
Items not allowable for tax purposes/not taxable	2,578	2,124
Adjustments recognised for tax of prior periods	(13,914)	(124)
Group/other reliefs	-	1,440
Non-ring fence losses not recognised	-	(333)
Interest not deductible for supplementary charge and Energy Profits Levy	1,800	448
Items not allowable/not taxable for Energy Profits Levy	2,033	-
Energy Profits Levy investment allowance	(2,693)	-
Deferred Energy Profits Levy	(92,239)	-
Share based payment deferred tax	(2,916)	-
Utilisation of losses	(4,011)	-
Petroleum revenue tax (net of corporation tax)	(678)	1,467
Total tax expense reported in the income statement	44,646	25,225

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Tax expense (continued)

The tax expense reconciliation has been prepared based on the statutory rate of taxation applying to UK oil and gas production. UK oil and gas production is taxed at a rate of 30% (2021: 30%), supplementary charge of 10% (2021: 10%) and with effect from 26 May 2022, the Energy Profits Levy (EPL) of 25% to give an overall tax rate of 65% (2021: 40%). As the EPL was introduced part way through the financial year a blended average rate of 55% has been applied.

(c) Deferred tax included in the balance sheet is as follows:

	Accelerated capital allowances £000	*Decommissioning £000*	*Net deferred PRT (i) £000*	*Pension £000*	*Fair value derivatives £000*	*Other £000*	*Total £000*
As at 1 January 2021	(54,860)	300,855	8,270	35,849	4,960	668	295,742
Deferred tax (expense)/credit	29,690	(45,994)	(3,448)	(18,030)	83,800	(168)	45,850
At 31 December 2021	(25,170)	254,861	4,822	17,819	88,760	500	341,592
Deferred tax (expense)/credit	18,486	(50,299)	(2,740)	(17,819)	188,845	3,541	140,014
Share-based payment credit in equity	-	-	-	-	-	348	348
At 31 December 2022	(6,684)	204,562	2,082	-	277,605	4,389	481,954

(i) The deferred PRT amounts include the effect of deferred corporation tax

Deferred tax assets are recognised to the extent that the future benefit is probable. Relevant tax law is considered, together with the ability to carry back decommissioning tax losses against prior period profits.

The Company has non-ring fence losses of £nil (2021: £19.8 million) for which no deferred tax asset is recognised due to the uncertainty of the recovery of those losses in the foreseeable future.

The deferred tax asset recognised is only partially offset by the deferred tax liability, resulting in an overall net deferred tax asset as at 31 December 2022.

Changes in tax rate

The Energy Profits Levy (EPL) was introduced in the Energy (Oil and Gas) Profits Levy Bill on 5 July 2022 and is effective from 26 May 2022. The EPL is an additional 25 percent tax on UK oil and gas profits, on top of the existing 40 percent headline rate, thereby taking the combined rate of tax for ring fence companies to 65 percent. The EPL will increase to 35 percent from 1 January 2023, bringing the headline rate of tax for ring fence companies to 75 percent. The increase in rate was substantively enacted on 30 November 2022. The EPL at the 35 per cent rate will be in place until 31 March 2028.

On 9 June 2023, the UK government proposed the introduction of the Energy Security Investment Mechanism (ESIM) which would end the imposition of EPL earlier than 31 March 2028 where certain conditions are met. Under the proposed ESIM, if both average oil and gas prices fall to, or below, $71.40 per barrel for oil and £0.54 per therm for gas, for two consecutive quarters, then EPL will be repealed and the headline tax rate on UK oil and gas profits will return to 40%. The measure is not expected to be legislated for in the short-term and prices are not expected to fall to, or below, the quoted triggers before the existing EPL end date of 31 March 2028. The change as currently proposed is therefore not expected to have a material impact on the Company.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Tax expense (continued)

Legislation was introduced in Finance Act 2021 to increase the main rate of UK corporation for non-ring fence profits from 19% to 25% from 1 April 2023. This change does not have a material impact on the Company as the Company's profits are primarily subject to the UK ring fence tax rate.

9. Share-based payments

Harbour Energy plc currently operates a Long Term Incentive Plan (LTIP) for certain employees, a Share Incentive Plan (SIP) and a Save As You Earn (SAYE) scheme for UK-based and expatriate employees only. The Company has applied the requirements of IFRS 2 Share-Based Payment to the share-based payment transactions entered into by Harbour Energy plc directly with the Company's employees. The Company has share-based awards that are equity-settled as defined by IFRS2.

A recharge arrangement is in place whereby the Company reimburses Harbour Energy plc for the cost of the share-based payment transactions. Like other elements of remuneration, the cost attributable to the Company is processed through the time-writing system which allocates cost, based on time spent by individuals, to various entities within the Group. Part of this cost is therefore recharged to other group undertakings, part is capitalised as directly attributable to capital projects and part is charged to the income statement as operating costs, pre-licence exploration costs or general and administration costs.

Details of the various Harbour Energy plc share incentive plans currently in operation and applicable to the Company are set out below:

2017 Long Term Incentive Plan (2017 LTIP)

Discretionary share awards are granted to employees under the Group's Long Term Incentive Plan (LTIP). The following types of award have been granted under the 2017 LTIP and are applicable to the Company:

- **Performance share awards (PSA):** vesting is subject to a Performance Target, normally measured over a three-year period from 1 January based on Total Shareholder Return (TSR) relative to (i) FTSE 100 index, and (ii) a bespoke peer group of oil and gas companies and aligns to longer-term strategic objectives.
- **Conditional share awards (CSAs):** vesting is only subject to continued employment.

All LTIP awards are granted in the form of nil-cost options or conditional share awards and therefore there is no exercise price payable on the exercise of these awards. For further details of the LTIP awards, including the performance conditions of the PSAs granted in 2022, please refer to the Directors' remuneration report in the Group Report.

No LTIP awards vested during the period. LTIP awards outstanding at 31 December 2022 totalled 6.4 million shares (2021: 4.1 million shares). The weighted average remaining contractual life of the LTIP awards at 31 December 2022 was 1.5 years (2021: 2.1 years).

Share Incentive Plan (SIP)

Under the Share Incentive Plan employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares Harbour Energy plc currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one basis. 0.2 million matching shares were awarded to employees in 2022 (2021: nil). The SIP matching shares are valued based on the quoted share price on the grant date.

Save As You Earn (SAYE) scheme

Under the SAYE scheme, eligible employees with one month or more continuous service can join the scheme. Employees can save to a maximum of £500 per month through payroll deductions for a period of three years after which time they can acquire shares at up to a 20 per cent discount.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Share-based payments (continued)

No SAYE options were exercised during the year (2021: nil). The SAYE options outstanding at 31 December 2022 of 0.6 million shares (2021: nil) had a weighted average exercise price of £4.12 (2021: £nil) and a weighted average remaining contractual life of 2.4 years (2021: nil).

10. Investments

		Subsidiary undertakings	
	Equity	*Loans*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2022	934,656	4,985	939,641
Additions	-	-	-
At 31 December 2022	934,656	4,985	939,641
Impairment losses:			
At 1 January 2022	99,306	-	99,306
Impairment charge	-	4,985	4,985
At 31 December 2022	99,306	4,985	104,291
Net book value:			
At 31 December 2022	835,350	-	835,350
At 31 December 2021	835,350	4,985	840,335

During the year ended 31 December 2022, the Company recognised an impairment of its investments in subsidiary undertakings of £5.0 million (2021: £nil).

At 31 December 2022, the subsidiary undertakings of the company were:

	Principal activities
Chrysaor (U.K.) Theta Limited (iv)	Oil and gas
Chrysaor (U.K.) Lambda Limited (i)	Dormant
Chrysaor (U.K.) Alpha Limited	Oil and gas
Chrysaor (U.K.) Beta Limited (ii)	Oil and gas
Chrysaor Developments Limited	Oil and gas
Chrysaor Petroleum Limited	Oil and gas
Harbour Energy Developments Limited	Dormant
Chrysaor (U.K.) Zeta Limited	Non-trading holding company
Chrysaor (U.K.) Eta Limited (iii)	Non-trading
Chrysaor (U.K.) Sigma Limited (v)	Oil and gas
Chrysaor (U.K.) Delta Limited	Non-trading holding company
Chrysaor Investments Limited (vi)	Dormant
Chrysaor (U.K.) Britannia Limited	Dormant

(i) Held by Chrysaor (U.K.) Theta Limited
(ii) Held by Chrysaor (U.K.) Alpha Limited
(iii) Held by Chrysaor (U.K.) Zeta Limited
(iv) Held by Chrysaor (U.K.) Sigma Limited
(v) 98% held by Chrysaor Production (U.K.) Limited and 2% held by Chrysaor (U.K.) Delta Limited
(vi) Placed into liquidation on 20 September 2023

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Investments (continued)

The Company holds 100 percent of the shares and voting rights in each of the above companies except where noted.

The investment in Chrysaor (U.K.) Beta Limited includes 2,400 preference shares of CAD$1,000 each. All other shares held are Ordinary.

All the subsidiaries are incorporated and domiciled in the United Kingdom, with the exception of Chrysaor (U.K.) Lambda Limited, which is registered in the Republic of Ireland. The registered office address of all the subsidiaries noted above is 23 Lower Belgrave Street, London, United Kingdom, SW1W 0NR, apart from Chrysaor (U.K.) Lambda Limited whose registered office address is Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576. All subsidiary companies, including Chrysaor (U.K.) Lambda Limited, operate principally in the United Kingdom.

11. Exploration and evaluation assets

	Exploration & evaluation assets *£000*
At 1 January 2022	1,447
Additions	4,901
Revision of decommissioning asset	(4,298)
Credit due to revisions to decommissioning estimates	4,298
At 31 December 2022	6,348

A decrease of £4.3 million to decommissioning assets was recognised as a result of an update to decommissioning estimates (note 21). The decommissioning asset was fully impaired in prior years and the decrease in the current year has been recorded as an immediate credit in the income statement.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

12. Intangible assets

	Intangible assets £000
Cost:	
At 1 January 2022	49,036
Additions	11,290
At 31 December 2022	60,326
Accumulated amortisation:	
At 1 January 2022	23,713
Charge for the year	11,745
At 31 December 2022	35,458
Net book value:	
At 31 December 2022	24,868
At 31 December 2021	25,323

13. Property, plant and equipment

	Fixtures, fittings and office equipment £000	*Oil & gas development & production assets £000*	*Total £000*
Cost:			
At 1 January 2022	46,188	3,765,987	3,812,175
Additions	446	13,880	14,326
Revision of decommissioning asset	-	(91,086)	(91,086)
At 31 December 2022	46,634	3,688,781	3,735,415
Accumulated depreciation:			
At 1 January 2022	44,521	3,705,747	3,750,268
Charge for the year	1,139	5,760	6,899
Impairment credit due to revisions to decommissioning estimates	-	(35,619)	(35,619)
At 31 December 2022	45,660	3,675,888	3,721,548
Net book value:			
At 31 December 2022	974	12,893	13,867
At 31 December 2021	1,667	60,240	61,907

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Property, plant and equipment (continued)

A net decrease of £91.1 million to decommissioning assets was recognised as a result of an update to decommissioning estimates and the recognition of new obligations (note 21). The increase in the decommissioning asset for non-producing assets of £3.3 million has been recorded as an immediate charge in the income statement. The decrease in the decommissioning asset for some of the Company's producing assets resulted in a negative net book value for these assets and therefore a credit of £38.9 million has been recorded in the income statement to bring the net book values to £nil.

No impairment charge was recognised during the year (2021: £nil).

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future commodity prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

The Company uses the fair value less cost of disposal method (FVLCD) to calculate the recoverable amount of the cash generating units (CGU) consistent with a level 3 fair value measurement. In determining the recoverable amount, appropriate discounted-cash-flow valuation models were used, incorporating market-based assumptions. Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. Individual field price differentials are then applied. The first three years reflect the market forward price curves transitioning to a long-term price from 2026, thereafter inflated at 2.5 percent per annum. The long-term commodity prices used were $65 per barrel for crude and 65p per therm for gas.

Production volumes are based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Company's oil and gas assets. The Company estimates its reserves using standard recognised evaluation techniques, assessed at least annually by management. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Operating expenditure, capital expenditure and decommissioning costs are derived from the Company's Business Plan. The discount rate reflects management's estimate of the Company's Weighted Average Cost of Capital (WACC).

Changes in the long-term oil and gas prices of 10 percent and an increase in the discount rate of 1 percent are considered to be reasonably possible changes for the purpose of sensitivity analysis. Decreases to the long-term crude and gas prices specified above and a 1 percent increase in the discount rate would not result in an impairment charge.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

14. Leases - right of use assets

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

Right of use assets	*Land and buildings*	*Drilling rigs*	*Equipment*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 1 January 2022	32,084	55,482	969	88,535
Cost revisions	-	10,618	159	10,777
At 31 December 2022	32,084	66,100	1,128	99,312
Accumulated depreciation:				
At 1 January 2022	11,382	45,340	771	57,493
Charge for the year	2,847	11,169	195	14,211
At 31 December 2022	14,229	56,509	966	71,704
Net book value:				
At 31 December 2022	17,855	9,591	162	27,608
At 31 December 2021	20,702	10,142	198	31,042

Lease liabilities	*2022*	*2021*
	£000	*£000*
Current	13,269	13,406
Non-current	19,654	21,968
	32,923	35,374

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Leases - right of use assets (continued)

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

Depreciation charge of right of use assets	*2022* *£000*	*2021* *£000*
Land and buildings	2,847	2,848
Drillings Rigs	11,169	10,394
Equipment	195	197
	14,211	13,439
Capitalisation of IFRS 16 right of use assets depreciation		
Land and buildings	(62)	(62)
Drillings Rigs	(6,366)	(4,781)
Equipment	(111)	(91)
Depreciation charge included in income statement	7,672	8,505
Lease interest (included in finance expenses – note 7)	2,033	2,005

The total cash outflow for leases in 2022 was £15.5 million (2021: £17.0 million).

15. Inventories

	2022 *£000*	*2021* *£000*
Consumables and subsea supplies	12,617	12,728
	12,617	12,728

Following a review of inventories, an impairment charge of £2.3 million was recognised in 2022 (2021: £nil).

Notes to the financial statements

For the year ended 31 December 2022 (continued)

16. Debtors: amounts falling due within one year

	2022 *£000*	*2021* *£000*
Trade debtors	36,996	108,739
Under-lift position	2,966	14,032
Amounts owed by group undertakings	396,873	642,462
Amounts owed by group undertakings in respect of taxation	2,597	15,660
Current tax receivable	85,722	3,302
Other debtors	2,866	3,110
Prepayments and accrued income	61,113	2,125
	589,133	789,430

Trade receivables are non-interest bearing and are generally on 20 to 30 days' terms. All amounts owed by group undertakings at 31 December 2022 are unsecured, interest free and are repayable on demand. As at 31 December 2022, no ECLs have been recognised relating to trade receivables and amounts owed by group undertakings (2021: £nil).

17. Debtors: amounts falling due after one year

	2022 *£000*	*2021* *£000*
Amounts owed by group undertakings	683,658	661,542
Other debtors	4,277	4,277
	687,935	665,819

Included within amounts owed by group undertakings is a USD denominated loan of $250.0 million (2021: $250.0 million) which generates interest of 0.375 percent above LIBOR. Other GBP denominated group loans of £476.8 million (2021: £476.8 million) are interest free.

All group loans are unsecured and repayable on demand. The Company has confirmed that it will not seek repayment of these group loans until at least 12 months from the date of approval of these financial statements and so the loans have been classified as long term. As at 31 December 2022, no ECLs have been recognised relating to amounts owed by group undertakings (2021: £nil).

18. Cash and cash equivalents

	2022 *£000*	*2021* *£000*
Cash at bank and in hand	-	-
	-	-

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Company only deposits cash with major banks of high-quality credit standing.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

19. Creditors: amounts falling due within one year

	2022	*2021*
	£000	*£000*
Trade creditors	12,753	30,541
Over-lift position	6,925	2,382
Amounts owed to group undertakings	1,032,605	1,408,932
Amounts owed to group undertakings in respect of taxation	127,100	-
Corporation tax payable	-	63,082
Other creditors	22,323	2,747
Accruals and deferred income	75,115	43,544
	1,276,821	1,551,228

Included in amounts owed to group undertakings is £225.3 million (2021: £108.1 million) in relation to the back to back agreements with CEPFL for derivative contracts.

All amounts due to group undertakings are unsecured, interest free and are repayable on demand.

20. Creditors: amounts falling due after more than one year

	2022	*2021*
	£000	*£000*
Amounts owed to group undertakings	144,870	143,312
Accruals and deferred income	317	317
Preference share capital	417	417
	145,604	144,046

The amount owed to group undertakings at 31 December 2022 of £144.9 million (2021: £113.4 million) is in relation to the back to back agreements with CEPFL for derivative contracts.

Also included in amounts owed to group undertakings at 31 December 2021 was a USD denominated loan of $40.5 million in relation to the long-term repayable element of the senior debt which was repaid during 2022. This amount was drawn at group level to part fund asset related capital programmes and the terms secured at group level were passed down to the Company. The loan carried interest at USD LIBOR plus a margin of 3.25 per cent.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

21. Provisions for liabilities

	Decommissioning provision £000
At 1 January 2022	659,943
New obligations - increase decommissioning asset	177
Changes in estimates - decrease decommissioning asset	(95,561)
Utilisation of provision	(61,287)
Unwinding of discount (note 7)	8,132
At 31 December 2022	511,404
At 31 December 2022	
Current	80,138
Non-current	431,266
	511,404
At 31 December 2021	
Current	69,000
Non-current	590,943
	659,943

The Company provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. The Company currently expects to incur decommissioning costs over the next 30 years. Decommissioning provisions are discounted at a risk-free rate of 3.6% (2021: between 0.7% and 1.8%) and the unwinding of the discount is presented within finance costs.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. In addition, the timing of decommissioning liabilities will depend upon the dates when the fields become economically unviable, which in itself will depend upon future commodity prices, which are inherently uncertain.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

22. Called up share capital

Allotted, called up and fully paid	*2022 No.*	*2021 No.*	*2022 £000*	*2021 £000*
Ordinary shares of £0.05 each	5,023,100	5,023,100	251	251

Share capital classified as a liability	*2022 No.*	*2021 No.*	*2022 £000*	*2021 £000*
Preference shares of £1.00 each	417,000	417,000	417	417

The preference shares are non-voting and are entitled to cumulative dividends at a rate of 5 percent per annum. The issued preference share capital of £417,000 is classified as a financial liability (note 20).

On a return of capital on a winding up, or otherwise, the preference shares will carry a right to repayment of capital together with a sum equal to any arrears and accruals of dividends. The preference shares would rank on the return of capital in priority to the ordinary shares.

The ‘A’, ‘B’, ‘C’, ‘D’ and ‘E’ ordinary shares previously in issue were cancelled during 2004. A capital redemption reserve of £0.25 was created on the cancellation of these shares to maintain the share capital of the Company.

23. Commitments

As at 31 December 2022, the Company had placed contracts for capital expenditure amounting to £10.5 million (2021: £14.0 million). Where the commitment relates to a joint arrangement, the amount represents the Company’s net share of the commitment. Where the Company is not the operator of the joint arrangement then the amounts are based on the Company’s net share of committed future work programmes.

24. Post balance sheet events

On 1 April 2023, the contracts of employment for all employees of the Company were transferred to another group company, Harbour Energy Services Limited.

On 3 July 2023, the Company subscribed for additional share capital of £5.0 million in Chrysaor Investments Limited. On 3 July 2023, Chrysaor Investments Limited reduced its share capital by cancelling all but one of the issued ordinary shares in the capital of the company. The reduction was made using the solvency statement procedure under section 642 of the Companies Act 2006. On 20 September 2023, Chrysaor Investments Limited was placed into liquidation. The net carrying value of the Company’s investment in Chrysaor Investments Limited at 31 December 2022 was £nil. The net impact on the Company’s income statement from the liquidation of this subsidiary undertaking will be £nil.

Notes to the financial statements

For the year ended 31 December 2022 (continued)

25. Related party disclosure

In accordance with FRS101.8 (k), the Company is exempt from the requirement to disclose Group related party transactions since the Company is 100% controlled within the Group and the group financial statements of the Company's ultimate parent undertaking, Harbour Energy plc, are publicly available from Companies House.

26. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Chrysaor Production Limited. The Company's ultimate and controlling parent is Harbour Energy plc, a company incorporated in Great Britain and registered in Scotland.

Harbour Energy plc is the parent undertaking of the largest and the smallest group of undertakings for which group financial statements are prepared and of which the Company is a member. Copies of these financial statements are available upon request from Harbour Energy plc, 23 Lower Belgrave Street, London, SW1W 0NR.

Appendix B Harbour Energy (parent) Financial Statement 2022 Report

Harbour Energy

Annual Report & Accounts 2022

Harbour Energy plc

Harbour Energy's aim is to build a diversified, global independent oil and gas company, focused on safe and responsible operations, and creating value for our stakeholders.

FIND OUT MORE ONLINE
HARBOURENERGY.COM

2022 highlights

Despite considerable fiscal, economic and geopolitical volatility in 2022, Harbour delivered strong operating and financial performance, creating value for our stakeholders, including our first distributions to shareholders.

LINDA Z. COOK
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S STATEMENT
READ MORE ON PAGE 3

Operational

208kboepd
Production
(2021: 175kboepd)

$13.9/boe
Operating costs
(2021: $15.2/boe)

865mmboe
2P reserves + 2C resources
(2021: 948mmboe)

Safety and the environment[1]

0.8
TRIR[2]
(2021: 1.3)

1 Tier 2
Process safety event
(2021: 2 Tier 2)

21kgCO_2e/boe
GHG intensity
(2021: 21kgCO_2e/boe)

Financial

$4.0bn
EBITDAX[3]
(2021: $2.4bn)

$2.1bn
Free cash flow
(2021: $678m)

0.2x
Leverage ratio[4]
(2021: 0.9x)

$600m
Shareholder returns approved
(2021: $nil)

1 Safety and the environment metrics are provided on a gross, operated basis. 2021 GHG intensity has been restated in line with our emissions reporting boundaries which were updated in 2022.
2 Total Recordable Injury Rate.
3 EBITDAX is a non-IFRS measure calculated by taking earnings before tax, interest, depreciation and amortisation, impairments, remeasurements, onerous contracts and exploration expenditure. This is a useful indicator of underlying business performance.
4 Leverage ratio is a non-IFRS measure calculated by net debt/last twelve months of EBITDAX.

> In its first full year as a publicly listed company, Harbour Energy has performed very strongly, and shown strength and resilience in the face of complex challenges.

Dear fellow shareholders,

I am pleased to report that in its first full year as a publicly listed company, Harbour Energy has performed very strongly, and shown strength and resilience in the face of a very challenging geopolitical and economic backdrop that included extreme price volatility and government intervention in markets.

The energy sector has had an extremely eventful three years. Before the pandemic struck in 2020, the sector had been through a period of sustained under-investment, the impact of which was not immediately apparent due to the collapse in demand caused by Covid-19 restrictions. This resulted in oil prices briefly turning negative for the first time in my lifetime.

As economies reopened, the extent of the under-investment was exposed as supply was unable to respond to increasing demand, causing prices to rise. The invasion of Ukraine, which has been a tragedy for the country, exacerbated these pressures and has precipitated an energy crisis worldwide. Energy prices reached record highs, fuelling inflationary pressures, and fears of a global slowdown remain. Where prices will settle is hard to predict, but long-term structural under-investment gives cause for concern. Meanwhile, energy security is at the front of everyone's minds.

Alongside these recent seismic events, longer-term trends are also impacting our sector. As the impact of climate change becomes more apparent, stakeholders – from shareholders, lenders and governments, to colleagues and wider society – expect rapid progress on the transition to lower carbon energy sources. It is imperative that energy companies engage in finding solutions that will enable this transition, even if the path to it, which will require time, technological advances and huge infrastructure investment, remains unclear. At Harbour, we consider the energy transition in every significant decision we make today and we are committed to being part of the solution and not part of the problem.

The energy sector faces other challenges too, including from windfall taxes and economic nationalism as governments seek to protect consumers from high prices and, oftentimes, from the consequences of bad policy. This creates unwelcome fiscal instability in the sector and will drive investors and capital out of the industry at a time when energy security is so high on the agenda.

The simple truth is that capital will go where it is welcome and avoid places that have onerous tax regimes or regulatory regimes that stifle the market. As such, Harbour has reduced its future activity and investment levels in the UK as a direct result of a windfall tax introduced by the government.

Despite these many and varied challenges, we continue to believe that oil and gas companies like Harbour, who have scale, a commitment to producing safely and responsibly and a strong balance sheet, have a good future, and an important role to play through the energy transition. The path to net zero will be uneven, it will take time and it will require pragmatism from governments and their citizens. Global energy demand continues to grow. Renewables account for only a small proportion of supply today. That means responsibly produced oil and gas will play a key role in 'keeping the lights on' while we build low carbon capacity. We see a further role for companies like ours in repurposing depleted fields and existing infrastructure for CO_2 transport and storage. Harbour is committed to playing both roles during this transition, as you will see later in this report.

Against this backdrop, we are lucky to have a highly experienced Board and leadership team to help us navigate this complex environment and to deliver for our shareholders. Among other things, during the year we've advanced our ESG agenda and net zero strategy. We've also delivered against our capital allocation priorities, including paying down debt and making our first shareholder distributions, totalling $553 million for the year, while continuing to invest. Our growth and diversification ambitions remain intact and even more relevant given current UK fiscal instability, and we continue to actively review M&A opportunities for value-creating transactions which would be a good strategic fit with our business.

As we look ahead to 2023, your Board remains vigilant in its responsibility to ensure the long-term sustainability of the business in the interests of not only our shareholders, but our employees, our value chain and wider society. Thank you to you all for your support for Harbour Energy in 2022.

R. Blair Thomas
Chairman

Chief Executive Officer's statement

> Harbour's purpose has never been more relevant: we are playing a significant role in meeting the world's energy needs, producing oil and gas safely and efficiently, and creating value for our stakeholders.

Harbour Energy was formed with this purpose: to play a significant role in meeting the world's energy needs through the safe, efficient and responsible production of hydrocarbons while creating value for all stakeholders. In 2022 we were constantly reminded of the importance of this purpose as we navigated a world of geopolitical and economic volatility, grappling with concerns over energy security while holding steadfast to the need to transition to a lower carbon economy.

Amidst these challenges, we met or exceeded our targets for safety, the environment, operational delivery, financial performance and shareholder distributions. While there is always more to do, I am proud of all the team has accomplished in our first full year of operations.

Most importantly we've improved our safety record, reducing our recordable incident rate and the number of process safety events. Our first company-wide employee engagement survey also highlighted the strength of our safety culture within the company.

Operationally we had a strong year. Production was up by almost 20 per cent versus 2021, aided by improved operating efficiency, additions from our drilling programme, and a full-year contribution from the Premier Oil assets. Operating costs improved significantly, benefiting from higher production and exchange rate movements. Our capital programme delivered new wells across our asset base, including from Tolmount in April providing a timely increase to UK domestic gas production. In addition, we made a material gas discovery at our Timpan-1 prospect in the Andaman Sea in Indonesia. In a region with growing energy demand, we are excited about the prospects for further drilling on our Andaman licences.

These results helped our cash flow generation. In spite of our hedging programme which muted the impact of high commodity prices, and after making tax payments of $551 million, we delivered $2.1 billion in free cash flow, allowing us to pay down debt and deliver increased shareholder distributions of $553 million. However, our share price under-performed that of our peers – largely due to our significant exposure to the UK and the recently enacted Energy Profits Levy (EPL) for oil and gas companies.

Internally, we made significant progress with the integration of our processes and systems from previous acquisitions. This included implementing a new enterprise management system, allowing us to retire numerous legacy systems and providing a scalable platform for our future growth ambitions. While doing this, we continued to build our culture, based around our core values and supported by employee engagement and feedback.

We matured our net zero strategy, clarifying our pathway to achieving our Net Zero 2035 goal, and establishing an interim target to halve emissions by 2030. We also built significant momentum in our flagship Viking CO_2 transport and storage project in the UK, announcing partnerships with major domestic customers as well as with the Port of Immingham to enable imports. By repurposing oil and gas infrastructure in the heavily industrialised Humber region, Viking CCS has the potential to meet one third of the UK Government's target to capture and store 30 mtpa of CO_2 by 2030.

We faced a number of headwinds during the year, the biggest of which was the introduction of the UK Energy Profits Levy (EPL) in May, which was increased and extended in November, taking our UK tax rate to 75 per cent. This had the impact of all but extinguishing our profit after tax for 2022, to essentially zero driven largely by a material one-off non-cash deferred tax charge associated with the introduction of the EPL. Going forwards, the EPL reduces our cash flow, makes it harder to attract investors, and impacts the availability of debt. In an industry that invests over the long term, the EPL has already had serious consequences on our UK activity levels: we pulled out of the latest UK licensing round and halted certain projects. In early 2023, we initiated a review of our UK organisation to align it with lower anticipated investment levels which will, regrettably, lead to significant job losses in the country.

Fiscal uncertainty in our largest producing region reinforces our strategic goal of diversification and the ambition to establish a material base of production in at least one other region via acquisitions. The opportunity set remains rich, with major oil companies optimising their portfolios for the energy transition, publicly listed independent oil and gas companies seeking scale, and private companies looking for a route to liquidity for their investors. While market conditions made it challenging to reach a shared view on value during a volatile 2022, there are signs of a more active market for acquisitions in 2023. With our track record of successful M&A, our experienced Board and management, and our strong balance sheet, we are well-positioned to execute. Investors and lenders should rest assured we will remain disciplined and focused on strategic fit and value creation.

In this volatile world, we are confident that Harbour's strategy remains valid. Although 2022 brought challenges, we rose to them and performed well. We could not have done this without the support of all our stakeholders – our employees, shareholders, investors, lenders, partners and suppliers. Thank you for your contributions throughout the year and for your ongoing support.

Linda Z. Cook
Chief Executive Officer

Our purpose

Harbour's purpose – to play a significant role in meeting the world's energy needs through the safe, efficient and responsible production of hydrocarbons, while creating value for our stakeholders – has never been more relevant.

Our role in meeting the world's energy needs

Oil and gas are critical to meeting global energy demand while we transition to lower carbon sources of energy. Harbour has grown to become the UK's largest oil and gas producer by acquiring assets no longer deemed strategic by major oil and gas companies and investing in them to extend field life, contributing meaningfully to domestic energy security.

It remains our ambition to grow and diversify internationally, establishing a material production base in at least one other region via acquisition.

MEETING ENERGY DEMAND THROUGH THE TRANSITION
READ MORE ON PAGE 6

A safe, efficient and responsible operator

The role of Harbour is not just to help meet global energy demand but to do so safely, efficiently and responsibly while making the most of our resources and reducing the environmental impact of our operations. We also have a role to play in supporting broader global climate change ambitions through investing in CO_2 transportation and storage opportunities.

The UK's ambition is to capture 30 million tonnes of CO_2 per year by 2030 via carbon capture and storage (CCS). Harbour is leading the Viking CCS project in the Humber region which has the potential to deliver one third of this target.

OPERATIONAL REVIEW
READ MORE ON PAGE 22

Our purpose is underpinned by four core values...

These values represent who we are, what we stand for, what is important to us, and where we will not compromise. Each value is brought to life by a set of core behaviours which are reinforced through our approach to reward and performance management.

Integrity

We always aim to do the right thing in a professional, respectful and honest way.

We are encouraged to be direct and honest and to challenge one another constructively. We respect the diversity of our colleagues and ensure our policies and procedures are inclusive of everyone. Most importantly, we want people to feel safe, and able to speak up if we fall short of our aspirations.

Responsibility

We believe in personal responsibility and accountability. Safety is a shared responsibility, as is reducing our impact on the environment.

We have a strong set of safety policies and processes and everyone is empowered to stop and challenge any procedure or behaviour that is unsafe. We are encouraged to consider the environmental impact of each decision we make. We also believe in personal responsibility and are expected to take ownership of our decisions and delivery.

Innovation

We encourage our people to be creative to improve our business.

In a fast-changing world, innovation is essential. By harnessing our technical knowledge and skills alongside our creativity, we can solve problems and uncover new opportunities. Innovation is about any change that improves how we operate and delivers value to the business, which is why we aim to foster an environment where new ideas can succeed.

Collaboration

By working together, we can successfully execute our business plans and achieve our strategic goals.

People are at their best when working together as a team to overcome challenges to achieve their goals. We aim to create a shared, collaborative working environment which enables strong relationships to be built. This is particularly important in a new company like Harbour, which has brought together several organisations in a very short period.

Creating value for all our stakeholders

We strive to create value for all our stakeholders. For our employees and contractors, this means offering a fulfilling career and competitive rewards. For investors and shareholders, we aim to deliver capital returns, including via shareholder distributions.

Our business also supports a large network of joint venture (JV) partners, suppliers and customers, as well as contributing materially to the prosperity of our communities and host governments.

ENGAGING WITH OUR STAKEHOLDERS
READ MORE ON PAGE 14

...and our focused strategy

Our values are the foundation of our strategy which is to build a global, diversified oil and gas company focused on value creation, cash flow and distributions.

Our four strategic pillars are core to day-to-day decision-making as well as the measurement of our performance.

OUR STRATEGY
READ MORE ON PAGE 10

Ensure safe, reliable and environmentally responsible operations

Maintain a high quality portfolio of reserves and resources

Leverage our full cycle capability to diversify and grow further

Ensure financial strength through the commodity price cycle

Meeting energy demand through the transition

Energy is at the heart of modern life, underpinning the prosperity of people and nations. As the global population continues to grow, and more nations industrialise, the world will continue to need plentiful supplies of energy. Those supplies must be affordable, reliable and sustainable.

The oil and gas industry has a significant role to play

With growing global demand for energy, and with renewable energy only providing a fraction of the energy we use today, safely and responsibly produced oil and gas has a critical role to play as we transition to a lower carbon world.

Global energy demand forecast to continue to grow to 2050

Demand for energy has grown inexorably year-on-year over the last 100 years. In 2021, the world consumed some 176 TWh of energy, a 10-fold increase on a century earlier[1]. On only four occasions in the last century has energy use fallen significantly: during the 1973 Arab oil embargo, the Iraq-Iran war in the 1980s, the 2008 credit crisis and the Covid-19 pandemic. On each occasion, demand rebounded to higher levels than before.

Although growth in demand for energy is levelling off in developed nations, we expect global energy demand to continue to increase as developing countries industrialise and the world population continues to expand. The IEA forecasts that demand for energy will continue to grow well into the 2050s[2].

Oil and gas is an important part of the energy mix

In 2022, oil and gas met over 50 per cent of the world's energy demand and our analysis shows that over half of those hydrocarbons were produced by upstream companies like Harbour. While hydrocarbons' share of global energy consumption has been stable since 1965[1], in absolute terms oil and gas consumption has increased three fold[1]. Moreover, gas – the cleaner hydrocarbon – has accounted for an increasing proportion of oil and gas consumption.

Although renewable sources of energy are coming on-stream rapidly, renewables and hydro combined still only supply about 13 per cent of the world's energy needs compared to six per cent in 1965[1]. Demand for energy is currently growing faster than renewable energy sources, and there is still not a clear pathway or the technology to enable renewables to replace fossil fuels as our primary source of energy in the near to medium term. This is despite the resolve and considerable investment into developing renewable energy supplies and storage globally.

Oil and gas has a vital role to play in the energy transition

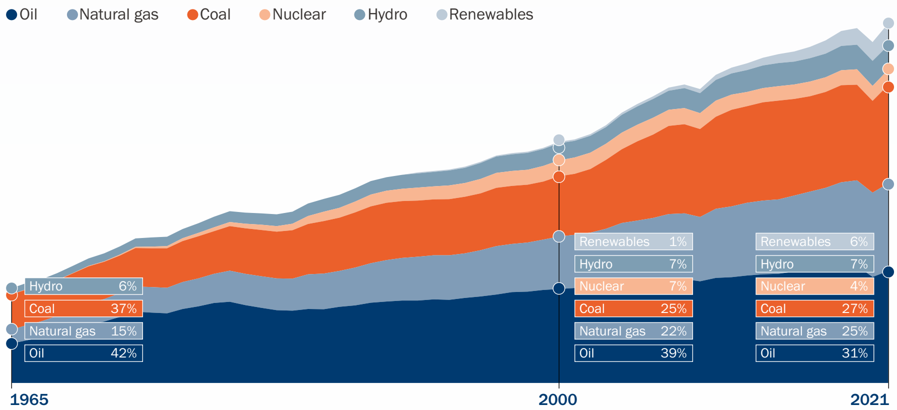
History shows that energy transitions are long-term affairs. It typically takes decades for new energy sources to become a significant part of the global energy mix. It took 50 years for gas to grow to 20 per cent, for example, while coal, the most GHG-intensive fossil fuel, still provides almost a quarter of the world's energy[1]. The world continues to need oil and gas to help meet its energy demands while we build reliable sources of low carbon energy.

At the same time the energy transition is changing the landscape of the oil and gas sector. While national oil companies remain the world's largest producers, many oil majors are shifting their portfolios to focus on their renewable energies with upstream companies like Harbour taking on their oil and gas assets and becoming scale producers.

Upstream companies have two clear roles to play in the energy transition. First, we must continue to deliver the vital energy supplies the world needs in a safe and responsible manner. This means taking action to reduce our own impact on the environment through more efficient operations and the implementation of decarbonisation projects, with clear pathways to net zero.

Second, we can support governments and nations as they seek to limit global warming and meet their net zero emission targets through broader decarbonisation projects and technologies, such as carbon capture and storage. In particular, companies like Harbour are well placed to leverage their skills and infrastructure to accelerate the transportation of CO_2 to offshore depleted oil and gas fields where it can be permanently stored.

Growth in global energy consumption[1]

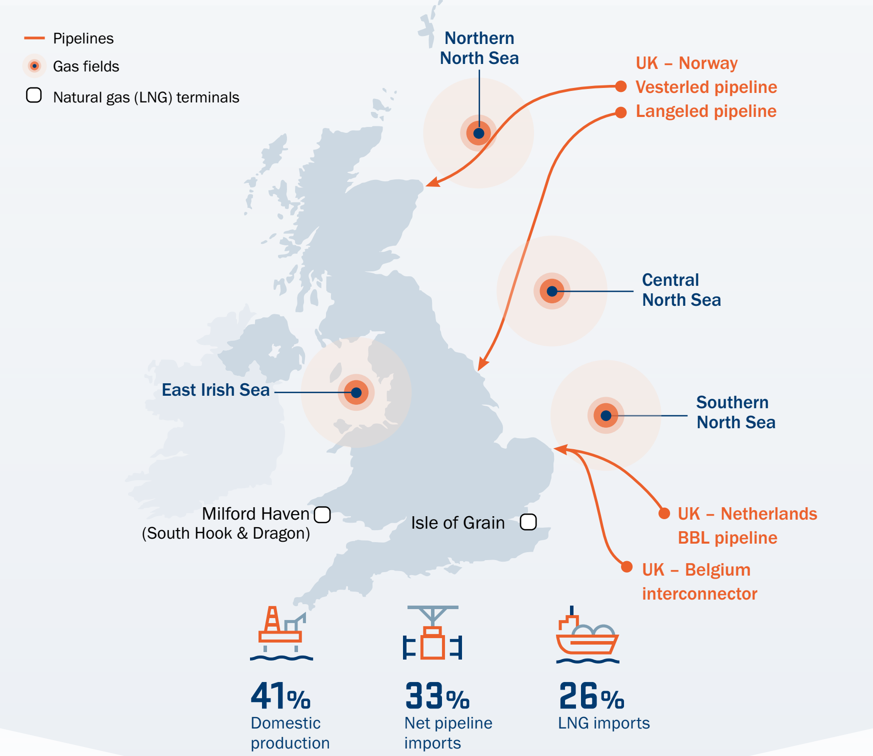


1 Energy Production and Consumption, Our World in Data – ourworldindata.org/energy-production-consumption.
2 IEA STEPS Scenario, World Energy Outlook 2022.

MARKET OVERVIEW
READ MORE ON PAGE 8

Natural gas remains critical to UK energy security

Source: gov.uk/government/statistics/total-energy-section-1-energy-trends.



c.40%

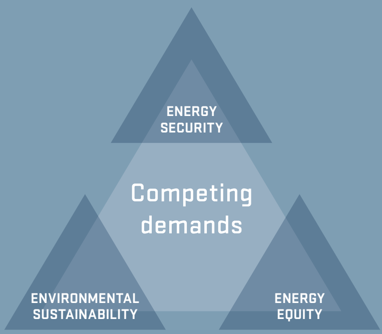
Of the UK's total energy consumption is met by natural gas

Harbour Energy's role

At a time when many are struggling with high energy prices, we are focusing on doing what we can to deliver reliable, domestic oil and gas from our existing portfolio in a safe and responsible manner. At the same time, we are investing in our two CO_2 transport and storage projects – Viking CCS and Acorn – helping to support the UK's net zero emission targets.

- See pages 30 to 41 for more information on our efforts to reduce emissions and our net zero goal.
- See page 39 for more information on the Harbour-led Viking CCS project.
- See page 27 for more information on Harbour's 30 per cent interest in Acorn.

The energy trilemma: finding the right balance



The energy trilemma is defined as the need to find balance between energy reliability, equity and sustainability. Understanding the challenges faced by businesses and individuals in balancing these three core elements is vital to achieving goals such as net zero. Possibly the biggest threat to the energy transition and a nation's net zero goals is energy price volatility, which risks undermining public support for climate goals.

Energy security

Energy security seeks to ensure the reliability of energy sources: nations need to be able to meet current and future energy demand reliably while remaining resilient to sudden supply disruptions and demand dynamics.

Energy equity

Energy equity aims to make energy affordable for consumers: countries need to be able to provide access to affordable, fairly priced and abundant energy for domestic and commercial use.

Environmental sustainability

Environmental sustainability seeks to minimise environmental harm, such as GHG emissions: countries need to be able to meet energy demands today without negatively impacting future generations.

FIND OUT MORE ONLINE
WORLDENERGY.ORG/TRANSITION-TOOLKIT/WORLD-ENERGY-TRILEMMA-INDEX

A difficult year for global markets with considerable volatility and economic uncertainty

2022 was a year characterised by extreme geopolitical and economic instability, exacerbated by Russia's invasion of Ukraine and the lingering impacts of the global pandemic. These led to considerable volatility and uncertainty in global markets.

Beyond the ensuing humanitarian crisis, Russia's invasion of Ukraine in February 2022 caused a global economic shock and fundamentally changed thinking on energy security and geopolitics.

However, we believe the foundation for an increase in commodity prices was laid well before 2022. The lack of investment in oil and gas globally since 2015 was already driving higher oil and gas prices in late 2021 as the world economies began emerging from the Covid pandemic. The invasion intensified these existing inflationary pressures, in particular with regard to European gas prices, and accelerated tightening of monetary policies globally. This fuelled recessionary concerns and a flight to safety, including outflows from equity funds.

At the same time, traditional gas routes were disrupted and energy security and, subsequently, energy affordability were catapulted to the top of the political agenda. Governments worldwide intervened in various ways to protect consumers from elevated energy prices.

The US made significant releases from their Strategic Petroleum Reserves while in Europe we saw the nationalisation of energy companies and the imposition of windfall taxes, including in the UK.

The events of 2022 have highlighted the insufficiency of current renewable energy sources and infrastructure to meet global energy demand in the near term. There is now a realisation among most that a more pragmatic approach to the energy transition is required – it will take time, huge levels of investment, and needs to be managed carefully to ensure sufficient reliable and affordable energy supplies. This has highlighted the important role that oil and, in particular, natural gas will continue to play as we strive to deliver a just, affordable and orderly energy transition.

UK natural gas market prices

Summary

In the UK, natural gas remains the largest source of energy, meeting over 40 per cent of the country's energy demand[1]. This gas comes from domestic production, pipeline imports from Europe and LNG imports.

UK natural gas prices (NBP) averaged 198 pence/therm, up over 60 per cent on 2021 and higher than US Henry Hub. Elevated UK natural gas prices were driven by the decline in Russian pipeline supplies to Europe, which then had to compete with Asia for LNG, both to replace Russian supplies and to fill mandated storage levels.

While the UK has access to LNG imports, it has limited gas storage and export capacity, causing extreme price volatility in the domestic day-ahead gas market which balances daily. During 2022, NBP traded as low as 10 pence/therm on 10 June, and as high as 516 pence/therm on 26 August. This also resulted in, at times, the decoupling of day-ahead and front-month UK NBP gas pricing and between European and UK natural gas markets.

Our response & opportunity

Harbour increased its UK natural gas production by 34 per cent during 2022, bringing on-stream the Tolmount project and new wells at J-Area and Everest. In total, we accounted for around 15 per cent of the UK's domestic gas supplies during the year. At the same time, we have increasing exposure to spot prices with lower hedging in the coming years. For 2023, the percentage of our estimated gas production that is currently hedged is approximately 65 per cent.

1 Source: gov.uk/government/statistics/total-energy-section-1-energy-trends.

Brent oil prices

Summary

In 2022, Brent crude prices averaged \$101/bbl, up 42 per cent on 2021 as global oil demand increased despite renewed pandemic-related lockdowns in China. Brent opened 2022 at \$79/bbl, peaking at \$138/bbl in March following Russia's invasion of Ukraine, and subsequently traded above \$100/bbl until mid-August, supported by Opec quotas and capital discipline by US producers. Brent then fell, erasing the year's gains, to close 2022 at \$81/bbl, as global recessionary concerns came to the fore.

Our response & opportunity

We hedge to ensure predictable cash flows which allows us to invest through the commodity price cycle while protecting the balance sheet. In 2022, we realised post-hedging oil prices of \$78/bbl compared to \$59/bbl in 2021. For 2023, the percentage of our estimated oil production that is currently hedged decreases to approximately 30 per cent.

UK oil and gas fiscal regime

Summary

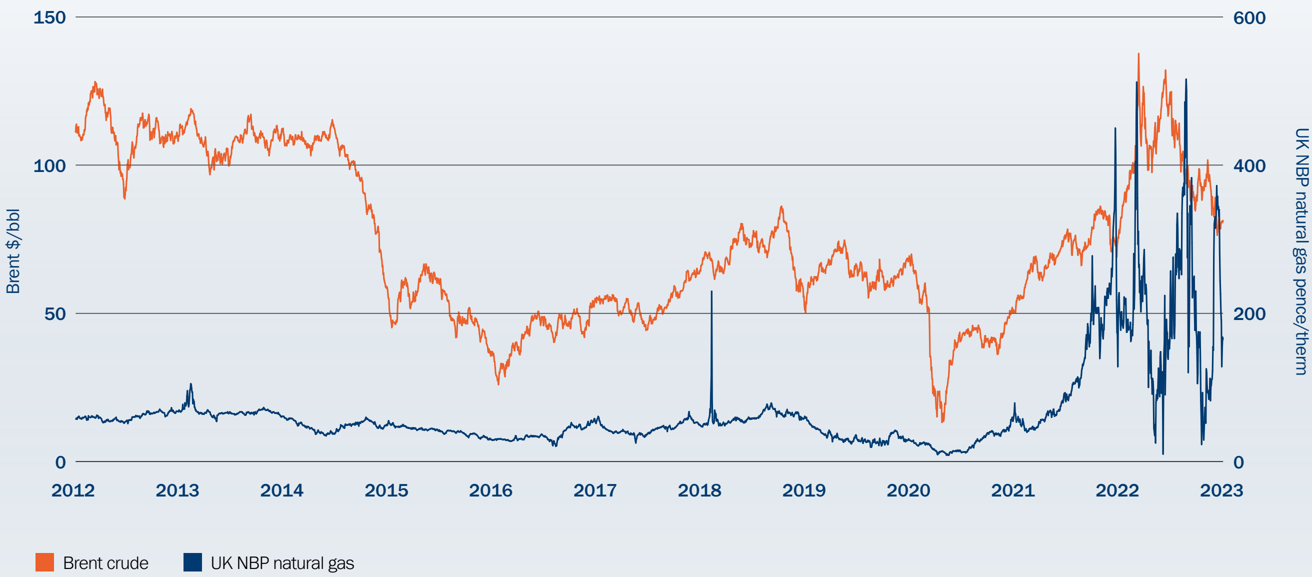
With elevated oil and gas prices impacting UK consumers and businesses, the UK Government introduced an Energy Profits Levy (EPL) to fund assistance with energy bills. In November, the government increased and extended the EPL. Consequently, UK producers now face a 75 per cent tax rate in the UK versus 40 per cent in 2021, which will apply until March 2028.

Our response & opportunity

The EPL caused us to reduce our future UK activity levels, including taking the decision not to participate in the 33rd Licensing Round. In addition, post period end, we initiated a review of our UK organisation. The EPL reinforces our strategy to grow and diversify internationally and validates our prudent approach to capital allocation.

Increasing volatility in UK natural gas prices in 2022

OPERATIONAL REVIEW
READ MORE ON PAGE 22



Source: Refinitiv.

Investment and costs

Summary

Sector investment activity did not materially increase in 2022 with companies continuing to exhibit capital discipline, focusing on shareholder returns. However, inflationary cost pressures increased during the year, as did lead times for critical equipment, driven by supply chain disruptions, tightening labour markets and rising commodity prices.

Our response & opportunity

During 2022, we were able to manage inflationary pressures, benefiting from our scale, the consolidation of contracts from the integration of our legacy companies, and drilling rigs under long-term contracts with pricing agreed in prior years. We did see cost increases in raw materials and labour, but largely offset these in 2022 with operational efficiencies, supply chain management and foreign exchange effects.

Mergers and acquisitions

Summary

Mergers and acquisitions (M&A) activity in the oil and gas sector was significantly reduced in 2022, as volatile and elevated commodity prices made it harder for buyers and sellers to reach a shared view on value. Notable activity included the merger of Norwegian companies Lundin Energy and Aker BP, as well as the merger of BHP's oil and gas business into Woodside. The opportunity set remains rich with majors still looking to optimise their portfolios for the energy transition, private companies looking for a route to liquidity for their investors and smaller public companies looking for scale.

Our response & opportunity

Growth and diversification internationally via M&A is a core part of our strategy. With our track record of M&A, our experienced Board and management, and our strong balance sheet and cash flow generation, we are well placed to execute. However, we will remain disciplined and focused on strategic fit and value creation.

Foreign exchange

Summary

Sterling weakened significantly against the US dollar during 2022, opening at $1.35/£, reaching a low of $1.07/£ in September, before recovering to $1.21/£ at year-end. This was driven by recessionary concerns causing a flight to safety and the US pursuing a more aggressive monetary policy. Increased UK political instability also added to the volatility.

Our response & opportunity

Harbour is naturally protected from foreign exchange (FX) volatility with the vast majority of our sterling-denominated costs covered by sterling revenue received from our UK natural gas sales. Where we forecast an imbalance in our sterling revenue and costs, we seek to hedge our exposure to mitigate FX volatility. For example, in the fourth quarter, we sold forward dollars for sterling following approval of the new $100 million share buyback programme and expected EPL payment.

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

Ensure safe, reliable and environmentally responsible operations

Focus areas

- Protect the safety and wellbeing of our people
- Invest in our assets to maximise value, including to improve efficiency and the recovery of oil and gas
- Safeguard the communities in which we operate and protect the environment
- Progress towards our Net Zero 2035 goal
- Collect efficient and reliable data to track our performance and support our goals

How we delivered in 2022

- Improved safety record, with reduced TRIR and number of process safety events
- Increased production, increased operating efficiency and reduced unit operating cost
- Established an interim target of 50 per cent reduction in our emissions in 2030 compared to a 2018 baseline
- Implemented new business and enterprise management systems which are scalable and future proof

Target outputs

- Continuous improvement in our safety and environmental performance
- Maintain a competitive cost structure as assets mature
- Top quartile operational performance

Maintain a high quality portfolio of reserves and resources

Focus areas

- Ensure robust margins through commodity price volatility
- Maintain balance of oil and gas
- Maintain access to profitable investment opportunities
- Ensure longer-term organic and inorganic investment options to replace/grow reserves
- Rigorous prioritisation and capital allocation process

How we delivered in 2022

- Ongoing hedging programme to underpin predictability of cash flow
- Collaborated with other operators to realise efficiencies and unlock investment opportunities
- Progressed organic growth opportunities, including Talbot (UK), Zama (Mexico) and Timpan (Indonesia)
- Reserve replacement impacted by downward revision of reserves at the Tolmount field (UK)
- Review of investment levels and company-wide capital allocation following announcement of materially increased taxes in the UK

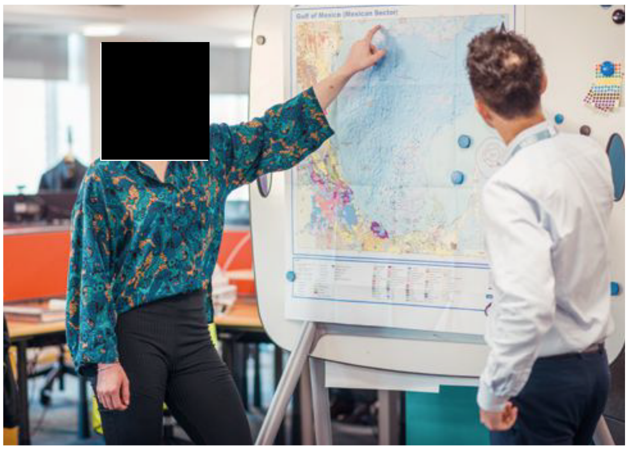
Target outputs

- Prudent capital allocation
- High quality investment pipeline
- A diverse mix of oil and gas
- 2P reserves life of 8-10 years

KEY PERFORMANCE INDICATORS
READ MORE ON PAGE 18

PRINCIPAL RISKS
READ MORE ON PAGE 54

Leverage our full cycle capability to diversify and grow further



Focus areas

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

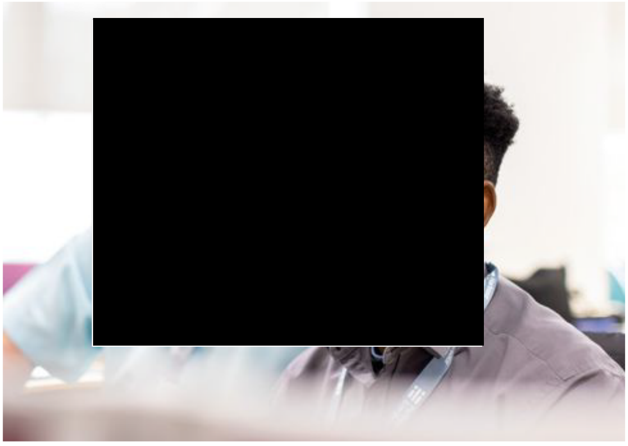
How we delivered in 2022

- Material offshore gas discovery with play-opening Timpan-1 well on our Andaman II licence (Indonesia)
- Continued progress with integration efforts, including consolidation of supplier contracts to drive greater efficiency and cost savings, following recent acquisitions
- Renewed focus on geographic diversification in response to material deterioration in UK investment climate but market conditions for M&A were challenging due to high and volatile commodity prices
- Responsible decommissioning of retired oil and gas infrastructure where not possible to repurpose it for use in CCS projects

Target outputs

- Increased production levels and reserve life
- High margin, diverse and geographically balanced portfolio
- A material base of production outside the UK
- UK CCS projects advanced

Ensure financial strength through the commodity price cycle



Focus areas

- Disciplined annual budget and long-term planning process
- Conservative financial risk management policy, including a disciplined hedging programme
- Ensure competitive shareholder returns, including a sustainable dividend

How we delivered in 2022

- Reduced net debt by $1.5 billion to $0.8 billion excluding unamortised fees and leverage to 0.2x from 0.9x
- Greater flexibility around hedging strategy, allowing increased exposure to market pricing while continuing to protect the downside
- Approved $400 million of share buybacks, in addition to $200 million annual dividend

Target outputs

- Maintain a strong balance sheet, with the potential for an investment grade credit rating
- Conservative leverage profile and significant liquidity
- Increased, sustainable shareholder returns
- Move towards a more unsecured debt financing structure

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

Our purpose

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

Our strategy

Building a global, diversified oil and gas company focused on value creation, cash flow and distributions.

- Ensure safe, reliable and environmentally responsible operations
- Maintain a high quality portfolio of reserves and resources
- Leverage our full cycle capability to diversify and grow further
- Ensure financial strength through the commodity price cycle

Our business model

Underpinning our business model is a relentless commitment to always operate safely and responsibly while balancing our capital allocation priorities of safeguarding the balance sheet, ensuring a robust and resilient portfolio and delivering shareholder returns.

Our ambition is to grow and diversify internationally, establishing material production in at least one other region outside the UK.

International growth

We aim to operate our assets safely, reliably and efficiently, investing to sustain production and cash flow.

Maintain cash generative UK portfolio

28
Licences held internationally

>$100m
Of international capital investment in 2022

$159bn[1]
Divestments targeted by O&G companies

Leverage existing global footprint

Selective investment in growth projects

Disciplined approach to M&A

>20%
IRR targeted by our UK development and drilling projects in 2023

5
Out of the 10 largest UK fields are in the Harbour portfolio

>140
Wells plugged and abandoned by Harbour in the UK Southern North Sea since 2014

High return, infrastructure led investment portfolio

High quality UK asset base with material stakes in long life assets

Deep operator competence including in decommissioning

1 Value of divestment opportunities either in process or expected to come to market in the near term based on estimate provided by an Investment Bank.

Creating value for our stakeholders

Our strategy and business model enable us to deliver long-term value for all our diverse stakeholders.

ENGAGING WITH OUR STAKEHOLDERS
READ MORE ON PAGE 14

E Our employees

1st
Global engagement survey completed in 2022

G Government & regulators

$551m
Paid in taxes during 2022

I Our investors & shareholders

$600m
Of shareholder returns announced in 2022

L Our lenders

$1.5bn
Reduction in net debt during 2022

J Our JV partners, suppliers & customers

>$1.5bn
Of spend across our supply chain in 2022

W Wider society

>$5.5bn
Of economic value created

Working together to create shared value

We aim to create value for our stakeholders by engaging with them and understanding and responding to the issues that are important to them.

Section 172(1) statement
The disclosure on the following pages (14 to 17) 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 UK Companies Act 2006.

Information regarding our assessment of environmental and community issues associated with our operations, including how we maximise our positive impacts and minimise the negative impacts, can be found in the ESG review on pages 30 to 41.

E Our employees

Why is it important to engage?
Our success depends upon our ability to attract and retain talented employees who are engaged in Harbour's purpose and strategy. It is crucial we listen to our colleagues, understand their views and that they know their contribution is valued and appreciated.

How do we engage?
We engage in a variety of ways, including face-to-face meetings, virtual events and digital channels. The CEO and other senior leaders host a global townhall regularly. Our elected staff forums meet frequently – including with the CEO and other directors – and we have a range of employee-led networks focusing on particular interests, including DE&I. We also carried out our first formal global engagement survey in 2022.

What issues are important to them?
- Ensuring the health, safety and wellbeing of employees
- Reward and recognition
- Career development and opportunities

How are we responding with clear actions?
Over 80 per cent of employees took part in our first global employee engagement survey, giving us a rich data led understanding of how colleagues experience Harbour, and establishing a baseline of metrics for the future. We are now working together with our UK and international staff forums to draw up priorities and action plans to strengthen our culture and engagement.

Outcomes
Our employee engagement survey indicated 84 per cent of our employees had a positive or neutral reaction to engagement with the company; this reflects the impact of a period of intense change following multiple acquisitions. We were very pleased that over 90 per cent of employees and contractors feel empowered on safety issues. We are now creating action plans on areas where engagement was lower, including career development and reward and recognition.

G Government & regulators

Why is it important to engage?
It is important to maintain a dialogue with key government and regulatory stakeholders in the countries where we operate, whose decisions materially impact our business. In the UK, this includes the HM Treasury, Department for Energy Security and Net Zero (formerly BEIS) and the North Sea Transition Authority (NSTA).

How do we engage?
Harbour engages with government and regulatory stakeholders through meetings with ministers, their advisers and officials, by contributing to government consultations and through trade organisations, including Offshore Energies UK (OEUK).

What issues are important to them?
- Energy security and supply
- UK cost-of-living crisis and fiscal deficit
- Accelerating the energy transition
- Environmental responsibility

How are we responding with clear actions?
In 2022, Harbour delivered c.15 per cent of the UK's energy supplies. We also progressed our Viking CCS project which has the potential to meet one third of the UK Government's target to capture and store 10 mtpa of CO_2 by 2030. Harbour made representations to the UK Government with regards to fiscal stability being vital for energy security and the advancement of the energy transition, the impacts of the material increase in UK taxation, and the regulations related to CCS deployment. We worked with key stakeholders to progress opportunities in Indonesia and Mexico.

Outcomes
We provided constructive inputs to the UK Government on a range of policy areas, from progressing the regulatory environment for CCS to the impact of the EPL on domestic energy security and the energy transition. The extension and increase in the EPL has caused us to reduce our expected 2023 UK oil and gas spend and to take the decision not to participate in the 33rd Licensing Round in the UK North Sea. In Indonesia and Vietnam, we secured approval for a plan of development and infill drilling respectively.

I Our investors & shareholders

Why is it important to engage?
Harbour seeks to develop an investor base of long-term, institutional shareholders who are supportive of our strategy. By ensuring our strategy and objectives are well understood by our shareholders and by delivering against those, we maintain access to long-term capital providers.

How do we engage?
We engage regularly with our shareholders and potential investors through meetings, conferences and investor events. Over 350 meetings were held in 2022, including with shareholders representing over 70 per cent of the Group's issued share capital. The CEO and CFO along with Investor Relations are primarily responsible for this engagement.

What issues are important to them?
- Financial and operational performance
- Fiscal stability
- Capital allocation, including shareholder returns
- M&A strategy
- Progress on net zero and our CCS projects

How are we responding with clear actions?
In 2022, we delivered operationally and financially. We also quantified the free cash flow potential of the business, reiterated our capital allocation priorities and received approval from our shareholders to buy back up to 15 per cent of our issued share capital. During 2022, we approved $600 million of returns to shareholders, comprising $200 million dividend and $400 million of share buybacks.

Outcomes
By delivering on the things we can control and meeting or exceeding market expectations, we have built trust with the capital markets. This helped to attract new institutional holders and allowed non-natural holders of our equity to exit. However, this progress and our share price have been materially impacted by the EPL, which has caused investors to reassess their exposure to UK oil and gas.

> The success of Harbour Energy depends on building and maintaining strong relationships with all our key stakeholders. These include our Harbour colleagues, shareholders and lenders who all have a direct stake in our business. They also include those with an indirect interest in our success such as our joint venture partners, suppliers, host governments and society at large.

Linda Z. Cook
Chief Executive Officer

L Our lenders

Why is it important to engage?

The upstream oil and gas industry is a capital-intensive business. By maintaining supportive relationships with our lenders, and ensuring our strategy and objectives are well understood, we can ensure access to long-term debt financing that enables us to invest in high quality investment opportunities that generate cash flows and support shareholder returns.

How do we engage?

We undertake regular dialogue with the syndicate banks, both bi-laterally and via an annual bankers' presentation. Members of the leadership team give performance updates at these sessions, followed by questions and answers. Quarterly management reports are shared with the reserves-based lending (RBL) syndicate banks. We also engage with debt investors through meetings and conferences.

What issues are important to them?

- Financial and operational performance
- Fiscal stability
- Safeguarding the balance sheet
- Financial risk management, including hedging
- M&A strategy
- ESG considerations and the environmental impact of our operations

How are we responding with clear actions?

We have a disciplined financial framework and capital allocation policy to ensure we maintain significant liquidity. This includes ensuring that leverage remains below 1.5x on average during the commodity price cycle and hedging to protect against price volatility. We continue to pay down debt when surplus cash flows allow.

Outcomes

We maintained a supportive senior bank lending group which has enabled us to simplify and enhance our RBL facility, including reducing the minimum hedging requirements. We continue to have access to significant debt capacity and credit rating agencies S&P and Fitch reaffirmed our corporate BB credit ratings in 2022.

J Our JV partners, suppliers & customers

Why is it important to engage?

The upstream oil and gas industry relies on joint venture (JV) partners and a complex value chain of suppliers who enable us to deliver oil and gas to our customers. Maintaining strong relationships across this value chain enables access to the resources, labour and the specialist goods and services we require to carry out our business safely, responsibly and efficiently.

How do we engage?

We have structured engagement plans in place for these key stakeholders. For example, Operating Committee Meetings (OCMs) are the forum for joint venture partner decision-making while we regularly engage with our contractors through scheduled reviews and supplier audits. Meanwhile, our in-house marketing and trading team maintains an open dialogue with our global customers.

What issues are important to them?

- Asset stewardship and life of field programmes (JV partners)
- Safety and operational performance
- Financial capability
- Pre-award transparency and opportunity (supply chain)
- Quality and reliability of supply (customers)

How are we responding with clear actions?

During 2022, we simplified our supplier relationship management process, consolidating contracts and implementing consistent policies, standards and procedures through our business management system. The rollout of our enterprise management system in late 2022 will simplify our supplier interface in 2023.

Outcomes

Harbour continues to maintain strong relationships across its supply chain, joint venture partners and customers, with collaborative working relationships that help us manage risk, improve our business processes, minimise our environmental impact and increase operational efficiency.

W Wider society

Why is it important to engage?

Companies draw their employees, customers and suppliers from the communities and wider society in which they operate. We aim to be a good corporate citizen, offering high quality jobs, supporting a large supplier network, reducing our environmental impact and contributing to the communities in which we operate.

How do we engage?

Harbour engages with and supports the needs of local communities through a wide range of philanthropic activities and sponsorships. We support key industry bodies and events to promote the economic wellbeing of our communities and host countries and create shared economic value.

What issues are important to them?

- Creating shared economic value
- Social investment
- Energy security

How are we responding with clear actions?

We continue to deliver energy supplies safely and responsibly, supporting energy security. In 2022, we introduced a new social investment and charitable donations standard for Harbour. This defines our giving aims, which are focused on education, social care, affordable energy, health, safety and the environment. Our sponsorship budget supports industry bodies who work to promote a responsible oil and gas industry.

Outcomes

Harbour contributed around 15 per cent of the UK's energy supplies. We generated c.$5.5 billion of economic value in 2022, through employment, payments to suppliers, tax payments to host governments and social investment in worthy causes. We gave $1 million to worthy causes in our UK and international businesses and a $0.5 million donation to energy poverty charity National Energy Action to help support people in the UK struggling with energy costs.

We aim to engage openly and honestly on issues of importance to our stakeholders and to establish strong and enduring relationships with the key stakeholders upon whom our business success relies.

Opposite are three case studies demonstrating how our Board considers stakeholders' interests in its decision-making.

The duty of our Board is to promote the success of Harbour for our shareholders whilst having due regard for the interests of other stakeholder groups. In discharging this duty, the directors must consider the likely consequences of their decisions in the long term whilst maintaining our corporate reputation and adhering to the highest standards of business conduct.

Our board of directors carries out its decision-making with this key duty in mind. Central to this is ensuring it understands the views of our stakeholders on key issues and how those stakeholders will be impacted by a particular course of action.

While the Board sets the parameters by which we develop, maintain and enhance relationships with our stakeholders, engagement cannot be undertaken by the Board alone, and our leadership team also engages and fosters positive relationships with our key stakeholders. The Board considers stakeholder views when making key decisions. For example, the information is used in investment papers, strategy documents and budget proposals, to ensure that decisions are made with due consideration of all stakeholders.

Embedding a culture of safety excellence

Stakeholder considerations

Harbour operates in a hazardous industry and keeping people safe at work is our number one priority. This key duty is overseen by the Board, through the HSES Committee. It is vital that our workforce, JV partners, suppliers and regulators have confidence in our safety protocols, and that our colleagues feel empowered to speak up and stop work in the face of unsafe or potentially unsafe practices.

Outcome

We continued to embed a culture of safety excellence by applying our Life-Saving Rules and Process Safety Fundamentals. These are reinforced by safety targets in our company performance scorecard and monthly summaries which the Board reviews on a regular basis.

The Board monitors all incidents closely. Safety performance broadly improved in 2022, although we did experience an increase in high potential incidents – those one step away from serious injury. The HSES Committee, on behalf of the Board, reviewed and provided feedback on a Back to Basics safety campaign that addressed common themes arising from these incidents. The campaign was launched on Harbour's annual Global HSES Day, with senior leaders visiting offshore assets to promote our safety culture.

The HSES Committee also reviewed, refined and approved a new safety framework and our HSES management system was implemented globally in 2022. Additionally, the Committee reviewed responses to safety-related questions in our first global engagement survey, which showed evidence of a strong safety culture.

Key stakeholder groups impacted:

E G J

Link to strategic pillars:

OUR STRATEGIC PILLARS

- Ensure safe, reliable and environmentally responsible operations
- Maintain a high quality portfolio of reserves and resources
- Leverage our full cycle capability to diversify and grow further
- Ensure financial strength through the commodity price cycle

OUR KEY STAKEHOLDER GROUPS

- E Our employees
- G Government & regulators
- I Our investors & shareholders
- L Our lenders
- J Our JV partners, suppliers & customers
- W Wider society

Developing our net zero strategy

Stakeholder considerations

A key tenet of Harbour's purpose is to be a safe, efficient and responsible producer of energy. This matters to all our stakeholder groups, reflecting widespread concern about our impact on the environment and climate change. Governments and regulators expect operators to produce vital energy supplies while continuing to facilitate the energy transition. Shareholders, lenders, partners and suppliers are also focused on how we will deliver our net zero strategy.

Outcome

The Board approved our ambition to be net zero by 2035 in 2021 and agreed to review progress and planned activities at least annually.

In 2022, we continued efforts to clarify our pathway to that goal, including the setting of an interim emissions reduction target to halve our emissions by 2030 (versus a 2018 baseline). We have defined how and when we will use offsetting for hard-to-abate emissions, to ensure that any offsets are certified to a globally accepted standard. We have also updated our greenhouse gas (GHG) emissions accounting procedures to better align with global standards.

Alongside our net zero strategy, the Board approved continued investment in large-scale CO_2 capture, transport and storage projects that have the potential to support the removal of many times our annual emissions from the atmosphere.

Key stakeholder groups impacted:

E G I L J W

Link to strategic pillars:

Ensuring meaningful and competitive shareholder returns

Stakeholder considerations

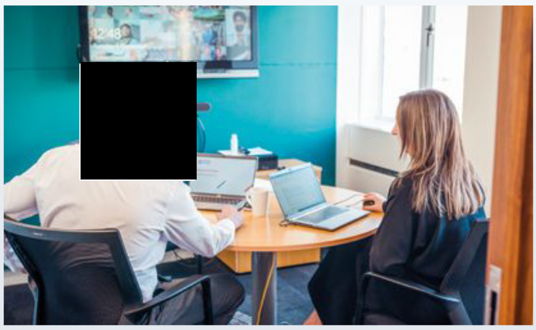
We aim to deliver value for our shareholders whose support for our strategy and business is critical to our success. Executing our strategy and allocating our capital effectively should drive share price appreciation. In addition, our Board believes that a commitment to shareholder distributions, which are both meaningful and competitive, is important to attract long-term capital.

Outcome

Despite our strong operational and financial performance during 2022, our share price underperformed industry peers, largely as a result of exposure to the UK windfall tax.

During 2022, we made $192 million[1] in dividend payments, in line with our $200 million per annum dividend policy as approved by the Board in 2021. The Board determined the policy with a belief that dividends should be sustainable through the commodity price cycle. Throughout 2022 the Board continuously reviewed the option for additional shareholder returns within the context of our capital allocation framework . Our rapid pay down of debt and robust financial position allowed the Board to approve $400 million in share buybacks, taking total announced shareholder distributions for the year to $600 million.

1 Dividend paid of $192 million is lower than the $200 million approved due to foreign exchange between US dollars and pound sterling.



Key stakeholder groups impacted:

I

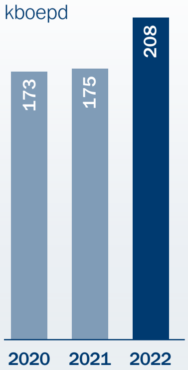
Link to strategic pillars:

Measuring our performance

Operational

Production

208
kboepd



Objective

We aim to maximise value from our UK producing asset base and grow and diversify internationally via acquisition of high quality, producing assets.

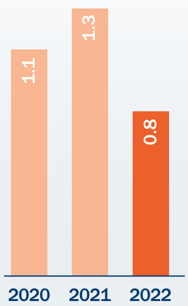
2022 progress

- Harbour increased production by almost 20 per cent due to new wells coming onstream and a full-year contribution from the Premier Oil assets
- We brought online >15 new wells, including at Tolmount which boosted the UK's domestic gas supply by over five per cent
- We achieved high operating efficiency across our portfolio, especially at Greater Britannia Area (GBA), J-Area and Elgin Franklin

Safety and the environment[2]

Total Recordable Injury Rate (TRIR)

0.8
per million hours worked



Objective

Harbour is committed to ensuring our people are kept safe and well, particularly colleagues working in inherently hazardous locations offshore.

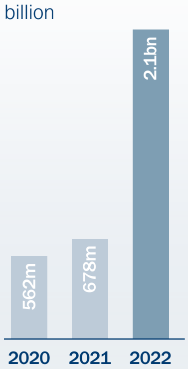
2022 progress

- Our TRIR reduced to 0.8 (2021: 1.3), reflecting fewer recordable injuries of 9 (2021: 15) and more hours worked (12 million hours compared to 11.8 million in 2021)
- The Solan platform (UK) surpassed 6 years without a lost time injury while the Gajah Baru platform (Indonesia) surpassed 10 years
- We continued to embed Life-Saving Rules across the company and to investigate all incidents and near misses

Financial

Free cash flow

$2.1
billion



Objective

Harbour aims to deliver predictable and reliable cash flow, supported by prudent risk management, to enable financial strength, investment and shareholder returns through the commodity price cycle.

2022 progress

- Harbour generated $2.1 billion of free cash flow, materially higher than in 2021, driven by increased production levels and improved commodity prices offset by hedging losses and higher UK cash tax payments
- We continued to progress high return infrastructure-led investment opportunities to support production and cash flow near term

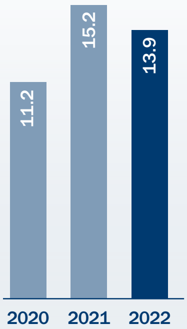
1 Volumes reflect management estimates. ERCE as a competent independent person have audited the Group's working interest 2P reserves and 80 per cent of the Group's 2C resources and consider Harbour's estimates to be fair and reasonable.
2 We report our safety and the environment KPIs – TRIR, process safety and GHG intensity – on a gross, operated basis.
3 Reported as per the IOGP's Process Safety – Recommended Practice on Key Performance Indicators, report 456, 2018.

OUR STRATEGIC PILLARS

- Ensure safe, reliable and environmentally responsible operations
- Maintain a high quality portfolio of reserves and resources
- Leverage our full cycle capability to diversify and grow further
- Ensure financial strength through the commodity price cycle

Operating costs

$13.9
/boe



Objective

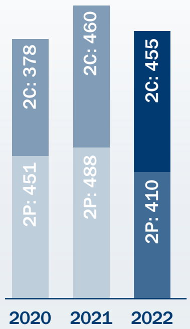
We strive for competitive operating costs without compromising on health, safety and the environment, enabling robust margins through the commodity price cycle.

2022 progress

- Operating costs reduced to $13.9/boe, reflecting increased volumes, improved operating efficiency and a weaker pound sterling to US dollar exchange rate, more than offsetting inflationary pressures
- Operating costs on an absolute basis increased to $1.1 billion (2021: $1.0 billion), driven by a full year's contribution from the Premier Oil assets and Tolmount coming on-stream

Reserves and resources[1]

865
mmboe



Objective

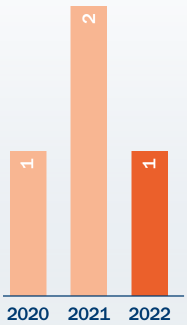
We aim to add reserves as well as convert reserves and resources into production via targeted investment in our existing asset base. We seek to replace reserves through value accretive M&A.

2022 progress

- We converted >35 mmboe of undeveloped 2P reserves into producing reserves
- 2P reserve additions, including at J-Area and GBA in the UK, were offset by a downward revision at the Tolmount field (UK)
- The addition of the Timpan gas discovery in Indonesia to our 2C resources was offset by relinquishments and revisions of less attractive opportunities following high grading of our UK 2C portfolio

Process safety[3] (Tier 1 and 2)

One
event (Tier 2)



Objective

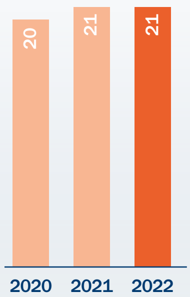
Harbour aims to maintain the highest standards of operational integrity to prevent any release of hazardous material from primary containment.

2022 progress

- No Tier 1 process safety events
- One Tier 2 process safety event relating to a gas release on our Chim Sáo FPSO vessel (Vietnam)
- Continued to embed Process Safety Fundamentals across the company – this included a function or asset within Harbour championing one of the 10 fundamentals each month during 2022

GHG intensity (Scope 1 and 2)[4,5]

21
$kgCO_2e$/boe



Objective

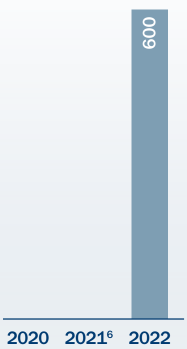
Harbour is committed to proactively addressing its environmental impact and taking action to achieve our Net Zero 2035 goal.

2022 progress

- GHG intensity was stable at 21 $kgCO_2e$/boe despite a full year's contribution from the more emissions-intensive Premier Oil assets
- We established an interim net zero goal targeting a 50 per cent reduction in our GHG emissions by 2030 versus a 2018 baseline
- 2022 saw increased momentum on our UK CCS projects, especially our flagship Viking CCS project where we expanded the project's customer base and had our CO_2 storage capacity independently verified (see page 39)

Shareholder returns approved

$600
million



Objective

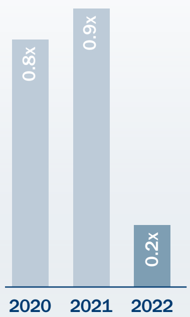
Harbour aims to deliver both growth and yield to its shareholders. Shareholder returns, along with ensuring balance sheet strength and a robust and diverse portfolio, is one of our three capital allocation priorities.

2022 progress

- During 2022 we made our first dividend payment, received shareholder approval for buybacks and executed a capital reduction programme
- We approved $600 million of shareholder returns in the year relating to a $200 million dividend and $400 million of share buybacks
- We repurchased 78.4 million shares during 2022 equating to 8.5 per cent of our issued share capital

Leverage ratio

0.2x



Objective

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

2022 progress

- Increased EBITDAX, underpinned by higher volumes and improved operating margins
- We achieved rapid debt pay down with net debt reduced by $1.5 billion
- We retained significant debt capacity although this will likely be impacted by the EPL at the next annual redetermination

4 Our 2020 and 2021 GHG intensity values have been restated to align with the new GHG boundaries we introduced for our Scope 1, 2 and 3 emissions in 2022. For more details please see page 30 of the 2022 ESG Report.
5 GHG intensity values have been restated for 2021 to reflect our updated Scope 1 and 2 GHG emission boundaries, whereby Scope 1 and 2 GHG emissions from Catcher and Tolmount are now classified as Scope 3 GHG emissions (see page 32).
6 Harbour's 2021 Annual Report disclosed a $100 million final dividend for 2021, which was approved in 2022 and is included in the $600 million.

Materially increased oil and gas production, supporting UK domestic energy supply

Production increased to 208 kboepd in 2022 (2021: 175 kboepd), towards the top end of our 195-210 kboepd original guidance and split equally between liquids and gas (2021: 55 per cent liquids, 45 per cent gas).

The almost 20 per cent increase in production was driven by new wells, primarily gas, coming online including at Tolmount, J-Area and Everest in the UK and by the full-year contribution from the Premier Oil assets. Our strong production performance was also supported by consistent outperformance from our Greater Britannia Area (GBA) satellite fields, Callanish and Brodgar. In addition, we benefited from shorter maintenance shutdowns and improved reliability.

Operating costs for the year were $1.1 billion, equating to $13.9/boe on a unit of production basis (2021: $15.2/boe). This improvement was driven by higher volumes and a weaker sterling to US dollar exchange rate. Total capital expenditure in 2022 was $0.9 billion (2021: $0.9 billion). This was lower than the $1.3 billion forecast at the outset of the year due to the decisions not to proceed with several North Sea exploration and appraisal wells and the delayed arrival of drilling rigs at multiple locations. Our operating and capital expenditure also reflected continued progress on integration, including supply chain savings as we consolidated key supplier contracts following recent acquisitions.

2023 production is forecast at 185-200 kboepd, with new wells coming on-stream partially offsetting natural decline. Our production mix is expected to remain stable at approximately 50 per cent liquids, 50 per cent gas. The outlook for unit operating cost for 2023 is c.$16/boe, higher than in 2022 because of lower production and some inflationary pressures.

2023 total capital expenditure is estimated at $1.1 billion, split 85 per cent UK, 15 per cent international. We reduced our planned 2023 UK capital expenditure following the changes to the Energy Profits Levy (EPL) announced in November, with certain investment opportunities delayed or no longer being progressed. We also rephased some of our decommissioning activities.

Safe and responsible operator

Harbour delivered an improved safety performance in 2022. With nearly 12 million hours worked during the year, we recorded no serious injuries or significant spills and materially reduced our Total Recordable Injury Rate per million hours to 0.8 (2021: 1.3). However, we did experience an uptick in high potential incidents through the first half of the year reminding us of the need to remain vigilant as we strive to meet our 'zero incident' ambition.

Harbour is committed to proactively addressing its environmental impact and to achieving our Net Zero 2035 goal. In 2022, our emissions intensity across our operated assets was broadly stable at 21 $kgCO_2e$/boe (2021: 21 $kgCO_2e$/boe), despite a full year's contribution from the more emissions-intensive Premier Oil assets. The performance reflects improved efficiency and the implementation of emissions-reduction projects within our operated hubs. 2022 also saw us further develop our net zero strategy, setting an interim target of 50 per cent reduction in our emissions by 2030 versus a 2018 baseline and aligning our emissions definitions and targets more closely with industry standards.

Targeted UK capital investment programme

Harbour's UK capital investment is focused on high return, lower risk, near field and infrastructure-led opportunities which add reserves, improve recovery and extend producing life, activities all critical to the UK's energy security. During 2022, we completed c.50 well intervention programmes and brought online 14 new wells. In total, we developed over 35 mmboe of 2P reserves, volumes that are now contributing to our production.

In April, we brought the Tolmount gas project on-stream which reached gross plateau rates of 40 kboepd (Harbour 50 per cent interest) in July, increasing the UK's domestic gas supply by approximately five per cent at a critical time. The project reached cash payback in September and has since come off plateau production, earlier than originally anticipated. Post-period end we completed the Tolmount East development well which is expected online in 2024, while the near field Earn prospect is scheduled to be tested in the second quarter of 2023.

At J-Area, the successful Jade South exploration well was brought into production in January 2022 helping boost production levels from the hub. Two J-Area infill wells were brought online around the end of the year, one of which has performed below expectations. Another near field exploration well, targeting the Jocelyn South prospect, is planned for the second half of 2023.

We also completed a three well drilling programme at Catcher, two of which were brought on-stream around the year-end. The third encountered sub-commercial volumes and was not completed.

In our non-operated portfolio, Clair Ridge production continues to be supported by an ongoing development programme with two producer and water injector wells completed during 2022. The operator also plans to return to platform drilling at Clair Phase 1 during the first half of 2023. At Beryl, production was impacted by underperformance of the Storr-2 well which came online during the first quarter of 2022 and delays to the Buckland South West well which is expected on-stream in the second quarter of 2023. Further drilling is planned at Beryl during 2023, although less than forecast at the outset of the year following the operator's decision to terminate its drilling contract for the Ocean Patriot.

2022 saw us approve the Talbot oil development comprising a multi-well subsea tieback to our Judy platform. Development drilling is expected to commence in the first half of 2023 with the start of production scheduled for around the end of 2024. We also approved the appraisal of the Leverett gas discovery, located close to the Greater Britannia Area, with the well scheduled to spud in the second half of 2023.

We continue to invest in high return investment opportunities to maximise value from our producing asset base. However, the changes to the EPL announced in November have caused us to scale back our UK investment levels in certain areas and to review our UK organisation. The review, which is targeted for completion in the second half of 2023, is expected to lead to a significant reduction in our UK workforce.

Attractive international growth projects with potential for material reserves replacement

Our aim is to grow and diversify internationally via acquisitions. We seek to acquire cash generative producing assets which are accretive to our reserve life, margins and GHG intensity thereby improving our credit rating and ability to support shareholder returns over the longer term. While market conditions were challenging for acquisitions during 2022, there are signs of a more active M&A market in 2023.

In addition, we have several organic growth projects which together could add materially to our reserves and future production. In Mexico, Harbour has a 12.39 per cent non-operated interest in the Zama unit where the Block 7 partners and Pemex have substantially agreed the field development plan ahead of targeted submission to the Mexican regulator by the end of the first quarter of 2023. Front-End Engineering and Design work (FEED) is planned for 2023, along with an update of project cost estimates, ahead of a final investment decision.

In Indonesia, we made a material offshore gas discovery with the play-opening Timpan-1 well on our Andaman II licence in July. As a result, we acquired 3,400 km^2 of 3D seismic across the eastern part of the Andaman II licence at the end of 2022 and plan to drill at least three exploration and appraisal wells across our Andaman acreage beginning in the second half of 2023.

Elsewhere in Indonesia the government approved a plan of development for the Tuna field in December. However, further progress has been impacted by EU and UK sanctions which limit our ability as operator to provide certain services to our Russian partner in the Tuna licence. We are working with our partner to reach a solution to enable us to progress the project in 2023.

Maturing our 2P reserves and 2C resources to support production and reserves replacement

As at 31 December 2022, Harbour's proven and probable (2P) reserves on a working interest basis were 410 mmboe (2021: 488 mmboe), reflecting the impact of 2022 production. While we made progress maturing 2C resources into 2P reserves, including at J-Area and Greater Britannia Area, this was offset by a downward revision at the Tolmount field based on pressure and other performance data.

Harbour's 2C resources stood at 455 mmboe as at 31 December 2022 (2021: 460 mmboe). This reflects the material addition of the Timpan gas discovery in Indonesia, offset by the movement of some volumes to 2P reserves and relinquishments and revisions following the high grading of our remaining UK 2C portfolio.

Investing in the energy transition

Harbour is well positioned to contribute to the energy transition through our CCS projects, utilising our skills, infrastructure and 40 years' knowledge of operating in the North Sea, and through responsibly decommissioning retired oil and gas infrastructure which cannot be repurposed for CCS.

During 2022, we made significant progress on our flagship CCS project, Viking. We completed pre-FEED work and concluded non-statutory and statutory consultations for the onshore pipeline. In addition, we had our contingent CO_2 storage resources of 300 million tonnes independently evaluated by ERCE via a Competent Person's Report, we believe the first project in the UK and only the third in the world to have done so.

We materially expanded the project's future customer base through early commercial agreements with West Burton Energy and RWE, whilst maintaining strong technical progress under existing agreements with Phillips 66 and VPI. As a result, the Viking CCS cluster has the potential to capture, transport and store 10 mtpa of CO_2 by 2030 and 15 mtpa by 2035, materially contributing to the UK's goal of 20 to 30 mtpa by 2030. We also entered into an exclusive commercial relationship with Associated British Ports who are advancing plans to develop a CO_2 import terminal at Immingham, enabling the potential for shipped CO_2 (domestic and imported) to be transported and stored by Viking CCS.

Harbour, together with its partners, continued to progress the Acorn project in Scotland which has the potential to store up to 9 mtpa of CO_2. Subject to receiving clarity from the UK Government on the fiscal, regulatory and commercial framework, Harbour is aiming to progress Viking and Acorn to final investment decisions in 2024, with first CO_2 injection as early as 2027.

During 2022, Harbour's decommissioning team continued to deliver a strong safety and environmental performance. In the Southern North Sea, we successfully plugged and abandoned seven wells, removed seven platforms and completed an extensive post removal seabed remediation campaign.

In total during 2022, Harbour spent c.$300 million on our energy transition activities including the decommissioning of non-producing oil and gas facilities, our CCS activities and projects to reduce our own emissions.

A solid financial position

During 2022, we generated free cash flow of $2.1 billion (2021: $0.7 billion). The significant increase was driven by higher production levels and the improved commodity price environment offset by hedging losses and significantly increased cash tax payments. Our realised oil and gas prices were $78/bbl and 86 pence/therm, materially below the average Brent and UK NBP gas prices of $101/bbl and 198 pence/therm, due to our historical hedging programme.

Our cash flow generation enabled us to rapidly deleverage our balance sheet during 2022 with net debt (excluding unamortised fees) reducing to $0.8 billion (2021: $2.3 billion) and leverage (net debt/EBITDAX) reducing to 0.2x (2021: 0.9x).

As a result of this strong financial performance, our Board approved $400 million of share buybacks during the year, in addition to our $200 million annual dividend. As a result of the share buybacks, $361 million of which were completed in 2022 and $41 million in 2023, we repurchased and cancelled 9.7 per cent of our issued share capital.

In line with our stated dividend policy to pay ordinary dividends of $200 million per annum, the Board has declared a final dividend of $100 million in respect of the 2022 financial year to be paid in May 2023, subject to shareholder approval.

2022 saw the introduction of the UK EPL, which was subsequently increased and extended, taking our UK headline tax rate to 75 per cent until March 2028. The EPL has disproportionately impacted UK focused independent oil and gas companies. For Harbour, the largest oil and gas producer in the UK, it has all but extinguished our profit for the year, necessitated a review of our future activity and staffing levels in the country and reinforced our strategic goal to grow and diversify internationally.

Outlook for 2023

Harbour enters 2023 well placed to deliver on its strategy of building a global, diverse oil and gas company, supported by a cash-generative asset base, a robust balance sheet, disciplined capital allocation and a prudent approach to risk management. We will continue to return any excess capital to shareholders while investing in our existing portfolio and maintaining capacity for meaningful M&A. As a result, the Board has approved a $200 million share buyback programme. This, together with our $200 million annual dividend policy, brings total announced shareholder returns to $1 billion since December 2021.

At $85/bbl and 150 pence/therm average oil and gas prices, we forecast 2023 free cash flow of c.$1 billion[1] and have the potential to be net debt free in 2024 following increased shareholder returns.

1 The $1 billion of free cash flow is after tax payments and reflects that the majority of our 2023 EPL liability is expected to be paid in 2024 due to one of the Harbour entities not currently falling within the UK tax instalment payment regime.

A pure play upstream oil and gas company with a diverse, cash generative portfolio of scale

We are the largest London-listed independent oil and gas company with a leading position in the UK as well as interests in Indonesia, Vietnam, Mexico and Norway.

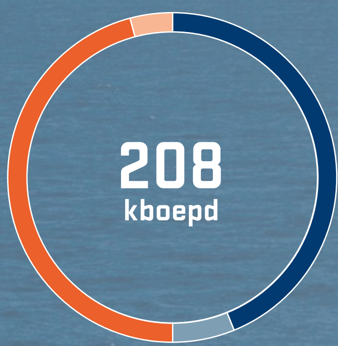
Actively working with our international partners

ZAMA UNIT DEVELOPMENT PLAN
2022 saw increased momentum at our Zama project culminating in the unit development plan being substantially agreed.

2022 Group production

We operate c.65 per cent of our production, including five key UK hubs and our assets in Indonesia and Vietnam. Where we have non-operated production interests these are in high quality, long life assets such as Elgin Franklin and Clair which have well established operators.

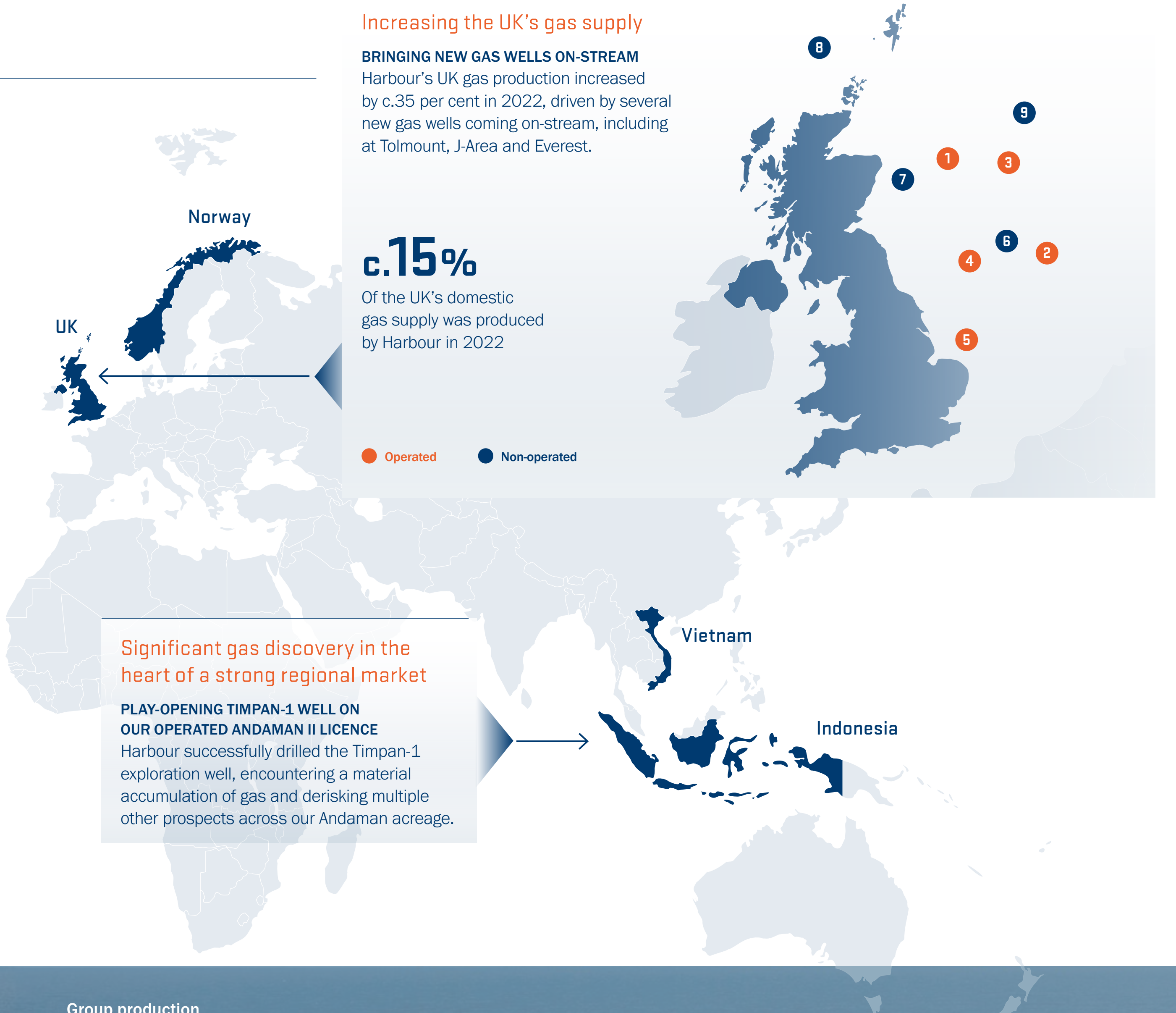
While more than 90 per cent of our production is from the UK, we have a diversified asset base with no single hub accounting for more than 20 per cent of our production or cash flow. We also have a balance of liquids and gas. Our organic growth opportunities are in Indonesia and Mexico.



Increasing the UK's gas supply

BRINGING NEW GAS WELLS ON-STREAM
Harbour's UK gas production increased by c.35 per cent in 2022, driven by several new gas wells coming on-stream, including at Tolmount, J-Area and Everest.

c.15%
Of the UK's domestic gas supply was produced by Harbour in 2022



Significant gas discovery in the heart of a strong regional market

PLAY-OPENING TIMPAN-1 WELL ON OUR OPERATED ANDAMAN II LICENCE
Harbour successfully drilled the Timpan-1 exploration well, encountering a material accumulation of gas and derisking multiple other prospects across our Andaman acreage.

Group production

Asset/hub	2022 (kboepd)	2021 (kboepd)
1 Greater Britannia Area	31	33
2 J-Area	30	26
3 AELE	27	24
4 Catcher Area	19	18
5 Tolmount Area	14	–
6 Elgin Franklin	24	18
7 Buzzard	15	13
8 West of Shetland[1]	14	13
9 Beryl Area	11	12
Other North Sea[2]	10	6
North Sea	195	**163**
International	13	**12**
Total	208	**175**

1 West of Shetland comprises Clair, Schiehallion and Solan which is operated.
2 Other North Sea includes East Irish Sea, Galleon, Ravenspurn North and Johnston.

North Sea: operated

"We continue to work hard to maximise the value from our existing UK North Sea portfolio, investing in short cycle, high return opportunities to add reserves, improve recovery and extend field life while continuing to generate material free cash flow.

BOB FENNELL
EVP North Sea

Greater Britannia Area

31kboepd
2022 production

HARBOUR EQUITY

Britannia: 58.7% operated	
Brodgar: 93.8% operated	
Callanish: 83.5% operated	
Enochdhu: 50% operated	
Alder: 26.3% (Ithaca operated)	

The Greater Britannia Area (GBA) was Harbour's largest producer in 2022 at 31 kboepd (2021: 33 kboepd). Delivery was supported by high operating efficiency and consistent reservoir outperformance from satellite fields Brodgar and Callanish. Harbour plans to return to drilling at Callanish in the second half of 2023 with the F6 infill well scheduled as part of a wider rig share programme with North Sea operator NEO. As part of that programme, Harbour will also appraise the Leverett discovery which, if successful, would be tied back to GBA infrastructure. This follows the equalisation of interests between NEO and Harbour across the Leverett licences in 2022. Harbour is also maturing further exploration and appraisal opportunities in the area as well as a potential infill opportunity on Brodgar targeting an area to the east of the field.

J-Area

30kboepd
2022 production

HARBOUR EQUITY

Judy: 67% operated	
Jasmine: 67% operated	
Jade: 67.5% operated	

J-Area was Harbour's second largest producer in 2022 averaging 30 kboepd (2021: 26 kboepd). This increase was driven by improved operating efficiency and an active drilling and well intervention programme with two rigs running since mid-2021. Highlights include the Jade South exploration well which was brought into production in early 2022 and the Jade-JM and Judy-RD infill wells achieving first gas around year-end. We also approved the Talbot development which will comprise a multi-well subsea tie-back to J-Area facilities and is targeting first oil around end 2024. 2023 activities include development drilling at Talbot and the Jocelyn South exploration well.

AELE

27kboepd
2022 production

HARBOUR EQUITY

Armada: 100% operated

Everest: 100% operated

Lomond: 100% operated

Erskine: 32% (Ithaca operated)

Production from Armada, Everest, Lomond together with Erskine (AELE) averaged 27 kboepd (2021: 24 kboepd). This was driven by higher production efficiency, with AELE benefiting from a shorter summer maintenance campaign and improved reliability. Production was also supported by the LAD development well which targeted the East Everest Extension area and was brought on-stream in the first quarter of 2022 helping to partially offset natural decline. 2023 activities include several well intervention scopes and maturation of a potential infill opportunity on North West Seymour.

Tolmount Area

14kboepd
2022 production

HARBOUR EQUITY

Tolmount: 50% operated

Tolmount East: 50% operated

Following start up in April, the Tolmount gas field reached plateau rates of c.20 kboepd (net to Harbour) in June and cash payback in September, less than six months after first production. The field has since come off plateau rates earlier than originally anticipated, resulting in a downward revision of field reserves. Drilling of the Tolmount East development well commenced in the fourth quarter of 2022 and was successfully completed post period end. Tolmount East is expected to be tied into production in 2024. 2023 Tolmount activities include testing of the near field Earn prospect in the second half of the year.

Catcher Area

19kboepd
2022 production

HARBOUR EQUITY

Catcher: 50% operated

The Catcher Area averaged 19 kboepd net to Harbour (2021: 18 kboepd). This was driven by a full year's contribution from the field which came from the Premier acquisition. We completed a three well drilling programme at Catcher with two of those wells – Catcher North and Burgman Far East – brought on-stream around year end while the third encountered sub-commercial volumes and was not completed. Following the changes to the EPL announced in November, Harbour and its partners took the decision to defer further infill drilling at Catcher.

North Sea: non-operated

Elgin Franklin

24kboepd
2022 production

HARBOUR EQUITY
Elgin: 19.3% (Total operated)
Franklin: 19.3% (Total operated)
West Franklin: 19.3% (Total operated)
Glenelg: 33.3% (Total operated)

Production from Elgin-Franklin averaged 24 kboepd in 2022, (2021: 18 kboepd). This increase was driven by a full contribution from Premier's interest in the field and a material increase in operating efficiency, benefiting from a shorter summer shutdown and improved reliability. The operator originally planned to drill the EIH development well in 2023 but the well was deferred in response to the November EPL announcement.

Buzzard

15kboepd
2022 production

HARBOUR EQUITY
Buzzard: 21.7% (CNOOC operated)

Buzzard production averaged 15 kboepd net to Harbour (2021: 13 kboepd). This increase was due to a significantly shorter summer maintenance campaign and new production from the Buzzard Phase II wells, which came on-stream in December 2021 and helped to offset natural decline. The operator plans to drill two Northern Terrace infill wells at Buzzard during 2023.

West of Shetland

14kboepd
2022 production

HARBOUR EQUITY
Clair: 7.5% (BP operated)
Schiehallion: 10% (BP operated)
Solan: 100% operated

Harbour's West of Shetland assets comprise our interests in Clair, Schiehallion and Solan. Production at Clair is supported by a continuous drilling programme at Clair Ridge which saw two producer and two water injector wells drilled during 2022. The operator also plans to return to drilling at Clair Phase 1 with three development wells expected to be drilled during 2023. A three well programme is also planned for Schiehallion during 2023.

Beryl Area

11kboepd
2022 production

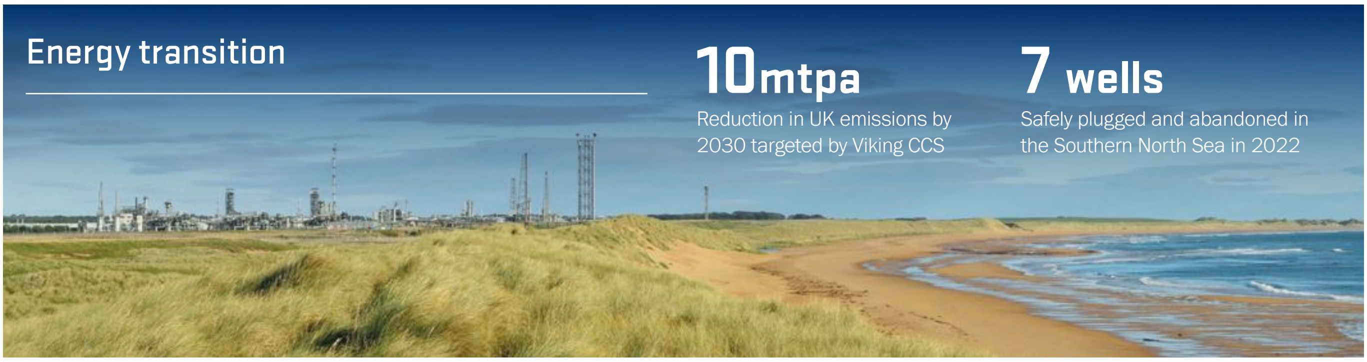
HARBOUR EQUITY	**Ness**: 39.4% (Apache operated)
Beryl: 39.4% (Apache operated)	**Nevis**: 39-49% (Apache operated)
Buckland: 37.5% (Apache operated)	**Skene**: 34% (Apache operated)
Callater: 45% (Apache operated)	**Storr**: 41% (Apache operated)

Production from the Beryl Area averaged 11 kboepd (2021: 12 kboepd). Production was impacted by lower reliability, underperformance from the Storr-2 development well and delays to the Buckland South West well which is expected on-stream in the second quarter of 2023. In 2023, planned drilling comprises platform drilling at Beryl Bravo and Alpha and a development well at Storr. However, the operator is not undertaking further development drilling on Beryl's satellite field Nevis West in 2023 following changes to the EPL.

3,283km²

Acreage on the Norwegian shelf

During 2022, we drilled one exploration well targeting the Ginny prospect on licence PL 1060, which was unsuccessful. Post year-end, in January 2023, we were awarded three licences in relation to the APA 2022 licensing round. Our 2023 drilling programme will commence in the second half of the year with the drilling of the Ringhorne North prospect. This will be followed by drilling of the JDE prospect.



Energy transition

10mtpa
Reduction in UK emissions by 2030 targeted by Viking CCS

7 wells
Safely plugged and abandoned in the Southern North Sea in 2022

Decommissioning

Harbour seeks to responsibly decommission retired oil and gas infrastructure where it is not possible to repurpose it for use in CCS projects. During 2022, Harbour's decommissioning team continued to deliver a strong safety and environmental performance.

In the Southern North Sea we plugged and abandoned seven wells, fewer than anticipated at the outset of the year due to the delayed return of the rig following an extended recertification process in the summer. 2022 also saw us successfully remove the Murdoch complex as well as four satellite platforms from the Lincolnshire Offshore Gas Gathering System (LOGGS). Harbour's Southern North Sea campaign for decommissioning legacy ConocoPhilips infrastructure is expected to complete in 2024. This will conclude a 10-year programme which will have seen 145 wells plugged and abandoned, 38 platforms removed and recycled and over 1,500 kilometres of pipeline flushed, cleaned and made safe.

In the UK Central North Sea, we removed subsea equipment in the Balmoral area in preparation for well plug and abandonment while dismantlement of the Balmoral Floating Production Vessel is ongoing.

Following the changes to the EPL announced in November, we have re-phased certain decommissioning activities such that we now expect to spend c.$200-250 million per year in the near term compared to c.$300 million per year previously.

Viking CCS

Significant progress was made in 2022 on the Harbour led Viking CCS which aims to capture, transport and store 10 mtpa of UK emissions by 2030, using Harbour's existing LOGGS offshore pipeline and the decommissioned Viking gas fields in the Southern North Sea.

2022 achievements included completing the non-statutory and statutory consultations for the onshore pipeline, participating in the UK's first CCS licensing round and having our CO_2 storage capacity evaluated by an independent third party, the first project in the UK to have done so. We also materially expanded our emitter base to include West Burton Energy's power station in Nottinghamshire and two RWE power stations, one in Staythorpe and a planned new CCGT power plant near the Humber. In addition, we entered into an exclusive commercial relationship with Association of British Ports who intend to develop a CO_2 import terminal at Immingham, enabling the potential for shipped CO_2 (domestic and imported) to be transported and stored by Viking in the future.

Subject to inclusion in the government's Track 2 sequencing process and progress around the regulatory and business model, Harbour is aiming to progress Viking CCS to a final investment decision in 2024 with first CO_2 injection as early as 2027.

Acorn

Acorn is the backbone of the Scottish Cluster aiming to transport and store CO_2 from the St Fergus terminal, Scottish heavy industries in the central belt and key petrochemical complexes to offshore depleted reservoirs via the Goldeneye pipeline. A FEED study for the carbon capture plant at St Fergus was completed in 2022. The Acorn partners are now progressing concept select and pre-FEED phase studies for the onshore and offshore T&S infrastructure as well as studies to examine the transportation of captured CO_2 from Grangemouth to St Fergus. Studies for a shipping and import scheme at the Peterhead port also commenced. Subject to government progress related to the regulatory framework, Acorn partners are looking to progress the project to a final investment decision in 2024 with first CO_2 injection as early as 2027.

International: operated and non-operated

"2022 saw us make a significant gas discovery with the Timpan-1 exploration well offshore Indonesia while we also made material progress on our Zama project in Mexico with partners agreeing a field development plan post period end. We are excited about our international growth opportunities which could add materially to future production.

STUART WHEATON
EVP International

Indonesia

9kboepd
2022 production

OPERATED

The Natuna Sea Block A fields averaged 9 kboepd in 2022 (2021: 8 kboepd). The increase on 2021 was driven by a full year's contribution from the fields offset by natural decline from the existing well stock. In the fourth quarter we completed a jack-up rig campaign, comprising a workover and infill well helping to increase delivery from the fields. We continued to see strong demand for our gas with offtake above our take-or-pay levels. Pricing of Indonesian gas also remained strong during the year, averaging $14/mmscf.

Vietnam

4kboepd
2022 production

OPERATED

Our Chim Sáo and Dua fields in Vietnam averaged 4 kboepd in 2022. This reflected natural decline from the existing well stock partially offset by a full year's contribution from the fields and ongoing well intervention activity. Production was also impacted by the delayed arrival of the rig to drill two infill wells and to side-track an existing production well which resulted in the wells coming on-stream post period end rather than in the second half of 2022 as originally premised.

50%

Operated interest

In October, Harbour submitted an initial plan of development (POD) to the government with a view to moving to FEED once the POD had been approved. While the Indonesian Government approved the POD in December, subsequent progress has been impacted by EU and UK sanctions which limit our ability as operator to provide certain services to Russian entities, including our Russian partner in the Tuna licence. As a result, Harbour is now assessing its options with regards to Tuna to enable the project to progress.

40%

Operated interest in Andaman II

In July we, together with our partners Mubadala and BP, made a material gas discovery on our Andaman II licence with the play-opening Timpan-1 well. In December, we secured the return of the West Capella drill ship to drill at least three exploration and appraisal wells across our Andaman acreage in 2023 and 2024. This programme is scheduled to commence in the second half of the year with the drilling of the amplitude supported Layaran prospect on Mubadala's operated Andaman South licence, in which we have a 20 per cent interest, followed by the Halwa prospect to the north east of Timpan and the Gayo prospect to the southeast of Timpan on our operated Andaman II licence. We also completed a 3D seismic survey over the eastern part of our Andaman II licence in the fourth quarter of 2022 to firm up prospectivity that was identified on the existing 2D seismic data.

Mexico

12%

Non-operated interest

In Mexico, Harbour has a 12.39 per cent non-operated interest in the Zama unit where the Block 7 partners and Pemex are finalising the field development plan ahead of anticipated submission to the Mexican regulator by the end of the first quarter of 2023. Front-End Engineering and Design work (FEED) is planned for 2023, along with an update of project cost estimates, ahead of a final investment decision.

30%

Non-operated interest

Harbour has a 30 per cent non-operated interest in Block 30 to the southwest of Zama. A two commitment well exploration campaign commenced in October. The first well targeting the Kan prospect is currently ongoing. The second commitment well which is targeting the Ix prospect is expected to spud in April.

Despite geopolitical and economic volatility in 2022, Harbour was able to deliver material progress against our commitment to high ESG standards, conducting our business safely and responsibly and creating value for our stakeholders.

Our approach to managing our ESG impacts, as well as our ESG performance across key aspects of our operations, is explained throughout this section. Furt[redacted] information can be found in our 2022 ESG Report, including our materiality assessment, which helps u[redacted] ensure our reporting is focused on the ESG disclosur[redacted] that matter most to our stakeholders.

FIND OUT MORE IN OUR ESG REPORT
HARBOURENERGY.COM/SUSTAINABILITY

Safety

0.8
Total Recordable Injury Rate (TRIR) (injuries per million hours worked)

0 Tier 1
Process safety events

Environment

21
GHG intensity[1] (kg CO_2e per boe)

$292m
Spent on energy transition activities[2]

Social

$5.5bn
Economic value generated

Approximately
15%
Of UK domestic gas produced by Harbour[3]

Governance

Zero
Incidents of breach of our Code of Conduct

Zero
Reported incidents of human rights abuses

1 In 2022, we revised our GHG emissions boundary definitions to focus on the activities over which Harbour has operational control and to better align with industry peer reporting. For more information, please refer to our 2022 ESG Report.
2 Energy transition activities include decommissioning ($223 million), carbon credits ($20 million), emissions reduction projects ($21 million) and CCS ($28 million).
3 Data extracted from Wood MacKenzie data analytics platform Lens.

Safety

Ensuring our people are kept safe and well, and raising awareness of potential dangers, particularly for colleagues working in hazardous locations offshore, is of paramount importance to us.

Occupational health and safety

Our health, safety, environment and security (HSES) policy is managed through our business management system (BMS) and comprises a comprehensive set of standards and procedures that govern all our business activities. Our board of directors oversees health and safety matters through the HSES Committee. This committee monitors HSES risk management, drawing on leading and lagging performance data, discussions with management and various sources of assurance including internal process reviews and audits. It is supported by our CEO, other members of our leadership team, our business units and HSES leaders.

Harbour's leadership team keeps HSES performance under constant review including through weekly updates and monthly and quarterly meetings. The results of these reviews inform our action planning and continuous improvement efforts. Safety targets (one relating to occupational safety and another to process safety) are an integral part of Harbour's company performance scorecard and affect variable compensation for our employees including the executive directors. Safety is also a topic discussed during each of the CEO's monthly company-wide townhalls and is featured regularly on the agendas of village halls and other employee events.

Process safety

Our goal is to achieve process safety excellence across all our operations. We base our process safety requirements on industry best practice including the Framework for Process Safety Management developed by the Energy Institute, and implement them through our BMS. Our process safety commitments and requirements are set out in our Corporate Major Accident Prevention Policy. We report and investigate all process safety events and identify ways to prevent recurrence, in line with the International Association of Oil and Gas Producers (IOGP) Tier 1 and Tier 2 definitions.[1]

During 2022, we continued to standardise our process safety procedures and practices throughout the company. Following the adoption of the IOGP Process Safety Fundamentals by the business in 2021, we have focused on embedding these across our operations with an emphasis on establishing the primary causes of process safety events in order to prevent future incidents.

We also continued the roll-out of our major hazards awareness internal training programme, which includes both site-based and virtual reality modules, in 2022. During the year, over 300 individuals attended the on-site module at Spadeadam in Cumbria (UK) including a dedicated course for senior leaders. A further 640 individuals completed a virtual reality module in 2022, including in Vietnamese and Bahasa Indonesian languages, thus increasing its reach to our offshore crews in those countries. Furthermore, in 2022, 17 of our senior leaders have undertaken a one-day external process safety leadership and culture training course.

Safety metrics[1]

ESG topic	Metric	2022	2021
Occupational health and safety	Fatalities	**0**	0
	Lost work day cases (LWDC)	**4**	8
	Restricted work day cases (RWDC)	**4**	4
	Medical treatment cases (MTC)	**1**	3
	Total Recordable Injury Rate (TRIR)	**0.8**	1.3
	High potential incidents (HiPo)	**13**	8
	High potential incident rate (HiPoR)	**1.1**	0.7
	Hours worked (million)	**12**	11.8
	Work-related occupational illness	**0**	1
Process safety and asset integrity	Tier 1 Process safety events	**0**	0
	Tier 2 Process safety events	**1**	2

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

CEO Safety Award

Open to individuals or teams, staff and contractors, the CEO Safety Award recognises outstanding contributions to health and safety across our global operations. Anyone can nominate individuals or teams for demonstrating good safety behaviours – from extended injury-free performance on an asset, to personal interventions to stop work or raise safety concerns, or the introduction of new ways of working or a change in facilities to reduce health and safety risks.

A total of 35 nominations were submitted for the 2022 award. While all were worthy of recognition, the three finalists were:

1. East Irish Sea (EIS) decommissioning campaign, North Sea (overall winner)
2. PTSC Thanh Long emergency response and rescue vessel (ERRV) and PTSC Binh Minh offshore support vessel (OSV) at Chim Sáo field, Vietnam
3. Joko Susanto, deck crew at Anoa floating production storage and offloading (FPSO) vessel, Indonesia

Harbour Energy
CEO SAFETY
AWARD 2022

Environment

We are committed to playing our role in supplying energy safely and responsibly and facilitating the transition to a lower carbon economy.

Addressing our environmental impact

GHG emissions and net zero by 2035
Harbour has committed to the goal of net zero by 2035 for our gross operated Scope 1 and 2 CO_2 equivalent (CO_2e) emissions. In 2022, we continued to clarify our pathway to that goal, and have established an interim emissions reduction target to halve our emissions by 2030 (versus a 2018 baseline). Also in 2022 we updated our GHG emissions accounting boundaries to better align with global standards, including expanding our Scope 3 disclosures.

We aim to achieve our net zero goals through a combination of activities. First and foremost, we seek to reduce our own emissions through operational efficiencies and modifications as well as through responsibly decommissioning retired oil and gas infrastructure which cannot be repurposed for CCS. We also explore opportunities for step changes in our emissions profile, including the potential for partial electrification in the UK Central North Sea. Where we have difficult-to-abate Scope 1 and 2 emissions, we will invest in independently verified carbon credits. Our net zero goal is embedded within our investment decision-making and we have emissions reduction incentives incorporated into our compensation and main debt facility.

In 2022, our GHG emissions intensity across our operated assets was broadly stable at 21.2 $kgCO_2e$/boe (2021: 20.7 $kgCO_2e$/boe[1]), despite a full year's contribution from the more emissions intensive Premier Oil assets.

Alongside our net zero strategy, we are investing in CCS projects to enable the transportation and storage of captured CO_2 emissions safely underground. During 2022, we built significant momentum in our flagship Viking CO_2 transport and storage project in the UK. By repurposing oil and gas infrastructure in the heavily industrialised Humber region, Viking CCS has the potential to meet one third of the UK Government target to capture and store 10 mtpa of CO_2 by 2030.

In 2022, we spent $292 million across our energy transition activities. This includes decommissioning ($223 million), offsetting ($20 million), emissions reduction projects ($21 million) and CCS projects ($28 million).

Effluents, spills and waste
We design, operate, and maintain our facilities in a manner that protects the environment and reduces our negative impacts to as low as reasonably practicable. We take a range of precautions to reduce the risk of spills, and continually evaluate spill risks across our operations.

All our operations maintain comprehensive spill contingency plans. We also have ongoing contracts with spill-response specialists to provide emergency support in the unlikely event of a major incident.

All our operated assets extract oil and/or gas and formation water from offshore reservoirs. We separate the oil, gas and water using our on-site processing plant. Our waste includes oil-derived substances, inorganic chemicals, steel, domestic and other materials including packaging. Some waste streams are non-hazardous and others potentially harmful, so we use a wide range of technologies to treat and manage them effectively. In terms of decommissioning our operations, a very high proportion of materials are reused or recycled, often in other industries. On a day-to-day basis we focus on reducing waste and have robust management programmes in place for the residual wastes generated from our operations and activities.

Environment metrics

ESG topic	Metric	2022	2021
GHG emissions[1]	Scope 1 GHG emissions (million tonnes CO_2e)	**1.4**	1.2[2]
	Scope 2 GHG emissions (ktonnes CO_2e)	**4.1**	3.9
	Scope 3 GHG emissions (ktonnes CO_2e)	**384**[3]	0.5
	GHG intensity ($kgCO_2e$/boe)	**21.2**	20.7[4]
	Methane (tonnes)	**3,307**	2,360
Flaring	Flaring (tonnes)	**51.0**	49.7
Energy	Energy consumption (million GJ)	**22.5**	22.4
	Energy intensity (million GJ/tonne production)	**2.2**	2.0
Spills	Number of hydrocarbon spill incidents	**12**	28
	Quantity of hydrocarbon released to the sea (tonnes)	**0.01**	0.8
Waste	Hazardous waste material produced (tonnes)	**14,564**	10,254
	Non-hazardous waste material produced (tonnes)	**10,764**	15,453
Environmental compliance	Environmental sanctions or fines ($)	**0**	0

1 In 2022, we revised our GHG emissions boundary definitions to focus on the activities over which Harbour has operational control and to better align with industry peer reporting. For more information please refer to our 2022 ESG Report.
2 In 2022, we revised the Scope 1 boundary to better align with industry standards, and now include the gross static GHG emissions from the operations we own or operate, and GHG emissions associated with well testing. As a result, we have restated our Scope 1 GHG emissions data in 2021, from 1.6 million tCO_2e (as reported in our 2021 ESG Report) to 1.2 million tCO_2e.
3 Our Scope 3 GHG emissions in 2022 are considerably higher than our reported Scope 3 emissions in 2021 (0.45 $ktCO_2e$) due to expanding our Scope 3 emissions categories this year.
4 The restated 1.2 million tCO_2e for Scope 1 GHG emissions has been used in our 2021 GHG intensity & Energy calculation.

Climate change and the energy transition

As an oil and gas company, we support the need for more consistent and comparable disclosure around climate-related risks and opportunities. The following pages align with the recommendations issued by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and provide greater insight into our approach to assessing and managing the financial risks associated with climate change. For ease of reference, we have included a TCFD index on page 38.

1. Climate governance

The Board is responsible for our climate strategy and for ensuring Harbour maintains sound climate risk management and internal control systems, including responsibility for setting and monitoring the company's GHG emissions reduction targets. The Board has oversight of climate-related risks and opportunities and ensures climate-related considerations are embedded in our decision-making, including the application of strict financial criteria, such as our internal carbon price, across all investment decisions. At the project level, the assessment of climate topics and related risks is an integral part of the project approval process. Through the Remuneration Committee, the Board ensures climate performance, including performance against our net zero target, is embedded in the corporate scorecard and annual performance KPIs[1].

While responsibility for climate change-related matters ultimately rests with the Board, it delegates the monitoring and review of Harbour's net zero strategy and performance to the Health, Safety, Environmental and Security (HSES) Board Committee. The HSES Committee evaluates our policies and systems, the quality and integrity of our HSES reporting, and the suitability of our management system to manage current and emerging HSES risks including climate-related risks. The Committee also provides advice and recommendations on setting key performance indicators (KPIs) and targets, and on opportunities to collaborate with industry peers.

The Audit and Risk Committee further supports the Board through considering the impact of the energy transition on Harbour, in particular on the scale and timing of such impacts and implications for the long-term resilience of the business and the impact on the financial statements. Further detail on the work undertaken by the Audit and Risk Committee can be found on pages 68 to 71.

Our CEO has executive responsibility for Harbour's climate change and sustainability policies and how they are implemented across the company. In early 2022, reflecting the growing importance of net zero and CCS in our business, we established a new leadership team position, EVP HSES, Net Zero and CCS, to take responsibility for our HSES policies, standards and procedures, and for driving forward our net zero and CCS goals.

Climate change management structure

The Board[1]

HSES Committee[2] | **Audit and Risk Committee[3]** | **Remuneration Committee[4]** | **Nomination Committee[5]**

CEO and leadership team
Most senior individuals with accountability for climate change risk management

↓

EVP HSES, Net Zero and CCS
Climate change and energy transition strategy, policies and procedures, and tracking of performance

↓

Businesses and functions[6]
Responsibility for implementing Harbour's GHG strategy with functional support and assurance

1 Oversight of climate change risk management.
2 Non-executive directors appointed by the Board to review and advise on sustainability policies and practices including climate change.
3 Non-executive directors appointed by the Board to oversee the effectiveness of the system of risk management and internal control.
4 Non-executive directors appointed by the Board to set remuneration policy in alignment with strategy.
5 Non-executive directors appointed by the Board to review and advise on organisation and succession.
6 Line management supported by functional teams.

1 The 2022 scorecard includes a 15 per cent weighting for GHG emissions.

2. Climate strategy

We will deliver our net zero goal through the implementation of our net zero strategic pillars (see below). The pillars prioritise reducing our emissions by improving operational efficiency and also safely and responsibly decommissioning assets as they reach the end of their commercial life. In order to offset our difficult-to-abate Scope 1 and 2 emissions, we will invest in independently verified carbon credits.

Our climate strategy is developed through the assessment of climate-related risks and opportunities, and the associated scenario analysis to ensure it is relevant and appropriate for the business and meeting our net zero goals.

This process helped us identify our top climate-related risks and opportunities and as well consider the resilience of Harbour's assets over the longer term.

An overview of our scenario analysis process and outcomes, including top risks and opportunities, is presented across the following pages.

Climate-related risks and opportunities

In 2022, we undertook a detailed review of our climate-related risks and opportunities (CRROs), as well as our overall risk management processes and structures.

Furthermore, with the support of an independent party, we undertook a scenario analysis exercise to assess the commercial impact of these CRROs (physical and transitional) on our portfolio. The scenarios helped us assess the impact of possible shifts in the macroeconomic outlook, technology developments, policy and legal implications, and the projected future demand for our products.

Scenario analysis

The TCFD recommends that organisations use a scenario under which global warming is kept to well below a 2°C increase during this century, compared with preindustrial levels, to test portfolio resilience. Such scenarios usually feature a reduction in demand for fossil fuels, and a growth in clean technologies.

Scenario selection: In line with TCFD best practice recommendations, our scenarios included:

Transition scenarios:

- **The International Energy Agency (IEA) Net Zero Emissions (NZE):** by 2050 Scenario, which is consistent with limiting the global temperature rise to 1.5ºC and is commonly used by our industry peers.
- **Two of the latest climate scenarios released by the Network for Greening the Financial System (NGFS)[1]:** Current Policies (>3ºC) and Delayed Transition

Net zero strategic pillars

Measure

We measure our emissions in line with the GHG protocol of the World Business Council for Sustainable Development which provides:

- Accurate and consistent emissions measurement, reporting and forecasting
- Alignment with global standards
- Independent verification of progress towards our net zero commitment

Reduce

We have over 123 emissions reduction projects at various stages of maturity across our Environmental Hopper, targeting ~411 ktCO_2e between now and 2035. These include:

- Optimise and improve operations
- Minimise venting and flaring through asset-level strategies that include flare combustion efficiency modelling
- Introduce low carbon designs in new developments
- Reduce emissions safely from mature assets as they approach end-of-life
- Safely and responsibly decommission oil and gas infrastructure as it reaches its end-of-life

Offset

We will decarbonise our onshore and offshore facilities as much as is practical. In addition, we will:

- Offset residual, hard-to-abate emissions by investing in independently certified credits, accumulating these credits to be used in later years
- Reduce operational emissions as priority over offsetting
- Review our strategy annually

Continual incentivisation and investment across our strategic pillars

Incentivise and Invest

- Embed emissions reduction incentives in compensation programmes
- Link financing cost incentives in our debt facilities to emissions reduction performance
- Embed net zero impact in investment decisions
- Embed net zero and any associated offsetting impacts in investment decisions
- Screen acquisition (M&A) opportunities for emissions intensity
- Invest in potential UK CCS projects: Viking CCS and Acorn (see page 27 for more information)
- Assess the opportunity for partial electrification in the UK Central North Sea
- Invest in the decommissioning of mature oil and gas producing assets (see page 27 for more information)

1 NGFS Scenarios for central banks and supervisors, September 2022, Network for Greening the Financial System.

(1.6°C). The NGFS scenarios were selected because they have better representation of a Paris-aligned well below 2°C scenario for developing economies where we operate (including Indonesia and Vietnam) compared to the IEA scenarios.

Physical scenarios:

The Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSP) scenarios, namely:

- **SSP1-2.6:** (also known as the Sustainable development scenario), with a temperature outcome of +1.7°C by 2050, and +1.8°C by 2100.
- **SSP5-8.5:** (also known as the Fossil fuel-driven development scenario), with a temperature outcome of +2.4°C by 2050, and +4.4°C by 2100.

Timeframe selection: The selected climate scenarios were assessed across three timeframes based on the expected operational lifetime of our asset portfolio as well as our 2035 net zero goal. These timeframes are: short term (2030), medium to long term (2040) and long term (2050). Physical risks were assessed over the short term (2030) and long term (2050) only due to the granularity of results, whilst transitional risks have been assessed over all three timeframes.

Scenario analysis: To consider the climate resilience of Harbour's portfolio, a shortlist of both physical and transitional CRROs was identified. To determine this we took into account the principal risks facing the company and the range of CRROs noted by IPIECA, the World Bank, IEA and other common sources for our industry. The shortlisted CRROs were further refined through scenario analysis that used a consistent methodology to assess the 'consequence severity' (scale of the risk/opportunity posed by a hazard/indicator on Harbour's business and assets) of each risk/opportunity if it was to materialise and the 'likelihood' of that risk/opportunity materialising under the scenarios and timeframes outlined above. Transitional CRROs were evaluated on a regional basis and, where relevant, on a global level to reflect wider socioeconomic drivers. Physical CRROs were assessed on a site-by-site basis reflecting the localisation of long-term physical risks.

The 'consequence severity' and 'likelihood' ratings provided an overall assessment for each of the CRROs, enabling us to rank the CRROs in order of their potential: low, medium, significant and high, in alignment with the company risk matrix. The tables overleaf provide our highest rated transitional risks and opportunities and highest rated physical risks, and a description of how these are managed.

Our journey towards net zero

2022 achievements

- Established an interim net zero target of 50% reduction in emissions by 2030 against 2018 baseline
- Expanded the extent of our Scope 3 emissions disclosures
- Revised and disclosed the outcomes of our climate change scenario analysis
- Completed our flare gas recovery engineering studies
- Standardised the Group emissions reduction opportunities hopper and asset reduction plans
- Realised emissions reduction opportunities and estimated annual savings of 54 $ktCO_2e$

2023 plans

- Roll out the corporate digitised ESG Reporting Database
- Establish a standardised approach for flaring and venting management
- Develop methane reduction plans for all assets
- Expand hopper screening process for emissions reduction opportunities
- Improve and refine assurance cycles of emissions data management
- Embed GHG metrics in key third party contracts

Harbour offsetting strategy

- Continue to selectively acquire high quality, credits, certified to globally accepted standards such as VERRA
- Prioritise investments in emissions removal projects surrounding reforestation, which ensure that atmospheric carbon is actively being captured and removed from the atmosphere, rather than representing avoided emissions

2018
Emissions baseline

Using 2018 as our baseline year aligns to the North Sea Transition Deal (NSTD[1]) – the agreement between the UK upstream oil and gas industry and the UK Government – which sets out supply decarbonisation targets for the industry. The NSTD targets commit the industry to reduce emissions against a 2018 baseline, with the ultimate aim to be a net zero basin by 2050. Our Net Zero 2035 target is further aligned with the wider UK Government binding target, set in 2019, to be net zero by 2050.

1 Published NSTD.

2025
Methane emissions

Ensure methane intensity is less than 0.2 per cent across our operated sites by reducing flaring and venting activities through our emissions reduction plans.

<0.2%

Methane emissions intensity

2030
Gross operated emissions Scope 1 & 2

Interim target in our net zero journey.

50%

Gross operated emissions reduction vs 2018

Flaring

Harbour Energy is a signatory to the World Bank's 'Zero Routine Flaring by 2030' initiative.

Zero

Routine flaring by 2030

2035
Reaching net zero

Our goal is to achieve net zero for our gross operated Scope 1 & 2 emissions in 2035, ahead of the NSTD goal of net zero by 2050.

Net zero

Gross operated Scope 1 & 2

Transition risks

The table below summarises the key transition risks facing the company, identified through the scenario analysis process, and how they are currently being managed. An oil price sensitivity analysis was undertaken for all three transition scenarios to assess the resilience of the business to the prospective impact of these transition scenarios. These scenarios take into account the unmitigated effect of the key transition risks below. In conclusion, while the analysis is inherently uncertain, our portfolio appeared to be generally robust to all scenarios analysed. For further information refer to note 2 in the financial statements on pages 124 to 126.

Transition risks

Risk		Description	Impact on business, strategy and planning	How the risk is managed
Policy and legal	Carbon pricing mechanisms applied to direct operations	Carbon pricing is expected to be an important instrument to deliver a decarbonised economy. Operational costs are expected to increase as the weight and scope of these mechanisms widen. It is expected that this risk would arise at all time-horizons and would mostly affect UK operations. **Time frame: Short term (2030), medium to long term (2040) and long term (2050).**	Potential for material impact on balance sheet, however sensitivity analysis using a carbon price of $100/tonne indicates that material impairments would not arise. The company may face more demanding regulatory requirements or lose some sources of funding if it is unable to meet such evolving regulatory, investor, lender, and societal expectations.	■ Credible emissions reduction plans in place to meet Net Zero 2035 goal, including an interim 2030 emissions reduction target, zero routine flaring commitment, alignment with regulatory requirements and emissions offset investment strategy. ■ Emissions reduction targets feature in incentive compensation and incorporated into the main reserves-based lending debt facility. ■ Energy transition scenarios and risks, including the cost of carbon, embedded in key judgements and estimates within the financial statements, investment decisions (including for potential acquisitions), corporate planning and M&A analysis. The current price of carbon used is £80/tCO_2 ($100/t$CO_2$). We also run carbon price sensitivities on our portfolio at $100/t$CO_2$. See pages 124 to 126 for more information. ■ Constructive engagement maintained with relevant government and the regulatory stakeholders. ■ New and emerging ESG reporting regulatory requirements closely monitored to ensure compliance, including independent verification. ■ Carbon hedging conducted to actively manage the company's exposure to carbon pricing in the UK market and meet regulatory requirements.
	Policy incentives and emerging regulation curtailing future fossil fuel demand	As governments globally implement the Paris Agreement targets, new or more stringent policies and regulations are being proposed and put in place that may curtail future fossil fuel demand from many end-use sectors (electricity generation, buildings, transportation). **Time frame: Short term (2030), medium to long term (2040) and long term (2050).**		
Market	Reduced customer demand for fossil fuels	The risk of a reduction in customer demand for fossil fuel products arising from new or more stringent demand side regulations and changes in consumer preferences. **Time frame: Short term (2030), medium to long term (2040) and long term (2050).**	The company's long-term viability may be in question should Harbour be unable to maintain a strategy and business model that are resilient to evolving market conditions, requirements and expectations. The company may be subject to negative NGO or shareholder activism which could affect its reputation and societal 'licence to operate'.	■ Periodic review of corporate strategy and business model in the context of the energy transition, including changing demand for oil and gas, and evolving investor, societal and regulatory expectations. ■ Contribution to representation on the role of oil and gas in the energy transition and in promoting energy security. ■ Investment in gas, or gas-rich projects such as Andaman and Tolmount, prioritised over oil only projects, to support our emissions reduction targets. ■ Pursue potential investment in CO_2 capture and storage project, in particular where re-use of idle oil and gas infrastructure can contribute to lower development costs.
Financial	Limitations on our access to capital or increase in our cost of capital	Increasing stakeholder concern could impede Harbour's access to capital or add conditions to financing. **Time frame: Short term (up to 2030), medium term (2030–2040) and long term (2040–2050).**	The company may face increased cost of capital, and reduced or more conditional access to capital. As a result, the company may not have sufficient funds to re-invest in its existing assets or to fund growth through capital investments and M&A as outlined in the strategy. In addition, the company may be subject to negative NGO or shareholder activism which could affect its reputation and societal 'licence to operate'.	■ Clear commitment made to the safe, reliable and responsible production of oil and gas. ■ Credible emissions reduction plan in place to meet Net Zero 2035 goal, including interim 2030 emissions reduction target, zero routine flaring commitment, alignment with the regulatory requirements and emissions offset purchase plans. ■ Emissions reduction targets feature in incentive compensation and incorporated into the main reserves-based lending debt facility. ■ Continued monitoring of investor appetite, debt market volatility and bank lending capacity in light of the energy transition.

Sensitivity analysis: Oil prices in the IEA, NGFS and Harbour Scenarios

The energy transition has the potential to significantly impact future commodity and carbon prices which would, in turn, affect the recoverable amount of property, plant and equipment and goodwill. To test our resilience, the impact of the IEA Net Zero 2050 (NZE) and NFGS climate scenarios has been modelled against our internal Harbour Scenario base case. The sensitivity analysis is based on crude price curves and the modelling assumes that all other factors remain unchanged from the Harbour Scenario. The sensitivities are stated before any management mitigation actions to manage downside risks, if the scenarios were to occur. For more information refer to note 2 to the financial statements on pages 124 to 126 and page 24 of our 2022 ESG report.

Transitional opportunities

An important aspect of mitigating our climate change risks includes evaluating opportunities to apply technological innovation and efficiency to decrease energy use and GHG emissions across our operations, and working with partners to advance the development of a range of low GHG emissions pathways. The table below outlines the focus areas of our key climate-related opportunities.

Key transition opportunities

Opportunity		Description	Impact on business, strategy and planning	How this opportunity is managed
Access to new markets	CCS	CCS is an essential technology for the UK Government and other jurisdictions to achieve their net zero goals.	CCS is expected to rapidly grow under multiple scenarios. Coupled with increased carbon prices, deploying CCS at scale could develop into a significant opportunity to generate long-term revenue while safeguarding jobs.	Harbour is investing in two early-stage CCS projects (Viking CCS and Acorn) that could make a significant contribution to the UK's CO_2 emissions reduction and storage targets. See page 27 for more information.
Access to new markets	Hydrogen	Hydrogen is a highly versatile energy source and is expected to play an important role in the decarbonisation of hard-to-abate sectors.	An opportunity for Harbour may arise as the demand for low-emission hydrogen grows, produced either by water electrolysis or by fossil fuel in combination with CCS.	Harbour's gas business combined with its first steps into CCS would place the company in a good position to enter the market for low-emissions hydrogen. A hydrogen module is present in the Acorn project in which Harbour is a partner. See page 27 for more information.
Use of lower-emission sources of energy	Electrification	Decarbonisation efforts through using lower-emission sources of energy including electrification could reduce operating expenses by reducing carbon tax liability.	Increased use of lower-emissions sources coupled with increased carbon prices expected under multiple scenarios could result in an opportunity for carbon tax savings.	Harbour is assessing the opportunity for partial electrification in the UK Central North Sea. Preliminary results indicate a large-scale project is unlikely to be viable, but smaller-scale, facility-specific projects may be possible. The study is expected to conclude in 2023-2024.

Physical risks

The table below summarises the key physical risks facing the company, identified through the scenario analysis process, and how they are managed. Given our understanding of the physical risks today and the outcomes of scenario analysis described above, we do not expect any one individual risk identified below to be material to the business in the short term (2030), taking into account the geographical diversity of our asset base with the current portfolio split predominantly being UK North Sea. Due to our organic growth opportunities in Indonesia and Mexico, we will continue to assess our CRROs and update our physical related risks as appropriate.

Key physical risks

Risk	Description	Impact on business, strategy and planning	How the risk is managed
Acute Including the following hazards: ■ Storms and high winds ■ Extreme cold ■ River flooding ■ Extreme rainfall flooding ■ Coastal flooding ■ Wildfires ■ Landslides	Based on the physical risk scenario analysis a number of acute hazards (onshore and offshore) have the potential to be significant. The most notable of these hazards include storms and high winds and coastal/extreme rainfall flooding in relation to our UK North Sea assets, with additional hazards noted in Southeast Asia relating to the presence of intense cyclone and storm activity within this region. **Time frame: Short term[1] (2030), Long term (2050).**	Impacts could include: ■ Damage to assets (with the most significant and impactful damage being associated with offshore platforms) ■ Disruption to operations and development activity ■ Risks to the health and safety of staff	■ Meteorological and oceanographic studies undertaken for offshore developments include modelling that incorporates assumptions from the latest climate science. ■ Mitigations that address changing storm magnitude are incorporated into the design of our facilities, where appropriate. ■ We maintain severe weather and business continuity plans. ■ We maintain asset and company level emergency response teams and conduct training and exercises against our plans. ■ We assess how climate change may impact water availability and water stress in areas where we operate. ■ We periodically review the long-term physical risk profile across core geographies.
Chronic Including the following hazards: ■ Extreme heat ■ Water stress and drought	Based on the physical risk scenario analysis there were no chronic hazards identified that are likely to cause material impacts for the UK North Sea business under any timeframes or scenarios. Whereas episodes of extreme heat are encountered in Southeast Asia today, and projections indicate an increase in the intensity/frequency of extreme heat events, these are not expected to be large enough to increase the materiality of chronic physical risk in the future. **Time frame: Long term (2050).**	The most notable impacts could be associated within Southeast Asia only, being: ■ Increases in operating expenses related to cooling	

1 Storms and high winds are a short term risk for assets in Southeast Asia.

3. Climate risk management

Climate-related risks are assessed and managed in line with Harbour's risk management framework. The framework comprises:

- A risk management process through which we set our context for risk, including defining our appetite (or tolerance) for risk, and identify, assess, mitigate, monitor and communicate risk in the business (see risk management process diagram on page 51)
- An internal control system to enable risks to be managed in line with our defined risk appetite
- An assurance model to check that the controls in place are appropriate and effective given our defined risk appetite

The overall risk related to the energy transition and net zero is recognised by the Board as a principal risk facing the company. For more information, see pages 50 to 59.

4. Climate metrics and targets

In 2022, we took a refreshed look at our approach to GHG accounting.

We expanded our Scope 3 disclosures to include GHG emissions associated with purchased goods and services, upstream transportation and distribution, waste management, business travel and investments. We recognise that Scope 3 emissions often represent a large component of an organisation's total GHG emissions profile; as a result, we are working to better understand and influence the emissions from our value chain including suppliers and customers.

We also adjusted the Scope 1 emissions boundary definitions to reflect these new disclosures, to better align with industry peer reporting, and to focus on the activities over which Harbour has operational control.

We have aligned our climate-related risks and opportunities to our financial performance. The metrics reflect the ongoing investments relating to mitigating potential risks, and investing in future opportunities, such as the Viking CCS project. Emissions reduction incentives are part of employee remuneration and annual bonus schemes[1].

Furthermore, the proportion of assets which would be affected by climate change risk are disclosed in note 2 to the financial statements.

Additionally, the cost of borrowing is tied to our gross operated CO_2 emissions performance, with GHG metrics being linked to our reserve base lending (RBL) interest expense, further incentivising our emissions reduction efforts.

For more information refer to the Directors' Remuneration Report on pages 78 to 99.

Climate change risk-related metrics

21kgCO_2e/boe
GHG intensity

0.3m tCO_2e
Scope 3 emissions

10m tCO_2e
Viking CCS carbon storage per year by 2030

$100/tonne
Internal carbon pricing sensitivity

25%
Of total capital spend on climate-related risk mitigation[2]

3 days
Production downtime related to adverse weather[3]

1.4m tCO_2e
Scope 1 & 2 emissions

15%
Remuneration linked to GHG targets

$292m
Spend on energy transition activities[4]

14%
Of total cash flow spend on climate-related risk mitigation[5]

7%
Of total operational spend on climate-related risk mitigation[6]

1 Remuneration linked to GHG targets, 15 per cent in 2022.
2 Decommissioning spend ($223 million) divided by total capital expenditure ($907 million).
3 Global operated assets.
4 Decommissioning spend ($223 million), carbon credits ($20 million), emissions reduction projects ($21 million) and CCS ($28 million).
5 Total energy transition spend ($292 million) divided by free cash flow ($2.1 billion).
6 Emissions reduction projects, carbon credits and CCS ($69 million) divided by operating costs ($1.1 billion).

TCFD index table

Recommendation	Recommended disclosure	Disclosure level	Reference (Annual Report)	Reference (ESG Report)
1. Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Full	**Strategic report** ■ ESG review (page 30) **Governance** ■ Chairman's introduction to Governance (page 60) ■ Audit and Risk Committee report (page 68) ■ HSES Committee report (page 76)	■ Environment (page 17)
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Full		
2. Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Full	**Strategic report** ■ ESG review (page 30) ■ Risk management (page 50) ■ Viability statement (page 53) ■ Note 2 to the financial statements (page 124)	■ Environment (page 17)
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Full		
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Full		
3. Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Full	**Strategic report** ■ ESG review (page 30) ■ Risk management (page 50) ■ Principal risks (page 54)	■ Environment (page 17)
	b) Describe the organisation's processes for managing climate-related risks	Full		
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Full		
4. Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Full	**Strategic report** ■ ESG review (page 30)	■ Environment (page 17) ■ ESG data sheet (page 78)
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Full		
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Full		

Viking CCS

The UK Climate Change Committee recently noted that there is no route to net zero in 2050, or to decarbonising industry while safeguarding jobs, without deploying CCS at scale.

Led by Harbour Energy, Viking CCS (formerly called V Net Zero) is a CO_2 transport and storage network located in the Humber, the UK's most industrialised region. Viking CCS is targeting first CO_2 storage as early as 2027 and a reduction of 10 million tonnes of UK emissions per annum by 2030 and up to 15 million tonnes by 2035.

Viking CCS will equip the Humber with high-capacity, reliable, low-carbon infrastructure to promote inward investment, attract new industries, and safeguard jobs in the area, with the opportunity to deliver over $4 billion of Gross Value Add across the regional economies.

The project consists of four main components:

1) CO_2 capture:
Alongside a diverse range of industrial partners, including Associated British Ports (ABP), HumberZero (Phillips 66 and VPI Immingham), RWE and West Burton Energy, the project will capture and deliver CO_2 emissions into the Viking CCS network. In October 2022, Viking CCS announced an exclusive commercial relationship with ABP to develop a CO_2 import terminal at the Port of Immingham, the UK's largest port by tonnage, which will enable the import of CO_2 emissions from elsewhere in the UK or Europe for transport and storage offshore. The terminal will provide a large-scale facility to connect CO_2 emissions from industrial businesses around the UK to Viking CCS's high-capacity CO_2 storage sites in the Southern North Sea.

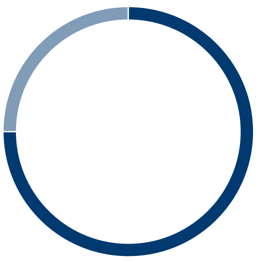
2) CO_2 transport (onshore):
The statutory consultation process for a development consent order (DCO) for an onshore pipeline transporting CO_2 from Immingham to Theddlethorpe, ran from 22 November 2022 to 24 January 2023 and followed two stages of non-statutory consultation earlier in 2022. This pipeline will be used to gather the captured CO_2 from our industrial partners and transport it to the existing offshore pipeline. This is a Nationally Significant Infrastructure Project (NSIP), and following submission of the DCO application in 2023, the Secretary of State's decision is expected from summer 2024.

3) CO_2 transport (offshore):
The Viking CCS project intends to repurpose legacy Harbour Energy gas pipeline infrastructure for purposes of transporting the CO_2 offshore. Re-use of this infrastructure will lower the cost of deployment, reduce the environmental impacts to sensitive marine and coastal habitats, and reduce the overall CO_2 emissions intensity of the project. Viking CCS has completed detailed engineering to assess the suitability to repurpose the existing Lincolnshire Offshore Gas Gathering System (LOGGS) pipeline for CO_2 service. This existing 120 km pipeline, at 36" diameter and over 1" wall thickness, offers an offshore transportation capacity of over 30 metric tonnes per annum (mtpa) and is projected to save over 70,000 metric tonnes of embedded carbon emissions through the repurposing.

4) CO_2 injection and storage:
The CO_2 will be stored within the depleted gas reservoir of the offshore Viking field, 9,000 feet beneath the seabed and 140 km from the Lincolnshire coast. The Viking reservoir is what is termed as 'super-sealed' with its caprock consisting of layers of salt, hundreds of feet thick. This is a high strength barrier under which the CO_2 will be stored. Harbour commissioned ERCE to complete a Competent Person's Report for the Viking CCS storage capacity based on the Society of Petroleum Engineers (SPE) Storage Resources Management System (SRMS) standard, and to audit Harbour's 2C storage resource estimate. The audit process has confirmed that Harbour's estimate of 300 metric tonnes of 2C storage resource is fair and reasonable. We believe this is the first 'Competent Person's Report' to be submitted under the SPE SRMS standard in the UK and only the third in the world to have done so.

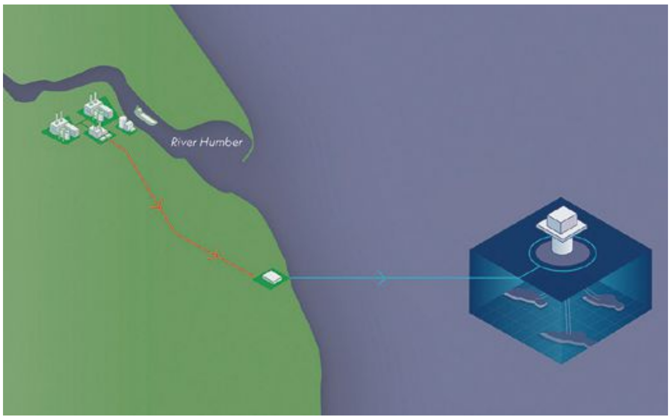
The Viking CCS project will also play a key role in solving the issue of stranded emissions from UK businesses and industrial clusters. By extending the network, we will link additional emitters to Viking CCS's transport and storage network.

Emissions from industry partners
Million metric tonnes per annum



Abated gas fired power generation	75%
Industrial decarbonisation and blue hydrogen	25%

$4bn
Of Gross Value Add across the regional economies delivered



FOR MORE INFORMATION ON VIKING CCS, SEE OUR 2022 ESG REPORT
HARBOURENERGY.COM/SUSTAINABILITY

Social

Our culture is based upon our values, building effective working relationships and open engagement with our workforce.

Value generation and distribution

In addition to supplying much-needed energy, our operations create value that is distributed throughout our host countries and local communities, and directly supports long-term socio-economic development. This includes payments to:

- Suppliers and contractors, including locally based companies;
- Our employees, including wages and benefits;
- The capital markets, including shareholder dividends, share buybacks and interest on debt;
- Host governments, including corporate income taxes, royalties and other payments.

We believe a commitment to shareholder distributions is an important part of Harbour's equity story. In support of that, we announced the introduction of our dividend policy in 2021 of $200 million per year to be paid in equal, semi-annual instalments to our shareholders. In addition, we approved a total of $400 million in share buybacks during 2022.

In terms of investment, we invested circa $2 billion during the year in capital and operating costs. Tax payments increased substantially during the year to $551 million, an increase of 97 per cent over 2021.

Human resources

In 2022, we launched our first global engagement survey for employees and contractors, with a response rate of 84 per cent. The survey established a baseline of metrics across the company in a wide variety of areas including communications, safety culture, collaboration and career development. The high response rate has given us a very good sense of what is working well and where we need to focus our efforts for the future. We had high overall scores in the areas of health and safety, management performance, alignment and involvement. Positive scores were generally more evident outside the UK, where employees have been less impacted by multiple acquisitions and related organisational change.

In 2022, we also appointed a Global Head of DE&I who leads the development and supports the execution of a comprehensive, long-term DE&I strategy including a near-term plan for the business.

Human rights

Our Code of Conduct, core values and related policies including our Human Rights Statement, Supply Chain Policy, Sustainability Policy and People Policy reflect our commitment to upholding human rights, protecting worker welfare standards and preventing modern slavery from taking place in either our business or our supply chain.

All our operated assets are located offshore. The profile of our human rights risks and impact is therefore very different from that of onshore operators. Overall, we consider there to be relatively low risk of modern slavery taking place in our business and supply chains. This is mainly due to the sector we operate in, and because most of our suppliers are staffed with both skilled workers and technical specialists, and have advanced compliance systems.

Social metrics

ESG topic	Metric	2022	2021
Economic value generated and distributed	Economic value generated ($m)	**5,508**	3,667
	Economic value distributed ($m)	**3,319**	2,088
	Community investments ($m)	**1.5**	1.1
Employees[1]	Number of employees		
	■ At end of year	**1,824**	1,771
	■ Turnover during the year (%)	**7**	7
	Gender balance of employees		
	■ Male	**1,358**	1,333
	■ Female	**438**	466
	Gender balance at senior management level[2]		
	■ Male	**329**	260
	■ Female	**97**	64
	Gender balance at Board level		
	■ Male	**6**	7
	■ Female	**3**	4
Human rights	Identified violations of our Human Rights Policy (by Harbour and its employees)	**0**	0
	Significant negative human rights or labour rights impacts identified by our supply chain	**0**	0

1 Definition of employee: direct contracted global staff.
2 Definition of senior management level: employee grade 31 and above.

Board and executive management diversity (breakdown by gender and ethnicity)

Gender	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management
Men	6	67%	3	9	75%
Women	3	33%	1	3	25%

Ethnicity	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management
White British or other White (including minority white groups)	8	89%	4	12	100%
Mixed/Multiple ethnic groups	1	11%	0	0	0%

1 Definition of senior Board position: Chairman, CEO, CFO, Senior Independent non-executive director.
2 Definition of executive management: The executive committee or most senior executive or managerial body below the Board, including the company secretary but excluding administrative and support staff.

Governance

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

Business ethics

Harbour has zero tolerance for bribery, corruption or fraud and is committed to conducting its activities to the highest ethical standards and in compliance with all applicable laws and regulations. This is consistent with our Code of Conduct and core values, and is critical in maintaining the trust of our stakeholders which underpins both our current and future success.

Our Board, its committees and the leadership team are responsible for monitoring and managing ethics and compliance activities across Harbour.

In 2022 we identified zero substantiated allegations of wrongdoing as set out in the Code of Conduct and the whistleblowing procedure. We did not terminate or fail to renew any external business relationships due to breaches of the Code of Conduct. In addition, we were not subject to any significant fines or non-monetary sanctions for legal or regulatory breaches. Finally, we were not subject to any legal actions relating to business ethics, corruption or anti-competitive behaviour.

Tax

Harbour's Tax Policy applies to all taxes we are subject to, and covers, among other things: framework, planning, risk management, governance, relationship with authorities and external communications.

We are committed to making prompt disclosure and transparency for all tax matters. This includes the disclosures and submissions we make to comply with the requirements of the Reports on Payments to Governments Regulations, the Extractives Industries Transparency Initiative (EITI), and the Country-by-Country Reporting (CBCR) framework developed by the Organisation for Economic Co-operation and Development (OECD).

During 2022, we made tax payments totalling $551 million, an increase of 97 per cent compared to 2021.

Security

Cyber-security risks and physical security risks at facility or asset level across the oil and gas industry can arise because of terrorism, armed conflict, insider actions, protester activity, sabotage, theft or other criminal activity. Protecting Harbour personnel and assets from such activity is crucial to safe and continuous operations.

In 2022, we had zero significant cyber-attacks or data breaches and zero direct security incidents. Further detail on how the cyber risk is managed is explained on page 58 in Principal risks.

Decommissioning

We decommission our operated assets in a sequential, cost-effective and efficient manner. In doing so, we focus on protecting the environment, ensuring the safety of the workforce and minimising the impact on communities during and after closure.

Our UK decommissioning activities are aligned with the North Sea Transition Authority's (NSTA) decommissioning strategy and stewardship expectations and comply with the decommissioning guidance notes prepared by the UK Department for Energy Security and Net Zero (DESNZ).

Refer to the Operational review on page 27 for information on this year's performance.

Responsible supply chain management

We manage our contractors under seven key performance indicators – HSES, cost, schedule, quality, greenhouse gas emissions management, value-add and relationships. Furthermore, we subject all new contractors to an initial risk-based HSES assessment via either prequalification, bidding or review, and then again during contract commencement. Many of our contractors will also be subject to relevant contract audits throughout the contract management period.

Our contractor due diligence process also screens all new contracting entities for human rights, labour rights, corruption, and financial and business ethics risks. This screening activity is a precursor to ongoing monitoring for all third parties.

This initial screening is followed up by a risk-based questionnaire process that enables the contract teams to focus on materially high-risk contracts.

In 2022, we identified zero negative environmental, human rights or labour rights impacts in our supply chain.

Public policy and government relations

As a leading oil and gas company, we participate in working groups, taskforces, and consultations on public policy and legislation in the countries in which we operate. We do so directly and through our membership of trade, industry, and other professional associations. Our policies do not permit the use of our funds or resources as contributions to any political campaign, political party, political candidate, or any such affiliated organisations.

During 2022, several key public policy development issues became the focus of our attention and engagement in the UK. These included, but were not limited to, the introduction of the Energy Profits Levy (EPL), the government's new Energy Security Strategy, the new UK sanctions regime introduced after Russia's invasion of Ukraine and the energy transition. We also engaged in climate-specific public policy developments including the introduction of a new climate compatibility checkpoint for the North Sea basin, the UK Government's upcoming Track 2 process to support CO_2 capture and storage (CCS), electrification, and the North Sea Transition Deal (NSTD).

We are working with the UK Government, public bodies and industry partners to support the UK's net zero ambitions through our participation in projects aiming to capture, transport and store CO_2, including through our Viking CCS project (see page 39).

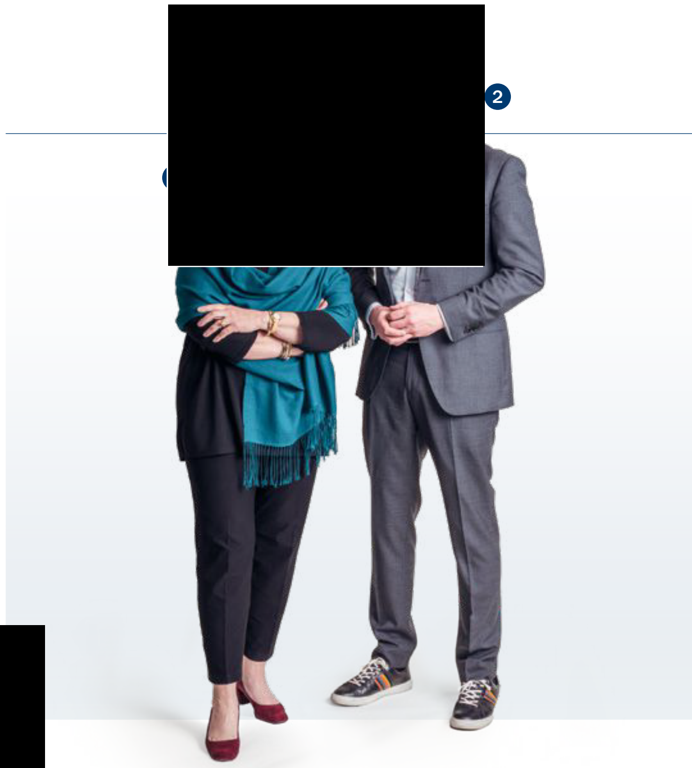
Governance metrics

ESG topic	Metric	2022	2021
Business ethics	Significant legal sanctions in relation to business ethics, including bribery and corruption	**0**	0
Public policy and government relations	Value of political donations and contributions ($)	**0**	0
	Value of significant financial assistance from governments ($)	**0**	0
Responsible supply chain management	Percentage of new supplier contracts with locally owned entities (%)	**63**	69
	Number of significant negative environmental, human rights or labour rights impacts in our supply chain	**0**	0

Our leadership team

Leading the way through our expertise

Harbour's leadership team is responsible for implementing Harbour's strategy and delivering business performance, so that we continue to play a significant role in meeting the world's energy needs, safely and responsibly.



3. Bob Fennell
EVP North Sea

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

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

He is a board member at Offshore Energies UK (OEUK), the leading trade body that champions the UK offshore energy industries.

7. Steve Cox
EVP HSES, Net Zero and CCS

Steve has over 25 years' experience in the oil and gas industry. Prior to joining Harbour, Steve was EVP non-operated ventures at Chrysaor, one of Harbour's heritage companies, where he was responsible for non-operated assets.

His industry experience includes stints at BG and Shell, where he gained extensive experience in safety, project and asset management, operational and functional performance, and partner engagement.

8. Stuart Wheaton
EVP International

Stuart has over 30 years of industry experience focused on field development planning, project delivery, operations, and upstream leadership.

He began his career with Exxon as a reservoir engineer in the North Sea, and subsequent roles at Exxon, Lasmo, Cairn Energy and Tullow Oil have provided wide-ranging international experience, both onshore and offshore. He has extensive international experience gained working in Australia, India, Libya, Ghana, Venezuela, Uganda, Kenya, as well as the UK.

9. Gill Riggs
Chief Human Resources Officer

Gill has extensive experience of managing human resources in the energy industry, including many international postings.

Prior to joining Harbour, Gill was Vice President human resources for Chevron's global upstream business in the US. During her 20-year career with Chevron, Gill took on increasing responsibility in human resources including regional HR manager, Middle East, and East Africa (UAE), regional HR manager, Africa & Middle East (South Africa), general manager HR, gas & midstream (US), and general manager HR, upstream Asia Pacific (Singapore).

1. Linda Z. Cook
Chief Executive Officer

Linda has extensive experience in the global oil and gas industry gained over a more than 40-year career in which she has held senior roles in management, exploration, production, operations and engineering.

Before becoming CEO of Harbour Energy in 2021, Linda was Chairman of the Board of Chrysaor Holdings Ltd, one of Harbour's heritage companies, and a member of the Investment and Executive Committees of EIG, positions she held since 2014.

Prior to that Linda had a 29-year career at Royal Dutch Shell, where she was a member of the Board of Directors and the Executive Committee.

During her career with Shell, she held positions including CEO of Shell Gas and Power (London); CEO of Shell Canada Limited (Calgary); and Executive Vice President Strategy and Finance for Global Exploration and Production (The Hague).

Linda also has extensive corporate governance experience having served on the boards of Royal Dutch Shell, Boeing, Cargill, Marathon Oil and KBR Inc. Today she serves as a non-executive director on the board of Bank of New York Mellon.

2. Alexander Krane
Chief Financial Officer

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

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

Before that, Alexander was CFO of Aker BP/Det Norske Oljeselskap, where he was responsible for all financial functions, strategy and M&A.

Alexander started his career in KPMG, and he is a State Authorized Public Accountant in Norway.

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4. Philip Whittaker
EVP Global Services

Philip has 30 years of experience in exploration and production in both industry and advisory roles.

Prior to joining Harbour, Philip was a partner and director at Boston Consulting Group, where he co-led the firm's upstream oil and gas activity globally. At BCG he gained extensive experience in strategy, performance improvement and transaction-related activity with leading majors, independents and oilfield service companies. Philip began his career as a drilling engineer at Shell, where he managed front-line operations in the Netherlands, Peru and Oman.

5. Glenn Brown
EVP Subsurface and Portfolio

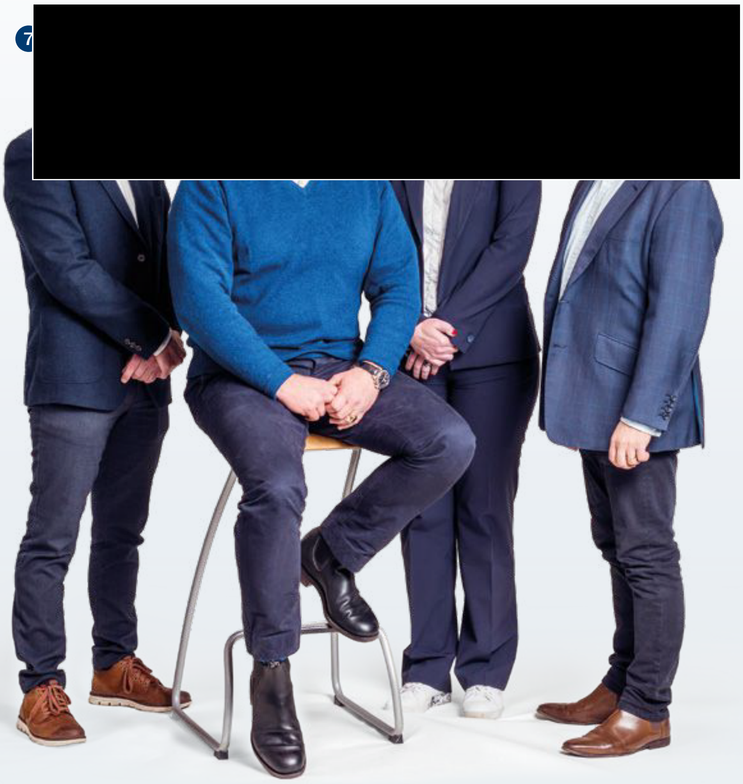
Glenn has over 30 years' industry experience and is a petroleum engineer by background. Prior to joining Harbour, he was EVP subsurface and portfolio at Chrysaor, one of Harbour's heritage companies.

Prior roles held include VP Head of Subsurface for Maersk Oil based in Copenhagen. Glenn also held the position of Operations Coordination Manager at the Oil and Gas Authority (now called the North Sea Transition Authority), the UK regulator. Glenn has built his experience through early roles in Halliburton, Exxon-Mobil and Amoco.

6. Howard Landes
General Counsel/Legal

Prior to joining Harbour, Howard was General Counsel at Chrysaor, one of Harbour's heritage companies.

His previous experience includes more than 10 years at BG Group where he led a team of lawyers responsible for the group's corporate and M&A matters globally. Howard trained and qualified at the international law firm Clifford Chance.


[redacted]

10. Andrew Osborne
Special Projects

Prior to joining Harbour, Andrew was Chief Financial Officer at Chrysaor, one of Harbour's heritage companies. Andrew has worked in upstream oil and gas for over 10 years and has over 20 years' capital markets experience in investment banking, latterly as a managing director responsible for Merrill Lynch's natural resources equity capital markets and broking business, where he built up extensive knowledge and experience of energy M&A, debt and equity capital markets.

He has worked on a significant number of oil and gas transactions for both public and private companies, as well as acting as an adviser to most independent members of the UK exploration and production sector.

Strong financials supporting shareholder distributions

These 2022 results represent the first full year for Harbour through to 31 December 2022.

The 2021 comparative results for the income statement are representative of three months of Chrysaor (January to March 2021) and nine months of Harbour (April to December 2021, post-merger of Chrysaor and Premier Oil on 31 March 2021).

Summary of financial results

	2022	2021
Production and post-hedging realised prices		
Production – kboepd	**208**	175
Crude oil – $/boe	**78**	59
UK natural gas – p/therm	**86**	54
Indonesia natural gas – $/mscf	**14**	12
Income statement		
Revenue and other income – $ million	**5,431**	3,618
EBITDAX[1] – $ million	**4,011**	2,431
Profit before taxation – $ million	**2,462**	315
Profit after taxation – $ million	**8**	101
Basic earnings per share – $/share	**0.0**	0.1
Other financial key figures		
Total capital expenditure[1] – $ million	**907**	935
Operating cash flow – $ million	**3,130**	1,614
Free cash flow[1] – $ million	**2,105**	678
Shareholder returns paid – $ million	**553**	–
Net debt (after unamortised fees)[1] – $ million	**704**	2,147
Leverage ratio[1]	**0.2**	0.9

1 See Glossary for the definition of non-IFRS measures. Reconciliations between IFRS and non-IFRS measures are provided within this review.

> Increased cash flow generation enabled continued investment, material shareholder distributions and net debt reduction despite an increase in tax due to the EPL.

ALEXANDER KRANE
Chief Financial Officer

Income statement

	2022 $ million	2021 $ million
Revenue and other income (note 4)	**5,431**	3,618
Crude	**2,792**	2,023
Gas	**2,322**	1,264
Condensate	**238**	164
Tariff income and other revenue	**38**	28
Other income	**41**	139
EBITDAX	**4,011**	2,431
Operating profit	**2,541**	640
Profit before taxation	**2,462**	315
Taxation	**(2,454)**	(213)
Profit after tax	**8**	101

	$/share	$/share
Basic earnings per share	**0.0**	0.1

Revenue and other income

Total revenue and other income increased to $5,431 million (2021: $3,618 million). This was driven by the increase in production, especially UK gas production which was 34 per cent higher compared to 2021, and higher post-hedging realised prices.

Revenue earned from hydrocarbon production activities increased to $5,352 million (2021: $3,451 million) after realised hedging losses of $3,185 million (2021: $1,517 million). Some of our hydrocarbon production is sold pursuant to fixed-price contracts. The rest is sold at market values, subject to standard quality and basis adjustments.

Crude oil sales increased to $2,792 million (2021: $2,023 million), with a realised post-hedging oil price of $78/bbl (2021: $59/bbl).

Gas revenue was $2,322 million (2021: $1,264 million), split between UK natural gas revenue of $2,142 million (2021: $1,143 million) and international gas revenue of $180 million (2021: $121 million). The realised post-hedging price for our UK and Indonesia gas was 86 pence/therm (2021: 54 pence/therm) and $14.2/mscf (2021: $11.7/mscf), respectively.

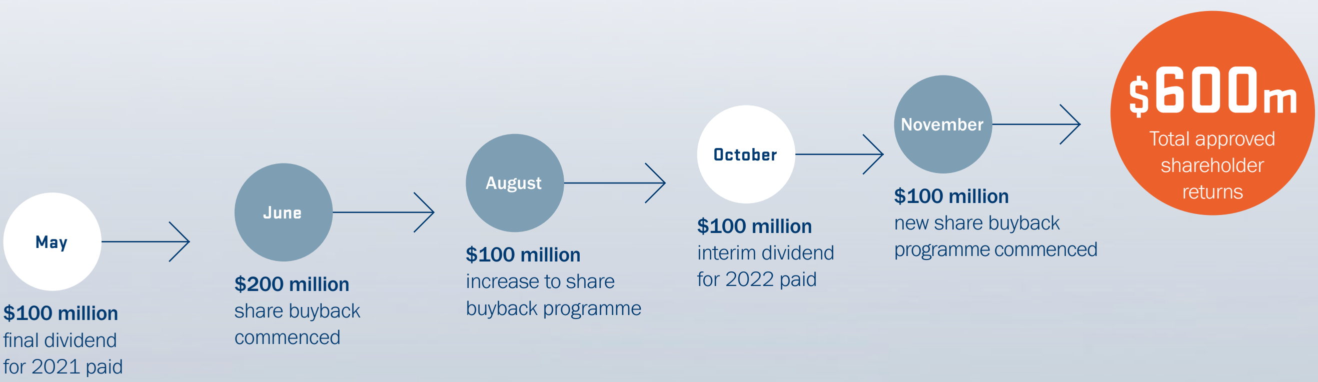
Other income amounted to $41 million (2021: $139 million). The reduction on the prior year was driven by mark-to-market losses on European Union Agency emissions hedges of $3 million (2021: gains of $51 million) and a consideration adjustment of $40 million received from ConocoPhillips included in 2021 other income. Further detail can be found in note 4.

Cost of operations

	2022 $ million	2021 $ million
Operating costs		
Field operating costs[1]	**1,087**	1,003
Tariff income	**(30)**	(27)
Total	**1,057**	976
Operating costs per barrel ($ per barrel)	**13.9**	15.2
Depreciation, depletion and amortisation (DD&A) before impairment charges		
Depreciation of oil and gas properties (cost of operations only)	**1,507**	1,327
Depreciation of non-oil and gas properties	**38**	42
Amortisation of intangible assets	**1**	2
Total	**1,546**	1,371
DD&A before impairment charges ($ per barrel)	**20.4**	21.4

1 Includes mark-to-market losses of $3 million on EUA emissions hedges included in Other revenue (2021: gains of $51 million), excludes non-cash depreciation on non-oil and gas assets.

A considered returns programme during 2022



Cost of operations increased to $2,845 million (2021: $2,453 million) reflecting a full year contribution from the Premier Oil assets and the addition of the Tolmount field, partially offset by a foreign exchange benefit from the pound sterling weakening against the US dollar. Unit operating costs equated to $13.9/boe (2021: $15.2/boe) with the reduction largely due to higher production volumes.

Depreciation, depletion and amortisation (DD&A) unit expense, which reflects the depreciation of capitalised producing assets costs over production, was $20.4/boe (2021: $21.4/boe).

EBITDAX

EBITDAX increased to $4,011 million (2021: $2,431 million), driven by higher production and higher commodity prices, partially offset by higher operating costs.

	2022 $ million	2021 $ million
Operating profit	**2,541**	640
Depreciation, depletion and amortisation	**1,546**	1,371
Impairment/(reversals) of property, plant and equipment	**(170)**	117
Exploration and evaluation and new ventures	**42**	50
Exploration costs written-off	**64**	255
Gain on disposal	**(12)**	–
Provision for onerous contracts	**–**	(2)
EBITDAX	**4,011**	2,431

Impairments and reversals

The Group has recognised a net pre-tax impairment reversal of $170 million (2021: $117 million charge) which consists of three items.

First, there was a single impairment of $163 million relating to one of our North Sea producing fields. This is due to the contracted price we realise for our crude sales being negatively impacted by the pricing differential between Urals and Brent crude, and a revised operating cost profile for the field. The price provisions in the contract are currently the subject of a dispute with the buyer.

Second, the Group has recognised impairment reversals of $251 million (2021: nil) on North Sea gas assets that were previously impaired. This was primarily driven by higher gas price assumptions for UK natural gas.

Finally, the Group recognised an impairment credit of $82 million (2021: $9 million charge) in respect of revisions to decommissioning estimates on the Group's non-producing assets.

Exploration and evaluation expenditure and new ventures

During the year, the Group expensed $106 million (2021: $305 million) for exploration and appraisal activities. This includes: exploration write-off expense of $64 million (2021: $255 million), following a technical review of our UK exploration asset portfolio; $42 million (2021: $50 million) related to pre-development costs of which $28 million (2021: $14 million) was associated with our UK CCS and electrification projects; and ongoing pre-licence expenditure of $14 million (2021: $36 million).

Net financing costs

Finance income increased to $279 million (2021: $49 million). This was driven by increased foreign exchange gains of $202 million (2021: losses of $65 million shown as finance expense) reflecting the weakening of pound sterling against the US dollar. In particular, this included unrealised foreign exchange gains arising predominantly on the revaluation of open sterling denominated UK gas hedges using a significantly lower sterling US dollar exchange rate. Finance income also includes gains of $38 million (2021: $15 million) on interest rate and foreign currency derivatives.

Finance expenses amounted to $358 million (2021: $375 million). This included interest expense incurred on debt facilities of $98 million (2021: $113 million), the reduction reflecting the impact of lower drawn down debt partially offset by higher interest rates. Other financing expenses include the unwinding of the discount on provisions, primarily associated with future decommissioning obligations, of $65 million (2021: $78 million) and bank and financing fees of $91 million (2021: $63 million). 2021 included foreign exchange losses of $65 million as noted above.

Further detail on finance income and expense can be found in note 7.

Earnings and taxation

Profit after tax amounted to $8 million (2021: $101 million), with increased profit before tax almost wholly offset by the negative impact of the introduction of the EPL in the UK. This resulted in earnings per share of $0.0 (2021: earnings per share $0.1) after taking into account the weighted average number of ordinary shares in issue of 900 million (2021: 871 million) following the share buyback programme. Whilst the number of shares reduced during 2022 due to the share buyback programmes, the weighted number of shares increased during 2022 compared to 2021 due to the impact of the reverse acquisition effective 1 April 2021.

During 2022, the UK Government both enacted the EPL and subsequently increased it and extended its duration. The EPL applies an additional 25 per cent tax on profits earned from the production of UK oil and gas from 26 May 2022, increasing to 35 per cent from January 2023 to March 2028, irrespective of actual market or realised oil and gas prices.

Harbour's tax expense increased in 2022 to $2,454 million (2021: $213 million), primarily driven by the introduction of the EPL.

The tax expense is split between a current tax expense of $706 million (2021: $192 million), which includes an EPL current tax charge of $326 million, and a deferred tax expense of $1,748 million (2021: $21 million). Of the deferred tax expense, $1,469 million relates to a one-off non-cash deferred tax charge due to the introduction of the EPL of which $148 million reversed in the period. This arises because the deferred UK tax position on our balance sheet has been revalued from 40 per cent to 75 per cent where relevant to reflect the increase in our future tax rate in the period to March 2028. The total tax charge therefore includes a total of $1,647 million in relation to the EPL.

The effective tax rate is 100 per cent (2021: 68 per cent) materially higher than the blended standard UK tax rate for the period of 55 per cent. This increase is driven by the one-off deferred tax charge associated with the introduction of the EPL partially offset by the profits from our international assets being subject to a lower tax rate.

Shareholder distributions

A final dividend with respect to 2021 of 11 cents per ordinary share was proposed on 17 March 2022 and approved by shareholders at the AGM on 11 May 2022. The dividend was paid on 18 May 2022 to all shareholders on the register as at 8 April 2022, totalling $98 million. An interim dividend was announced on 25 August at 11 cents per share and was paid on 19 October 2022 at a value of $93 million.

In addition to these dividend payments, the Board approved $400 million of share buybacks during 2022. During 2022, we repurchased and cancelled 78.4 million of our shares at a cost of $361 million[1] (2021: $nil). Post period end in February 2023, the remaining $41 million[1] of the 2022 approved share buybacks was concluded with the repurchase and cancellation of 11.1 million shares. As a result, the total number of shares repurchased and cancelled under the $400 million of share buybacks was 89.5 million shares equating to 9.7 per cent of our issued share capital.

The Board is proposing a final dividend with respect to 2022 of 12 cents per ordinary share to be paid in pound sterling at the spot rate prevailing on the record date. This dividend is subject to shareholder approval at the AGM, to be held on 10 May 2023. If approved, the dividend will be paid on 24 May 2023 to shareholders on the register as of 14 April 2023. A dividend re-investment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the company. The last date to elect for the DRIP in respect of this dividend is 28 April 2023.

The Board has approved a new $200 million share buyback programme to commence shortly. It is anticipated that an irrevocable non-discretionary agreement will shortly be entered into with the company's corporate brokers to execute the programme on the company's behalf. The purpose of the programme is to reduce the company's share capital and all ordinary shares purchased as part of this programme will be cancelled. The programme will end no later than 31 December 2023. Any purchases of ordinary shares by the company in relation to this announcement will be conducted in accordance with the relevant regulations (including but not limited to the Listing Rules) and Harbour's general authority to repurchase shares, a renewal of which will be sought at the company's AGM in May.

Statement of financial position

	2022 $ million	2021 $ million
Assets		
Total non-current assets, excluding deferred taxes	**9,032**	10,273
Deferred tax assets (note 8)	**1,407**	1,938
Total current assets	**2,127**	2,294
Total assets	**12,566**	14,505
Liabilities and equity		
Total borrowings net of transaction fees (note 21)	**1,238**	2,886
Total decommissioning provisions (note 20)	**4,141**	5,354
Deferred tax liabilities (note 8)	**397**	187
Lease creditor (note 13)	**825**	654
Derivative liabilities (note 22)	**3,451**	3,538
Other liabilities	**1,493**	1,412
Total liabilities	**11,545**	14,031
Equity	**1,021**	474
Total liabilities and equity	**12,566**	14,505
Net debt (note 27)	**(704)**	(2,147)

Assets

At 31 December 2022, total assets amounted to $12,566 million (2021: $14,505 million), of which current assets were $2,127 million (2021: $2,294 million). The decrease in total assets of $1,939 million is mainly as a result of a reduction in the deferred tax asset (see note 8) of $531 million and a reduction in property, plant and equipment of $1,557 million (see note 12), partially offset by the increase in right-of-use assets of $183 million (see note 13). The reduction in property, plant and equipment is partly due to the reduction in the decommissioning assets of $778 million (2021: $358 million) primarily as a result of an increase in the risk-free rate applied to the corresponding decommissioning provisions (see note 20).

The net deferred tax position on the balance sheet is an asset of $1,009 million. This balance mainly reflects future tax relief available on decommissioning of $1,565 million, cash flow hedge derivatives of $2,452 million and tax losses of $569 million offset by additional tax expected to be paid on property, plant and equipment (PP&E) of $3,396 million along with deferred tax related to overseas operations and other of $181 million.

The introduction of the EPL has resulted in a net $355 million decrease on deferred tax asset in the balance sheet as the increased deferred tax liability of $1,470 million associated with PP&E, which impacts the income statement, is offset by the increased deferred tax asset of $1,115 million associated with the cash flow hedge derivatives loss in the period which flows through the other comprehensive income statement.

1 Total spend on share buybacks includes transaction fees and foreign exchange differences applied to the pound sterling denominated shares repurchased.

Liabilities
At 31 December 2022, total liabilities amounted to $11,545 million (2021: $14,031 million). The reduction in liabilities was mainly driven by a reduction in the decommissioning provisions by $1,213 million, and a reduction in borrowings of $1,648 million in relation to the reserves-based lending (RBL) facility. The decommissioning provision reduction was primarily due to an increase in the risk-free rate used in the estimate, as well as the changes in cost estimates used and currency translation adjustments; refer to note 20 for more detail.

Equity and reserves
Total equity amounted to $1,021 million (2021: $474 million) with the increase mainly due to the gains in comprehensive income related to gains on cash flow hedges of $269 million (2021: losses $3,584 million) and movements in tax on cash flow hedges of $1,006 million (2021: $1,433 million) offset by currency translation movements of $198 million (2021: $6 million), share buybacks of $361 million and dividend payments of $192 million made in the year. Retained earnings were marginally increased by the profit after tax.

Net debt
As at 31 December 2022, after unamortised fees, net debt of $704 million (2021: $2,147 million) consisted of $775 million (2021: $2,438 million) drawn on the reserves-based lending facility (RBL), the $500 million (2021: $500 million) bond and an exploration financing facility (EFF) of $11 million (2021: $45 million) less unamortised deferred fees of $82 million (2021: $136 million) and cash balances of $500 million (2021: $699 million). The decrease in the year is mainly due to the repayments on the RBL facility.

Available liquidity, being undrawn RBL facility plus cash balances, was $2.5 billion at the end of the year.

Derivative financial instruments
We carry out hedging activity to manage commodity price risk, to ensure we comply with the requirements of the RBL facility and to ensure there is sufficient funding for future investments. We have entered into a series of fixed-price sales agreements and a financial hedging programme for both oil and gas, consisting of swap and option instruments. Our future production volumes are hedged under the physical and financial arrangements in place at 31 December 2022. These are set out in the following table. Hedges realised to date are in respect of both crude oil and natural gas.

The current hedging programme is shown below:

	2023	2024	2025	2026
Oil				
Volume hedged (mmboe)	10.95	7.32	2.37	–
Average price hedged ($/bbl)	74.08	84.37	81.22	–
UK natural gas				
Volume hedged (mmboe)	23.08	11.25	1.94	–
Average priced hedged (p/therm)	41.46	68.85	75.22	–

At 31 December 2022, our financial hedging programme on commodity derivative instruments showed a pre-tax negative mark-to-market fair value of $3,259 million (2021: $3,506 million), with no ineffectiveness charge to the income statement. Refer to note 22 for more information.

Statement of cash flows[1]

	2022 $ million	2021 $ million
Cash flow from operating activities after tax	**3,130**	1,614
Cash flow from investing activities – capital investment	**(634)**	(644)
Cash flow from investing activities – acquired on business combinations	**–**	97
Cash flow from investing activities – other	**5**	(24)
Operating cash flow after investing activities	**2,501**	1,043
Cash flow from financing activities[2]	**(396)**	(365)
Free cash flow[3]	**2,105**	678
Cash and cash equivalents	**500**	699

1 Table excludes financing activities related to debt principal movements.
2 Net of interest and lease payments.
3 Free cash flow is calculated as operating cash flow less cash flow from investing activities less interest and lease payments and is before shareholder distributions.

Net cash from operating activities after tax amounted to $3,130 million (2021: $1,614 million). This is after tax payments of $551 million (2021: $280 million), split $513 million in the UK and $38 million overseas, and positive working capital movements of $53 million (2021: negative $607 million). Cash flow used in investing activities on capital expenditure was $634 million (2021: $644 million). Cash outflow from financing activities for lease payments, interest and charges paid was $396 million (2021: $365 million).

Cash flow from financing activities includes dividends paid of $192 million (2021: $nil) and $361 million (2021: $nil) related to the repurchase of Harbour's own shares through the share buyback programmes undertaken during 2022.

Cash balances were $500 million (2021: $699 million) at the end of the period.

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

	2022 $ million	2021 $ million
Additions to oil and gas assets (note 12)	**(532)**	(464)
Additions to fixtures and fittings, office equipment & IT software (note 11 and note 12)	**(41)**	(35)
Additions to exploration and evaluation assets (note 11)	**(111)**	(210)
Total capital investment[1]	**(684)**	(709)
Movements in working capital	**28**	42
Capitalised lease payments (note 13)	**22**	23
Cash capital expenditure per the cash flow statement	**(634)**	(644)

1 Non-IFRS measure.

During the period, the Group incurred total capital expenditure of $907 million (2021: $935 million), split capital investment $684 million (2021: $709 million) and decommissioning spend $223 million (2021: $226 million).

The capital investment mainly consisted of operated drilling on the J-Area at the Jade, Judy and Jill fields, Catcher development wells and non-operated drilling programmes on the Clair Ridge platform. The decommissioning expenditure mainly relates to activity in the Southern North Sea and Balmoral area in the UK Central North Sea.

Principal risks

There are no significant changes to the headline principal risks from those disclosed in the 2022 half year results.

Post balance sheet events

On 14 February 2023, the company's defined benefit pension scheme's (the Scheme) trustee effected a bulk annuity 'buy in' policy with Just Retirement Limited. This policy secures the benefits of all the Scheme's members and eliminates mortality and investment risk from the company's balance sheet. This decision was made principally in light of the substantial improvement to the Scheme's funded status over 2022 and the favourable market conditions for such transactions. The company was not required to pay any additional contributions to the Scheme in respect of the annuity purchase.

Going concern

The Group monitors its capital position and its liquidity risk regularly throughout the year to ensure it has access to sufficient funds to meet forecast cash requirements for the period 12 months after the approval of the accounts until March 2024. 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.

The Group's base case going concern assessment is based upon management's best estimate of forward commodity price curves and uses production in line with approved asset plans and the ongoing capital requirements of the Group will be financed by existing RBL and bond financing arrangements.

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

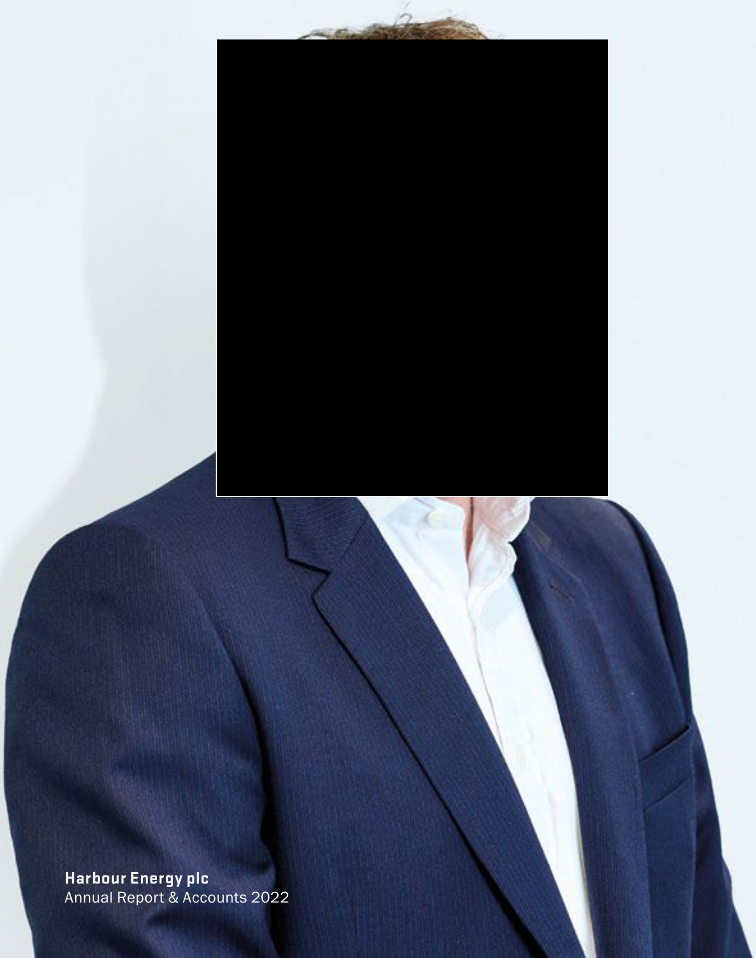
Further, reverse stress tests have been prepared reflecting further reductions in commodity price and production parameters, prior to any mitigation strategies, to determine what levels each would need to reach such that either lending covenants are breached or financial liquidity headroom runs out.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

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

Alexander Krane
Chief Financial Officer

> Harbour encounters a wide range of risks in its day-to-day business. We have put in place a structured risk management framework to support our identification and management of key risks. The framework helps ensure we understand the nature and extent of the risks we take or accept and make informed decisions about how to manage them in line with our strategic objectives.

ALAN FERGUSON
Chair of the Audit and Risk Committee



Risk management framework

The effective management of risk is critical if we are to continue to execute the strategy we set in 2021, and to protect our personnel, assets, the communities with whom we interact, and our reputation. Risk management is getting the appropriate degree of focus given that the unmitigated level of many of the principal risks facing the company has increased over the period. We further believe effective risk management supports our purpose and helps us stay true to our values.

The risk management framework in Harbour is designed to determine the nature and extent of the risks that the company is willing to take, or consciously accept, to achieve its strategic objectives, and to provide an appropriate level of assurance that we are managing these risks appropriately and that we have an effective system of internal control.

The framework comprises:

- A risk management process through which we set our context for risk, including defining our appetite (or tolerance) for risk, and identify, assess, mitigate, monitor and communicate risk in the business (see Risk management process).
- An internal control system to enable risks to be managed in line with our defined appetite (see Internal control).
- An assurance model to check that the controls in place are appropriate and effective given our defined appetite (see Reasonable assurance).

The framework is designed to manage and communicate the risks we face. It can only provide reasonable, and not absolute, assurance that the risks facing the business are being appropriately managed.

Risk governance

The Board is responsible for determining the nature and extent of the principal risks the company is willing to take to achieve its long-term strategic objectives, and for monitoring the effectiveness of the risk management framework. To facilitate this, the Board has assigned the oversight of certain principal risks to the most relevant Board committees. For example, the HSES Committee monitors the management of HSE and physical security risk and the Audit and Risk Committee monitors the management of cyber and information security risk. The Audit and Risk Committee is also responsible for monitoring the effectiveness of the risk management framework on behalf of the Board.

PRINCIPAL RISKS
READ MORE ON PAGE 54

GOVERNANCE
READ MORE ON PAGE 60

The leadership team sets the tone for Harbour's risk management culture and is responsible for ensuring that the most significant risks facing the business are identified and are managed in line with the risk appetite or tolerance agreed with the Board. Individual members of the leadership team are responsible for overseeing the risks that fall within their business area, with the most significant management risks recorded in our leadership team risk register. Individual business managers own and manage risk on a day-to-day basis, undertaking business activities in compliance with company standards and procedures.

Internal audit undertakes a risk-based audit programme on behalf of the Board to assure the effectiveness of risk mitigation activities as described in the Reasonable assurance section overleaf. The Group Risk Manager is responsible for embedding and maturing the risk management framework.

Risk management process

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

For known risks facing the business, the company seeks to reduce the likelihood and mitigate the impact of the risk to within the level of appetite or tolerance set by the Board. According to the nature of the risk, Harbour can choose to accept or tolerate risk, treat risk with mitigating actions, transfer risk to third parties, or terminate risk by ceasing certain activities. In particular, the company has a zero tolerance stance to fraud, bribery, corruption and the facilitation of tax evasion. We also aim to manage health, safety, environmental and security risks to a level as low as reasonably practicable.

This risk management process is illustrated in the panel below.

Principal and emerging risks

The Board carries out an assessment of the principal risks facing the company twice during the year. In deciding which risks are principal risks, the Board considers Harbour's stated strategy together with events or circumstances that might threaten the strategy and business model, future performance, liquidity and reputation. The Board also takes into account the most significant management risks identified by the leadership team. A description of the principal risks, together with an overview of how each risk is being managed, is provided on pages 54 to 59. The Board also reviewed the emerging risks facing the business and the procedures in place to identify them. These procedures take into account the most significant management risks and independent perspectives on the risk environment.

Risk management process

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

Top-down

Oversight and monitoring by the Board and its committees

Risk mitigation

Depending on the nature of the risk, the company may choose to accept or tolerate risk, treat risk with mitigating actions, transfer risk to third parties, or terminate risk by ceasing certain activities.

Risk assessment

Risks are identified and analysed across the company as part of ongoing business reviews. Risks are evaluated based on the likelihood of the risk materialising and the impact of the risk if it was to materialise.

Monitor and review

Risks and risk mitigation measures are monitored through regular business reviews, audits and other sources of assurance. These reviews are used to identify changes in the level of the identified risks, to identify emerging risks, and to assess the effectiveness of control measures in the context of the agreed appetite or tolerance for each risk.

Context

The strategic objectives, purpose and values of the company and the appetite or tolerance for risk set by the Board contribute to the overall context.

Communicate and consult

Risks and measures taken to mitigate them are communicated through regular business reviews, including review of the leadership team risk register and risk map.

Bottom-up

Ongoing identification, assessment and mitigation of risk across the business

The Board committees conducted a series of reviews throughout the year with business leaders to ensure the Board and management were aligned on their appetite to accept or tolerate key principal risks facing the business, including the metrics in place or under development to monitor exposure related to appetite.

Internal control

Harbour's internal controls are intended to enable the risks facing the business to be managed in line with our defined appetite for risk. The internal controls consist of the company's policies, standards and procedures and together comprise the company's business management system (BMS) and govern all business activity. The internal controls are underpinned and enabled by the use of knowledgeable and experienced staff and supporting information systems.

During 2022, the company continued to integrate legacy company control environments and establish common 'Harbour' ways of working. Areas of focus during the year included the development of a group internal controls framework, company delegation of authority framework and global compliance framework. The company also continued to mature its financial control framework, including through the implementation of an enterprise management system (EMS) which has replaced several separate legacy systems under one integrated EMS and which will also facilitate the efficient integration of future acquisitions. These measures should also ensure Harbour is well placed to comply on a timely basis with emerging future requirements related to UK corporate reform.

Reasonable assurance

The adequacy of the internal controls depends on their design and operating effectiveness.

During the year, the company embedded its 'three line' assurance model that is designed to provide senior management and the Board with reasonable assurance that the most significant risks facing the business are being appropriately managed and that the internal controls are effective.

First line assurance is provided by business line managers who are responsible for designing and operating controls. Second line assurance teams monitor the effectiveness of controls for certain key risk areas, such as HSE and cyber and information security, supported by a programme of audits agreed with senior management. Significant findings from these audits are reported to management. Third line assurance is provided by the internal audit function which undertakes a programme of audits agreed by the Audit and Risk Committee. A summary of findings from each internal audit is reported to the Audit and Risk Committee which then monitors the implementation of agreed actions.

Harbour maintains an 'assurance map' that sets out the internal and external sources of assurance in place against each principal risk. This map allows management and the Board to consider the adequacy of the assurance measures in place for each principal risk and strengthen them if required.

During the year the Board committees commissioned a programme of management-led presentations, alongside regular standing agenda items, to enhance understanding and alignment on risk matters assigned to them, to examine the levels of assurance provided, and to consider key outcomes from assurance activity from across the three lines.

The company is developing its audit and assurance policy that will help formalise this assurance model.

Monitoring and effectiveness of the risk management framework

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

The annual review of the overall effectiveness of Harbour's risk management and internal control systems has been carried out by the Audit and Risk Committee on behalf of the Board. The review considered the design of the risk management framework across Harbour and the most significant risks to achieving our strategic objectives. The review also considered how each of these risks is being managed in the context of the agreed risk appetite or tolerance, themes emerging from internal audit findings to date and the status of remedial actions taken. The review also noted the maturation of the internal financial control framework and the controls to prevent material fraud. As part of its review, the Committee sought perspectives and assurances from members of the leadership team. The Board concluded that the risk management and internal control systems are effective.

Alan Ferguson
Chair of the Audit and Risk Committee

Viability statement

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

Assessment period

The review covered a period of three years to 31 March 2026 (the forecast period). The Board considered extending the viability statement beyond three years and concluded that the three-year period remained appropriate for the following reasons:

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

Review of financial forecasts

The projections are based on:

Base case

- Production and expenditure forecasts on an asset-by-asset basis, together with a variety of portfolio management opportunities which the company could undertake if required;
- assumed crude oil prices of $90/bbl in 2023, $80/bbl in 2024, $70/bbl in 2025 and $65/bbl (in real terms) thereafter and UK NBP gas prices of 270p/therm in 2023, 140 p/therm in 2024, 100 p/therm in 2025 and 65p/therm (in real terms) thereafter, adjusted for the company's hedging programme position at year end 2022; and
- the financial covenant and liquidity tests for both the going concern and viability statement periods associated with the Group's borrowing facilities.

Sensitivity analyses

- In line with the principal risks, we have prepared sensitivity analyses to reflect the combined impact of reductions in crude and UK natural gas prices of 20 per cent, and in the Group's production of 10 per cent, throughout the viability statement period. Applying these combined downside scenarios to the base case forecast, we forecast Harbour will have sufficient financial headroom throughout the viability statement period.

Reverse stress tests

- Reverse stress tests have been prepared reflecting further reductions in commodity price and production parameters, prior to any mitigation strategies, to determine the levels each would need to reach to breach lending covenants or financial liquidity headroom. This reverse stress test demonstrated only a remote risk of covenant breaches as a result of reductions in price and production parameters.
- In addition, the Board considered the availability of mitigating actions in the event of having to respond to potential material changes in covenant tests or liquidity. These included the ability to control uncommitted capital programmes and shareholder returns and the assumption of renegotiating the RBL letter of credit facility terms. On this basis it was concluded that these were sufficient potential mitigations available to respond to the reverse stress test scenarios.

Review of principal risks

The Group's principal risks and uncertainties, set out in detail on pages 54 to 59, have been considered over the period.

Under the projections, the Group is expected to have sufficient liquidity over the forecast period and to be able to operate within the requirements of the financial covenant and liquidity test for the base, sensitivities and reverse stress tests as described above.

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 for each of those risks and believes they 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 mitigating actions within their control in the event of the remote downside scenarios under the reverse stress tests. Therefore, the directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, throughout the forecast period.

The principal risks which may prevent the company achieving its strategic objectives

OUR STRATEGIC PILLARS

- Ensure safe, reliable and environmentally responsible operations
- Maintain a high quality portfolio of reserves and resources
- Leverage our full cycle capability to diversify and grow further
- Ensure financial strength through the commodity price cycle

BOARD ASSESSMENT OF CHANGE IN UNMITIGATED RISK LEVEL SINCE 2021

Risk level has increased   Risk level remains stable   Risk level has decreased

Strategic execution: failure to effectively implement the strategy

Risk description

The company's strategy is to create value by continuing to build a diversified global independent oil and gas company. The implementation of this strategy is underpinned by a clear purpose and strong values.

There is a risk the company could fail to effectively execute this strategy. The economic downturn and/or an accelerated transition to a low carbon economy could lead to a protracted decline in commodity prices and deterioration in the financing environment. The company may fail to maintain sufficient leadership and organisational capability to effectively grow and manage the business. The company might fail to identify and execute attractive M&A opportunities or be slow to respond to changes in the external environment that could merit a change to the strategy.

The unmitigated level of this risk has increased over the period as a result of various adverse changes in the external environment noted in the risk descriptions below. In particular, the EPL enacted in the UK during 2022 has impacted the company's financial capacity and introduced concerns over ongoing fiscal stability in the country. Commodity prices remain volatile which presents challenges for agreeing asset values with counterparties.

How the risk is managed

- Regular reviews with the Board of the company's strategy and execution progress
- Board assessment of the track record, capacity and capability of the senior leadership team to execute the strategy including large-scale M&A
- Organisation designed and resourced to deliver the strategy with competitive reward package and supportive culture and values
- Capital deployment, growth and financial metrics agreed with the Board and feature in incentive compensation
- Implementation of scalable systems and processes to accommodate future M&A
- Corporate planning and M&A analyses evaluated across a range of scenarios including those related to climate change and the energy transition
- Detailed due diligence of acquisition opportunities undertaken with support from external expert advisers
- Future UK activity levels reduced and organisation review initiated following introduction of EPL to protect financial capacity to execute strategy

Link to strategic pillars:

Unmitigated change since 2021:

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

Risk description

The company may face a major accident or physical security incident resulting in personal injury, physical property damage and/or harm to the environment. A serious incident could significantly impact production, impair financial performance, and damage the reputation of the company. The business might be subject to punitive fines and individual directors could be subject to sanction.

In light of factors such as the gradual ageing of the installed asset base and the challenge of recruiting new personnel to the industry, the unmitigated level of risk is gradually increasing over time. Consequently the risk is actively managed to ensure the mitigated level of risk is stable or reduced.

How the risk is managed

- Strong safety leadership culture maintained with an emphasis on process safety
- Senior management commitment to HSES demonstrated through various engagement activities, visits to operated facilities, and sponsorship of and participation in safety events
- Experienced Board HSES Committee that provides oversight and challenge
- Organisation designed and resourced to support the management of the risk
- Corporate major accident prevention policy (CMAPP) and HSES policy in place that direct all company activities, including contract work, supported by a defined management system, an HSES strategy and plan, and relevant training and competency management
- Safety cases and active risk assessment process and management of change in place for operated assets
- Performance metrics agreed with Board and feature in business performance tracking and incentive compensation
- Performance monitoring in place including prompt and thorough investigation of incidents and serious near misses, sharing of learnings, and targeted campaigns to address thematic issues
- Internal independent HSES auditing and technical assurance in place with a focus on major accident hazards (MAH) and regular reporting to the Board HSES Committee
- Internally managed crisis management and emergency response plans in place, with exercises conducted regularly

Link to strategic pillars:

Unmitigated change since 2021:

RISK MANAGEMENT
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GOVERNANCE
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Organisation and talent: failure to create and maintain a cohesive organisation with sufficient capability and capacity

Risk description

The company may fail to maintain an organisation structure that aligns with business needs. The company may also fail to attract, develop and retain talent or to maintain an engaged culture with aligned values.

Consequently, the organisation may lack the capability and capacity to safely execute the strategy and business plans.

The unmitigated level of this risk is increasing as experienced employees and contractors approach retirement with stronger competition for talent from other sectors.

How the risk is managed

- A competitive reward and benefits package including hybrid working options
- Organisation design benchmarked to ensure alignment with business need
- Culture and values programme rolled out with clear linkage to our stated purpose and strategic objectives
- Staff performance management process implemented in alignment with target culture and values and with clear link to reward
- Regular staff communications, surveys and forums in place to support understanding, engagement and interaction
- Experienced Head of Diversity, Equity and Inclusion appointed to drive an inclusive environment
- Staff counselling and grievance arrangements in place

Link to strategic pillars:

Unmitigated change since 2021:

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

Risk description

The company operates or maintains interests in multiple countries including some where political, economic or social transition is taking place or there are sovereignty disputes. The political and security situation and the regulatory and fiscal framework in any of these countries may change.

Adverse changes could have a disproportionate impact on the operations and profitability of the business. In addition, uncertainty regarding future changes could reduce the attractiveness of future investments in those jurisdictions. Such changes may include adverse tax impacts, increases in the regulatory burden, price controls, limits on production or cost recovery, import and export restrictions, cancellation of contract rights, and expropriation of property.

The level of the risk has increased as a result of the EPL enacted in the UK during 2022 which has introduced concerns over ongoing fiscal stability in the country.

How the risk is managed

- Active monitoring of the local political, economic, social and security situations in regions where the company does business or is proposing to enter
- Constructive engagement with relevant government and regulatory stakeholders
- Contribution to industry representation on key issues
- Continuing to work towards further diversification of country exposure including through strategic M&A

Link to strategic pillars:

Unmitigated change since 2021:

Operational performance: failure to deliver competitive operational performance

Risk description

The company may fail to maintain reliable and responsible operations with a competitive cost structure. Significant expenditure and outages may be required to maintain the operability and integrity of the installed asset base as it ages. The company may fail to manage costs such that margins erode over time, especially as assets advance towards end-of-life. Consequently, the company may fail to meet production forecasts, maintain competitive operating costs, or meet contractual obligations, any of which would impact financial performance.

The unmitigated level of the risk is gradually increasing as the existing asset base continues to age and requires ongoing care to maintain reliability and optimise future performance.

How the risk is managed

- Clearly stated purpose to ensure safe, reliable, and responsible production of hydrocarbons
- Organisation designed and resourced to manage current operational activity
- Operational performance metrics agreed with the Board and feature in business performance monitoring and incentive compensation
- Performance reviewed regularly by management to monitor and manage delivery
- Allocation of capital and other required resources to maintain asset integrity and reliability
- Inventory of future near-field drilling opportunities maintained to support recovery and forecast production levels
- Proactive oversight of non-operated joint ventures and appointed operators
- Operating costs benchmarked to identify opportunities for improved performance
- Emerging technology monitored for new opportunities to improve recovery or reduce cost
- Soliciting third-party volumes to improve utilisation of existing infrastructure

Link to strategic pillars:

Unmitigated change since 2021:

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

Risk description

The company undertakes drilling operations and capital projects to explore and produce oil and gas and to decommission assets at the end of their economic life.

Projects are often complex and may face delays, cost overruns or unsatisfactory quality or HSES performance. The volume and productivity of the reserves targeted for development are inherently uncertain and may differ from those expected.

Consequently, the company may fail to add oil and gas reserves in a value accretive manner leading to a decline in production and performance. In addition, the company may fail to accurately estimate the cost of projects including decommissioning which would lead to not accurately providing for future liabilities.

The unmitigated level of this risk is gradually increasing as the company's resources in existing areas become progressively more marginal and challenging to develop. This trend may be partially or fully offset by the continued deepening of the company's experience in decommissioning assets, and by its exploration activities and M&A.

How the risk is managed

- Organisation designed and resourced to deliver the capital programme, including a highly experienced decommissioning team
- Capital deployment and growth metrics agreed with Board and feature in business performance monitoring and incentive compensation
- Processes in place to support the maturation of resources and drive efficient deployment of capital including rigorous technical and economic evaluation processes with defined stage-gate reviews
- Consistent methodology in place to estimate future decommissioning liabilities
- Investment guidelines agreed with Board to ensure consistent evaluation of investment opportunities
- Independent assurance team in place to drive effective governance of capital investment activities and promote transfer of learnings
- Drilling and capital projects benchmarked to understand relative performance with systematic lookbacks undertaken to assess and improve performance
- Independent review undertaken of the company's reserves and resources

Link to strategic pillars:

Unmitigated change since 2021:

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

Risk description

The company relies on a range of third parties, including contractors who supply products and services, joint venture (JV) partners, operators appointed to operate certain assets on its behalf, downstream infrastructure owners and trading counterparties.

The company may be unable to procure certain products or services on a timely and cost-effective basis. Operating partners may not manage assets effectively and the ability of Harbour to influence may be limited. The company may lose availability or access to downstream infrastructure to transport oil and gas to market.

The unmitigated level of this risk is increasing as the supply chain is challenged industry-wide as a result of lingering effects of the Covid pandemic and competition from renewable energy and other infrastructure projects. In addition, rising interest rates, inflation and the increased UK tax may impact the ability or willingness of some third parties to invest alongside Harbour. This environment may also increase the conditions that can lead to unsafe practices or unethical behaviours among third parties, including on matters such as fraud or human rights.

How the risk is managed

- Well established relationships in place with most of our third parties including regular engagement and performance monitoring
- Proactive development, oversight, governance and enforcement of commercial agreements
- New and existing partners and contractors carefully assessed through due diligence and approval processes, supported by additional security arrangements as required
- Category and contract strategy and market engagement designed to secure products and services in a timely and cost-effective manner and optimise usage
- Formal budgeting and tendering processes in place to govern material spend
- Market access to transport produced oil and gas supported by industry codes of practice and contractual agreements
- Insurance programmes in place include contingent business interruption insurance for loss of revenue following loss or damage to third-party facilities

Link to strategic pillars:

Unmitigated change since 2021:

Access to capital: failure to ensure sufficient access to capital to implement the company's strategy

Risk description

The company seeks to ensure sufficient access to capital to maintain a robust balance sheet through the typical commodity price cycle. Should the company fail to achieve this, it may not have sufficient funds to re-invest in its existing assets or to fund growth through capital investments and M&A as outlined in the strategy.

The unmitigated risk level remains broadly stable with the prospective adverse effects of the economic slowdown, the energy transition and the increase in UK tax on investor and lender appetite for the sector offset by robust commodity prices and strong operational performance that has enabled a material reduction in corporate debt levels.

How the risk is managed

- Robust financial framework and prudent capital allocation priorities agreed with the Board and rigorously implemented
- Diversified capital structure in place, including a reserves-based lending (RBL) facility and a bond
- Annual RBL redetermination programme to ensure available liquidity is known for the forthcoming period
- Close monitoring of decommissioning liabilities and financial headroom on security postings
- Disciplined hedging programmes in place to help manage commodity price, interest rate and foreign exchange exposures where appropriate
- Annual capital budgets and long range plans approved by the Board that consider near-term commodity prices and cash flow expectations with plans and spending levels stress-tested against adverse scenarios
- Demonstrable commitment made to energy transition, supported by compliant disclosures and ongoing review
- Continued monitoring of investor appetite, debt market volatility and bank lending capacity in light of the energy transition and economic slowdown

Link to strategic pillars:

Unmitigated change since 2021:

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

Risk description

The price of oil and gas is impacted by changes in global and regional supply and demand, and expectations of future supply and demand. It is not possible to accurately predict future oil and gas prices and prices may continue to remain volatile. A sustained decline in oil and gas prices could undermine our ability to deliver on our strategy by reducing cash flow available to fund growth and distributions and impairing access to capital. Excessive price volatility could also impede business planning and financial decision-making.

Harbour seeks to actively manage commodity price exposure to realise sufficient revenue to fund the company's strategy through the cycle while protecting the business from excessive volatility.

Commodity price volatility has increased over the period and this has increased the unmitigated level of this risk.

How the risk is managed

- Board approved commodity hedging programme in place, including minimum and maximum hedging limits and utilising a broadened range of instruments, aligned to agreed risk appetite and designed to underpin the implementation of the financial framework
- Strong control framework in place that covers the full hedging life cycle and includes monitoring and assurance activities to ensure the hedging programme is applied consistent with risk appetite
- Carbon hedging conducted to actively manage the company's exposure to carbon pricing in the UK market and meet regulatory requirements
- Regular business performance reporting to the Board

Link to strategic pillars:

Unmitigated change since 2021:

Cyber and information security: failure to maintain safe, secure and reliable information systems

Risk description

The company may fail to implement adequate cyber and information security measures making it vulnerable to a serious cyber-security incident or slow to recover in the event of an incident.

A failure to adequately manage this risk would result in business or operational interruption, impact the confidentiality, integrity, availability and regulatory compliance of company information, and potentially lead to heightened safety or environmental risk. Such outcomes may lead to regulatory fines, impact business performance, and damage the company's reputation.

The risk of a cyber-attack continues to increase due to a rising global threat and the increasing prominence and growth of the company.

How the risk is managed

- Experienced and resourced cyber and information security organisation in place
- Provision of threat intelligence services in place with UK Government and specialist partners
- Defensive and preventative controls implemented to an industry standard that include supply chain monitoring and staff training to raise awareness
- Disaster recovery and business continuity plans in place and regularly tested
- Independent testing and assurance of resilience including simulation of incidents
- Regular review of controls in line with the evolving threat landscape and regulatory requirements

Link to strategic pillars:

Unmitigated change since 2021:

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

Risk description

The company, its employees and contractors are subject to various laws and regulations governing corporate and personal conduct, including anti-fraud, bribery, corruption and tax evasion.

In the event of a major compliance breach, a failure to demonstrate adequate legal and regulatory compliance processes may lead to financial penalties, undermine the company's value-based culture, and damage its reputation with employees and external stakeholders.

How the risk is managed

- Zero tolerance stance towards fraud, bribery, corruption, and the facilitation of tax evasion in any form that could be unlawful or otherwise cause loss to, or damage the reputation of, the company
- Global compliance framework implemented with relevant training to facilitate an understanding of the risks, set clear expectations, prevent material fraud, and promote a 'speak up' culture. This includes well-defined and reinforced values, secure whistleblowing arrangements and relevant Board-approved policies and statements covering matters such as code of conduct, sustainability, human rights and tax
- Governance structure maintained that complies with the UK Listing Rules, the UK Corporate Governance Code and the UK Companies Act
- New and emerging applicable regulations closely monitored to support timely compliance
- Board and Audit and Risk Committee enforcement of the code of conduct and monitoring of whistleblowing activity

Link to strategic pillars:

Unmitigated change since 2021:

Energy transition and net zero: failure to adapt the strategy and business model in the context of the energy transition, including changing demand for oil and gas, and evolving investor, societal and regulatory expectations

Risk description

The transition towards a low carbon economy is impacting both the supply and demand for oil and gas. The interplay of these changes could lead to long-term volatility in oil and gas prices. In the longer term, physical changes in weather patterns and ocean currents and more frequent extreme weather events may disrupt business activities. The company may face more demanding regulatory requirements or lose some sources of funding if it is unable to meet such evolving investor, lender and societal expectations. The company may be subject to negative NGO or shareholder activism which could affect its reputation and societal 'licence to operate'.

Should Harbour be unable to maintain a strategy and business model that is resilient to evolving market conditions, requirements and expectations, the long-term viability of the business may be in question.

The unmitigated level of this risk remains broadly stable. While stakeholder expectations regarding the energy transition continue to grow and evolve, the effect of this has been tempered by more recent concerns over near-term energy supply security, including for oil and gas.

How the risk is managed

- Clear commitment made to the safe, reliable and responsible production of oil and gas
- Credible emissions reduction plan in place to meet Net Zero 2035 goal, including interim 2030 emissions reduction target, zero routine flaring commitment, alignment with the regulatory requirements and emissions offset purchase plans
- Net zero strategy, including in the context of our company's strategy, and execution monitored by Board and HSES Committee
- Emissions reduction targets feature in incentive compensation and incorporated into the main reserves-based lending debt facility
- Material participation in two early-stage CCS projects that could make a significant contribution to the UK's emissions reduction and storage targets
- Impact of transition risks of climate change on portfolio analysed using scenario analysis. Potential impact of physical risks of climate change assessed
- Energy transition scenarios and risks, including the cost of carbon, are considered with regards to the impact on the financial statements, investment decisions, corporate planning and M&A analysis
- Periodic review of the long-term physical risk profile undertaken across core geographies
- New and emerging ESG reporting requirements closely monitored to ensure compliance, including independent verification

Link to strategic pillars:

Unmitigated change since 2021:

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

Risk description

Harbour's strategy includes growth through M&A. The company may fail to manage the pace, scope and cost of integrating future acquisitions. Integration synergies may not be realised in a timely manner. The consequences of the integration process may, at least initially, lead to increased complexity, job security concerns, increased workloads, disengagement or loss of key staff. The company may be unable to maintain a scalable operating model to support the efficient integration of further acquisitions.

The risk remains evergreen given the acquisition and integration of significant M&A remains integral to the strategy.

How the risk is managed

- Senior executive team has a proven track record of integrating large scale M&A and creating value from acquired assets
- Integration playbook in place to ensure learnings from past integrations are leveraged
- Enterprise management system designed and implemented that is scalable for a growing business
- Integration management office established on each acquisition with a clear governance model, resourced with employees who are familiar with the acquired businesses, and supported by a detailed integration plan
- Integration delivery monitored by management with Board updates and third-party assurance
- Regular internal communications take place during integration to maintain employee awareness and engagement

Link to strategic pillars:

Unmitigated change since 2021:

To consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006, the table on page 106 sets out our non-financial and sustainability information statement and shows where in this Annual Report to find each of the disclosure requirements. The Strategic Report, comprising pages 1 to 59, including the non-financial and sustainability information statement, has been prepared in accordance with the requirements of the Companies Act 2006 and has been approved and signed on behalf of the Board.

Linda Z. Cook
Chief Executive Officer
8 March 2023

> Your Board has worked hard to steer the company through the challenges posed by geopolitical and economic volatility, to create value for all our stakeholders.

R. BLAIR THOMAS
Chairman

Dear shareholder,

I am delighted to be writing to you on behalf of the Board in this, Harbour Energy’s 2022 Annual Report.

Corporate governance

Harbour Energy continues to build on the solid foundations of the corporate governance structure we developed on the completion of the merger in 2021.

Our purpose, to play a significant role in meeting the world’s energy needs through the safe, efficient and responsible production of hydrocarbons, has never been so important in what has been another transformative year for the industry. Your Board has worked hard to steer the company through the challenges posed by geopolitical and economic volatility, and material fiscal instability, to create value for all our stakeholders: employees, government and regulators, investors and shareholders, lenders, JV partners, suppliers and customers, and wider society as a whole.

My role, and that of the Board, has been to guide a path through the challenges faced by the company and the industry in which we operate, continuing to steer our strategy and ensure that it remains relevant in a changing market environment. Your Board continues to aspire to the highest standards of corporate governance. This means considering the right things, at the right time, with the right people and insights. Our corporate governance structure supports this objective, and a summary of the framework can be found on page 62.

Board activities in 2022

A key element of our purpose and a core strategic pillar is ensuring safe, reliable and environmentally responsible operations. To this end, your Board has continued to monitor the work of the leadership team, through the HSES Committee where appropriate, to drive improvement in safety and environmental performance. We endorsed the 2022 plan to focus on process safety culture and the launch of a Back to Basics safety campaign in August 2022. We were pleased to see that HSES culture received the highest favourable score in the global engagement survey, demonstrating our employees' commitment in this area.

Your Board is supportive of the progress being made on our net zero strategy as we continue to reduce our own emissions and focus on achieving our targets.

There has never been a more important time to ensure that Harbour is well positioned to align with and support the global energy transition and net zero goals. The Board has continued to monitor the progress of the company's two CCS projects in the UK, Viking and Acorn; through these, with an enabling regulatory framework, we are aiming to contribute materially to the UK goal of net zero by 2050.

Capital allocation, shareholder distributions and consideration of M&A opportunities have remained high on the Board's agenda throughout 2022. Oil and gas will continue to play a key role in meeting the world's energy needs, and it is important that the company invests to deliver reliable supplies. In 2022, Harbour invested $907 million of capital in new oil and gas projects, including the decommissioning of idle infrastructure. The Board was pleased to announce $200 million of dividends to shareholders and additional returns through the execution of $400 million of share buybacks.

Harbour culture

Your Board believes that a healthy corporate culture starts with the Board. We set the tone and approve and endorse Harbour's core values: integrity, responsibility, innovation and collaboration. The Board has considered and supported various initiatives to strengthen the culture of Harbour Energy in 2022. These include direct engagement with the global staff forum, participation in townhalls, and other informal opportunities to meet with a broad cross section of employees.

During 2022 Harbour launched its first global engagement survey and the Board has endorsed the resulting action plan to address the highest priority issues identified, including, for example, those related to career development.

Board performance evaluation

Last year the Board embarked on a three-year performance evaluation plan. During 2022 the Board executed the second year of the programme, with Lintstock conducting externally facilitated interviews with each of the directors to supplement written survey results and enable the Board to reflect on its performance 18 months after its formation. An overview of the process, key findings and next steps is included in the Nomination Committee report.

Board priorities for 2023

For the Board and leadership team, our focus during 2023 will be on delivering against our operational and safety targets, continuing to execute our capital allocation programme and growing the business, including through the pursuit of value-accretive M&A with a focus on adding scale and international diversity to the company's portfolio, prioritising safe and responsible operations. The macroeconomic and geopolitical environment remains challenging and uncertain, but I am confident that we have the right team and strategy in place to create value for all our stakeholders.

Board changes

During 2022 Anne Marie Cannon retired from the Board, and Steve Farris has confirmed that he intends to retire at the conclusion of the 2023 AGM. Anne Marie was a long time director of Premier and played a key role in facilitating a smooth transition to Harbour Energy, while Steve has been a director of the private company that preceded Harbour Energy and helped guide the strategic direction of the company since inception. I am grateful to each for their valuable contribution to our company.

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

R. Blair Thomas
Chairman

Board activities

Strategy

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

Governance

Your Board is committed to the highest standards of corporate governance. Our processes and procedures underpin the way we operate and are designed to ensure that the right decisions are taken at the right time and by the right people.

Performance

Harbour has performed very strongly during its first full year as a publicly listed company, showing strength and resilience in the face of a challenging geopolitical and economic backdrop. We have advanced our ESG agenda and net zero strategy, delivered against our capital allocation priorities and continued to invest in growth.

How our governance structure aligns with the principles of the Code

The UK Corporate Governance Code 2018 (the Code) is the corporate governance code to which we referred during the financial year to 31 December 2022 and can be found at frc.org.uk.

Harbour was fully compliant with the provisions of the Code throughout 2022, except for Provision 9, which states that "the chair should be independent on appointment when assessed against the circumstances set out in Provision 10". R. Blair Thomas, the Chairman, did not meet the independence criteria of Provision 10 of the Code by virtue of being appointed pursuant to EIG's right to appoint up to two directors to the Board under the relationship agreement detailed on page 103.

The Board believes that Blair's industry experience and knowledge of the Chrysaor Group, one of Harbour's heritage companies, justified his appointment as Chairman and is of continuing benefit to Harbour Energy and its stakeholders. Blair has more than 30 years' experience in the investment management business, with a focus on energy and energy-related infrastructure, and he was a member of the board of directors of Chrysaor Holdings Ltd prior to the merger in 2021.

The Board is comprised of a majority of independent non-executive directors, including a very experienced senior independent director in Simon Henry. The Board therefore believes there is sufficient independent challenge and judgement within the boardroom.

Full details on how the Code Principles have been applied are available on pages 100 to 102.

1 Board leadership & company purpose

The Board's role is to promote the long-term sustainable success of the company, generating value for shareholders and stakeholders, including society as a whole.

Harbour Energy's purpose is to play a significant role in meeting the world's energy needs through the safe, efficient and responsible production of hydrocarbons. The company's strategy underpins this purpose, aiming to create value by continuing to build a global diversified oil and gas company focused on value creation, cash flow and distributions. This would not be possible without Harbour's people, who are encouraged to live by Harbour's values: integrity, responsibility, innovation and collaboration.

2 Division of responsibilities

There is a clear division of responsibilities between the Chairman and Chief Executive Officer, in addition to defined role profiles for the Senior Independent Director and non-executive directors to support the integrity of the Board's operations.

Whilst the Chairman was not regarded as independent on appointment, he brings significant industry experience which the Board believes is of great benefit to the company, a conclusion supported by the external Board evaluation that took place in 2022.

The Chairman is responsible for leading the Board through the facilitation of open conversations and dialogue at Board level.

BOARD OF DIRECTORS
READ MORE ON PAGE 64

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

SIMON HENRY
Senior Independent Non-Executive Director

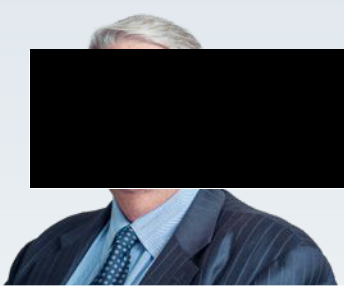
3 Composition, succession & evaluation

The Board has a majority of independent non-executive directors and a diverse mix of skills, gender, social and ethnic backgrounds and experience.

The Nomination Committee is tasked with ensuring that the Board comprises a suitable balance of individuals to enable the Board to lead the company effectively. Read more about the activities of the Nomination Committee in its report on pages 72 to 75.

NOMINATION COMMITTEE REPORT
READ MORE ON PAGE 72

R. BLAIR THOMAS
Chair of the Nomination Committee



4 Audit, risk & internal control

The Audit and Risk Committee keeps under review the effectiveness of Harbour's risk management and internal control systems and the programme of reviews co-ordinated by internal audit and risk management.

It also monitors the integrity of the company's financial statements and ensures that the Annual Report and public disclosures are fair, balanced, understandable and provide all the information required by shareholders to assess the company's performance.

AUDIT AND RISK COMMITTEE REPORT
READ MORE ON PAGE 68

ALAN FERGUSON
Chair of the Audit and Risk Committee

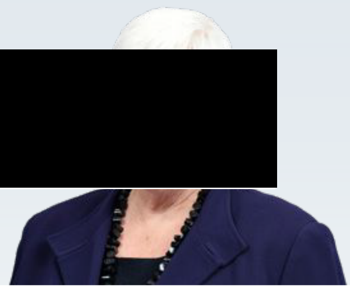
5 Remuneration

Remuneration at Harbour is designed to attract the top global talent in our sector to enable the company to meet its objectives, taking into account the long-term interests of employees, investors and other stakeholders.

The Remuneration Committee maintains the Remuneration Policy and consults with shareholders to ensure support for our executive remuneration framework. The Remuneration Committee considers and approves the remuneration arrangements of the Chairman, executive directors and other senior executives, whilst exercising oversight of pay and performance conditions across the business.

DIRECTORS' REMUNERATION REPORT
READ MORE ON PAGE 78

ANNE L. STEVENS
Chair of the Remuneration Committee



Health, safety, environment & security

HSES is a fundamental part of our business and so forms a core pillar of our governance structure additional to the Code sections above.

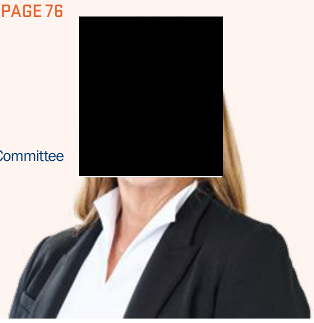
HSES is a top priority for Harbour. We put safety first in everything we do, and sound environmental management is a key part of Harbour's licence to operate.

The HSES Committee is responsible for HSES strategy and performance, monitoring HSES incidents and performance, including that relating to net zero and the energy transition.

The HSES Committee works closely with the Audit and Risk Committee to ensure that the effectiveness of the company's risk management and control systems and associated reporting is robust.

HSES COMMITTEE REPORT
READ MORE ON PAGE 76

Margareth Øvrum
Chair of the HSES Committee



Board of directors

A diverse, experienced and knowledgeable Board

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

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

Our articles of association are available on the company's website, alongside the matters reserved for the Board, whilst a copy of the Code can be accessed at **www.frc.org.uk**.

MANAGEMENT ACCOUNTABILITY

BOARD OVERSIGHT

Board of directors

Board committees

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

The Company Secretary provides advice and support to the Board and its committees. Board committees are authorised to engage the services of external advisers as they deem necessary.

Audit and Risk Committee

READ MORE ON PAGE 68

Nomination Committee

READ MORE ON PAGE 72

HSES Committee

READ MORE ON PAGE 76

Remuneration Committee

READ MORE ON PAGE 78

Leadership team

The leadership team supports the Chief Executive Officer with the development and implementation of Group strategy, management of the operations of the company including succession planning, financial planning, risk management, internal control, HSES and corporate responsibility. The leadership team includes representation from the three key operational areas set out below.

READ MORE ON PAGE 42

North Sea operations

The North Sea portfolio comprises a mixture of producing assets, development and pre-development projects and near-field exploration opportunities.

The North Sea business unit is led by Bob Fennel, EVP North Sea.

International operations

The International portfolio includes assets in Indonesia and Vietnam and interests in Mexico.

The International business unit is led by Stuart Wheaton, EVP International.

Functional oversight and support

Management and oversight functions supporting the business include finance, legal, human resources, global services, subsurface and net zero.

Each function is led by a member of the leadership team.

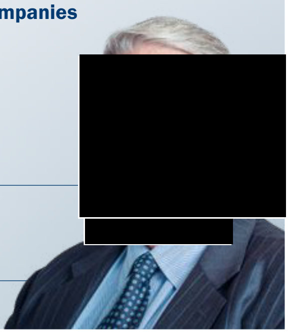
R. Blair Thomas
Chairman

Appointed 31 March 2021

Skills and experience
Blair was appointed as Non-Executive Chairman of the company pursuant to the relationship agreement with EIG (described on page 103). Blair has more than 30 years' experience in the investment management business, with a focus on energy and energy-related infrastructure, and was previously a member of the board of directors of Chrysaor Holdings Ltd. The Board believes that Blair's industry experience and knowledge of Harbour warrants his position as Chairman and his leadership is of significant benefit to the company and shareholders as a whole.

External appointments with public companies
None

Committee membership
– Nomination (Chair)



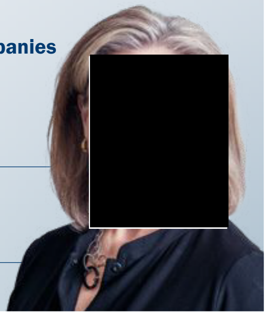
Linda Z. Cook
Chief Executive Officer

Appointed 31 March 2021

Skills and experience
Linda has significant experience in building and managing large-scale, global energy businesses at both Royal Dutch Shell where she worked for almost 30 years and subsequently in private equity at EIG. She has a track record of successful strategic execution and growth, including through M&A, major project delivery, and raising capital. Her experience in international oil and gas and in disciplined capital allocation within the sector is invaluable for Harbour as the company embarks on an ambitious programme of investment across the portfolio. Also important are Linda's many years of experience serving as a CEO, and as a director, in both executive and non-executive capacities on the boards of large, publicly listed companies.

External appointments with public companies
– BNY Mellon, Non-Executive Director and Chair of the Human Resources and Compensation Committee

Committee membership
N/A



Alexander Krane
Chief Financial Officer

Appointed 15 April 2021

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

External appointments with public companies
None

Committee membership
N/A

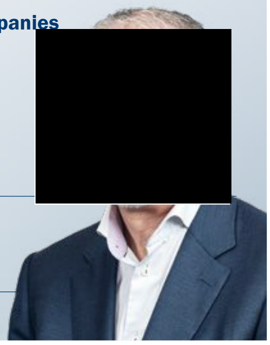
Simon Henry
Senior Independent Non-Executive Director

Appointed 31 March 2021

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

External appointments with public companies
– Rio Tinto plc, Non-Executive Director and Chair of the Audit Committee

Committee membership
– Audit and Risk
– HSES



G. Steven Farris
Non-Independent Non-Executive Director

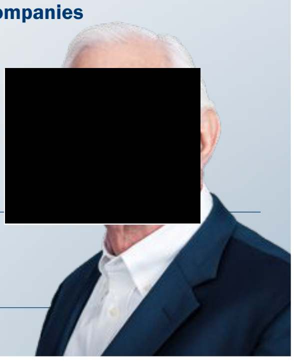
Appointed 31 March 2021

Skills and experience

Steve was appointed as a non-executive director of the company pursuant to EIG's right to appoint up to two directors to the Board. Steve spent his executive career within the energy sector, latterly leading the Apache Corporation as Chairman and CEO, which has enabled him to provide a valuable contribution to the Board. Following the distribution of EIG's holding in July 2022, Steve will be stepping down from the Board at the 2023 AGM. Steve's knowledge and counsel have been a great asset to the Board.

External appointments with public companies

None



Committee membership

- HSES

Margareth Øvrum
Independent Non-Executive Director

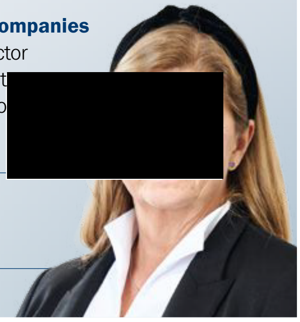
Appointed 1 April 2021

Skills and experience

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

External appointments with public companies

- FMC Corporation, Non-Executive Director
- Technip FMC plc, Non-Executive Direct[redacted]
- Transocean Ltd, Non-Executive Directo[redacted]



Committee membership

- HSES (Chair)
- Audit and Risk

Alan Ferguson
Independent Non-Executive Director

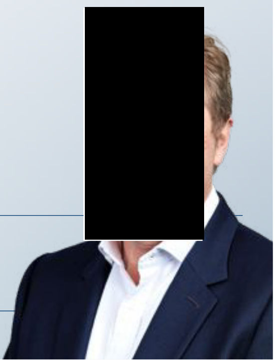
Appointed 31 March 2021

Skills and experience

Alan brings current and relevant financial experience to the Board and as Chair of the Audit and Risk Committee after an executive career in finance roles, along with a decade of experience leading audit committees of listed companies. Alan has already successfully led the tender process for Harbour's external auditors and his expertise in audit and accounting is vital for the company.

External appointments with public companies

- AngloGold Ashanti Limited, Non-Executive Director and Chair of the Audit Committee



Committee membership

- Audit and Risk (Chair)
- Remuneration

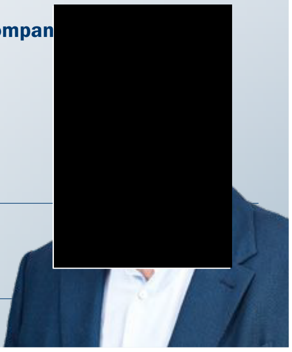
Andy Hopwood
Independent Non-Executive Director

Appointed 31 March 2021

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

External appointments with public compan[redacted]
None

Board representative to the group staff forum

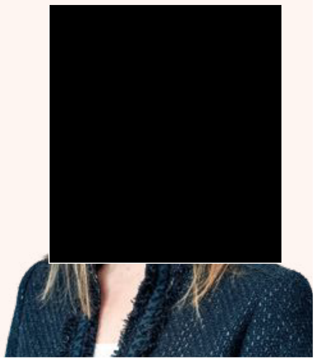


Committee membership
- Nomination
- Remuneration

Rachel Rickard
Company Secretary

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

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

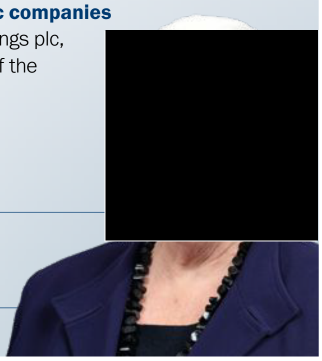


Anne L. Stevens
Independent Non-Executive Director

Appointed 31 March 2021

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

External appointments with public companies
- Aston Martin Lagonda Global Holdings plc, Non-Executive Director and Chair of the Remuneration Committee



Committee membership
- Remuneration (Chair)
- Nomination

Role of the Committee

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

Committee members

Alan Ferguson
Committee Chair

Simon Henry

Margareth Øvrum

Meeting attendance

Current members	
Alan Ferguson (Committee Chair)	●●●●●●●
Simon Henry	●●●●●●●
Margareth Øvrum[1]	●●●●●●○
Former members	
Anne Marie Cannon[2]	●●●●●

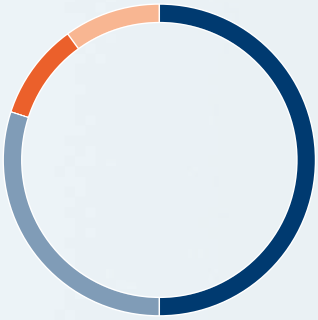
● Attended ○ Not attended

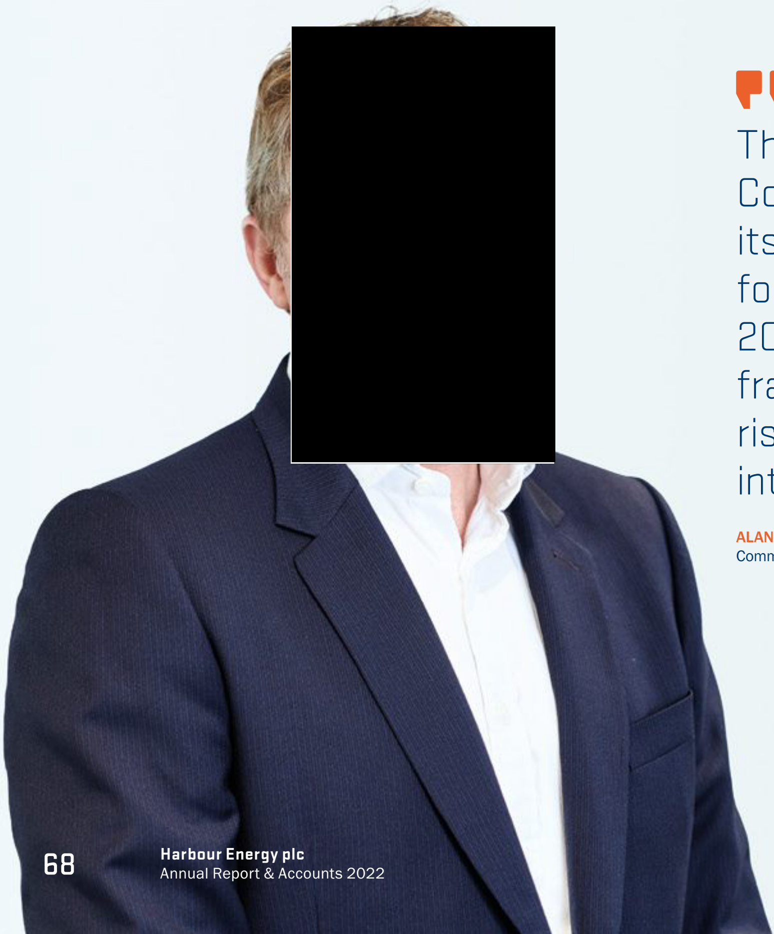
1 Margareth Øvrum was unable to attend one meeting due to commitments in place prior to her appointment to Harbour Energy plc.

2 Anne Marie Cannon stepped down from the Committee on 31 October 2022.

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

Financial reporting and audit	50%
Risk management and internal control	30%
Special topics	10%
Governance	10%





> This was an important year for the Committee in operating through its first full cycle. We built on the foundations established during 2021 to mature the risk management framework, review a number of key risks and continue to develop the internal control framework.

ALAN FERGUSON
Committee Chair

Dear shareholder,

I am pleased to present the Audit and Risk Committee's (the Committee) report for 2022. The objective of this report is to provide a summary of the Committee's work to ensure the interests of the company's stakeholders are protected through a robust system of risk management and transparent financial reporting.

I held the position of chair of the Audit and Risk Committee throughout 2022.

Key activities during the year

The Committee held seven scheduled meetings during 2022. A further two meetings were held in 2023, prior to the publication of this Annual Report & Accounts. In addition to the members of the Committee listed on the previous page, meetings were normally also attended by the Chief Executive Officer, the Chief Financial Officer, the Corporate Controller, the VP Internal Audit and Risk Management, the General Counsel and the company's external auditors. Other senior managers are required to attend when significant audit and risk management matters relating to their area of responsibility are considered by the Committee. During the year, the Committee met privately with the Chief Financial Officer, the VP Internal Audit and Risk Management and the external auditors, as I normally do prior to the Committee meetings themselves.

The activities undertaken by the Committee in 2022 built on the foundations we established in 2021 following the listing of Harbour Energy plc on 1 April 2021.

The Committee invested extensive time during the year reviewing the significant financial reporting judgements, key accounting estimates, climate change disclosures, important internal control matters and other processes in place to prepare the company's full and half-year results. In particular, the Committee reviewed the impairment and decommissioning provision assessments, the appropriateness of the financial modelling work that supported the going concern and viability statements, and the clarity and completeness of disclosures in the financial statements. In this work, we considered the impact of the energy transition, in particular the uncertainty on the scale and timing of such impacts and the implications for the long-term resilience of the business. More detail about the work of the Committee in relation to these financial reporting judgements can be found in the panel opposite.

Financial reporting judgements and internal control matters

The Committee considered the following significant judgements, estimates and internal control matters in preparing the 2022 Annual Report & Accounts, coming to the following conclusions:

Going concern

The directors are required to consider the appropriateness of adopting the going concern basis of accounting. The Committee reviewed management's projections of the company's liquidity position. Key assumptions in the projections included those related to oil and gas prices during the period. The Committee is satisfied that the judgements applied in making the assumptions and estimates that underpin the forecasts and projections are appropriate. The going concern statement included on page 49 is fair and balanced.

Impairment and reversals of tangible and intangible properties

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

- reviewed and challenged management's key assumptions for oil and gas properties, including the long-term planning assumptions and future oil and gas prices; and
- taking account of available market data, approved management's long-term planning assumptions for crude oil prices of $90/bbl in 2023, $80/bbl in 2024, $70/bbl in 2025 and $65/bbl (in real terms) thereafter and for UK NBP gas prices of 270p/therm in 2023, 140p/therm in 2024, 100p/therm in 2025 and 65p/therm (in real terms) thereafter, adjusted for the company's hedging programme.

The Committee was satisfied that the most significant assumptions on which the impairment charges and reversals are based are: future commodity prices, the discount rate applied to the forecast future cash flows and decommissioning provisions. The Committee judged the sensitivity of the impairment charges and reversals to changes in the commodity prices, as set out in note 12 to the financial statements on page 146, to be appropriate. The Committee also considered the impact of climate change and carbon pricing on the financial statements and concluded there was unlikely to be a material impact on the financial statements. Further information can be found in note 2 to the financial statements on page 123.

The Committee assessed the carrying values of exploration and evaluation assets (E&E) and whether any indicators of impairment exist in relation to these assets. The Committee reviewed the oil and gas resources estimates and maturation reports provided by management and is satisfied that the resource movements in the year, and balances at year-end, were appropriately prepared and supported, and that the corresponding E&E asset carrying balances and income statement charges were aligned with the resources reports. Details of the company's intangible E&E assets are provided in note 11 to the financial statements on page 145.

Oil and gas reserves and resources

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

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

Provisions for decommissioning

The Committee discussed with management the process and principal assumptions underpinning the cost estimates for future decommissioning activity. In particular the Committee reviewed the increases in the range of risk-free discount rates applied compared to the prior year. The Committee was satisfied that the approach applied was fair and reasonable and that the combination of discount and contracted rig rates used was appropriate. Further information on decommissioning provisions is provided in note 20 to the financial statements on page 153.

Taxation

The Committee reviewed and discussed reports from management associated with calculating the Group tax provision for the period. A key area of review was how the newly enacted UK Energy Profits Levy (EPL) has been reflected in the results. The taxation provision for the period includes both the EPL liability from FY22 operations and the revaluation of the balance sheet deferred tax position to reflect that the future tax rate which will apply to certain attributes is now 75 per cent rather than 40 per cent.

The Committee noted that the net deferred tax asset recognised on the balance sheet was supported by projections of probable UK taxable profits using underlying assumptions which are consistent with those used in the asset impairment review. Further details of the deferred tax asset are provided in note 8 to the financial statements on page 141.

The Committee monitored the continued independence of the external auditors and reviewed the quality and effectiveness of the audit process. As part of this we reviewed and updated our policies on the provision of non-audit services by external auditors and the recruitment of former employees of the external auditors (available online).

We reviewed the processes in place for assessing the principal and emerging risks facing the business, in support of the assessment of these risks by the Board during the year. We reviewed the risk oversight model to ensure all principal risks, and the Board's appetite (or tolerance) for these risks, are given appropriate consideration by the Board and committees. We also completed our annual review of the effectiveness of the company's risk management and internal control systems on behalf of the Board.

During the year the Committee received presentations on risk management matters in support of its duties to monitor the overall effectiveness of the company's risk management and internal control systems on behalf of the Board and to oversee the management of specific risks assigned to it by the Board. We received management-led presentations on commodity price volatility; cyber and information security; access to capital; and the development of the internal financial control framework. Presentations also included the project to develop a company enterprise management system (EMS). The project was independently assured by PwC under the direction of internal audit and the Committee met with management and the assurance providers during the course of the project ahead of its implementation in November 2022. Where applicable, these presentations included a discussion on risk appetite to ensure alignment with the business on the nature and extent of the risks that the Board is willing to take. These presentations provided an opportunity for us to gain closer contact with managers in the business helping us understand how the principal risks are managed 'on the front line' and the opportunities and challenges in this regard. We also held a joint session with the Health, Safety, Environment and Security (HSES) Committee to review current and emerging requirements related to TCFD reporting.

The Committee received reports on the outcome of internal audits conducted over the period. These included audits of risk areas related to commitments and authorities, supply chain resilience, cyber and information security, and the EMS project. The Committee noted any significant findings and progress on the completion of the actions arising from these audits.

The Committee also reviewed and approved the internal audit plan for 2023 and reviewed an initial draft of its audit and assurance policy which will be completed in 2023.

The Committee received reports on whistleblowing incidents and endorsed management's plan to engage a third party in early 2023 to independently assess and to assure the company's compliance programme.

In November, the Chairman received a letter from the FRC seeking clarification and further information in relation to some aspects of the company's TCFD reporting in the 2021 Annual Report. While noting in our response that elements of our 2021 Annual Report were included as examples of better disclosure practice in the FRC's 2022 CRR Thematic Review of TCFD disclosures, we committed to provide additional disclosures as now reflected on pages 33 to 38 in this report and the accompanying ESG Report to ensure our disclosures are fully consistent with TCFD recommendations.

We note that an FRC review provides no assurance that Harbour's Annual Report and financial statements for 2021 was correct in all material respects. The FRC's role was not to verify the information provided but to consider compliance with reporting requirements. Its letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by Harbour or any third party, including but not limited to investors and shareholders.

At year-end, the Committee conducted an externally facilitated review, facilitated by Lintstock, of its own effectiveness and ensured that the actions it identified were integrated into its planning for 2023.

Independence and objectivity of the external auditors

The Committee is responsible for overseeing the Board's relationship with the external auditors and assuring their continued independence. Ernst & Young LLP (EY) were appointed in 2021 for a period of up to five years following the completion of a limited competitive tender process as part of the merger and therefore it is intended that the company will run a full competitive tender process by 2026. The Committee believes that the anticipated timeline for the re-tender of audit services is in the best interests of shareholders since it provides an appropriate balance between factors such as the auditor's knowledge of the company, its risk management environment and maintaining audit quality, as well as ensuring a challenge to independence and objectivity. The company is fully compliant with the requirements of the Statutory Audit Services Order 2014.

The Committee reviews the independence and objectivity of the auditors on an ongoing basis and takes into account the overall relationship between the auditors and the company. In conducting this review, we consider feedback from the company's finance function and the auditors, the nature and extent of non-audit services provided by the auditors, any recruitment of former employees of the auditors, and the safeguards the auditors have in place to prevent loss of audit independence, including the rotation of the audit engagement partner which is required every five years.

The Committee holds private meetings with the auditors throughout the year without management present. I also hold private meetings with the lead audit partner in between Committee meetings. These meetings provide an opportunity for open discussion with the auditors on a variety of topics. Matters discussed included: the auditor's assessment of significant financial risks and the performance of management in addressing these risks, the auditor's observations on management's role in fulfilling obligations to maintain internal controls, the transparency and responsiveness of management, confirmation that no restrictions have been placed on them by management, maintaining the independence of the audit, and how they have exercised challenge of management.

The Committee approves the fees for the full-year audit and half-yearly review after reviewing the scope of work, and reviews the fees for non-audit assignments to satisfy itself that the assignments concerned do not give rise to threats to the auditor's independence and objectivity. The Committee believes that certain limited non-audit work may be carried out by the external auditors without compromising their independence. Non-audit work is allocated in line with the company's policy on the provision of non-audit services by the external auditors and is approved by the Committee. In 2022, this comprised services relating to reporting accountant services and interim financial review of £0.75 million and the performance of certain agreed-upon-procedure engagements of £0.05 million. The global audit fee for the 2022 external audit work amounted to £2.6 million. Further details of the fees paid are set out in note 5 to the financial statements on page 139.

The external auditors are required to confirm to the Committee that they have both the appropriate independence and objectivity to allow them to continue to serve the company. The Committee also requires the external auditors to confirm that in providing non-audit services, they comply with the Ethical Standard (2019) issued by the UK Financial Reporting Council. This confirmation was received for 2022.

Quality of the external audit process

The Committee is responsible for assessing the quality and effectiveness of the external audit process.

At the start of the audit cycle, the Committee takes an appropriate amount of time to review the auditor's work plan and their assessment of the significant areas of risk in the financial statements, as this is an important factor in judging audit quality. For 2022, the significant areas of risk corresponded with the major areas of judgement and estimates identified by the Committee as detailed on page 136. Following the audit, we discussed the findings with the auditors, including key accounting and audit judgements and estimates, the level of unadjusted errors identified during the audit, the recommendations made to management by the auditors and management's response. We met privately with the auditors in August 2022 at the conclusion of the interim review and in March 2023 at the conclusion of the 2022 audit. I also met privately with the lead audit partner at these times.

In assessing the quality of the external audit process, the Committee focused on:

- the experience and expertise of the audit team;
- the rigour and focus applied to the audit plan;
- the fulfilment of the agreed audit plan by the auditors and any variations from the work plan;
- the challenge and perceptiveness of the auditors in their handling of the key accounting and audit judgements;
- the quality of the recommendations made by the auditors for financial reporting process and control improvements;
- the interactions of the audit team with the Committee both in and outside the formal meetings; and
- delivery against commitments made in the original audit tender presentations.

In addition, the Committee invited input from management and senior finance staff utilising a questionnaire, which the Committee had approved, and also reviewed the EY UK 2022 audit quality report.

The Committee also noted that the prior year audit subsequently received a satisfactory review from the auditor's in-house quality assurance process. Finally, the Committee discussed the possible separation of audit and advisory services being undertaken by EY and sought assurances on the continued quality of audit provision through this process if this separation takes place.

Based on these reviews, the Committee concluded that the independence of the auditors has not been impaired and that the audit process operated effectively during the period, and it has reported accordingly to the Board.

Risk management and internal control

The Committee is responsible for monitoring and reviewing the effectiveness of the company's risk management and internal control systems (its risk management framework) on behalf of the Board. During 2022, this included a review of the processes in place to assess the principal and emerging risks facing the business, ensuring management of all principal risks are given appropriate consideration by the Board and committees, and conducting an annual review of the effectiveness of the risk management and internal control systems on behalf of the Board. We also oversaw the management of specific principal risks assigned to us by the Board including defining the Board's appetite (or tolerance) for these risks. The framework is discussed more fully on pages 50 to 52.

The risk management framework includes specific internal controls governing the financial reporting process and preparation of financial statements. We have clear policies, standards and procedures for ensuring we comply with relevant regulatory reporting requirements and that these are applied consistently across our finance reporting teams and business areas involved in preparing the financial statements. The Committee seeks representations from management regarding compliance with relevant policies and the accuracy of financial information on a biannual basis. Detailed management accounts for each reporting business unit are prepared monthly and subject to management review. These reports detail the performance and cash flows of the business and support our external financial reporting processes.

The Committee has completed its annual review of the effectiveness of the company's risk management and internal control systems during the period on behalf of the Board so as to be able to approve the statements on the risk management framework in the risk management section of the Strategic Report on page 52. The Committee has also completed its annual review of the processes in place to prepare the 2022 Annual Report & Accounts and to ensure they are fair, balanced and understandable in order to support the Statement of directors' responsibilities on page 107.

Internal audit

The company's internal audit function provides third line assurance, as part of the assurance model described on pages 50 to 52. It is led by the VP Internal Audit and Risk Management, who reports directly to the chair of the Committee and to the CFO on a day-to-day basis. Beyond the in-house VP, the function has been resourced through an outsourced arrangement. During 2022 the function initiated a move towards a co-source model, after approval from the Committee, that blends in-house internal audit expertise with subject matter expert support from co-source partners. The function will undertake an internal audit effectiveness self-assessment during 2023 to support the design and implementation of this model.

During 2022, the Committee met twice with the VP Internal Audit and Risk Management without management present, and I also held private meetings with her in between Committee meetings.

The Committee received reports on internal audit findings at each meeting, noting any significant findings and monitoring the progress of any actions agreed as a result of these audits. The Committee has also reviewed and approved the internal audit plan for 2023 including its budget and resource requirements. This internal audit plan is targeted at providing assurance on the effectiveness of the management of the company's most significant risks and takes account of other sources of assurance to avoid duplication. These elements of assurance will be captured in the audit and assurance policy which will be completed in 2023.

Committee evaluation

As part of the externally facilitated Board and Committee evaluation, the Committee discussed the assessment of its own performance and agreed actions for the coming year. More detail on the evaluation process and outcomes are provided in the Nomination Committee report on page 72.

This was an important year for the Committee in operating through its first full cycle. We built on the foundations established during 2021 to mature the risk management framework, review a number of key risks and continue to develop the internal control framework. Areas of focus for 2023 will include further oversight of key risk areas such as access to capital, cyber security, reporting related to the energy transition, the audit and assurance policy, assessing the control framework built into the new EMS system as well as ensuring the company is well positioned to comply with emerging requirements related to audit and corporate reform.

Finally, I would like to thank my fellow Committee members and the management team for their efforts and support during 2022. I would especially like to acknowledge the service of Anne Marie Cannon who stepped down from the Committee during the year after almost nine years of service as a non-executive director for Harbour and, previously, Premier Oil.

Alan Ferguson
Committee Chair

Nomination Committee report

Role of the Committee

- To plan director 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 its committees.
- To lead the process for the annual Board and committee effectiveness evaluation and oversee the results and actions.
- To lead the process for Board appointments, ensuring that the procedure is formal, rigorous and transparent, and identifying and nominating candidates for the Board's approval.
- To lead Board-level engagement with Harbour's workforce, enabling them to raise matters of concern.
- To assess and monitor Harbour's culture, to ensure that it is aligned with the company's purpose, values and strategy.

Committee members

R. Blair Thomas
Committee Chair

Andy Hopwood

Anne L. Stevens

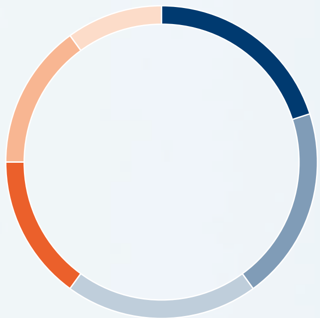
Meeting attendance

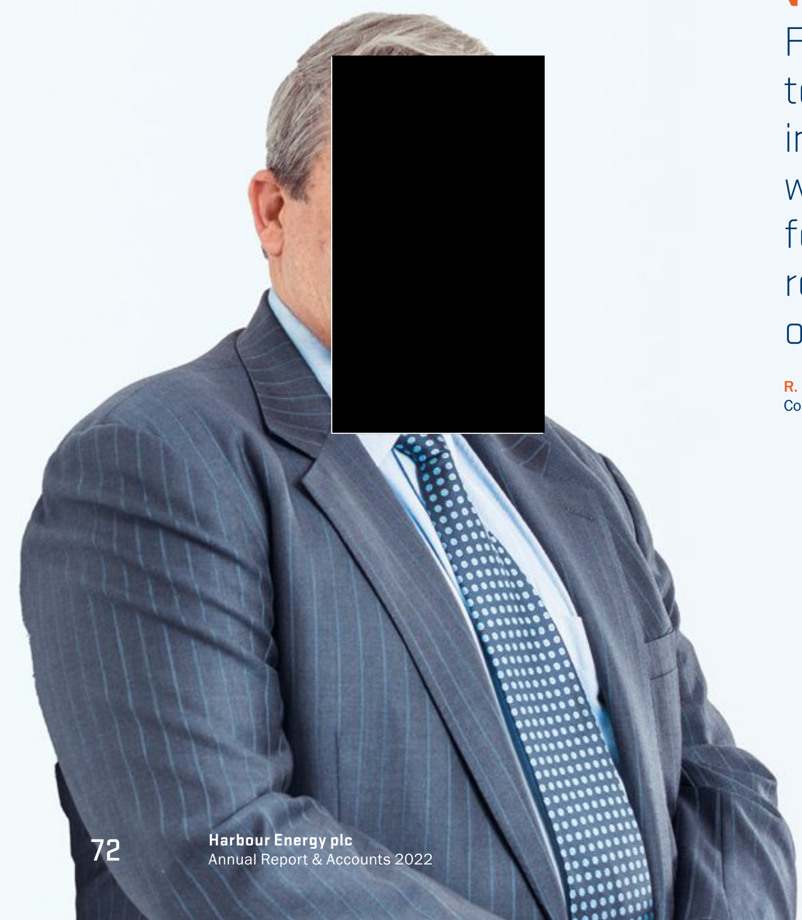
R. Blair Thomas (Committee Chair)	●●●●
Andy Hopwood	●●●●
Anne L. Stevens	●●●●

● Attended ● Not attended

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

Executive director and senior management succession	20
Non-executive director succession	20
Diversity, equity and inclusion	20
Talent management and development	15
Workforce engagement and culture	15
Corporate governance and compliance	10





> Following the extensive changes to the Board and its committees on implementation of the merger, 2022 was a stable year and an opportunity for the directors to continue building relationships and embed new ways of working.

R. BLAIR THOMAS
Committee Chair

Dear shareholder,

During 2022, the Nomination Committee focused its attention on continuing to embed the revised organisational structure and culture, talent development and succession planning, workforce engagement and diversity, equity and inclusion initiatives.

Board and committee changes
Following the extensive changes to the Board and its committees on implementation of the merger, 2022 was a stable year and an opportunity for the directors to continue building relationships and embed new ways of working.

On 8 July, Harbour announced that Steve Farris, one of the two EIG-nominated non-executive directors, intended not to stand for re-election at the 2023 AGM. This was following notification by EIG that their interest in Harbour had decreased from approximately 37 per cent to approximately 16 per cent, as a result of a distribution of shares to their investors. On 31 October, Anne Marie Cannon stepped down from the Board having served almost nine years as a director of the company and Premier Oil plc. I would like to thank Anne Marie and Steve for the significant contribution they have each made to Harbour during their tenure on our Board through their insights, experience and constructive challenge. In November 2022, Andy Hopwood joined the Remuneration Committee, following Anne Marie's departure.

Succession planning
The Committee's remit includes responsibility for reviewing the needs of Harbour's leadership, both at the executive and non-executive levels, to ensure the company can continue to compete effectively in the marketplace, including contingency planning for any sudden or unforeseen circumstances. During 2022, the Committee initiated a search to identify new non-executive directors to succeed two members of the Board, Anne Marie Cannon and Steve Farris.

Non-executive director succession
The Committee agreed to seek new directors with technical and professional skills to complement the existing mix of skills and experience on the Board, noting the priority to continue building a diverse Board in terms of gender, ethnicity and background.

An external search agency, MWM Consulting, has been appointed to facilitate the search. MWM had no other connection to the company or its directors during the year. In November 2022, the Committee agreed that to facilitate an efficient process, a Search Committee be formed, comprised of the Chairman, the CEO, Anne L. Stevens and our Senior Independent Director, Simon Henry.

The Committee is briefed at each meeting on the progress of the search process. Further detail on the process is set out on page 75.

Executive director succession and talent development
The Committee also turned its attention to ensuring that a robust succession plan is in place for executive director positions and key roles in the wider organisation. A review of the leadership potential of senior executives below Board level was conducted early in 2022 and actions agreed to ensure that Harbour is equipped with the skills, knowledge and experience to grow and thrive. The Committee is also monitoring the progress of global initiatives to develop talent throughout the organisation. In June the Committee reviewed a new talent and learning programme and endorsed plans to take this forward through 2022 and into 2023.

Board composition
In December, the Committee conducted a review of the structure, size and composition of the Board, as well as the membership of the Board's committees and the balance between executive and non-executive, independent and non-independent, directors. The Committee agreed that the recruitment process should broaden the mix of skills and experience on the Board, strengthen Committee membership, and address the need for increased diversity.

Externally facilitated Board and committee evaluation process
In 2021, the Committee approved a three-year Board performance evaluation plan, facilitated by Lintstock. There is no connection between Lintstock and either Harbour Energy plc or the directors. Following the completion of the evaluation process in 2021, the Committee endorsed plans to hold externally facilitated interviews in the fourth quarter of 2022. The interviews supplemented the results of online surveys used to evaluate the performance of the Board, its committees, and individuals throughout the year.

Overall, the results were positive, concluding that the Board has a strong platform for effective oversight and is on a positive trajectory. Detailed results and evaluation reports were prepared by Lintstock and submitted to the Board and each committee in December 2022, to use as a basis of discussion for creating action plans. The Chairman's performance was also assessed with discussion led by the Senior Independent Director in conjunction with other independent non-executive directors.

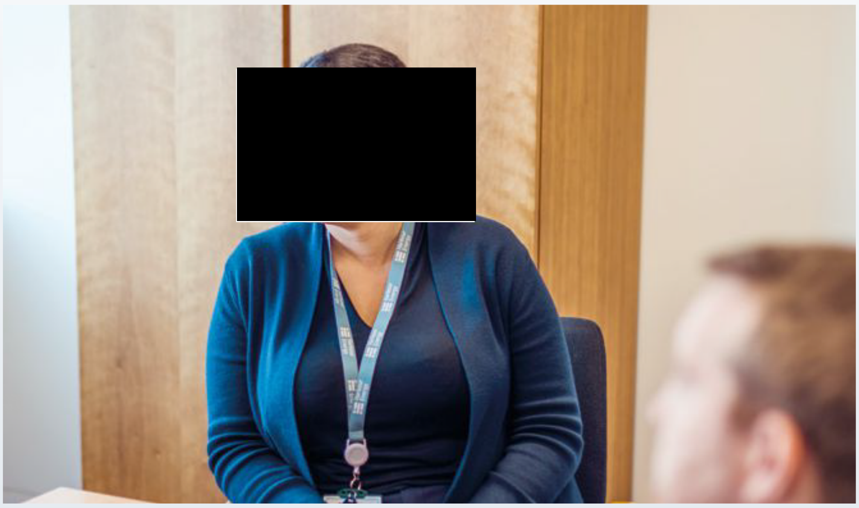
Topics identified for priority and further focus in 2023 and beyond included:

- stakeholder oversight and understanding of the external stakeholder environment;
- focus on strategic execution including M&A;
- succession planning and talent management;
- diversity; and
- continuing to build executive capacity.

The Committee considered the findings of the evaluation and concluded that each director continues to contribute effectively and has sufficient time to devote to their role. The Committee and the Board are therefore unanimous in recommending for re-appointment, all directors who will be standing for re-election at the 2023 AGM.

Diversity, equity and inclusion

The Board recognises that diversity, equity and inclusion are essential both for the Board and throughout Harbour. During the course of 2022, Harbour hired a head of DE&I and that executive met several times with the Committee, as well as providing a report to the Board.



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

The Board's diversity policy, reviewed annually by the Committee, is to ensure the optimal composition of the Board for successfully delivering Harbour's strategy, with an aim of meeting the new targets contained in the FCA Listing Rules on diversity which came into force in April 2022:

- that at least 40 per cent of the directors are women;
- that at least one of the roles of Chair, Chief Executive Officer, Senior Independent Director or the Chief Financial Officer is held by a woman; and
- that at least one Board director is from a minority ethnic background.

In 2022, until Anne Marie Cannon stepped down from the Board on 31 October, 40 per cent of the Board was female, including our Chief Executive Officer. At present, 33 per cent of the Board is female and a new director search is ongoing. One of our Board members identifies as being from multiple ethnic groups.

Among senior management, women represent 35 per cent of the leadership team and their direct reports as at 28 February 2023. As Harbour moves forward into 2023, our drive to improve diversity, equity and inclusion will continue to ensure that we have the right people in place to deliver strong performance and growth in line with the company's ongoing strategy.

Further details of the Board's composition are outlined on pages 65 to 67.

Workforce engagement

The Committee was pleased to see the strong company-wide participation in Harbour's first global engagement survey, which had a global employee response rate of 84 per cent. Strong results were seen in key areas, including 92 per cent of employees and contractors feeling empowered to stop the job or challenge anything unsafe, and 87 per cent of employees (and 86 per cent of contractors) understanding how their work contributes to Harbour's goals. Lower scores were seen in areas of career development and the complexity of day-to-day processes. Management have met their teams, staff forums and employee networks to review the data and develop both local and global initiatives to address key findings.

The Committee will monitor the progress of the resulting initiatives through the meeting cycle and the output from the group staff forum, which meets four times a year with the CEO. Andy Hopwood and other members of the Board attend group staff forum meetings at least annually. The Committee receives regular updates on the actions arising from group staff forum feedback, which will now include review of the initiatives arising from the global engagement survey.

The group staff forum met with members of the Committee and Board three times in 2022. During 2022 forum members selected a range of topics for discussion, with themes including career development, promotion and expat opportunities, as well as communication and information technology systems. Outcomes and actions suggested by the group staff forum were reviewed by the leadership team and Nomination Committee, and reported to the Board. Executive compensation and alignment with workforce remuneration were also discussed with the group staff forum in 2022.

R. Blair Thomas
Committee Chair

New director search

The Committee has initiated a search for two non-executive directors to be appointed during 2023 to replace outgoing directors and bring complementary skills and expertise to the Board. An overview of the ongoing process is outlined below:

1 Designing the brief

External search firm MWM met with the Committee in November 2022 to ensure that they had a clear understanding of Harbour's culture and search criteria for the two positions.

The candidate brief was finalised and agreed. Timing, key milestones and candidate briefing materials were also agreed at this stage.

2 Developing the shortlist

MWM conducted structured research to identify an initial long list, approached potential candidates, and conducted preliminary interviews to assess 'fit' with the brief.

MWM compiled the long list of potential candidates for the two positions.

The Committee and Simon Henry met to review the long list and agree a shortlist of candidates to be interviewed by the Search Committee.

3 Assessing the candidates

MWM compiled full reports on the shortlist candidates for presentation to the Search Committee.

Interviews were arranged with the preferred candidates, with support provided by MWM including a two way feedback process.

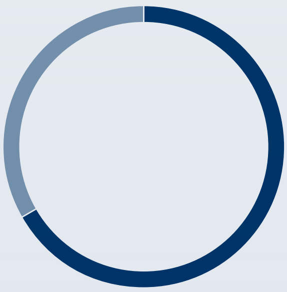
4 Finalising the appointments

The candidates recommended by the Search Committee will have the opportunity to meet with all Board members.

The Search Committee will make a formal recommendation to the Committee on proposed appointees.

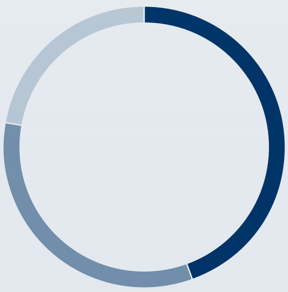
The Committee is expected to make a recommendation to the Board which will make its decision.

Board gender



Male	6
Female	3

Board nationality



American	4
British	3
Norwegian	2

Board skills and experience

International	9
Oil and gas	7
Financial	7
Listed plc	7
Independent operator	5
UK listed plc	4

Meeting attendance

Nine Board meetings were held during the year, seven of which were scheduled meetings covering a full agenda of strategic, performance and governance items.

Two additional meetings were called during the year to discuss specific topics.

Director		Meetings attended
Chairman	R. Blair Thomas	9/9 – 100%
Executive	Linda Z. Cook	9/9 – 100%
	Alexander Krane	9/9 – 100%
	Phil Kirk[1]	1/1 – 100%
Non-executive	Simon Henry	9/9 – 100%
	G. Steven Farris	9/9 – 100%
	Alan Ferguson	9/9 – 100%
	Andy Hopwood[2]	8/9 – 88%
	Margareth Øvrum	9/9 – 100%
	Anne L. Stevens	9/9 – 100%
	Anne Marie Cannon[3]	6/7 – 85%

1 Phil Kirk stepped down from the Board on 28 February 2022.
2 Andy Hopwood was unable to attend a meeting in 2022 due to ill health.
3 Anne Marie Cannon stepped down from the Board on 31 October 2022.

HSES Committee report

Role of the Committee

- To monitor and review the effectiveness of the implementation of Harbour's HSES strategy including the implementation of Harbour's Net Zero 2035 commitment.
- To evaluate the effectiveness of Harbour's policies and systems for delivering its HSES strategy, maintaining regulatory compliance and managing HSES risk, including review of mitigating actions, determination of HSES risk appetite and tolerance, and monitoring the assurance programme.
- To monitor the quality and integrity of Harbour's internal and external reporting of HSES performance and issues.
- To assess the policies and systems within Harbour for ensuring compliance with HSES regulatory requirements.

Committee members

Margareth Øvrum
Committee Chair

G. Steven Farris

Simon Henry

Meeting attendance

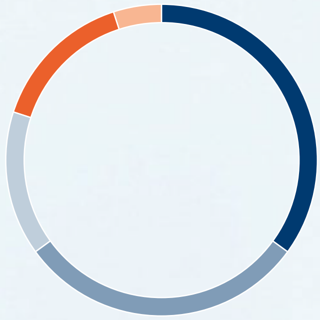
Current members	
Margareth Øvrum (Committee Chair)	●●●
G. Steven Farris	●●●
Simon Henry	●●●
Former members	
Andy Hopwood[1]	●●

● Attended ● Not attended

1 Andy Hopwood stepped down from the Committee on 31 October 2022 to enable him to join the Remuneration Committee.

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

Safety performance	35
Environmental and net zero	30
HSES strategy and management system development	15
External reporting/KPIs	15
Audit findings	5



> Safety is a fundamental element of Harbour's culture. This was evident in the improvement seen in safety performance during 2022 and in results from the company's first employee engagement survey.

MARGARETH ØVRUM
Committee Chair

Dear shareholder,

A focus on health, safety, environment and security (HSES) is fundamental to the success of our business. I am pleased to be able to report on the activities of the Committee in 2022.

The Committee held three scheduled meetings during the year. In November 2022, Andy Hopwood was asked to join the Remuneration Committee and, recognising the additional time commitment required, it was agreed that he would step down from the HSES Committee. I am grateful to Andy for his contribution to the Committee's work.

HSES culture

HSES is embedded in Harbour's purpose statement and is one of the four pillars that make up our company strategy. Visible safety leadership is paramount at all levels of our organisation and is key to creating a positive HSES culture wherever in the world Harbour operates, thereby reducing the potential for our personnel to be injured at work.

Alongside safety, sound environment management has always been important to the oil and gas industry but the increasing focus on combating climate change and the energy transition has increased scrutiny on upstream producers, and our environmental performance is now crucial to Harbour's licence to operate.

In 2022 the company undertook its first ever global workforce engagement survey, which had a global employee response rate of 84 per cent. The Committee was very pleased with the feedback received from participants regarding the HSES culture at Harbour which recorded the highest favourable score in the survey of 92 per cent.

Personal safety

At each meeting, the Committee reviews Harbour's HSES performance against our key performance indicators. The Committee was pleased to see a marked improvement in the Total Recordable Injury Rate (TRIR) of 0.8 injuries per million work hours at year end 2022. This was better than our target for the year and also represented a significant improvement on the previous year's rate of 1.3 injuries per million work hours.

Process safety

Effective management of our major accident hazards is fundamental to the safety of our colleagues and our future success. The Committee fully supports the company's goal to be recognised for excellence in process safety. In 2022 no Tier 1 process safety events (PSEs) were recorded, although there was one Tier 2 PSE – an unignited gas release on our FPSO in Vietnam. This represented an improvement on our performance in 2021 (2021: two PSEs).

Throughout 2022 the Committee has been kept abreast of the progress made to raise process safety awareness across the company – including the introduction of 10 Process Safety Fundamentals, with each one being championed by an asset or function within Harbour. We also launched our internal major hazards awareness training programme. This includes a site-based module held at Spadeadam in Cumbria (UK) and a virtual reality module which includes Vietnamese and Bahasa Indonesian language options to ensure the international reach of the programme. The programme will continue to be implemented globally during 2023.

High potential events

At each Committee meeting we spend time receiving updates on serious and high potential events from across the Harbour portfolio. In 2022 we had 13 high potential events, up from eight in 2021. The Committee was encouraged to see management embark on a company-wide 'Back to Basics' campaign with the aim of reducing the number of high potential events. The campaign focuses on the key contributory causes identified in historic events including the management of contracted work; hazard awareness and risk assessment; simplification of control of work processes; and procedural compliance.

Environmental spill performance

Our environmental performance is reflected in the number of unplanned discharges we have to the marine environment from our offshore operations. In 2022 the Committee noted 12 hydrocarbon spills, releasing a combined total of 0.01 tonnes to the environment (2021: 0.8).

GHG emissions and net zero

Harbour is committed to achieve net zero greenhouse gas emissions by 2035 for Scope 1 and 2 on a gross basis across Harbour-operated assets. During 2022 the Committee reviewed a project to benchmark the scope of Harbour's GHG emissions reporting and targets against peer oil and gas companies. Whilst the work confirmed that Harbour was broadly in line with its UK listed peers, the Committee endorsed several changes including a move to report GHG emissions on a 'gross operated' basis. This redefined the boundaries of our Scope 1 emissions to focus attention on those directly associated with our operated facilities. The Committee also supported new interim GHG emissions targets and a new methane intensity target, laying the foundations to achieve our Net Zero 2035 commitment.

Additional HSES activities

In June 2022, all Board members took part in the virtual reality module of the major hazards awareness programme and also attended a meeting with the Offshore Installation Managers which was an excellent opportunity to understand the issues faced on Harbour's offshore installations.

In late 2022, the Committee reviewed the HSES principal risks, mitigating actions, assurance programme and risk appetite and tolerance. The Committee also held an additional meeting as a joint session with the Audit and Risk Committee to discuss Harbour's climate change scenarios and sensitivities related to the Task Force on Climate-related Financial Disclosures (TCFD). In preparation for the year-end reporting process, the Committee discussed the requirements and potential options for adopting scenarios, as well as market practice in this area. The Committee also spent time in early 2023 reviewing Harbour's Annual Report and ESG Report, which includes the disclosures made in line with the TCFD framework, set out on pages 33 to 38.

National contingency plan (NCP) exercise

During the year, Harbour was asked to participate in the UK's national contingency plan (NCP) exercise. The exercise is designed to test the UK's response to a major oil pollution event at sea and involved over 200 participants (including over 70 from Harbour) and approximately 50 statutory and other non-statutory agencies. The Committee was pleased to hear the very positive feedback from multiple agencies for Harbour's efforts in preparing and responding to the exercise.

HSES audit plan and management system

The Committee approved a new HSES Management System Standard during the year, which defines the minimum HSES expectations to be met across Harbour's global operations. The Committee regularly reviews HSES audit plans and progress on HSES plan delivery. A return to more face-to-face auditing after Covid-19 restrictions were lifted has been welcomed.

Further information on the importance of HSES to Harbour's culture can be found in the ESG section of the Strategic Report on pages 30 to 41.

Margareth Øvrum
Committee Chair

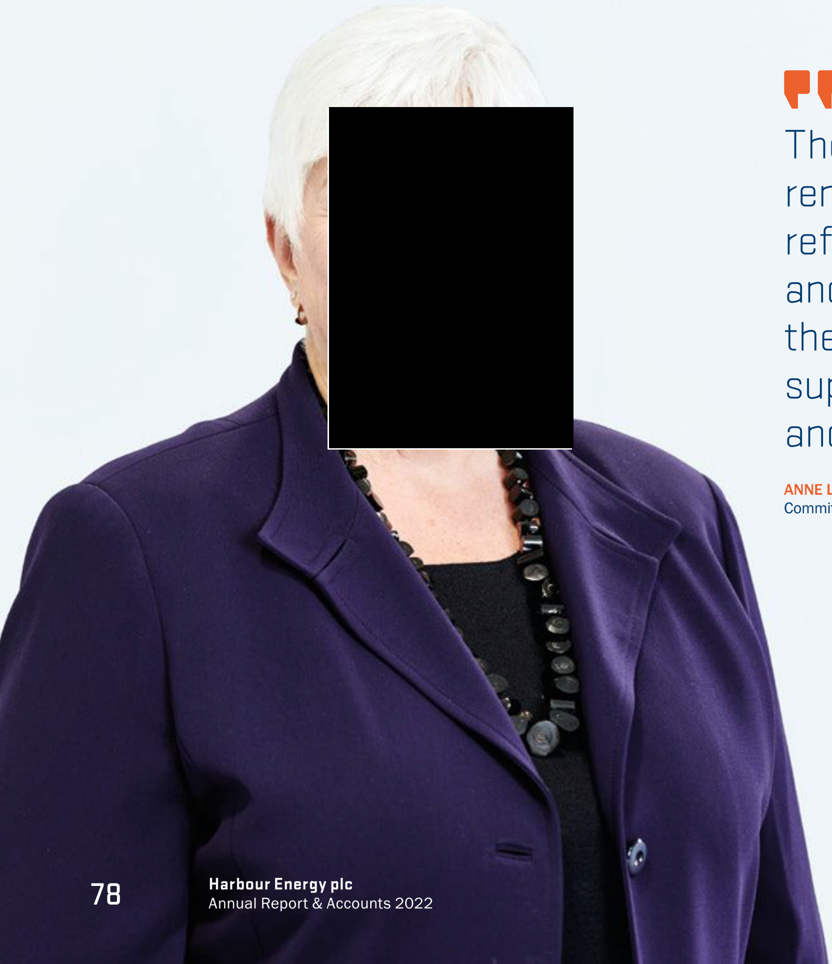
Directors' remuneration report

Role of the Committee

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

Compliance statement

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



Committee members

Anne L. Stevens
Committee Chair

Alan Ferguson

Andy Hopwood

Meeting attendance

Current members	
Anne L. Stevens (Committee Chair)	●●●●
Alan Ferguson	●●●●
Andy Hopwood[1]	●●
Former members	
Anne Marie Cannon[2]	●●

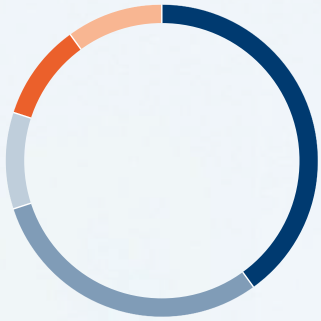
● Attended ● Not attended

1 Andy Hopwood joined the Remuneration Committee on 1 November 2022.

2 Anne Marie Cannon stepped down from the Committee on 31 October 2022.

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

Senior executive remuneration	40
Wider workforce pay and conditions	30
Market environment	10
Employee engagement	10
Remuneration reporting and governance	10



> The Committee believes that the remuneration outcomes for 2022 fairly reflect our performance in the year, and that our intended operation of the Remuneration Policy in 2023 will support the delivery of our short-term and long-term objectives.

ANNE L. STEVENS
Committee Chair

Dear shareholder,

On behalf of the Board, I am pleased to present Harbour's directors' remuneration report for the year ended 31 December 2022.

Our Directors' Remuneration Policy (the Policy) was approved by shareholders at the AGM in 2021. This report sets out how the Policy operated in 2022 and how we intend to implement it for 2023. Together with this annual statement, it will be put to an advisory vote at the AGM on 10 May 2023. The Policy is reproduced on pages 81 to 89 for information only.

Remuneration outcomes in 2022

Against a backdrop of ongoing geopolitical, economic and fiscal instability, the company and our people have performed well, delivering excellent operational and financial results and maintaining safe and responsible production throughout 2022. This performance, coupled with significant past investment, saw strong production and improved margins during 2022, enabling continued deleveraging of the balance sheet alongside material shareholder distributions. This performance is reflected in the bonus scorecard outturn. However, the introduction of the UK Energy Profits Levy during the year materially impacted cash flow, future profitability and the value of the company. This necessitated a review of our activity levels in the UK and reinforced our strategy of aiming to diversify by establishing a material producing presence in at least one other region.

2022 annual bonus

The 2022 annual bonus was based on a scorecard of performance measures with four categories: safety & environment, operations, growth & capital deployment and financial. In terms of performance, targets were met or exceeded for six of the eight specific scorecard metrics. Most notably, safety and GHG emissions targets were met or exceeded, with both showing improvement versus 2021. We made good progress controlling costs during a year of inflation, achieving the stretch target for unit operating costs; even without the benefit of foreign exchange movements, unit costs were lower than in 2021. Free cash flow increased to $2.1 billion, considerably higher than the stretch target, driven by higher realised prices and lower expenditures, partially offset by substantially higher UK cash tax payments. Whilst oil and gas production fell slightly below the internal target, it was at the upper end of external guidance and almost 20 per cent higher than in 2021.

As a result of this strong performance, the calculated scorecard outcome for the purposes of bonus payout was 153 per cent out of a possible range of 0-200 per cent. Whilst most safety targets were met, the company did experience an increase in high potential incidents during the first nine months of the year. Management took steps to intervene and performance improved in the fourth quarter. Regardless of this improvement, management recommended a discretionary reduction in the payout to 150 per cent for members of the Harbour Leadership Group – the 65 most senior leaders in the company – as a way to acknowledge the need for continuous performance when it comes to safety in the company.

Full details of the measures and targets, together with the actual performance outcome for each measure, are provided on page 92.

For the purpose of determining the bonus payout for the executive directors, the Committee reviewed the result of the formulaic outcome in the context of wider company and individual performance. Overall, we were impressed with the management team's delivery of the scorecard outcomes, with performance at or above target for six of the eight metrics. We therefore concluded that the scorecard outcome, including the management-recommended adjustment for the number of high potential safety incidents during 2022, was appropriate. In line with the Policy, 50 per cent of the bonus for the executive directors will be deferred into shares for three years.

LTIP awards

No LTIP awards were made in 2020 and therefore none were due to vest to any of the current or former executive directors in respect of the three years to 31 December 2022. The first tranche of the CEO's buyout award vested on 4 May 2022 and is shown in the table on page 94. The second tranche of this award will vest in May 2023.

Remuneration for 2023

The Committee reviewed salary levels in early 2023, giving its support for an average increase of 6 per cent for the broader workforce. In the context of the increase for the broader workforce, as well as noting that no salary increase was awarded to the executive directors in 2022, the Committee agreed that executive directors' salaries would be increased by 4 per cent with effect from 1 April 2023. However, in light of the introduction of the UK Energy Profits Levy during the year and its material impact on the future profitability and the value of the company, alongside there being no increase in fees put forward for the Chair and non-executive directors, the CEO elected to forego her increase in salary for 2023. The CFO's base salary from 1 April 2023 will be £546,000 and the CEO's salary will remain at £850,000. No changes will be made to variable pay opportunity levels.

It was determined that Alexander Krane's housing allowance of £5,000 per month would be extended for one year. The allowance was originally planned for two years following his appointment and scheduled to expire on 30 June 2023. The Committee agreed that, due to the particular circumstances relating to his relocation, the allowance would be paid until 30 June 2024. This aligns with the timeframe applicable to Linda Z. Cook's housing allowance, which is also in place for three years.

The annual bonus will continue to be based on a balanced scorecard of measures. The Committee reviewed the scorecard in late 2022 and determined that the broad framework continued to be appropriate. The full list of measures and weightings is provided on page 92.

Under the LTIP, the executive directors are granted performance shares which are measured against the company's total shareholder return compared to the FTSE 100 and an oil and gas comparator group. During the year the Committee considered whether it would be appropriate to introduce another measure to the LTIP in response to feedback from some shareholders. This included a review of whether to introduce an ESG performance measure, recognising evolving market practice and shareholder sentiment. On balance, the Committee determined that its current approach of incorporating ESG metrics into the annual bonus scorecard continues to be appropriate.

We will review the LTIP measures again in a year's time, to coincide with a broader review of the executive remuneration framework in advance of the 2024 Remuneration Policy vote. The Committee is satisfied that our current performance measures promote long-term, sustainable performance and are aligned with practice at other independent oil and gas companies.

The Committee reviews the TSR comparator groups every year to ensure they remain appropriate. In late 2022, we carried out a thorough review of the constituents of the bespoke oil and gas comparator group. We concluded that Orrön Energy, formerly Lundin Energy, should be removed from the comparator group for the 2023 award due to its focus on renewable energy sources rather than oil and gas. It was also decided that John Wood Group should be removed, being an oil equipment and services company. Based on location and size, we decided that Serica Energy and EnQuest, both listed British independent upstream oil and gas producers (on AIM and FTSE SmallCap respectively), should be added to the 2023 comparator group. The Committee also decided to remove Orrön Energy from the comparator group for the inflight 2021 and 2022 awards given that it is no longer a relevant peer following its rebranding.

Wider workforce considerations

Under its terms of reference, the Committee has oversight of the remuneration arrangements for the wider workforce and regularly receives updates from management on this.

In 2022 we have been particularly conscious of the impact of increased inflation and rising living expenses on our employees. To help our employees at this challenging time, the company made a one-off cost-of-living payment to all UK-based employees (including core contractors) below the level of Executive Vice President. Recipients of the payment had the opportunity to donate part or all of the payment to charity.

Other initiatives to support the workforce included the creation of a hardship fund for employees to request loans if in serious financial difficulty, early opening of the pension contribution election window to enable employees to reduce their monthly contribution and therefore increase their take-home pay during the winter months, and education on financial planning. The company has also highlighted the health and wellbeing benefits already available to employees.

The Committee is keeping the evolving situation under review, including actions taken by our competitors in the sector and in the wider UK market, to ensure that our employees are receiving the support they need during this difficult time.

Our reward strategy for the workforce was refreshed in 2021 following the merger to ensure we provide attractive, competitive fixed and variable pay supported by a generous benefits package. This was rolled out in 2022 and continues to be well-received by employees.

The Committee regularly consults with employees on reward and other matters. At our group staff forum in January 2022, attended by the CEO, our Senior Independent Director and former Independent Non-Executive Director Anne Marie Cannon, executive pay was a topic for discussion and members were able to engage with the directors on executive remuneration.

Diversity and equality sit at the heart of our corporate culture and the Committee ensures that our compensation policies and practices across the business are fair and consistent. In early 2022, our first gender pay gap was reported, which sets out the actions we are taking in this area, including actively promoting female recruitment, supporting events that target women interested in working in our sector, and providing flexible working arrangements.

Board changes

Phil Kirk stepped down from the Board and his role as President & CEO Europe with effect from 28 February 2022. Full details of his remuneration arrangements on departure were disclosed in the 2021 directors' remuneration report and are described on page 92 of this report.

Anne Marie Cannon stepped down from the Board and the Remuneration Committee on 31 October 2022. I would like to thank Anne Marie for the invaluable contribution she made to the Committee during her tenure. I was pleased to welcome Andy Hopwood to the Committee in her place.

In conclusion

2022 was a strong year for Harbour, as we delivered higher production volumes and lower unit costs, along with improved safety results. While the government's fiscal changes for our sector have led to increased uncertainty, our outlook for 2023 is positive. The Committee believes that the remuneration outcomes for 2022 fairly reflect our performance in the year, and that our intended operation of the Policy in 2023 will support the delivery of our short-term and long-term objectives.

The Committee is always pleased to discuss our approach to executive remuneration with our shareholders. 2023 is the final year that our current Policy will apply, and I will be consulting with shareholders in the year ahead as we consider any possible changes to the current framework. In the meantime, I hope we can count on your support for this remuneration report at the upcoming AGM.

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

Anne L. Stevens
Committee Chair

Policy report

This section of the remuneration report sets out the current Remuneration Policy (Policy) for Harbour Energy plc (the company, or Harbour), which was approved by shareholders on 23 June 2021. The Policy applies to payments made from 23 June 2021 and is next due for renewal at the 2024 AGM; as such it is reproduced here for information only. Details of how we intend to operate this Policy for the 2023 financial year are set out as part of the statement from the Remuneration Committee Chair on pages 78 to 80. As announced on 2 February 2022, Phil Kirk stepped down from his role as executive director with effect from 28 February 2022, therefore the Policy report has been updated to reflect Phil's departure.

Key principles of our Remuneration Policy

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

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

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

Committee process in determining the Remuneration Policy

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

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

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

Policy report continued

Executive director Policy

The Policy for executive directors is set out below:

Salary

Purpose and link to strategy	■ To provide an appropriate level of salary to support recruitment and retention of executive directors of the calibre required to deliver the Group's strategy, and with due regard to the role and the individual's responsibilities and experience
Operation	■ Typically reviewed annually with reference to company and individual performance, each executive's responsibilities and experience, the external market for talent, and salary increases across the Group ■ Salaries are reviewed taking into account market practice at other oil and gas sector companies in the UK and internationally and UK-listed companies of a similar size to Harbour ■ Salary increases are normally effective 1 January
Opportunity	■ Whilst there is no maximum salary, increases will normally be in line with the typical increases awarded to other employees in the Group ■ However, increases may be above this level in certain circumstances such as: – Where an executive director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, larger increases may be awarded to move salary positioning closer to typical market level as the executive director gains experience – Where an executive director has been promoted or has had a change in responsibilities – Where the size and complexity of the company has changed materially – Where there has been a significant change in market practice
Performance metrics	■ Not applicable

Pension

Purpose and link to strategy	■ To help provide a competitive pension provision, facilitating the recruitment and retention of high-calibre executive directors to execute the Group's strategy
Operation	■ Executive directors are eligible to participate in the company's defined contribution personal pension plan and/or receive an equivalent cash supplement ■ The only pensionable element of pay is salary
Opportunity	■ Executive directors will receive pension contributions and/or an equivalent cash supplement in line with the contribution for the majority of the UK workforce. Pensions for existing executive directors are currently set at 15 per cent of base salary, the lower end of the current range for the company's UK workforce. If the pension range of the company's UK workforce changes then pension provision for executive directors would normally also change in line with the wider workforce
Performance metrics	■ Not applicable

Benefits

Purpose and link to strategy	■ To provide a benefits package competitive in the market for talent and to support the wellbeing of employees
Operation	■ Executive directors receive a competitive benefits package, which may include medical and dental insurance, car allowance, life assurance, income protection cover, personal accident insurance, expatriate benefits, relocation allowance, health checks and a subsidised gym membership ■ Where an executive director has been required to re-locate to perform their role they may be provided with additional benefits to reflect their circumstances, which may include items such as a housing allowance, flights home and tax equalisation. Such benefits will be determined taking into account our expatriate policy for other employees who are moving from their home location to take up their role ■ Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual director
Opportunity	■ Set at a level which the Committee considers appropriate for the role, location and individual circumstances
Performance metrics	■ Not applicable

All-employee share plans

Purpose and link to strategy	■ To encourage share ownership in Harbour and increase the alignment of the executive directors' interests to those of stakeholders
Operation	■ Executive directors may participate in any all-employee share plans operated by the company on the same terms as other employees ■ UK-based employees (including UK-based executive directors) may be invited to participate in the following tax advantaged share plans: – 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	■ Under the SIP, participants may participate up to HMRC prescribed limits ■ Under the SAYE, employees may save up to HMRC prescribed limits ■ For any other all-employee plan operated, executive directors may participate on the same basis as other employees
Performance metrics	■ Not applicable

Annual bonus

Purpose and link to strategy	■ 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	■ Performance is normally measured on an annual basis for each financial year against stretching but achievable financial and non-financial targets, comprising key performance indicators (KPIs), and other corporate objectives ■ Performance measures, weightings and targets are set at the beginning of the year and weighted to reflect business priorities ■ A proportion, normally at least 50 per cent, of any annual bonus earned is deferred in shares for three years ■ Deferred share awards may be granted in such form as determined by the Committee in accordance with the LTIP rules including in the form of conditional shares and nil cost options ■ Dividend equivalents may accrue on deferred bonus awards granted under the LTIP and be paid on those shares which vest. Dividend equivalent payments made under this Policy will be made in shares ■ Annual bonus payouts and deferred shares are subject to malus and clawback in the event of material misstatement of the company's financial results, gross misconduct, material error in the calculation of performance conditions or other conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit ■ The Committee may exercise malus and clawback until the later of: (i) two years from the payment of the bonus or the vesting of the shares, or (ii) the completion of the second audit after payment/vesting
Opportunity	■ Up to 200 per cent of salary in respect of a financial year ■ Normally 50 per cent of the maximum pays out for target performance ■ Normally 0 per cent of the maximum pays out for threshold performance but the Committee may increase this to up to 25 per cent of maximum if this is considered appropriate
Performance metrics	■ Performance is normally assessed against a corporate scorecard encompassing several performance categories, which may include some or all of safety, environment, operations, growth/capital deployment, and financial. Other measures may also be incorporated if this is considered appropriate ■ Normally, the Committee would not expect the weighting for any performance category in the corporate scorecard to be higher than 50 per cent. However, it retains discretion to adjust weightings to align with the business plan for each year ■ The Committee retains the discretion to adjust outcomes in the event that they are not considered reflective of the underlying business performance and/or wider circumstances over the vesting period

Policy report continued
Long-term incentives

The Harbour Energy 2017 Long Term Incentive Plan (LTIP) – performance share awards	
Purpose and link to strategy	■ 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	■ The Committee may grant performance share awards annually ■ Awards may be in the form of nil or nominal priced options or conditional shares ■ Performance share awards normally vest based on performance assessed over a period not shorter than three years ■ Awards vesting are normally subject to a minimum two-year holding period such that the total time horizon is at least five years (normally on a net of tax basis) ■ Dividend equivalents may accrue on performance share awards. Dividend equivalent payments made under this Policy will be made in shares ■ All performance share awards are subject to malus and clawback in the event of a material misstatement of the company's financial results, gross misconduct, material error in the calculation of performance conditions or other conditions, serious reputational damage, corporate failure, or in such other exceptional circumstances as the Committee sees fit ■ The Committee may exercise malus and clawback until the later of: (i) two years from the vesting date or (ii) the completion of the second audit after vesting
Opportunity	■ Performance share awards may be granted up to 300 per cent of salary ■ 25 per cent of the award will normally vest for threshold performance, with full vesting for stretch performance. Vesting increases on a straight-line basis between threshold and stretch
Performance metrics	■ The Committee will select performance measures and determine their weighting for each cycle to ensure that they continue to be linked to the delivery of company strategy ■ The Committee retains the discretion to adjust the vesting outcomes in the event that these are not considered reflective of the underlying business performance and/or wider circumstances over the vesting period

CFO recruitment award	**This section relates to a one-off award only and does not enable the grant of future awards of this nature**
Purpose and link to strategy	■ To enable the recruitment of a high quality candidate to the role of CFO to support the execution of the Group's strategy
Operation	■ The Committee may grant a one-off conditional share award under the LTIP in the form of conditional shares to the CFO shortly after the approval of the Policy ■ This award will vest based on continued employment on 1 April 2024 ■ Shares received will be subject to a minimum two-year holding period to 1 April 2026 (on a net of tax basis) ■ Dividend equivalents may accrue on the award. Dividend equivalent payments made under this Policy will be made in shares ■ The award is subject to malus and clawback as outlined above under the LTIP section
Opportunity	■ The award will have the value of £1 million at the date of grant
Performance metrics	■ Subject to continued employment

Share ownership	
Purpose and link to strategy	■ Enhances the executive directors' alignment with shareholders' long-term interests while in employment and for a period following departure through the building up of a significant shareholding in the company
Operation	■ The executive directors are expected to build up, and maintain, ownership of the company's shares worth 300 per cent of salary for the CEO and 250 per cent of salary for the other executive directors ■ Shares owned outright (including by persons closely associated), shares held in the SIP, and any unvested share awards which are no longer subject to performance (net of taxes) will normally count towards this requirement ■ The executive directors are also expected to retain no less than 50 per cent of the net value of shares vesting under the company's long-term incentive plans until such a time that the share ownership requirement is met ■ On cessation of employment, executive directors are expected to retain their minimum shareholding requirement immediately prior to departure for two years. Where their shareholding at departure is below the minimum requirement, the executive director's actual shareholding is expected to be retained for two years ■ Shares acquired from own resources are excluded from the post-cessation shareholding requirement. The Committee retains discretion to exclude other shares from the post-cessation shareholding requirement if it considers it to be appropriate ■ The Committee intends to operate an appropriate enforcement mechanism of the post-cessation shareholding requirement. The Committee retains discretion to waive the post-cessation shareholding requirement if it is not considered to be appropriate in the specific circumstances of an executive director's departure
Opportunity	■ Not applicable
Performance metrics	■ Not applicable

Summary of changes to the Policy

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

Change to the Policy	Reason for change
Increase in annual bonus opportunity from 120 per cent of salary to 200 per cent of salary and increase in LTIP opportunity from 200 per cent of salary to 300 per cent of salary	■ Ensures pay is competitive for a global oil and gas company, supporting the recruitment of high calibre international talent to drive the Group's strategy following the merger ■ Reflects the material increase in the size of the Group ■ Drives the delivery of strong performance, linked to stretching targets
Provision for a one-time recruitment award to be made to the new Chief Financial Officer	■ Supports the recruitment of a high calibre Chief Financial Officer with the necessary global expertise to support the execution of the Group's strategy
Increase in share ownership guideline for the CEO from 250 per cent of salary to 300 per cent (no change for other executive directors)	■ Shareholding guideline set at a level equal to the annual LTIP opportunity for each executive director ■ Ensures an appropriate alignment with the long-term interests of shareholders

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

Further details on the Policy

Selection of performance conditions

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

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

Legacy arrangements

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

Remuneration Policy for other employees

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

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

The leadership team and other senior leaders participate in the same annual bonus plan and LTIP as for executive directors. Performance is assessed on the same criteria for all, though opportunity levels vary as appropriate. These schemes provide a clear link between pay and performance, ensuring that superior remuneration is paid only if superior performance is delivered.

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

Policy report continued

Incentive plan discretions

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

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

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

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

Minor changes

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

Illustration of application of the executive directors' Remuneration Policy

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

Remuneration receivable for different performance scenarios

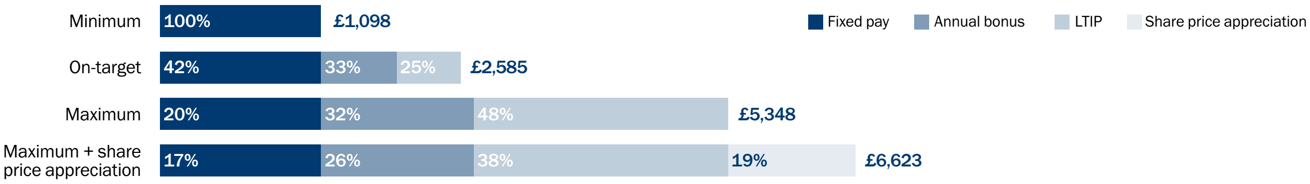
Fixed pay	■ 2021 salary, as disclosed on page 16 of the 2021 AGM Circular ■ Estimated housing benefits of £120,000 for the CEO and £60,000 for the CFO[1] ■ Pension contribution of 15 per cent of salary			
	Minimum	**On-target**	**Maximum**	**Maximum with share price growth**
Annual bonus	Nil payout	Payout of 50 per cent of maximum (100 per cent of salary)	Payout of 100 per cent of maximum (200 per cent of salary)	As per maximum
Long Term Incentive Plan	Nil payout	Performance share awards vest at 25 per cent of maximum	Performance share awards vest in full (300 per cent of salary for the CEO and 250 per cent of salary for other executive directors)	As per maximum with a 50 per cent share price increase over three years

Note:
1 No prior year benefits data is available. Maximum value of housing benefits as disclosed on page 91 of this report. Other benefits (including tax equalisation for the CEO) are not easily estimated and have been excluded.

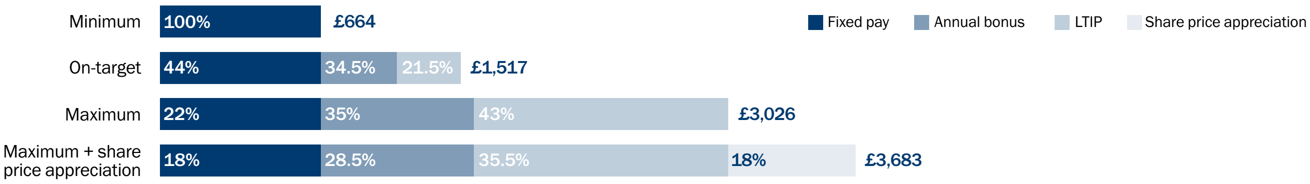
The charts below illustrate the potential reward opportunities for the current executive directors for the four performance scenarios.

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

Chief Executive Officer (£'000s)



Chief Financial Officer (£'000s)



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

Approach to remuneration of executive directors on recruitment

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

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

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

Policy report continued

Service contracts and exit payments and change of control provisions

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

Details of the service contracts of the current executive directors are as follows:

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

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

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

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

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

Note:

1 In certain circumstances, the Committee may determine that unvested deferred bonus awards and PSAs will not vest on a change of control but will instead be replaced by an equivalent grant of a new award, as determined by the Committee, in the new company.

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

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

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

External appointments

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

Consideration of employment conditions elsewhere in the company

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

Consideration of shareholder views

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

Non-executive director Remuneration Policy

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

The company's articles of association provide that the remuneration paid to non-executive directors is to be determined by the Board within limits set by the shareholders. The Policy for the Chairman and non-executive directors is as follows:

Non-executive director fees

Purpose and link to strategy	■ To provide fees that allow Harbour to attract and retain non-executive directors of the highest calibre that add value to our business
Operation	■ Fees for non-executive directors are normally reviewed at least every two years ■ Fees are set with reference to UK and international oil and gas sector companies and UK-listed companies of a similar size to Harbour ■ Fees paid to the Chairman are determined by the Committee, while the fees of the other non-executive directors are determined by the Board ■ Additional fees may be paid to reflect additional Board or committee responsibilities as appropriate ■ Fee increases are normally effective 1 January ■ The non-executive director fees are summarised on page 99 of this report ■ Reasonable costs in relation to travel and accommodation for business purposes are reimbursed to the Chairman and non-executive directors. The company may meet any tax liabilities that may arise on such expenses ■ A travel allowance may be provided where intercontinental travel is required to attend a meeting ■ The Chairman and non-executive directors are not entitled to participate in any of the Group's incentive plans or pension plans ■ Additional benefits may be provided to non-executive directors if considered appropriate
Opportunity	■ 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	■ Not applicable

Approach to non-executive director recruitment remuneration

In the case of hiring or appointing a new non-executive director, the Committee will follow the Policy as set out in the table above.

Annual Report on Remuneration

Committee membership and operation

Harbour Energy plc Committee members	Date of appointment to the Committee	Meetings attended (eligible to attend)
Anne L. Stevens (Committee Chair)	31 March 2021	4(4)
Alan Ferguson	31 March 2021	4(4)
Andy Hopwood[1]	1 November 2022	2(2)
Former Committee members		
Anne Marie Cannon[2]	17 May 2017	2(2)

Notes:
1 Andy Hopwood joined the Board on completion of the merger. He was appointed to the Remuneration Committee on 1 November 2022.
2 Anne Marie Cannon stepped down from the Board and the Committee on 31 October 2022.

Committee terms of reference

The Committee acts within written terms of reference which are reviewed regularly and published on the company's website **harbourenergy.com**. The terms of reference were reviewed in 2018 with amendments made in order to comply with the 2018 UK Corporate Governance Code. Minor amendments were also made in August 2020, September 2021 and August 2022.

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, other members of senior management, and any changes thereto;
- approving the remuneration package of the Chairman;
- considering the design of, and determining targets for, the annual bonus plan;
- reviewing and recommending to the Board the establishment of any new employee share plans and any material amendments to the company's existing share plans;
- determining the overall quantum and performance conditions for long-term incentive awards;
- reviewing pension arrangements, service agreements and termination payments for executive directors and senior management;
- approving the directors' remuneration report, ensuring compliance with related governance provisions and legislation;
- reviewing the gender pay gap report;
- reviewing bonus outcomes for the company, including executive directors; and
- considering the remuneration policies and practices across the company.

Advisers

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

The fees charged for the provision of independent advice to the Committee during the year were £63,000 from Deloitte LLP. Other than in relation to advice on remuneration, Deloitte LLP provided support to management in relation to corporate tax, indirect tax, payroll taxes, internal audit, financial advisory services in relation to mergers and acquisitions, plus other related services.

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

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

Voting on remuneration matters

Votes received at the 2022 AGM in respect of approval of the Annual Report on Remuneration and the 2021 AGM in respect of 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 (2022 AGM)	641,276,648	97.24%	18,228,881	2.76%	98,652
Directors' Remuneration Policy (2021 AGM)	14,593,098,273	97.19%	421,903,633	2.81%	72,728,980

Single total figure of remuneration for executive directors (audited)

Executive directors	Year	Salary £'000	Taxable benefits[3] £'000	Pension £'000	Total fixed remuneration £'000	Bonus £'000	LTIP £'000	Total variable remuneration £'000	Other variable[4] £'000	Total remuneration £'000
Linda Z. Cook[1]	**2022**	**850.0**	**873.9**	**125.6**	**1,849.5**	**1,275.0**	**–**	**1,275.0**	**–**	**3,124.5**
	2021	637.5	275.3	94.2	1,007.0	422.7	–	422.7	4,548.6	5,978.3
Alexander Krane[2]	**2022**	**525.0**	**97.5**	**67.4**	**689.9**	**787.5**	**–**	**787.5**	**–**	**1,477.4**
	2021	386.3	62.2	50.0	498.5	255.4	–	255.4	1,000	1,753.9
Former executive directors										
Phil Kirk[5]	**2022**	**100.0**	**2.9**	**12.9**	**115.8**	**150.0**	**–**	**150.0**	**–**	**265.8**
	2021	450.0	17.0	59.4	526.4	396.0	–	396.0	–	922.4

Notes to 2022 figures (unless stated):

1 Linda Z. Cook was appointed to the Board when Harbour Energy plc formed on 31 March 2021 and as such 2021 remuneration reflects a nine month period.

2 Alexander Krane was appointed to the Board on 15 April 2021 and as such his 2021 remuneration figure reflects an eight and a half month period. In early 2023 it was identified that Alexander Krane had incorrectly received £22,629.82 in respect of a Norwegian benefit entitlement. This amount has not been included in the benefits figure above and was recouped following the year end.

3 The executive directors receive a benefits package aligned with the approach for other employees. In 2021, Linda Z. Cook and Alexander Krane relocated from the US and Norway respectively to join Harbour Energy and they are entitled to receive the same expatriate benefits as other employees relocating internationally. They both elected not to take the full expatriate benefits available to them, and their benefits are therefore limited to housing costs and two return flights home per year. Linda Z. Cook received £118,010 in respect of housing costs in the year while Alexander Krane received £60,000. As outlined in the Notice of 2021 AGM, Linda Z. Cook and Alexander Krane's housing will be paid for by the company up to a value of approximately £120,000 p.a. and £60,000 p.a. respectively. The arrangements will be in place for three years. The Committee considers it appropriate to provide this benefit for a period of time given they have both been required to re-locate to take up their roles. Linda Z. Cook's benefit figure also includes £740,270.17 in respect of tax equalisation payments. As outlined in the Notice of 2021 AGM, her remuneration will be tax equalised for an initial three-year period to ensure she is not required to pay more tax in the UK than she would do in the US, in line with the policy for all international assignees. Alexander Krane's benefit figure also includes £24,445.33 in respect of tax equalisation payments for his housing allowance.

4 Linda Z. Cook received a buyout award to compensate for the loss of incentive arrangements she had as part of her employment at EIG, the terms of which required her incentives be relinquished on departure. This buyout award was made on a like-for-like basis, at a level equal to the value forfeited and with vesting according to the same timescales. Malus and clawback conditions apply. The first tranche of one-third vested on 4 May 2022; the remaining two tranches will vest on 4 May 2023 and 4 May 2024 respectively. Alexander Krane received a one-off award, which was detailed in the Policy and approved by shareholders at the 2021 AGM. The award will vest on the third anniversary of grant with a two-year post-vesting holding period and malus and clawback conditions apply. Neither Linda Z. Cook's nor Alexander Krane's awards have further performance conditions.

5 Phil Kirk was appointed to the Board when Harbour Energy plc formed on 31 March 2021 and stepped down from the Board on 28 February 2022. The remuneration shown in the table for 2022 is pro-rated to 28 February 2022; other remuneration he received in connection with his departure is detailed on page 92.

Single total figure of remuneration for non-executive directors (audited)

Non-executive directors	Year	Base fees[2] £'000	Additional payments[3] £'000	Travel allowance[4,5] £'000	Expenses[6,7] £'000	Total remuneration £'000
R. Blair Thomas (Chairman)[1]	**2022**	**300.0**	**–**	**30.0**	**4.0**	**334.0**
	2021	225.0	–	20.0	3.6	248.6
Simon Henry	**2022**	**140.0**	**–**	**–**	**2.0**	**142.0**
	2021	105.0	21.3	–	1.1	127.4
G. Steven Farris	**2022**	**95.0**	**–**	**25.0**	**11.1**	**131.1**
	2021	71.2	–	5.0	0.8	77.0
Alan Ferguson	**2022**	**120.0**	**–**	**–**	**0.4**	**120.4**
	2021	90.0	21.3	–	0.3	111.6
Andy Hopwood	**2022**	**105.8**	**–**	**–**	**2.7**	**108.5**
	2021	78.8	–	–	0.9	79.7
Margareth Øvrum	**2022**	**115.0**	**–**	**–**	**5.1**	**120.1**
	2021	86.2	–	–	2.7	88.9
Anne L. Stevens	**2022**	**115.0**	**–**	**30.0**	**11.9**	**156.9**
	2021	86.2	21.3	15.0	7.5	130.0
Former non-executive directors[8]						
Anne Marie Cannon	**2022**	**95.8**	**–**	**–**	**1.0**	**96.8**
	2021	102.5	–	–	1.1	103.6

Notes to 2022 figures (unless stated):

1 The base fees for R. Blair Thomas were paid to Harbour Direct Holdings Limited from January – July 2022 and to EIG Management LLC from August – December 2022.

2 In addition to base fees for acting as a non-executive director, base fees include amounts payable for acting as a member or Chair of a Committee, and fees for the Senior Independent Director role. Further detail on the level of these fees is set out on page 99. The Chairman waived his fees for acting as Chair of the Nomination Committee.

3 Additional payments include upfront fees for work undertaken by non-executive directors in advance of the merger in 2021.

4 In accordance with the Remuneration Policy approved by shareholders in June 2021, R. Blair Thomas, G. Steven Farris and Anne L. Stevens received an allowance for intercontinental travel during 2021.

5 Travel allowance for R. Blair Thomas has been restated to reflect amounts not captured in time for the prior year's report.

6 Amounts disclosed relate to taxable travel and accommodation expenses paid to non-executive directors in respect of qualifying services during the year.

7 Expense figures for 2021 have been restated to reflect qualifying amounts for 2021 and any expenses not captured in time for the prior year's report.

8 Anne Marie Cannon stepped down from the Board on 31 October 2022.

Annual Report on Remuneration continued

Departure terms for Phil Kirk (audited)

As announced on 2 February 2022, Phil Kirk stepped down from his role as executive director with effect from 28 February 2022, after completing a successful handover period. On 1 March 2022 he was placed on gardening leave until 31 July 2022 and continued to receive salary and contractual benefits up to this date with a value of £289,657. A lump sum payment of £351,200 in lieu of the residue of his remaining notice period of six months' salary and contractual benefits was paid in August 2022. He also received a contribution of £5,000 plus VAT towards legal fees incurred in connection with his departure.

Phil Kirk remained eligible for an annual bonus in respect of 2021 as outlined in the 2021 directors' remuneration report. His 2021 annual bonus is subject to deferral with awards released on the normal vesting date, in line with plan rules. In respect of his 2022 annual bonus, the Committee agreed that he was eligible for a pro-rated award up to 28 February 2022. This award was calculated and will be paid in line with the normal timescales in cash.

In line with our Directors' Remuneration Policy, the Committee treated Phil Kirk as a good leaver in relation to his 2021 LTIP award. The award will be treated in accordance with the plan rules and will remain subject to performance conditions and will be pro-rated for time served over the vesting period up to cessation of employment on 31 July 2022. The award will be released on its normal vesting date and remain subject to malus and clawback. The holding period will continue to apply as will post-employment shareholding guidelines. In line with best practice, he was not eligible for a 2022 LTIP award.

2022 Annual bonus outcome (audited)

The maximum bonus opportunity for executive directors in respect of 2022 was 200 per cent of salary. The scorecard below summarises the Group's performance against the financial and operational targets set by the Board for 2022 that are used to determine the level of bonus awarded.

				Scorecard		
Category	**Metric**	**Weighting**	**2022 Performance**	**Threshold**	**Target**	**Stretch**
Safety & environment (35%)	**Safety incident rate** TRIR incident rate/ million hours	10%	**0.75**	1.20	1.00	0.80
	Process safety Tier 1 and Tier 2 events	10%	**1**	4	2	1
	GHG emissions ktonnes CO_2e	15%	**1,756**	1,932	1,835	1,797
Operations (30%)	**Oil and gas production** kboepd	20%	**208**	195	211	216
	Unit operating costs $/boe	10%	**13.9**	16.0	15.0	14.5
Growth & capital deployment (20%)	**Expenditure vs AFE** %	10%	**99**	120	100	85
	Reserves vs AFE %	10%	**92**	80	100	120
Financial (15%)	**Free cash flow** Million $	15%	**2,090**	900	1,100	1,300

Summary of performance

Safety & environment

- Safety incident rate: Stretch target exceeded, with the Total Recordable Injury Rate of 0.75 being materially better than target, a 37 per cent improvement over 2021 (1.2) and an improvement on prior years.
- Process safety: Stretch target met with one Tier 2 process safety event.
- GHG emissions: Emissions were better than the stretch target, reflecting the delivery of emissions reduction projects, continual process efficiency optimisation to reduce power demand and volumes of gas flared, and a reduction in North Sea mobile emissions.

Operations

- Production: While production fell slightly short of the internal target, it was at the upper end of market guidance and almost 20 per cent higher than in 2021.
- Unit operating costs: Stretch target exceeded, with increased production volumes and positive foreign exchange impact resulting in unit operating cost per barrel improving by 9 per cent versus 2021.

Growth & capital deployment

- Expenditure vs AFE: Target met, reflecting good cost discipline on drilling and development projects during the year.
- Reserves vs AFE: Performance somewhat below target reflecting lower than forecast volumes at some projects partially offset by good outcomes at others.

Financial

- Free cash flow: Significant free cash flow generated during 2022 driven by increased production levels, higher realised prices, lower operating expenses and lower-than-planned capital expenditure levels (mainly related to rig arrival delays), partially offset by substantially higher UK cash tax payments. The stretch target was exceeded.

The calculated score was 153 per cent of the target bonus (where the target bonus is 100 per cent of salary and the maximum is 200 per cent of salary). Whilst most safety targets were met, the company did experience an increase in high potential incidents during the first nine months of the year. Management took steps to intervene and performance improved in the fourth quarter. Regardless of this improvement, management recommended a discretionary reduction in the payout to 150 per cent for members of the Harbour Leadership Group – the 65 most senior leaders in the company – as a way to acknowledge the need for continuous performance when it comes to safety in the company. The Committee considered this score and approved bonus payouts for the executive directors on that basis. For Phil Kirk, the award was pro-rated to reflect time served during the year.

Amounts paid to executive directors are set out below. In line with the Remuneration Policy, 50 per cent of the bonus paid to the executive directors will be deferred into shares for three years (except for Phil Kirk where the Committee determined as part of his departure arrangements that the bonus would be settled in cash).

Directors	Bonus as a % of maximum	Total value £ '000s	Cash amount £ '000s	Amount deferred into shares £ '000s
Linda Z. Cook	75%	1275.00	637.50	637.50
Alexander Krane	75%	787.50	393.75	393.75
Former directors[1]				
Phil Kirk	75%	150.0	150.0	–

Note:
1 The bonus awarded to Phil Kirk is the pro-rated amount to 28 February 2022.

LTIP awards vesting in respect of the year ended 31 December 2022 (audited)

No LTIP awards were due to vest to current or former executive directors in respect of the year ended 31 December 2022.

LTIP awards granted during the year ended 31 December 2022 (audited)

For the awards granted to executive directors under the 2017 LTIP plan during 2022, the performance condition is based 100 per cent on relative TSR performance conditions against two peer groups. The structure has been summarised below:

Performance element	Weighting	Minimum performance	Mid performance	Maximum performance	Performance period
Relative TSR performance vs FTSE 100 index[1]	50%	25% vesting at median performance (50th percentile)	Linear vesting between minimum and maximum performance	100% vesting if in the upper quartile (75th percentile)	1 January 2022 – 31 December 2024
Relative TSR vs bespoke peer group of oil and gas companies[2]	50%				

Notes:
1 Constituents of the FTSE 100 as at the start of the performance period on 1 January 2022.
2 Selected oil and gas peer group, including European and US independent oil and gas companies. The group consists of the following 17 companies: Aker BP, Apache Corp, BP, Capricorn Energy, Diversified Energy, Energean, EnQuest, Genel Energy, Hess, Kosmos Energy, Marathon Oil, Murphy Oil, Shell, Seplat Energy, Serica Energy, Tullow Oil, and Vermillion Energy. As noted on page 80, following its transition to a renewables business in 2022, the Committee determined that Orrön Energy (formerly Lundin Energy) was no longer a relevant comparator and removed it from the peer group for all inflight LTIP awards.

Annual Report on Remuneration continued

Details of the awards made to executive directors are as follows:

Executive directors	Date of grant	Number of shares awarded	Type of award	Face value (% of salary)	Face value[1]
Linda Z. Cook	24.03.22	579,019	Performance share award	300%	£2,550,000
Alexander Krane	24.03.22	298,024	Performance share award	250%	£1,312,498

Note:
1 Face value was calculated using the average of the mid-market closing prices for the five dealing days preceding the award date (on a post-consolidation basis) being £4.404 per share.

Outstanding share awards

2017 Long Term Incentive Plan (2017 LTIP)

As at 31 December 2022, Linda Z. Cook, Alexander Krane and Phil Kirk held the following outstanding performance share awards (PSAs) and conditional share awards (CSAs) under the 2017 LTIP:

Directors	Type of award[1]	Date of grant	Awards held at 1 January 2022	Granted	Dividends equivalents accrued	Lapsed	Vested	Awards held at 31 December 2022	Market price of shares on date of award	Earliest vesting date
Linda Z. Cook	CSA 2021-24[2]	04.05.21	1,155,852	–	41,103	–	392,302	804,653	393.53p	04.05.23 to 04.05.24
	PSA 2021-24	30.06.21	674,103	–	29,818	–	–	703,921	378.28p	30.06.24
	PSA 2022-25	24.03.22	–	579,019	25,612	–	–	604,631	440.40p	24.03.25
			1,829,955	**579,019**	**96,533**	**–**	**392,302**	**2,113,205**		
Alexander Krane	CSA 2021-24	30.06.21	264,354	–	11,694	–	–	276,048	378.28p	01.04.24
	PSA 2021-24	30.06.21	346,965	–	15,347	–	–	362,312	378.28p	30.06.24
	PSA 2022-25	24.03.22	–	298,024	13,183	–	–	311,207	440.40p	24.03.25
			611,319	**298,024**	**40,224**	**–**	**–**	**949,567**		
Former directors										
Phil Kirk	PSA 2021-24	30.06.21	396,531	–	10,948	257,954	–	149,525	378.28p	30.06.24
			396,531	**–**	**10,948**	**257,954**	**–**	**149,525**		

Notes:
1 Any vested awards (except for Linda Z. Cook's 2021 conditional share award) are subject to a two-year holding period such that the total time horizon is five years.
2 Linda Z. Cook received a buyout award to compensate for loss of performance-based incentives from her previous employer. This award was made on a like-for-like basis and is to vest one-third per year on the first, second and third anniversary of the award. The first tranche of the award vested on 4 May 2022 and the second and third tranches will vest on 4 May 2023 and 4 May 2024 respectively. Further details of the award can be found in the 2021 directors' remuneration report.

Deferred bonus awards

As of 31 December 2022 the following deferred bonus awards were held in respect of the deferred element of the annual bonus award.

Directors	Date of grant	Awards held at 1 January 2022	Granted	Dividends equivalents accrued	Lapsed	Vested	Awards held at 31 December 2022	Market price of shares on date of award[1]	Earliest vesting date (or date of leaving)
Linda Z. Cook	24.03.22	–	47,987	2,122	–	–	50,109	440.40p	24.03.25
			47,987	**2,122**	**–**	**–**	**50,109**		
Alexander Krane	24.03.22	–	28,992	1,282	–	–	30,274	440.40p	24.03.25
			28,992	**1,282**	**–**	**–**	**30,274**		
Former directors									
Phil Kirk	24.03.22	–	44,959	1,989	–	–	46,948	440.40p	24.03.25
			44,959	**1,989**	**–**	**–**	**46,948**		

Note:
1 The average of the closing prices of a Harbour Energy share over the five dealing days immediately preceding the award date (on a post-consolidation basis).

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 2022. Further details of all outstanding awards are provided on page 94.

Directors	Own shares at 31 December 2022 (or date of leaving)[1]	Unvested shares subject to continued employment at 31 December 2022 (or date of leaving)[2]	Unvested shares subject to performance at 31 December 2022
Linda Z. Cook	8,263,901	854,762	1,308,552
Alexander Krane	0	306,322	673,519
R. Blair Thomas	14,783,685	–	–
Simon Henry	20,000	–	–
G. Steven Farris	418,343	–	–
Alan Ferguson	14,203	–	–
Andy Hopwood	10,000	–	–
Margareth Øvrum	8,500	–	–
Anne L. Stevens	30,000	–	–
Former directors[3]			
Phil Kirk	13,217,698	46,948	149,525
Anne Marie Cannon[4]	500	–	–

Notes:
1 Own shares includes shares held by the director and/or connected persons. For R. Blair Thomas this figure includes indirect interests he holds in shares in the company through certain entities managed by EIG, the company's major shareholder. R. Blair Thomas is also Chief Executive Officer of EIG and a director of a number of EIG's wholly owned subsidiaries. Details regarding EIG's shareholding are set out on page 103.
2 Unvested shares subject to continued employment comprise deferred bonus awards, and conditional share awards awarded to Linda Z. Cook and Alexander Krane in connection with their recruitment. The deferred bonus awards are subject to malus and clawback in accordance with the terms set out in the Directors' Remuneration Policy on page 83. Alexander Krane's CSA is subject to the malus and clawback provisions set out in the Directors' Remuneration Policy on page 84. The malus and clawback provisions for Linda Z. Cook's buyout award are in line with those set out on page 84 for the performance share awards of the 2017 LTIP.
3 Shares owned outright are reported as at 28 February 2022 and 31 October 2022, the dates on which Phil Kirk and Anne Marie Cannon's directorships ceased respectively.
4 Anne Marie Cannon purchased 10,000 Premier Oil plc shares on 14 April 2016. The reported interest shown above is on a post-consolidation basis.

Awards under all the company's share schemes may be met using a combination of market purchases, financed by the company through the Harbour Energy plc Employee Benefit Trust, and newly issued shares. The company complies with the Investment Association's recommended guidelines on shareholder dilution through employee share schemes: awards under the company's discretionary schemes which may be satisfied with newly issued shares must not exceed 5 per cent of the company's issued share capital in any rolling 10-year period, and the total of all awards satisfied with newly issued shares under all plans must not exceed 10 per cent of the company's issued share capital in any rolling 10-year period.

Directors' shareholding requirements

The company requires the executive directors to retain no less than 50 per cent of the net value of shares vesting under the company's long-term incentive plans until such a time that they have reached a holding worth 300 per cent of salary (CEO) and 250 per cent of salary (CFO).

Shares owned outright including shares purchased and received from incentive arrangements, shares subject to deferral or a holding period (which are not beneficially owned by the senior executive) net of any relevant tax and social security that would be due, vested but unexercised nil cost options under any share plan, unvested share plan awards where vesting is not subject to the achievement of any performance conditions or underpins net of any relevant tax and social security and free shares under any UK share incentive plan count towards this requirement.

Based on an average share price of £3.54 during the final three months of 2022, Linda Z. Cook currently holds shares (directly and indirectly), an unvested conditional share award and a deferred bonus award worth 3798 per cent of her salary. Alexander Krane holds an unvested conditional share award and a deferred bonus award worth 207 per cent of his salary using the same average price.

Under the company's Remuneration Policy, the shareholding requirement extends for two years post-cessation of employment. Shares purchased by the departed executive directors are not covered by the post-cessation requirement.

Executive director external appointments

Executive directors are permitted to accept non-executive appointments outside the company providing that the Board's approval is obtained. Details of external appointments are set out on pages 65 to 67.

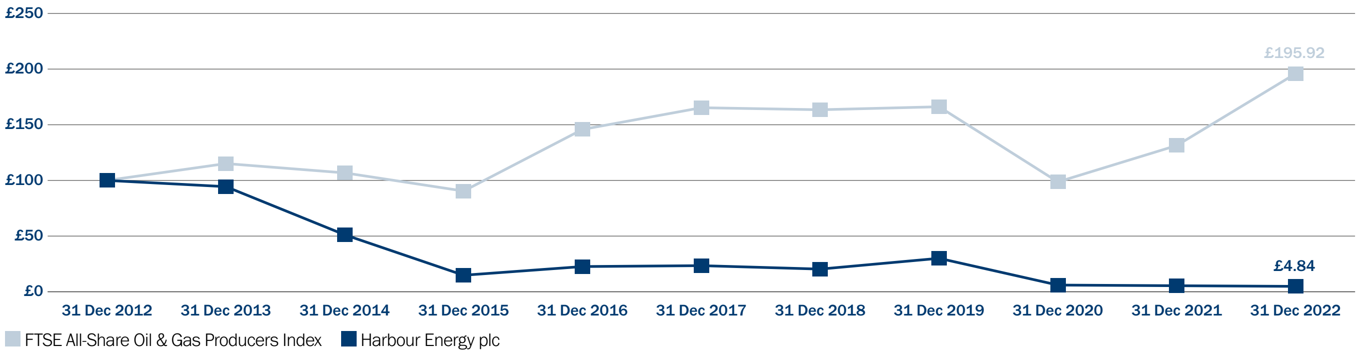
Annual Report on Remuneration continued

Comparison of company performance

The chart below compares the value of £100 invested in the company's shares, including re-invested dividends, on 31 December 2012 compared to the equivalent investment in the FTSE All-Share Oil & Gas Producers Index over the last 10 financial years. The FTSE All-Share Oil & Gas Producers Index has been chosen as it comprises companies which are exposed to broadly similar risks and opportunities as the company.

10-year TSR performance

Value of £100 invested on 31 December 2012:



Note:
The closing share price of the company on 30 December 2022 was 304.4p. On 8 March 2023, being the date of approval of this report, the closing share price was 286.9p.

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
2013	Simon Lockett	1,002.7	24	0	–	0	0
2014[3]	Simon Lockett	680.3	39 (pro-rated)	0	–	0	0
	Tony Durrant	428.7	40	0	–	0	0
2015	Tony Durrant	1,040.4	10	0	–	0	0
2016	Tony Durrant	1,404.3	66.5	0	–	0	0
2017	Tony Durrant	1,474.3	63.4	0	–	0	0
2018	Tony Durrant	1,558.4	54.3	45.1	–	75.1	0
2019	Tony Durrant	1,631.1	65	–	100	38	–
2020[4]	Tony Durrant	814.1	10.4	–	0	0	–
2021[5]	Richard Rose	436.6	0	–	0	0	–
	Linda Z. Cook	5,978.3	33	–	–	–	–
2022	Linda Z. Cook	3,124.5	75	–	–	–	–

Notes:
1 Maximum opportunity for the 2016 equity pool was 50 per cent of salary.
2 The maximum opportunity for the restricted share award was 20 per cent of salary.
3 Figures shown for 2014 for Tony Durrant relate to the period during 2014 that he served as Chief Executive Officer: 25 June to 31 December 2014; and for Simon Lockett relate to the period during 2014 that he served as Chief Executive Officer: 1 January to 25 June 2014.
4 Tony Durrant stepped down from the Board on 16 December 2020.
5 Figures shown for 2021 for Richard Rose relate to the period during 2021 that he served as interim Chief Executive Officer: 1 January 2021 to 31 March 2021; and for Linda Z. Cook relate to the period during 2021 that she served as Chief Executive Officer: 1 April 2021 to 31 December 2021.

Percentage change in directors' remuneration compared with other employees

The table below shows the percentage change in each director's remuneration, comprising salary/fees, benefits and annual bonus, and comparable data for the average of all UK-based employees within the company, between the year ended 31 December 2019 and the year ended 31 December 2020, between the year ended 31 December 2020 and the year ended 31 December 2021, and between the year ended 31 December 2021 and the year ended 31 December 2022. Figures are presented on an annualised basis to allow for comparison.

	Salary/fees			Benefits			Annual bonus[1]		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Executive directors									
Linda Z. Cook[2]	0	–	–	103%	–	–	126%	–	–
Alexander Krane	0	–	–	4%	–	–	118%	–	–
Non-executive directors									
R. Blair Thomas	–	–	–	–	–	–	–	–	–
Simon Henry	–	–	–	–	–	–	–	–	–
G. Steven Farris	–	–	–	–	–	–	–	–	–
Alan Ferguson	–	–	–	–	–	–	–	–	–
Andy Hopwood[3]	0.70%	–	–	–	–	–	–	–	–
Margareth Øvrum	–	–	–	–	–	–	–	–	–
Anne L. Stevens	–	–	–	–	–	–	–	–	–
Former executive directors									
Phil Kirk	0	–	–	(7%)	–	–	127%	–	–
Former non-executive directors									
Anne Marie Cannon[4]	–	36.78%	22.45%	–	–	–	–	–	–
All employees	2.91%	3.69%	2.51%	11.85%	26.09%	(3.54%)	115.82%	98.20%	(69.43)%

Notes:
1 Includes cash bonus and amount deferred into shares.
2 The benefits figure for Linda Z. Cook reflects increased tax equalisation payments provided in connection with the vesting of the first tranche of the conditional share award during 2022.
3 The increase for Andy Hopwood reflects the change in his Committee membership detailed on page 80.
4 The increase for Anne Marie Cannon in 2021 reflects the impact of the new Remuneration Policy approved by shareholders in June 2021.

CEO pay ratio

The table below sets out the ratio of the CEO's pay to the lower quartile, median and upper quartile pay of the company's UK employees for the past four years.

Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	Method A	28.35 : 1	23.68 : 1	17.10 : 1
	Total pay and benefits	£110,200	£131,961	£182,684
	Salary	£57,220	£85,513	£92,870
2021	Method A	76.6 : 1	62.3 : 1	40.99 : 1
	Total pay and benefits	£80,077	£98,476	£149,729
	Salary	£58,880	£70,210	£97,340
2020	Method A	10.8 : 1	7.5 : 1	5.1 : 1
	Total pay and benefits	£75,717	£108,225	£160,027
	Salary	£58,140	£81,412	£121,107
2019	Method A	19.8 : 1	11.9 : 1	8.2 : 1
	Total pay and benefits	£82,237	£136,538	£200,076
	Salary	£52,508	£79,465	£124,584

The pay ratio for 2022 has decreased significantly from 2021. This is primarily due to the 2021 remuneration for Linda Z. Cook including a one-off buyout award in respect of remuneration forfeited at her former employer (see page 91), without which the 2021 ratio would have been 16.1 : 1 for the median group. The 2022 pay ratio of 23.5 : 1 for the median group reflects the fact that CEO remuneration is more heavily weighted to variable pay, resulting in larger year-on-year variations than wider workforce pay. The 2020 and 2019 figures represent the data for Premier Oil plc prior to the merger.

Total pay and benefits for all employees has increased this year, reflecting improved company performance and changes to employee benefit offerings. The median pay ratio is consistent with the pay, reward and progression policies for the company's UK employees as a whole, with pay grades benchmarked to the oil and gas industry and a graduated bonus scheme based on these grades. The results are consistent for the professional nature of our workforce.

Annual Report on Remuneration continued

The Committee believes that, of the methodologies permitted under the regulations, Method A provides the most statistically accurate representation of the Chief Executive Officer's remuneration relative to the UK workforce. Total pay and benefits (on a full-time equivalent basis) for the people employed at 31 December 2022 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.

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 2021 and 31 December 2022. Total shareholder distribution expenditure is composed of dividends and share buybacks.

	2022 $ million	2021 $ million	% change
Remuneration paid to or receivable by all employees of the Group[1]	366.5	317.1	15.6%
Distributions to shareholders by way of dividend	191.5	–	–
Distributions to shareholders by way of share buyback[2]	358.5	–	–

Notes:
1 Remuneration for all employees reflects the impact of the merger in 2021.
2 The $300 million share buyback programme completed on 26 September 2022. As announced on 3 November 2022, the company underwent a $100 million share buyback programme which completed on 15 February 2023. This figure reflects the cost of the shares during the buyback programmes in 2022 and excludes associated fees of $2.1 million.

Implementation of executive director Remuneration Policy for 2023

This section sets out the proposed implementation of the Directors' Remuneration Policy in 2023.

Salary

The salaries of the executive directors are reviewed annually to ensure that they remain appropriate. Following a review in March 2023, the Remuneration Committee approved a 4 per cent increase to take effect from 1 April 2023. The CEO elected to forego her increase in salary for 2023 for reasons detailed on page 79. The base salaries of the executive directors effective from 1 April 2023 are shown below:

Directors	Position	Salary from 1 April 2022 £	Salary from 1 April 2023 £	Percentage increase %
Linda Z. Cook	Chief Executive Officer	850,000	850,000	–
Alexander Krane	Chief Financial Officer	525,000	546,000	4%

Pension and benefits

There are no changes intended to the pensions and benefits provided to executive directors.

Annual bonus

The executive director annual bonus corporate scorecard, setting out measures for 2023, is summarised below. Individual performance targets are considered to be commercially sensitive and will be disclosed in next year's Annual Report & Accounts.

Category	Targets	Weighting (% of maximum corporate bonus opportunity)
1. Safety & environment	Safety incident rate, Process safety, GHG emissions	35%
2. Operations	Oil and gas production, Unit operating costs	30%
3. Growth & capital deployment	Expenditure vs AFE, Reserves vs AFE	20%
4. Financial	Free cash flow	15%

Long Term Incentive Plan

The Committee intends to grant LTIP awards to executive directors of value equal to 300 per cent of salary for the CEO and 250 per cent of salary for the CFO in line with the Policy. The award will continue to be assessed against relative TSR, with 50 per cent of the award being assessed against the FTSE 100 index and 50 per cent against a bespoke oil and gas peer group. After a review of the current bespoke peer group for 2022, the Committee approved the addition of EnQuest plc and Serica Energy plc and the removal of Orrön Energy and John Wood Group from the comparator group for 2023. Orrön Energy was renamed from Lundin Energy as part of their transition to a renewables focused business. In view of their re-focus on renewables they were no longer deemed an appropriate peer. In addition, John Wood Group, an oil and gas services company with a very different cash profile, was removed. EnQuest plc and Serica Energy plc are both listed British independent upstream oil and gas producers and, as such, were deemed relevant peers to include in the bespoke group. The 2023 comparator group is listed on page 93. The structure of the award will be threshold vesting (25 per cent of maximum) for performance in line with the median and maximum vesting for performance in line with the upper quartile.

Non-executive director remuneration

No increases are proposed for non-executive director fees during 2023, as summarised in the table below:

Basic fees	**£**
Chairman all-inclusive fee	300,000
Other non-executive directors' basic fee	85,000
Supplementary fees	
Senior Independent Director	30,000
Chair of Audit and Risk Committee Chair of Remuneration Committee	20,000
Chair of Health, Safety, Environment and Security Committee Chair of Nomination Committee (N.B. waived by the Chairman) Member of Audit and Risk Committee Member of Remuneration Committee	15,000
Member of Health, Safety, Environment and Security Committee Member of Nomination Committee	10,000

For and on behalf of the Remuneration Committee:

Anne L. Stevens
Committee Chair
8 March 2023

Applying the key principles of the Code

The Board of Harbour Energy is committed to strong governance across all the company's activities. The table below summarises how the company applies the principles of the UK Corporate Governance Code and where further information can be found in this report.

1 Board leadership & company purpose

Application of principles

A.
The company is led by the Board which provides effective and entrepreneurial leadership and is collectively responsible for the stewardship and long-term success of the company. There is a framework of effective controls that enable risk to be assessed and managed to ensure that value can be generated sustainably for our stakeholders. The Board holds the Chief Executive Officer and the leadership team to account to deliver the strategic objectives set. For the year in review, the Board included two appointees from EIG, the company's largest shareholder, but has remained majority independent.

FURTHER INFORMATION
Board of directors: **P64**
Risk management: **P50**
Engaging with our stakeholders: **P14**

B.
Harbour Energy plc was formed in March 2021 through a merger process. The Board has established the company's purpose, values, and strategy, and is satisfied that these are aligned with the culture that the Board and leadership team are working to embed throughout the company. To promote this and support the embedding of the Harbour culture, the Board recognises that tone comes from the top, and is committed to acting in accordance with the values.

FURTHER INFORMATION
Our purpose: **P4**

C.
The Board has approved a robust financial framework, underpinned by prudent capital allocation, to ensure that the necessary resources are in place to meet Harbour's objectives and measure performance. Supported by the Audit and Risk Committee, the Board has established a framework of effective controls that enable risk to be assessed and managed.

FURTHER INFORMATION
Key performance indicators: **P18**
Risk management: **P50**
Audit and Risk Committee report: **P68**

D.
Engagement with our stakeholders is a priority for the Board. The Chairman represents EIG, our largest shareholder, and undertakes regular engagement with our major shareholders in addition to that carried out by the Chief Executive Officer, the Chief Financial Officer and the investor relations team. Members of the Board also engage with other stakeholders, including employees, through the group staff forum, and the executive directors also offer engagement opportunities with governments, regulators, partners and suppliers. The Board believes that by maintaining good dialogue, we ensure that our objectives are understood and that we receive regular feedback on our strategy, performance and governance which are considered in the Board's decision-making process.

FURTHER INFORMATION
Engaging with our stakeholders: **P14**

E.
The company's workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The leadership team, supported by the Board, has devoted a significant amount of time to organisational design and establishing ways of working for Harbour. Employee engagement and feedback have been and continue to be critical to the success of Harbour and in 2022 the company undertook its first global engagement survey. The whistleblowing process is overseen by the Board through the Audit and Risk Committee and every member of the workforce has access to the whistleblowing programme, Speak Up.

FURTHER INFORMATION
Nomination Committee report: **P72**
ESG review: **P41**

2 Division of responsibilities

Application of principles

F.
The Chairman leads the Board and is responsible for its overall effectiveness. Whilst the Chairman was not regarded as independent on appointment, he brings significant industry knowledge and experience to the Board and is supported in his role by the Senior Independent Director. The Chairman plays a valuable role in facilitating open conversations and dialogue at Board level, ensuring the effective contribution of all non-executive directors.

The Chairman's responsibilities include leading the management of the Board and its committees, director performance, succession planning and engagement with stakeholders. The Chairman is supported by the Senior Independent Director, the Chief Executive Officer and the Company Secretary.

FURTHER INFORMATION
Board of directors: **P64**

G.
As at the date of this report, the Board comprises nine members: the Chairman, the Chief Executive Officer, the Chief Financial Officer, five independent non-executive directors and a non-independent non-executive director who will retire at the conclusion of the 2023 Annual General Meeting. As detailed in the Nomination Committee report, a search is underway for two independent non-executive directors to ensure that the Board maintains an appropriate composition in the medium term. There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the business. Given EIG's position as a major shareholder, there is a relationship agreement with EIG to ensure the company is able to operate independently and to the highest standards of corporate governance.

FURTHER INFORMATION
Board of directors: **P64**
Relationship agreement: **P103**

3 Composition, succession & evaluation

Application of principles

H.

Non-executive directors have all committed to devoting sufficient time to the company to meet their duties. The company also has robust procedures in place to ensure that proposed new mandates for non-executives are thoroughly reviewed to ensure they do not impinge on a director's ability to discharge their obligations to the company.

Non-executive directors constructively challenge and help develop the company's strategy, and are responsible for scrutinising management performance, ensuring that financial information, risks and controls, and systems of risk management are robust.

FURTHER INFORMATION

Board of directors: **P64**
Nomination Committee report: **P72**

I.

All directors have access to the advice of the Company Secretary who is responsible for advising the Board and its committees on all governance matters. The Company Secretary supports the Chairman and Chief Executive Officer in ensuring that the information provided to the Board is of sufficient quality and appropriate detail to function effectively. To ensure that directors have sufficient time to consider matters to be discussed at meetings, papers are delivered to all directors one week in advance of scheduled meetings unless extenuating circumstances deem this impractical. The Board and its committees underwent an external evaluation of their performance during 2022, the outcome of which was positive.

FURTHER INFORMATION

Board of directors: **P64**
Nomination Committee report: **P72**

J.

The company's Nomination Committee is responsible for ensuring that plans are in place for orderly succession to the Board and senior management positions. The Nomination Committee engages external search consultancies to manage the recruitment process and ensures that due regard is paid to the skills, knowledge, experience and diversity required to execute the company's strategy.

FURTHER INFORMATION

Nomination Committee report: **P72**

K.

The Board ensures that committees are comprised of non-executive directors with a balance of skills, experience and knowledge appropriate for each committee and the Nomination Committee reviews the skills matrix and tenure of each Board member on an annual basis. This ensures that the Board's plans for succession are aligned with the natural rotation of directors off the Board, the need to regularly refresh the membership of the Board, and the strategic objectives of the business.

Following changes to the Board on completion of the merger in March 2021, a full review of committee composition was undertaken to ensure each committee was appropriately constituted for the enlarged organisation.

FURTHER INFORMATION

Board of directors: **P64**

L.

Following the significant changes to the Board on completion of the merger, the Board embarked on a three-year Board development programme in 2021. For year two of the programme undertaken in late 2022, the Board and its committees undertook an externally facilitated evaluation whereby externally facilitated interviews supplemented written surveys. The surveys included focus on actions identified in the 2021 review, with summary reports prepared by Lintstock. Forums have been established to discuss the output of the evaluation and agree actions. From the results of the evaluation, the Board continues to be satisfied that its committees are performing effectively and to a high standard.

FURTHER INFORMATION

Nomination Committee report: **P72**

4 Audit, risk & internal control

Application of principles

M.
The Board, supported by the Audit and Risk Committee, has established formal and transparent policies and procedures which ensure that the external auditors and internal audit function are independent and effective. These policies and procedures are reviewed on a regular basis. Through the Audit and Risk Committee, the Board monitors the integrity of the annual and half year narrative and financial statements.

FURTHER INFORMATION
Audit and Risk Committee report: **P68**

N.
The directors' responsibility statements and the accompanying confirmation that the Board considers the Annual Report to be a fair, balanced and understandable assessment of the company's position and prospects, can be found at the conclusion of the Governance report. The Board considers the Annual Report & Accounts to provide the information necessary for shareholders to assess the company's position, performance, business, business model and strategy.

FURTHER INFORMATION
Audit and Risk Committee report: **P68**
Statement of directors' responsibilities: **P107**

O.
The Board is responsible for aligning the company's long-term strategic objectives with the company's risk appetite. It has established the company's systems of internal control and risk management framework and is supported by the Audit and Risk Committee in reviewing the effectiveness of the internal control system and the risk management framework. The Board's review of the effectiveness of the company's risk management procedures and internal control framework also considers the principal and emerging risks faced by the company.

The Board confirms that it has conducted a robust assessment of the principal and emerging risks and a summary of this assessment, the uncertainties facing the company, and the ongoing process for identifying, evaluating and managing the significant risks faced by the Group is included in the Strategic Report. The directors believe that the company's risk appetite continues to be appropriate for the company's strategy.

FURTHER INFORMATION
Risk management: **P50**
Audit and Risk Committee report: **P68**

5 Remuneration

Application of principles

P.
The Remuneration Committee supports the Board by setting our Remuneration Policy, which was approved by shareholders in 2021 and is included within the governance section of this Annual Report. Through long-term and short-term incentives, the Remuneration Policy is designed to drive a performance culture that incentivises executives to deliver the company's strategic objectives and promotes long-term sustainable success.

The way that the Remuneration Committee has ensured that the Policy and remuneration practices are aligned with our culture, strategy and risk management framework is discussed in the Remuneration Committee report.

FURTHER INFORMATION
Directors' remuneration report: **P78**

Q.
There is a formal and transparent procedure for developing the Remuneration Policy and no director is involved in setting their own remuneration, targets and outcomes. The Board has delegated the responsibility for setting remuneration for the Chairman, the executive directors and the senior management team to the Remuneration Committee in accordance with the Remuneration Policy.

Executive remuneration is set regarding the wider workforce and wider benchmarking, elements which also support the procedure for setting the reward strategy implemented in 2021 for the leadership team and the rest of the organisation. The Remuneration Committee believes that the Policy and reward strategy are appropriate to attract, retain and motivate both high calibre executives and employees across the organisation.

FURTHER INFORMATION
Directors' remuneration report: **P78**

R.
The Remuneration Committee comprises only independent non-executive directors to ensure independent judgement and discretion when reviewing and authorising remuneration outcomes. The Remuneration Committee considers remuneration on an annual basis and determines outcomes by assessing performance against a balanced scorecard of measures, details of which, and how discretion was exercised during the year can be found in the directors' remuneration report.

FURTHER INFORMATION
Directors' remuneration report: **P78**

Relationship agreement

On 8 July 2022 Harbour was notified that EIG Global Energy Partners (EIG) (through an investment holding subsidiary) had distributed a portion of its shareholding to underlying investors. Following completion of the distribution, EIG has retained a holding of 15.34 per cent of the company. EIG and its affiliates are therefore no longer deemed to be a controlling shareholder of Harbour Energy plc for the purposes of the Listing Rules.

The company continues to be party to the relationship agreement entered into with EIG on completion of the merger in March 2021 (the relationship agreement). Participation in this agreement will continue in force unless and until EIG and its affiliates cease to own at least 10 per cent or more of the ordinary shares or the voting rights attaching to the ordinary shares. EIG may terminate the relationship agreement in certain circumstances, including where the ordinary shares cease to be admitted to the premium listing segment of the Official List and admitted to trading to the London Stock Exchange's main market for listed securities.

Under the relationship agreement, EIG is entitled to nominate one non-executive director for appointment to the Board so long as it holds between 10 per cent and 25 per cent of the issued shares of the company and two non-executive directors for so long as it holds over 25 per cent of the shares. At the current time, R. Blair Thomas (Chairman) and Steve Farris (non-executive director) are EIG's nominated appointees. The company confirmed on 8 July 2022 that Steve Farris would retire from his position following the conclusion of the 2023 AGM rather than retiring immediately, due to the valuable contribution that he brings to the Board.

In addition, pursuant to the relationship agreement EIG undertakes that it shall not:

- take any action that would have the effect of preventing the company from complying with its obligations under the Listing Rules;
- propose or procure the proposal of a shareholder resolution of the company which is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- exercise any of its voting rights in the company in a way that would be inconsistent with, or breach any of the provisions of, the relationship agreement;
- influence the day-to-day running of the company at an operational level and shall allow the company to operate on an independent basis;
- vote its ordinary shares and shall use its reasonable endeavours to procure that any director appointed by it does not vote his or her shares in a manner that would prevent the company from operating and making decisions for the benefit of shareholders of the company as a whole; and
- act in a manner which would be inconsistent with the independence of the Board being maintained in accordance with the rules of the London Stock Exchange or the FCA applicable to the company, including the Listing Rules and the UK Corporate Governance Code.

In accordance with the Listing Rules, the Board confirms that the relationship agreement complies with the independence provisions set out in Listing Rules 6.5.4R and 9.2.2GR. Throughout the period from 1 January up to and including 8 July 2022 when notice was received that EIG were no longer a controlling shareholder, the Board confirms that:

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

Directors' report

The directors present their Annual Report on the affairs of the Group, together with the audited Group and parent company financial statements and Auditor's report for the year ended 31 December 2022. There are certain disclosure requirements which form part of the directors' report and are included elsewhere in this Annual Report. The location of information incorporated by reference into this directors' report is set out on the next page.

Dividend

The Board is proposing a final dividend of 12 cents per ordinary share (2021: 11 cents) to be paid in pound sterling at the spot rate prevailing on the record date. This dividend is subject to shareholder approval at the AGM, to be held on 10 May 2023. If approved, the dividend will be paid on 24 May 2023 to shareholders on the register as of 14 April 2023 (the record date).

Annual General Meeting

The company anticipates that the next AGM will be held on 10 May 2023. The notice of the AGM (the Notice), 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 8 March 2023 are shown on pages 65 to 67. Changes to the directors during the year and up to the date of this report are set out below:

Resignations	Role	Effective date of departure
Phil Kirk	Executive Director	28 February 2022
Anne Marie Cannon	Non-Executive Director	31 October 2022

Articles of association

The company's articles of association were adopted at the 2021 Annual General Meeting (AGM) and may only be amended by a special resolution of the shareholders. The company's articles of association contain provisions regarding the appointment, retirement and removal of directors and how the director can use all of the company's powers. A copy of the articles of association can be found on our website **harbourenergy.com**.

Indemnification of directors and insurance

During the financial year, the company had in place an indemnity to each of its directors and the Company Secretary under which the company will, to the fullest extent permitted by law and to the extent provided by the articles of association, indemnify them against all costs, charges, losses and liabilities incurred by them in the execution of their duties. The indemnity was in force for all directors who served during the year. The company also has directors' and officers' liability insurance in place.

Share capital

Details of the company's issued share capital, together with details of any movement in the issued share capital during the year, are shown in note 24 to the consolidated financial statements on page 162. The company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at shareholder meetings of the company.

The company was authorised at the 2022 AGM to allot (i) relevant securities for a nominal amount of up to £6,170 and (ii) equity securities up to a nominal amount of £12,340 less the nominal amount of any shares issued under part (i) of the authority. No shares were allotted under these authorities during the year or to the date of this report.

Purchase of own shares

Shareholders approved a resolution at the 2022 AGM for the company to make purchases of its own shares up to a maximum of approximately 15 per cent (138,800,000 shares) of its issued share capital. This authority will expire at the conclusion of the 2023 AGM.

In line with Harbour's capital allocation policy, the Board returned $300 million of capital to shareholders via a share buyback programme which commenced on 16 June, completing on 26 September 2022 with a total of 62,434,296 ordinary shares bought back. On 3 November 2022 the Board announced a second buyback programme for $100 million which commenced on 14 November 2022. The company purchased 15,930,571 ordinary shares in the period from 14 November 2022 to 31 December 2022 and 11,093,925 ordinary shares from 1 January 2023 to 15 February 2023.

The total amount of shares repurchased by the company during 2022 was 78,364,867 ordinary shares, 8.5 per cent of the company's issued share capital for a total consideration of $361 million.

The total amount of shares repurchased under both programmes at the date of this report represents 9.7 per cent of the company's issued share capital.

Employee share schemes

Details of employee share schemes are set out in note 25 to the consolidated financial statements on page 163. The voting rights in relation to the shares held within the employee benefit trust are exercisable by the trustee but it has no obligation to do so. Details of the number of shares held by the employee benefit trust are set out in note 24 to the financial statements on page 163.

Equal opportunities

We give full and fair consideration to all applications for employment by disabled persons, having regard for their particular aptitudes and abilities. We strive to provide continued employment and arrange appropriate training for members of our workforce who become disabled whilst employed by us. We provide training, career development and promotion of disabled employees. Our commitment to building a diverse, equitable and inclusive environment is foundational to our values and is underpinned by our People and Diversity, Equity and Inclusion Policies.

American Depositary Receipt programme

Harbour Energy plc has a sponsored Level 1 American Depositary Receipt (ADR) programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one ordinary share of the company. The ADRs trade on the US over-the-counter market under the symbol HBRIY.

Hedging and risk management

Details of the Group's hedging and risk management are provided in the Financial review on page 48. A further disclosure has been made in note 22 to the consolidated financial statements on pages 156 to 158, related to various financial instruments and exposure of the Group to price, credit, liquidity and cash flow risk.

Significant shareholdings

As at 8 March 2023, the company had received notification from the institutions below, in accordance with chapter 5 of the Disclosure and Transparency Rules, of their significant holdings of voting rights (3 per cent or more) in its ordinary shares:

Name of shareholder	Date of notification to the stock exchange	Notified number of voting rights[1]	Notified percentage of voting rights	Nature of holding
EIG Asset Management, LLC	12.07.2022	140,557,084	15.34%	Direct
Bank of America Corporation	08.03.2023	104,125,969	12.45%	Indirect
Noble Group Holdings Limited	14.07.2022	79,352,666	8.66%	Direct
GIC Private Limited	06.10.2022	34,201,685	3.96%	Direct

1 Notified number of voting rights in issue at the time of the announcement to the market.

Branches

As a global group our interests and activities are held or operated through subsidiaries, branches, joint arrangements or associates established in and subject to the laws and regulations of different jurisdictions.

Significant agreements

The following significant agreements will, in the event of a change of control of the company, be affected as follows:

- under the up to $4.1 billion senior secured revolving borrowing base facility agreement between, among others, the company, certain subsidiaries of the company and a syndicate of financial institutions, upon a change of control (save for certain exceptions), each lender has the right to serve notice, and following a short prescribed period after such notice, all of that lender's commitments under the agreement would be cancelled and all amounts owing to it would become immediately due and payable; and
- the Group has outstanding senior unsecured bond notes totalling $500 million due 2026. Upon a change of control (save for certain exceptions), each noteholder will have the right to require Harbour Energy plc to repurchase all or any part of that holder's notes at a premium, together with accrued interest.

Political donations

No political donations were made during the year (2021: $nil).

Significant events since 31 December 2022

Details of significant events since the balance sheet date are contained in note 30 to the financial statements on page 170.

Information set out in the Strategic Report

In accordance with s414C(11) of the Companies Act 2006, the directors have chosen to set out the information outlined below, required to be included in the directors' report, in the Strategic Report.

- the future development, performance and position of the Group pages 1 to 59;
- a summary of the company's principal risks pages 54 to 59;
- employee engagement and involvement page 14;
- diversity, equity and inclusion page 40;
- information about greenhouse gas emissions and addressing our environmental impact pages 32 to 38; and
- engagement with suppliers, customers and other stakeholders pages 14 and 15.

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 60 to 103. These sections of the report are incorporated into this report by reference.

For the purposes of Listing Rule 9.8.4C R, the information required to be disclosed by Listing Rule 9.8.4 R can be found in the following locations:

Listing rule sub-section	Item	Location
9.8.4 (1)	Interest capitalised	Note 7 to the financial statements, page 140
9.8.4 (4)	Details of long-term incentive schemes	Directors' remuneration report, pages 93 and 94
9.8.4 (5)	Waiver of emoluments by a director	Directors' remuneration report, pages 91 and 98

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
8 March 2023

Complying with the UK's non-financial reporting directive

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
Safety matters	■ Health, Safety, Environment and Security (HSES) Policy ■ Corporate Major Accident Prevention Policy	■ ISO 45001 occupational health and safety management system standards ■ International Association of Oil & Gas Producers (member) ■ Global Reporting Initiative (GRI) Standards	Page 31
Environmental matters	■ Health, Safety, Environment and Security (HSES) Policy ■ Sustainability Policy	■ ISO 14001 (environmental) and OHSAS 18001 (occupational health and safety) management system standards ■ International Association of Oil & Gas Producers (member) ■ Global Reporting Initiative (GRI) Standards	Pages 32 to 38
Climate change	■ Health, Safety, Environment and Security (HSES) Policy ■ Sustainability Policy	■ Task Force on Climate-related Financial Disclosures (TCFD)	Pages 33 to 38
Employees	■ People Policy ■ Sustainability Policy ■ Corporate Major Accident Prevention Policy	N/A	Page 40
Human rights	■ Human Rights Statement ■ Supply Chain Policy ■ Sustainability Policy	■ Voluntary Principles on Security and Human Rights ■ United Nations Guiding Principles on Business and Human Rights	Page 40
Social matters	■ Sustainability Policy	N/A	Page 40
Anti-corruption and anti-bribery	■ Code of Conduct ■ Tax Policy	N/A	Page 41
Our business model	N/A	N/A	Pages 12 and 13
Our principal risks and uncertainties	■ Risk Management Policy	■ ISO 31000 risk management system standard	Risk management: pages 50 to 53 Principal risks: pages 54 to 59
Non-financial KPIs	N/A	N/A	Throughout

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the 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 financial statements in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group and the company for that period.

In preparing the Group and parent company financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs and, in respect of the parent company financial statements, FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether International Accounting Standards in conformity with the requirements of the Companies Act 2006/applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/or the Group will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website **harbourenergy.com**.

Directors' responsibility statement (DTR 4.1)

The directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the Annual Report & Accounts, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks that they face; and
- that they consider the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

This responsibility statement was approved by the board of directors on 8 March 2023 and is signed on its behalf by:

Linda Z. Cook
Chief Executive Officer

Independent auditor's report to the members of Harbour Energy plc

Opinion

In our opinion:

- Harbour Energy plc's Group financial statements and parent company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Harbour Energy plc (the parent company) and its subsidiaries (the Group) for the year ended 31 December 2022 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2022	Company balance sheet as at 31 December 2022
Consolidated income statement for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 10 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. 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 Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management's going concern assessment process in conjunction with our walkthrough of the Group's financial close process, and engaging with management to confirm all relevant assumptions were considered;
- obtaining the cash flow forecasts prepared by management for the Group, including the base case and downside scenarios;
- testing the integrity of management's going concern model by ensuring the forecasts were consistent with the budget approved by the Board and with other areas of the audit such as the impairment assessments;
- challenging the key assumptions included in the model, including management's oil and gas price assumptions. Our assessment of these price assumptions included a comparison of management's price assumptions with recent broker and consultant estimates together with estimates used by other market participants, including those estimates that reflect the potential impact of the climate transition risks;

- evaluating the reasonableness of all other key assumptions, such as production profiles and operating and capital expenditure forecasts, through assessing their consistency with other areas of the audit, including management's impairment assessments. We also ensured these assumptions were consistent with the budget approved by Harbour Energy's Board;
- inspecting the Group's loan agreements, ensuring that the cash outflows relating to interest and repayments are consistent with the agreements, verifying that no covenants have been breached and evaluating whether there is any forecast covenant breach in either the base case or downside case scenarios during the going concern period;
- verifying that the cash flow forecasts included estimated outflows in respect of the Energy Profits Levy (EPL) and ensuring such outflows were consistent with our work on management's impairment assessments;
- reviewing management's reverse stress test in order to identify what factors would lead to the Group not meeting the financial covenants during the going concern period, including the minimum liquidity requirement as set in the reserves-based lending loan agreement, and assessing the likelihood of occurrence of such a scenario;
- evaluating any impact of Russia's invasion of Ukraine on the Group's operations and on the going concern assessment; and
- evaluating the appropriateness of the going concern disclosures in the financial statements to determine whether they are accurate and in line with IAS 1 – Presentation of financial statements and our expectations given the procedures we have performed.

Based on the procedures performed, we observed that the oil and gas prices are within the range of recent brokers' and consultants' estimates and production profiles are consistent with those used in management's impairment assessment and in our work on oil and gas reserves. In the downside cases modelled by management, we observed that there remained liquidity headroom before taking into account the mitigating actions management have identified and that under these cases the Group operates within the requirements of its financial covenants. We concluded that the modelled plausible downside scenarios were reasonable for concluding on the going concern assumption. In addition, we have concluded that the reverse stress scenarios, under which there is either a liquidity issue or the covenants are breached, have a remote likelihood of occurrence.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for the period up to 30 June 2024.

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	■ We performed an audit of the complete financial information of nine components and audit procedures on specific balances for a further seven components. ■ In a change in approach from the prior year, audit work for the UK North Sea operations, which covers six full scope and two specific scope components in the UK, has been performed by the UK integrated primary audit team led directly by the Senior Statutory Auditor. ■ The components where we performed full or specific scope audit procedures, including those related to the UK North Sea operations, accounted for 99% of adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA), 97% of revenue and 91% of total assets.
Key audit matters	■ Oil and gas reserves estimation including reserves used in the calculation of depreciation, depletion and amortisation, impairment testing and the assessment of the recoverability of deferred tax assets. ■ Impairment of tangible oil and gas properties and associated goodwill. ■ Accounting for the impact of the Energy Profits Levy on current and deferred taxes.
Materiality	■ Overall Group materiality of $93 million (2021: $57 million) which represents 2.9% of adjusted EBITDA.

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as the potential for and history of material misstatements when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 88 reporting components of the Group, we selected 18 components covering entities within the United Kingdom, Vietnam and Indonesia, which represent the principal business units within the Group.

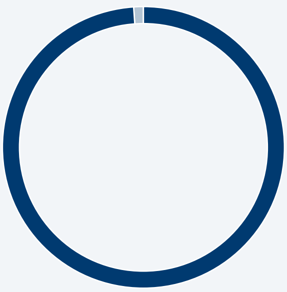
Of the 18 components selected, we performed an audit of the complete financial information of 9 components (full scope components) which were selected based on their size or risk characteristics. Out of these 9 components, the UK integrated primary team performed the audit for 6 components. For the remaining 9 components (specific scope components), the UK integrated primary team performed audit procedures on specific accounts within each component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 99% (2021: 98%) of the Group's adjusted EBITDA, 97% (2021: 100%) of the Group's revenue and 91% of the Group's total assets (2021: 82%). For the current year, the full scope components contributed 99% of the Group's adjusted EBITDA (2021: 79%), 97% of the Group's revenue (2021: 80%) and 81% of the Group's total assets (2021: 71%). The adjusted EBITDA coverage of 99% represents 8 full scope components having a positive contribution of 100% offset by 1 full scope component having a negative contribution of 1%. The specific scope components contributed 0% of the Group's adjusted EBITDA (2021: 19%), 0% of the Group's revenue (2021: 20%) and 10% of the Group's total assets (2021: 11%). The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 70 components that, on a net basis, represent 1% of the Group's adjusted EBITDA, none are individually greater than 3% of the Group's adjusted EBITDA. For these components, we performed other procedures including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

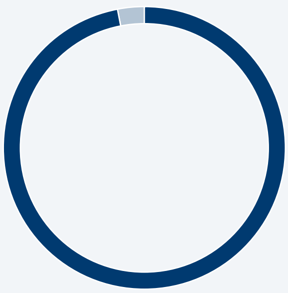
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Adjusted EBITDA



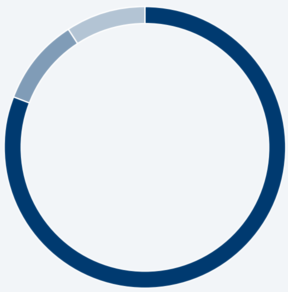
- Full scope components 99%
- Specific scope components 0%
- Other procedures 1%

Revenue



- Full scope components 97%
- Specific scope components 0%
- Other procedures 3%

Total assets



- Full scope components 81%
- Specific scope components 10%
- Other procedures 9%

Changes from the prior year

In a change in approach from the prior year, audit work for the UK North Sea operations, which covers 6 full scope and 4 specific scope components in the UK, has been performed by the UK integrated primary audit team led by the Senior Statutory Auditor (primary audit team). In the prior year this audit work was performed by a separate UK component team.

We did not make any other substantial changes to our 2021 assessment of the components where we performed full or specific scope audit procedures, other than assessing 2 components as full scope rather than specific scope, as a result of their increased contribution to the Group's operations in 2022.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit team, or by component auditors from other EY global network firms operating under our instruction. Of the 9 full scope components, audit procedures were performed on 6 of these directly by the primary audit team and 3 by the component teams based in Indonesia and Vietnam. The components in Indonesia and Vietnam together represent 6% of the Group's adjusted EBITDA (2021: 6%), 4% of the Group's revenue (2021: 6%) and 6% of the Group's total assets (2021: 5%).

During the current year's audit cycle, a visit was undertaken in December 2022 by a senior member of the primary audit team to each of the component teams in Indonesia and Vietnam. This visit involved meetings with local management, including members of finance, legal, IT and climate change teams. During the visits we held discussions on the audit approach and understood any issues arising from the component teams' work. We reviewed the component teams' interim testing working papers to validate that the required procedures had been performed to the appropriate quality. At year end, we attended closing meetings for all components by video conference and reviewed the year end working papers virtually. We interacted regularly with the component teams throughout the year and were responsible for the scope and direction of the audit process.

The primary audit team performed the audit work on the UK North Sea components.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact Harbour Energy plc. The Group has determined that the most significant future impacts from climate change on their operations will be from reduced customer demand for fossil fuels, policy incentives and emerging regulation curtailing future fossil fuel demand, carbon pricing mechanisms applied to direct operations and acute physical risks. These are explained in the ESG review on page 32 in the required Task Force for Climate-related Financial Disclosures and on page 59 in the principal risks and uncertainties. They have also explained their climate commitments on page 32 of the ESG review. All of these disclosures form part of the "Other information", rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in note 2 – Accounting Policies, how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to reduce Scope 1 and 2 emissions by 2030 and be net zero by 2035. Significant judgements and estimates relating to climate change are included in note 2. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where there is therefore greater uncertainty in the estimation of asset and liability valuation. In note 2 to the financial statements, supplementary sensitivity disclosures of the impact of climate transition risk on the carrying value of assets have been provided.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risks disclosed on pages 32 and 59, their climate commitments, and the significant judgements and estimates disclosed in note 2 to the financial statements. We assessed whether these have been appropriately reflected in the impairment assessment for tangible oil and gas assets and associated goodwill, valuation of deferred tax assets and the measurement of decommissioning liabilities following the requirements of UK-adopted International Accounting Standards.

As part of our audit procedures, we performed our own risk assessment, supported by our climate change internal specialists and senior audit team members with significant experience in climate change and energy transition. This included meetings with the Group's net zero strategy, Financial Planning and Group Finance teams, a specific climate change risk workshop and a review of peer disclosures and sector guidance on climate change and energy transition to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have considered the impact of climate change on the financial statements to impact certain key audit matters. Details of our procedures and findings are included in our explanation of key audit matters on the following pages.

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.

Oil and gas reserve estimation

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Refer to the Audit and Risk Committee Report (page 69); Accounting policies (page 129); and Additional information on page 180). At 31 December 2022, Harbour reported 409.6 million barrels of oil equivalent (mmboe) of proven and probable (2P) reserves (2021: 487.5 mmboe). The estimation and measurement of oil and gas reserves impacts various material elements of the financial statements including depreciation, depletion and amortisation (DD&A), impairment, decommissioning provisions and deferred tax asset (DTA) recoverability. Auditing the estimation of oil and gas reserves is complex, as there is significant estimation uncertainty in assessing the quantities of reserves and resources in place. Estimation uncertainty is further elevated given the transition to a low-carbon economy which could impact life-of-field assumptions and increase the risk of underutilised or stranded oil and gas assets. Also, given the estimation of oil and gas reserves is complex, there is a risk that inappropriate management bias influences the estimates. 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 estimates.	The audit procedures in respect of oil and gas reserves estimation were performed by the primary audit team; our procedures covered 100% of 2P reserve volumes. Our work to address the identified risks included the following procedures: ■ we confirmed our understanding of Harbour's oil and gas reserve estimation process as well as the control environment implemented by management; ■ we assessed the appropriateness of reliance on management's internal and external reserve specialists by undertaking procedures to evaluate their competence and objectivity; ■ we met separately with management's internal and external specialists to understand the basis, and therefore appropriateness, for any significant variances between the two sets of estimates at a cash-generating unit (CGU) level; ■ where variances of a technical nature were identified, we utilised the knowledge and expertise of an EY partner from our Financial Accounting Advisory Services practice with significant oil and gas reserves expertise as part of our work to assess the nature of the variances and appropriateness of management's estimates; ■ we recalculated net entitlement production that reflect the terms of production sharing contracts for the relevant fields and is derived from reserves prepared by internal specialists and independently assessed by external specialists; ■ we investigated all material volume movements from management's prior period estimates and where there was a lack of movement where changes were expected based on our understanding of the Group's operations and findings from other areas of our audit; ■ in light of Harbour's pledge to reach net zero for Scope 1 and 2 emissions by 2035 (equity share), we considered the extent of reserves recognised that are due to be produced beyond 2035 in assessing the potential impact of a risk of stranded assets; and ■ we ensured the 2P reserve volumes were consistently applied throughout all relevant accounting processes including DD&A, impairment, going concern, decommissioning provisions and DTA recoverability.	We reported to the Audit and Risk Committee in its March 2023 meeting that, based on our testing performed, we had not identified any errors or factual inconsistencies with reference to Harbour's oil and gas reserves estimates that would materially impact the financial statements and that, as a result, we consider the reserve estimates to be reasonable. We reported that a significant majority of Harbour's 2P reserves are expected to be produced by 2035. As such we are satisfied that the risk of there being a material stranded asset is low.

Impairment of tangible oil and gas properties and associated goodwill

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Refer to the Audit and Risk Committee Report (page 69); Accounting policies (pages 129 and 130); Notes 10 and 12 of the Consolidated Financial Statements (page 143 and page 146, respectively). In the current period, management noted impairment and impairment reversal indicators for certain of the Group's assets and recorded a net pre-tax impairment reversal of $169.6 million (2021: impairment charge of $117.2 million). Management prepares the tangible asset impairment tests under the Fair Value Less Cost to Sell methodology. The impairment models include a number of estimates 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 material change in an impairment or a reversal of impairment, hence this is considered a key audit matter. Following the identification of indicators of impairment for two of the Group's CGUs and indicators of impairment reversal for certain of the Group's gas-producing assets, these were tested accordingly.	Our audit response was executed by the primary audit team and Indonesia and Vietnam component audit teams, covering all assets at risk of material impairment. We performed the following audit procedures with respect to management's impairment assessment: ■ confirmed our understanding of Harbour's impairment assessment process, as well as the controls implemented by management; ■ considered the internal and external sources of information included in IAS 36 to identify any potential indicators of impairment loss and/or reversal, including any downgrades in oil and gas reserve estimates or sustained increase / decrease in oil and gas prices compared to the prior year; ■ following management's identification of impairment indicators and impairment reversal indicators, we obtained the discounted cash flow model for each of these CGUs and tested the models for integrity which included the use of EY technology tools to evaluate spreadsheet 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 NBP gas price estimates to 65p/therm (real) from 2026 (2021: 60p/therm (real) from 2025) during the current period; ■ 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; ■ we evaluated management's production profiles through reconciliation to the results of our audit work in respect of oil and gas reserves estimation; ■ we tested the appropriateness of other cashflow assumptions such as opex, capex and decommissioning spend by comparing against Board approved plans and actual costs incurred. We compared inflation and FX rates to recent market forecasts to assess their reasonableness; ■ where there were indicators of impairment reversal, we assessed the robustness of the headroom for the relevant CGUs by performing a sensitivity analysis incorporating plausible reductions in both prices and production; and ■ we performed headroom analysis for the material profit making CGUs as part of our assessment of the recoverability of the goodwill recognised in the Group financial statements. We also evaluated the accuracy and completeness of the impairment disclosures included in the notes to the financial statements. In assessing the impact of climate transition risk on impairment, we performed the following procedures: ■ comparison of Harbour's long-term oil and gas price assumption to International Energy Association (IEA) Announced Pledges Scenario (APS) and Net Zero Emissions (NZE) Scenario; ■ reasonableness assessment of carbon prices and sensitivity of future carbon costs in the cash flow models, including comparison of prices to IEA APS and NZE scenarios; ■ understood how management intend to achieve their planned Scope 1 and 2 emissions reductions and whether these actions have been reflected in the cash flow forecasts; ■ analysed the emissions, reserves and production data to understand the current and future carbon intensity of assets to identify higher risk assets; ■ evaluated the stranded asset risk arising from useful economic lives of assets post 2035; and ■ checked the appropriateness of the climate change sensitivity in note 2 of the financial statements.	We reported to the Audit and Risk Committee in its March 2023 meeting that the key assumptions used within the impairment models were within a reasonable range and, based on our testing performed, we considered the recognition and valuation of the current period net impairment reversal to be reasonable. Specifically related to our procedures on climate change, we reported that Harbour's oil and gas price assumptions are in line with commodity prices in the IEA APS scenario from 2023 onwards. We concur with management, that carbon costs are not a material assumption in the cash flow forecasts; the results of our independent sensitivity analysis indicated that applying the IEA NZE50 would not lead to a material impact on the valuation of oil and gas assets. For assets with a higher risk of impact from climate change, we assessed the headroom in the most recent impairment models and also checked the reasonableness of the costed plans in place to decarbonise the assets. Overall, we concluded there was no impairment trigger arising from the impact of climate change in the 2022 financial statements.

Accounting for the impact of the Energy Profits Levy on current and deferred taxes

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Refer to the Audit and Risk Committee Report (page 69); Accounting policies (page 134); Note 8 of the Consolidated Financial Statements (page 141 to 143). On 26 May 2022 the Energy (Oil and Gas) Profits Levy (EPL) was announced, which was subsequently legislated in July 2022. The charge is levied on profits earned from the announcement date until 31 March 2028 and is in addition to the Ring Fence Corporation Tax (RFCT) and the Supplementary Charge Tax (SCT) already levied on upstream oil and gas entities operating in the UK. In accounting for the impact of EPL on the financial statements, estimates are involved in (i) arriving at a 'just and reasonable' profit apportionment pre and post 26 May 2022, and (ii) quantifying the deferred tax impact on the unwind of temporary differences over the EPL period until 31 March 2028. Further, as the tax base for the EPL is different to that for both the RFCT and SCT, there is a risk that the current and deferred tax calculations recorded in the financial statements are materially misstated.	Our audit response was planned and executed by the primary audit team. We performed the following audit procedures: ■ confirmed our understanding of the impact of the EPL on current and deferred taxes, agreeing with management's conclusion that EPL is considered a profit tax and as such is within the scope of IAS 12 – Income Taxes; ■ assessed the apportionment of profits pre and post 26 May 2022 and whether they are in accordance with the relevant requirements of the tax legislation; ■ evaluated whether the basis used for the current year EPL charges was appropriate and ensured the tax calculations were prepared in accordance with the legislation; ■ for the deferred tax adjustments we assessed whether the temporary differences on which EPL was applied were appropriate and verified that management's scheduling of the unwind of temporary differences was consistent with the models used for the impairment and going concern assessments and ensured that the appropriate enacted rate had been applied; ■ verified that the EPL impacts were accurately reflected in the income statement and other comprehensive income, consistent with the underlying transactions and balances to which they relate; and ■ evaluated the disclosures in the financial statements related to the EPL to ensure they accurately reflect the impact of the new levy and meet IAS 12 disclosure requirements.	We reported to the Audit and Risk Committee in its March 2023 meeting that, based on our testing performed, we consider that the Group has taken appropriate steps to assess and account for the impact of EPL and we found no material misstatements of the current tax charge and deferred tax provisions. We also reported that we considered the relevant disclosures in the consolidated financial statements to be appropriate.

Principal changes as compared to prior year

This year we have included a new key audit matter 'Accounting for the impact of the Energy Profits Levy on current and deferred taxes', since this represents new UK tax legislation during the year which requires management to make certain judgements and had a material impact on both current and deferred taxes for the year.

In the prior year, our auditor's report included a key audit matter in relation to the accounting associated with the reverse takeover (RTO) and purchase price allocation (PPA) process. In the current year, this has not been considered as a key audit matter as the transaction occurred in 2021 and there have been no changes in the current period to the amounts of the acquisition-date assets and liabilities previously recognised.

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.

Our key criterion in determining materiality remains our perception of the needs of Harbour's stakeholders. We consider which earnings, activity or capital-based measure aligns best with the expectations of the users of Harbour's financial statements. In doing so, we apply a 'reasonable investor perspective', which reflects our understanding of the common financial information needs of the members of Harbour as a group. We consider EBITDA, adjusted for the impact of any non-recurring items, to be consistent with the type of measures that are the primary focus of Harbour's investors.

We determined that the basis of planning materiality should be earnings before interest tax, depreciation, impairments and amortisation, adjusted to exclude exploration cost write-off but including exploration and evaluation expenses and new ventures (adjusted EBITDA), normalised to reflect the price volatility seen in 2022 (normalised adjusted EBITDA). We believe that adjusted EBITDA provides us with a measure that is of particular focus to shareholders and is closely linked to both the metric used in the covenant included in the Group's major loan agreement and the key performance indicator for the Group, EBITDAX. Measures such as EBITDAX are a primary indicator of company valuation and cash flow generation across the upstream oil and gas sector.

In determining the use of a normalised measure, we recognised oil and gas prices have been at particularly high levels during 2022 as a result of high demand caused by the pandemic receding and the war in Ukraine. The views of economist and market participants are that this short-term increase in oil prices is from the management of supply of oil and gas in the market which will be addressed over time. Given this, we believe a normalised measure is most appropriate to avoid setting our materiality at a level that is not representative of a more normal level of oil and gas pricing anticipated over the medium term.

Based on the above, we determined materiality for the Group to be $93 million (2021: $57 million), which is 2.9% of normalised adjusted EBITDA of $3,185 million (2021: 2.4% of adjusted EBITDA of $2,384 million). The reason for the increased materiality from last year relates to the increased profitability of the Group, even allowing for the impact of price normalisation.

We determined materiality for the parent company to be $46.7 million (2021: $37.9 million), which is 0.7% (2021: 0.5%) of total assets.

Starting basis
- $4,011 million (EBITDAX)

Adjustments
- Less adjustments related to:
  - Exploration and evaluation expenses and new ventures of $30 million
  - Normalisation of $796 million

Materiality
- Basis: normalised adjusted EBITDA of $3,185 million
- Materiality of $93 million (2.9% of materiality basis)

During the course of our audit, we reassessed initial materiality and found no reason to change from our original assessment at planning.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely $46.5 million (2021: $28.5 million). We have set performance materiality at this percentage due to quantitative and qualitative assessment of prior year misstatements, our assessment of the Group's overall control environment, and consideration of relevant changes in market conditions during the year.

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, including those operating in the UK North Sea, for which we have adopted an integrated primary audit team approach, was $8.4 million to $35.0 million (2021: $5.7 million to $18.5 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 $4.7 million (2021: $2.9 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report as set out on pages 1 to 186, including the Strategic report, Governance and Additional information sections, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; 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

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 49;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 53;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 53;
- Directors' statement on fair, balanced and understandable set out on page 107;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 51;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 52; and
- the section describing the work of the Audit and Risk Committee set out on page 68.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 107, 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.

Auditor's responsibilities for the audit of the financial statements

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

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 (UK-adopted International Accounting Standards, Companies Act 2006, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which Harbour Energy plc operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, relating to health and safety, employee matters, environmental, and bribery and corruption practices. We understood how Harbour Energy plc is complying with those frameworks by making enquiries of management, internal audit, legal counsel and the Company Secretary. We corroborated our enquiries through inspection of board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies and there was no contradictory evidence.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the degree of incentive, opportunity and rationalisation that may exist to undertake fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We engaged our forensics specialists in assisting our assessment of the susceptibility of the Group's financial statements to fraud. We have determined there is a risk of fraud associated with management override related to manual revenue journals that do not follow the expected process. We performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business, enquiries of legal counsel, Group management, Internal Audit, component management at all full scope components, review of the volume and nature of whistleblowing complaints received during the year and focused testing, including in respect of management override through manual revenue journals and specific searches derived from forensic investigations experience.
- Based on the results of our audit procedures, there were no significant instances of non-compliance with laws and regulations identified at the Group or component level.

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

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by management on 22 April 2021 to audit the Group and parent company financial statements for the period ending 31 December 2021 and subsequent financial periods. Our appointment was subsequently ratified at the annual general meeting of the company.
- Our total uninterrupted period of engagement is two years, covering the period from our appointment through to the period ended 31 December 2022.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

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

Andrew Smyth (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
8 March 2023

Consolidated income statement

For the year ended 31 December

	Note	2022 $ million	2021 $ million
Revenue	4	**5,390.0**	3,478.8
Other income	4	**41.2**	139.2
Revenue and other income		**5,431.2**	3,618.0
Cost of operations	5	**(2,844.8)**	(2,453.2)
Impairment reversal/(impairment) of property, plant and equipment	5, 12	**169.6**	(117.2)
Exploration and evaluation expenses and new ventures	5	**(41.5)**	(49.8)
Exploration costs written-off	5	**(64.4)**	(255.0)
Gain on disposal	5	**12.1**	–
General and administrative expenses		**(121.3)**	(102.5)
Operating profit	5	**2,540.9**	640.3
Finance income	7	**279.1**	48.8
Finance expenses	7	**(358.2)**	(374.6)
Profit before taxation		**2,461.8**	314.5
Income tax expense	8	**(2,453.6)**	(213.4)
Profit for the year		**8.2**	101.1
Profit for the year attributable to:			
Equity owners of the company		**8.2**	101.1

Earnings per share	Note	$ cents	$ cents
Basic	9	**0.9**	11.6
Diluted	9	**0.9**	11.6

Consolidated statement of comprehensive income

For the year ended 31 December

	2022 $ million	2021 $ million
Profit for the year	**8.2**	101.1
Other comprehensive profit/(loss)		
Items that may be subsequently reclassified to income statement:		
Fair value gains/(losses) on cash flow hedges	**269.1**	(3,583.8)
Tax credit on cash flow hedges	**1,005.6**	1,433.2
Pension actuarial losses on long-term employee benefit plans	**(0.3)**	–
Exchange differences on translation	**(198.0)**	(5.7)
Other comprehensive profit/(loss) for the period, net of tax	**1,076.4**	(2,156.3)
Total comprehensive profit/(loss) for the year	**1,084.6**	(2,055.2)
Total comprehensive profit/(loss) attributable to:		
Equity owners of the company	**1,084.6**	(2,055.2)

Consolidated balance sheet
As at 31 December

	Note	2022 $ million	2021 restated $ million
Assets			
Non-current assets			
Goodwill	10	**1,327.1**	1,327.1
Other intangible assets	11	**880.0**	873.7
Property, plant and equipment	12	**5,690.2**	7,246.7
Right-of-use assets	13	**734.7**	551.5
Deferred tax assets	8	**1,406.5**	1,938.4
Other receivables	16	**298.0**	263.0
Other financial assets	22	**102.7**	10.1
Total non-current assets		**10,439.2**	12,210.5
Current assets			
Inventories	15	**142.9**	211.4
Trade and other receivables	16	**1,403.2**	1,342.2
Other financial assets	22	**80.8**	41.8
Cash and cash equivalents	17	**499.7**	698.7
Total current assets		**2,126.6**	2,294.1
Total assets		**12,565.8**	14,504.6
Equity and liabilities			
Equity			
Share capital	24	**171.1**	171.1
Share premium		**–**	1,504.6
Other reserves		**(606.2)**	(1,276.8)
Retained earnings		**1,456.4**	74.6
Total equity		**1,021.3**	473.5
Non-current liabilities			
Borrowings	21	**1,216.6**	2,823.7
Provisions	20	**3,933.7**	5,022.6
Deferred tax	8	**397.2**	187.1
Trade and other payables	19	**18.8**	32.3
Lease creditor	13	**603.8**	489.2
Other financial liabilities	22	**1,279.1**	1,373.6
Total non-current liabilities		**7,449.2**	9,928.5
Current liabilities			
Trade and other payables	19	**1,251.2**	1,235.3
Borrowings	21	**21.5**	62.3
Lease creditor	13	**220.8**	165.1
Provisions	20	**231.6**	358.6
Current tax liabilities		**198.7**	116.8
Other financial liabilities	22	**2,171.5**	2,164.5
Total current liabilities		**4,095.3**	4,102.6
Total liabilities		**11,544.5**	14,031.1
Total equity and liabilities		**12,565.8**	14,504.6

The notes on pages 123 to 172 form part of these financial statements.

The financial statements on pages 118 to 172 were approved by the board of directors and authorised for issue on 8 March 2023 and signed on its behalf by:

Alexander Krane
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December

	Share capital $ million	Share premium[2] $ million	Merger reserve[2] $ million	Capital redemption reserve $ million	Cash flow hedge reserve[3] $ million	Costs of hedging reserve[3] $ million	Currency translation reserve $ million	Retained earnings $ million	Total equity $ million
At 1 January 2022	171.1	1,504.6	677.4	8.1	(2,062.1)	1.5	98.3	74.6	473.5
Profit for the year	–	–	–	–	–	–	–	8.2	8.2
Other comprehensive income	–	–	–	–	1,286.1	(11.4)	(198.0)	(0.3)	1,076.4
Total comprehensive income	–	–	–	–	1,286.1	(11.4)	(198.0)	7.9	1,084.6
Purchase and cancellation of own shares	–	–	–	–	–	–	–	(360.6)	(360.6)
Share-based payments	–	–	–	–	–	–	–	36.9	36.9
Capital restructuring	–	(1,504.6)	(406.1)	–	–	–	–	1,910.7	–
Purchase of ESOP Trust Shares	–	–	–	–	–	–	–	(21.6)	(21.6)
Dividend paid	–	–	–	–	–	–	–	(191.5)	(191.5)
At 31 December 2022	**171.1**	**–**	**271.3**	**8.1**	**(776.0)**	**(9.9)**	**(99.7)**	**1,456.4**	**1,021.3**
At 1 January 2021	0.1	910.0	–	–	80.2	9.8	104.0	(36.8)	1,067.3
Profit for the period	–	–	–	–	–	–	–	101.1	101.1
Other comprehensive loss	–	–	–	–	(2,142.3)	(8.3)	(5.7)	–	(2,156.3)
Total comprehensive loss	–	–	–	–	(2,142.3)	(8.3)	(5.7)	101.1	(2,055.2)
Shares issued in settlement of D loan notes	–	134.7	–	–	–	–	–	–	134.7
Reverse takeover	171.0	(527.2)	635.9	8.1	–	–	–	–	287.8
Settlement of Premier's debt[1]	–	987.1	41.5	–	–	–	–	–	1,028.6
Share-based payments	–	–	–	–	–	–	–	13.4	13.4
Purchase of ESOP Trust Shares	–	–	–	–	–	–	–	(3.1)	(3.1)
At 31 December 2021	**171.1**	**1,504.6**	**677.4**	**8.1**	**(2,062.1)**	**1.5**	**98.3**	**74.6**	**473.5**

1 Debt settlement relates to the issuance of shares in partial settlement of Premier's debt.
2 Share premium and merger reserve balances recategorised to retained earnings following the capital reduction effective 3 August 2022.
3 Disclosed net of deferred tax.

Consolidated statement of cash flows
For the year ended 31 December

	Note	2022 $ million	2021 $ million
Net cash inflow from operating activities	27	**3,129.8**	1,614.2
Investing activities			
Expenditure on exploration and evaluation assets		**(127.0)**	(176.5)
Expenditure on property, plant and equipment	12	**(476.5)**	(437.4)
Expenditure on non-oil and gas intangible assets		**(29.7)**	(30.0)
Cash acquired on business combinations	14	**–**	97.4
Receipts for sub-lease income		**10.4**	7.4
Payments relating to disposal of oil and gas properties		**(5.9)**	–
Expenditure on business combinations – deferred consideration		**(19.9)**	(46.0)
Finance income received		**20.0**	14.1
Net cash outflow from investing activities		**(628.6)**	(571.0)
Financing activities			
Repurchase of shares		**(360.6)**	–
Proceeds from new borrowings – reserves-based lending facility	21	**–**	1,617.5
Proceeds from new borrowings – bond	21	**–**	500.0
Proceeds from new borrowings – exploration financing facility	21	**11.5**	45.9
Lease liability payments	13	**(254.0)**	(160.4)
Repayment of short-term debt arising on business combination	21	**–**	(1,276.5)
Repayment of hedging liabilities arising on business combination		**–**	(48.5)
Repayment of reserves-based lending facility	21	**(1,662.5)**	(697.5)
Repayment of junior debt	21	**–**	(400.0)
Repayment of exploration financing facility	21	**(38.6)**	(14.7)
Repayment of financing arrangement	21	**(15.4)**	(9.3)
Redemption of loan notes	21	**–**	(135.7)
Purchase of ESOP Trust shares		**(21.6)**	(3.1)
Interest paid and bank charges		**(142.0)**	(204.9)
Dividends paid	29	**(191.5)**	–
Net cash outflow from financing activities		**(2,674.7)**	(787.2)
Net (decrease)/increase in cash and cash equivalents		**(173.5)**	256.0
Net foreign exchange difference		**(25.5)**	(2.7)
Cash and cash equivalents at 1 January		**698.7**	445.4
Cash and cash equivalents at 31 December	17	**499.7**	698.7

Notes to the consolidated financial statements

1. Corporate information

Harbour Energy plc (Harbour) is a limited liability company incorporated in Scotland and listed on the London Stock Exchange. The address of the registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN, United Kingdom.

The consolidated financial statements of Harbour Energy plc (the company) and all its subsidiaries (the Group) for the year ended 31 December 2022 were authorised for issue by the board of directors on 8 March 2023.

The Group's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK and Norwegian continental shelves, Indonesia, Vietnam and Mexico.

2. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006. The analysis used by the Directors in adopting the going concern basis considers the various plans and commitments of the Group as well as various sensitivity and reverse stress test analyses. The results from the downside sensitivities with regard to production and commodity price assumptions, which in management's view reflect two of the principal risks, indicate that material changes within one year that would impact the going concern basis of preparation are unlikely. Further details are within the Financial review on pages 44-49 and Viability statement on page 53.

The presentation currency of the Group financial information is US dollars and all values in the Group financial information are presented in millions ($ million) and all values are rounded to the nearest $0.1 million, except where otherwise stated.

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities, including derivative financial instruments, which have been measured at fair value.

In October 2020, Harbour Energy Limited entered into an agreement with Premier Oil plc (Premier) regarding an all-share merger between Premier and Harbour Energy Limited's subsidiary, Chrysaor Holdings Limited (Chrysaor). Under the terms of the merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquiror for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The transaction completed on 31 March 2021, whereupon Premier, being the legal acquirer and accounting acquiree, changed its name from Premier Oil plc to Harbour Energy plc.

The consolidated financial statements provide comparative period information with respect to the prior year but this only includes nine months of Premier contribution compared to a full 12 months contribution for the year ended 31 December 2022.

The accounting policies, which follow, set out those policies which apply in preparing the financial statements for the year ended 31 December 2022. All accounting policies are consistent with those adopted and disclosed in Harbour's 2021 Annual Report and Accounts, other than where new policies have been adopted.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2022. Subsidiaries are those entities over which the Group has control. Control is achieved where the Group has the power over the subsidiary, has rights, or is exposed to variable returns from the subsidiary and has the ability to use its power to affect its returns. All subsidiaries are 100 per cent owned by the Group and there are no non-controlling interests.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries acquired to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions and balances have been eliminated on consolidation.

2. Significant accounting policies continued

Prior year adjustment

Other financial liabilities – commodity derivatives within current liabilities as at 31 December 2021 – included a number of financial instruments which had matured on the last day of the financial year for which the related liability should have been classified within trade and other payables. The relevant amounts have therefore been reclassified to trade and other payables which is also held within current liabilities (see note 19, Trade and other payables – matured financial instruments). There was no impact on any of the other primary statements. Each of the affected financial statement line items has been restated and the impact is summarised in the following table.

Balance sheet at 31 December 2021	Note	As previously reported $ million	Adjustments $ million	As restated $ million
Other financial liabilities – commodity derivatives	22	(2,526.2)	361.7	(2,164.5)
Trade and other payables	19	(873.6)	(361.7)	(1,235.3)

Impact of climate change on the financial statements and related disclosures

Judgements and estimates made in assessing the impact of climate change and the energy transition

Harbour monitors global climate change and energy transition developments and plans accordingly. Management recognises there is a general high level of uncertainty about the speed and scale of impacts which, together with limited historical information, provides significant challenges in the preparation of forecasts and plans with a range of possible future scenarios.

The Group's strategic ambition is to achieve net zero by 2035 through several opportunities, including operational improvements, UK offshore electrification, UK carbon capture and storage (CCS) and the eventual cessation of production of mature fields. Where the Group cannot reduce its Scope 1 and 2 emissions, it will invest in carbon credits to achieve the goal of net zero (refer to the ESG review on pages 30-41). All new economic investment decisions include the cost of carbon, and opportunities are assessed on their climate-impact potential and alignment with Harbour Energy's net zero goal, taking into consideration both GHG volumes and intensity. The corporate modelling that supports the preparation of the financial statements (such as asset impairment assessment, going concern and viability, deferred tax recoverability) includes project costs related to carbon, capture and storage; and certain limited electrification and reduction of Scope 1 and 2 GHG emissions initiatives. Emissions reduction incentives are part of staff remuneration and annual bonus schemes (refer to the Remuneration Committee report on pages 78-80). Additionally, the cost of borrowing is tied to our gross operated CO_2 emissions performance, with GHG metrics being linked to our RBL interest expense, further incentivising our emissions reduction targets.

As a result, climate change and the energy transition have the potential to significantly impact the accounting estimates adopted by management and therefore the valuation of assets and liabilities reported on the balance sheet. On an ongoing basis management continues to assess the potential impacts on the significant judgements and estimates used in the financial statements. Estimates adopted in the preparation of the financial statements reflect management's best estimate of future market conditions where, in particular, commodity prices can be volatile. Notwithstanding the challenges around climate change and the energy transition, it is management's view that the financial statements are consistent with the disclosures in the Strategic Report.

This note provides insight into how Harbour has considered the impact on valuations of key line items in the financial statements and how they could change based on the climate change scenarios and sensitivities considered. The scenarios presented show what the possible impact could be on the financial statements considering both high and low-price curve outlooks. Importantly, these climate change scenarios do not form the basis of the preparation of the financial statements but rather indicate how the key assumptions that underpin the financial statements would be impacted by the climate change scenarios. It is recognised that the reality of the nature of progress of energy transition will bring greater levels of disruption and volatility than these external scenarios expect and do not represent management's current best estimate.

Management's current best estimate, which was derived from consideration of a range of considered economic forecasts, has been used on the same basis to prepare the financial statements and is represented by the Harbour Scenario oil price curve. Management continues to review these estimates and assumptions to ensure they reflect the latest economic environment conditions and market information available.

Impairment of property, plant and equipment, and goodwill

The energy transition has the potential to significantly impact future commodity and carbon prices which would, in turn, affect the recoverable amount of property, plant and equipment and goodwill. In the current period, the Harbour Scenario real long-term commodity price assumptions, when testing for impairment, were $65/bbl (2021: $65/bbl) and 65p/therm (2021: 60p/therm) for Brent crude and UK NBP gas, respectively. The real long-term price assumptions for the UK regulatory price of carbon are £80/tonne, being $100/tonne at $:£1.25 foreign exchange rate (2021: £55/$74/tonne) and voluntary offsets $25/tonne used, with sensitivities run at $100/tonne (2021: $100/tonne). Sensitivity analysis using a carbon price of $100/tonne indicates that material impairments would not arise. Such assumptions are inherently uncertain and may ultimately differ from the actual amounts.

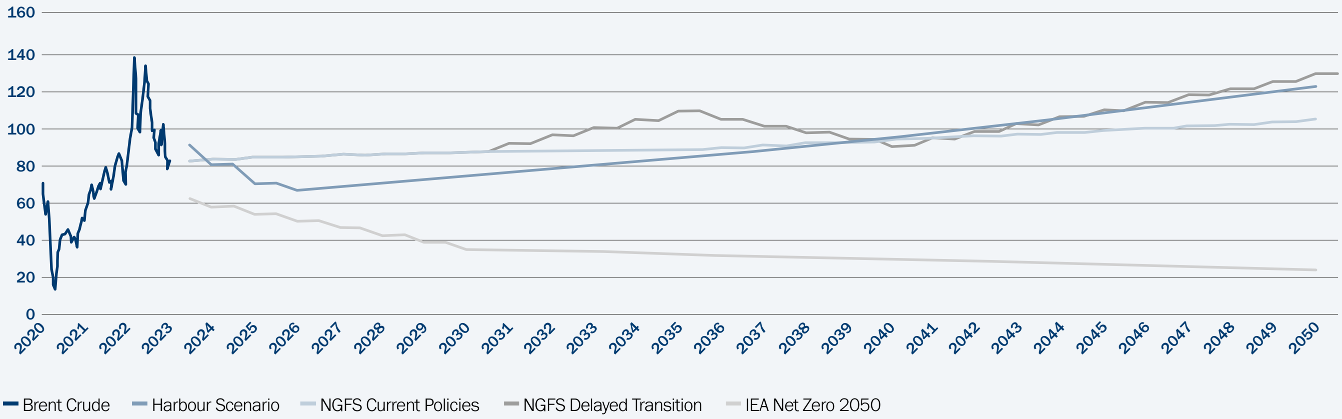
See key sources of estimation uncertainty: recoverability of oil and gas assets and goodwill for further information (page 136), including sensitivity analysis in relation to reasonably possible changes in price assumptions.

During 2022 there was a net pre-tax impairment credit of $170 million comprising: impairment on a single CGU asset $163 million, impairment reversals on North Sea assets $250 million and decommissioning provision reductions $83 million. In 2021, certain impairments were recognised as a result of underlying reservoir performance.

Sensitivities on the impairment of property, plant and equipment and goodwill have been prepared using various price scenarios to show the possible impact on net book carrying values. As noted, the Harbour Scenario is the basis for the preparation of the financial statements and impairment sensitivities have been prepared at an average -10 per cent and +10 per cent to the Harbour Scenario average crude and selected published climate change price curves. Sensitivity analysis on carbon price $100/tonne indicates that impairments would not have a material impact on the financial statements.

The sensitivity scenarios described below are price curves only and the modelling assumes that all other factors remain unchanged from the Harbour Scenario used for the basis of preparation of the financial statements. These sensitivities are stated before any management mitigation actions to manage downside risks if the scenarios were to occur.

- Harbour Scenario: base price curve for crude oil used for impairment testing.
- NGFS Current Policies: reflects high physical risks and low transition risks.
- NGFS Delayed Transition: reflects low physical risks and high transition risks.
- IEA Net Zero 2050: reflects low physical risks and low transition risks.



The graph above shows the crude oil price curves for the period to 2050 for the Harbour Scenario, NGFS Current Policies, NGFS Delayed Transition and IEA Net Zero 2050. There are no climate change price curves published by NGFS or the IEA for UK NBP gas. All the scenario price curves are dependent on factors covering supply, demand, economic and geopolitical events and therefore are inherently uncertain and subject to significant volatility and hence unlikely to reflect the future outcome.

The results of the sensitivities are as follows and show the impact on the balance sheet carrying values.

$ million	Carrying value			Crude oil		
		-10% to Harbour Scenario	+10% to Harbour Scenario	NGFS Current Policies	NGFS Delayed Transition	IEA Net Zero 2050
Property, plant and equipment	5,690	(57)	–	–	–	(355)
Goodwill	1,327	–	–	–	–	–

The sensitivity results show that under the -10 per cent to Harbour Scenario (oil and gas commodity prices reduced from 1 January 2023) an impairment of $57 million would arise on a single North Sea CGU. The +10 per cent to Harbour Scenario (oil and gas commodity prices increased from 1 January 2023), NGFS Current and Delayed scenarios show no incremental impairments as these scenarios are all favourable to the Harbour Scenario. Furthermore, under these three scenarios, no reversal of any historic impairment is triggered as there have been no prior crude oil-price related impairments. Under the IEA Net Zero 2050 scenario there would be an impairment in property, plant and equipment of $355 million with goodwill not impacted given sufficient value headroom.

Property, plant and equipment – depreciation and expected useful lives
The energy transition has the potential to reduce the expected useful lives of assets and consequently accelerate depreciation charges. There are no significant judgements and/or critical estimation uncertainty related to climate factors.

See accounting policy: property, plant and equipment for further information (page 128).

2. Significant accounting policies continued

Intangible assets – exploration and evaluation assets
The energy transition has the potential to affect the future development or viability of exploration and evaluation prospects. A significant portion of the Group's exploration and evaluation assets relate to prospects that could be tied back to existing infrastructure and hence require less capital investment as these assets are less exposed to the impacts of the energy transition compared to large frontier developments. At each balance sheet date, all exploration and evaluation prospects are reviewed against the Group's financial framework to ensure that the continuation of activities is planned and expected. There are no significant judgements and/or critical estimation uncertainty related to climate factors.

See judgements: exploration and evaluation expenditure (page 136) and note 11 for further information.

Decommissioning cost and provisions
The energy transition may accelerate the decommissioning of assets which would result in an increase in the carrying value of associated decommissioning provisions. Whilst the Group currently expects to incur decommissioning costs over the next 40 years, we anticipate the majority of costs will be incurred between the next 10 to 20 years which will reduce the exposure to the impact of the energy transition. Decommissioning cost estimates are based on the known regulatory and external environment. These cost estimates and recoverability of associated deferred tax may change in the future, including as a result of the energy transition.

On the basis that all other assumptions in the calculation remain the same, a 10 per cent increase in the cost estimates, and a 10 per cent reduction in the applied discount rates used to assess the final decommissioning obligation, would result in increases to the decommissioning provision of approximately $417 million and $162 million, respectively. This change would be principally offset by a change to the value of the associated asset unless the asset is fully depreciated, in which case the change in estimate is recognised directly within the income statement.

The energy transition may accelerate the decommissioning of producing assets and therefore increase the carrying value of provisions. The Group currently expects to incur decommissioning costs over the next 40 years, the majority of which are anticipated to be incurred between the next 10 to 20 years. Currently, the timing of decommissioning expenditures have not been materially brought forward and management do not consider that any reasonable change in the timing of decommissioning expenditure will have a material impact on the decommissioning provisions.

See key sources of estimation uncertainty: decommissioning costs for further information (page 136).

Segment reporting

The Group's activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves and related activities, and are split geographically and managed in two business units: namely North Sea and International.

Joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Exploration and production operations are usually conducted through joint arrangements with other parties. The Group reviews all joint arrangements and classifies them as either joint operations or joint ventures depending on the rights and obligations of each party to the arrangement and whether the arrangement is structured through a separate vehicle. The Group's interest in joint operations, such as exploration and production arrangements, are accounted for by recognising its:

- Assets, including its share of any assets held jointly.
- Liabilities, including its share of any liabilities incurred jointly.
- Revenue from the sale of its share of the output arising from the joint operation.
- Expenses, including its share of any expenses incurred jointly.

A joint venture, which normally involves the establishment of a separate legal entity, is a contractual arrangement whereby the parties that have joint control of the arrangement have the rights to the arrangement's net assets. The results, assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. During 2022, the Group did not have any interests in joint ventures.

Where the Group transacts with its joint operations, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

Foreign currency translation

Each entity in the Group determines its own functional currency, being the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements are presented in US dollars, which is also the parent company's functional currency.

Transactions recorded in foreign currencies are initially recorded in the entity's functional currency by applying an average rate of exchange. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the initial transaction and subsequently not retranslated.

On consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly exchange rates for the year. Equity is held at historic cost and is not retranslated. The resulting exchange differences are recognised as other comprehensive income and are transferred to the Group's currency translation reserve.

When an overseas operation is disposed of, such translation differences relating to it are recognised as income or expense.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current or non-current classification.

An asset is current when it is:

a. expected to be realised or intended to be sold or consumed in the normal operating cycle;
b. held primarily for the purpose of trading;
c. expected to be realised within 12 months after the reporting period; or
d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

a. it is expected to be settled in the normal operating cycle;
b. it is held primarily for the purpose of trading;
c. it is due to be settled within 12 months after the reporting period, or;
d. there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of completion of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at acquisition.

The identifiable assets, liabilities and contingent liabilities acquired that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively.
- Lease arrangements that represent leases as defined by IFRS 16 Leases are recognised and measured in accordance with IFRS 16 Leases.
- Liabilities or equity instruments related to the replacement by the Group of an acquirer's share-based payment awards are measured in accordance with IFRS 2 Share-Based Payment.

2. Significant accounting policies continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum of one year.

Goodwill

In the event of a business combination or acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, the acquisition method of accounting is applied. Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. If however, the fair value of the purchase consideration transferred is lower than the fair value of the identifiable assets and liabilities acquired, the difference is recognised in the income statement as negative goodwill. Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is treated as an asset of the relevant entity to which it relates and accordingly non-US dollar goodwill is translated into US dollars at the closing rate of exchange at each reporting date.

Goodwill, as disclosed in note 10, is not amortised but is reviewed for impairment at least annually by assessing the recoverable amount of the CGUs to which the goodwill relates. Where the carrying amount of the CGU and related goodwill is higher than the recoverable amount of the CGU, an impairment loss is recognised in the income statement. The recoverable amounts of the CGUs have been determined on a fair value less costs to sell basis. Impairment losses relating to goodwill cannot be reversed in future periods. Goodwill acquired through business combinations has been allocated to two CGUs, being North Sea and International.

Oil and gas assets

Intangibles

Pre-licence costs

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

Licence and property acquisition costs

Licence and property acquisition costs paid in connection with a right to explore in an existing exploration area are capitalised as exploration and evaluation costs within intangible assets.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. If no future activity is planned or the related licence has been relinquished or has expired, the carrying value of the property acquisition costs is written off through the income statement. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, costs directly associated with the exploration are capitalised as exploration and evaluation (E&E) intangible non-current assets until the exploration is complete and the results have been evaluated. If no potential commercial resources are discovered, the exploration asset is written off.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the income statement.

When proved reserves of oil or natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and, if required, any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties within development and production assets. No amortisation is charged during the exploration and evaluation phase.

Farm-outs – in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Property, plant and equipment – oil and gas assets

Oil and gas development and production assets are accumulated generally on a field-by-field basis. This represents expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets, as outlined in the intangible asset policy above, which is capitalised as oil and gas properties within development and production assets.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets, where relevant, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

An item of development and production expenditure and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Expenditure on major maintenance includes refits, inspections or repairs comprising the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

Depreciation, depletion and amortisation (DD&A) of oil and gas assets

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is provided generally on a field-by-field basis, using the unit of production method by reference to the ratio of production in the year and the related commercial proven and probable reserves of the field, considering future development expenditures necessary to bring those reserves into production.

When there is a change in the estimated total recoverable proven and probable reserves of a field, that change is accounted for in the depreciation charge over the revised remaining proven and probable reserves.

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 property disposed of and any surplus is recorded as a gain on disposal in the income statement.

Decommissioning

A provision for decommissioning is recognised in full when the related facilities are installed. The amount recognised is the present value of the estimated future expenditure. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas property. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is dealt with from the start of the financial year as an adjustment to the opening provision and the oil and gas property. The unwinding of the discount is included as a finance cost.

Non-oil and gas assets

Property, plant and equipment – fixtures and fittings and office equipment

Fixtures and fittings and office equipment is stated at cost less accumulated depreciation and impairment. Depreciation is provided for on a straight-line basis at rates sufficient to write off the cost of the assets less any residual value over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

- Fixtures and fittings: Up to 10 years.
- Office furniture and equipment: Up to 5 years.

Intangible assets

Intangible assets, which principally comprise IT software/licences, are carried at cost less any accumulated amortisation. These assets are amortised on a straight-line basis over their useful economic lives of between three and ten years.

Impairment of non-current assets (excluding goodwill)

In accordance with IAS 36 Impairment of Assets, impairment tests are carried out on items of property, plant and equipment and intangible assets where there is an indicator of impairment, or an indicator identified that a prior year impairment may have reversed or decreased. Such indications may be based on events or changes in the market environment, or on internal sources of information.

Impairment and reversal indicators

Property, plant and equipment and intangible assets with finite useful lives are only tested for impairment when there is an indication that they may be impaired. This is generally the result of significant changes to the environment in which the assets are operated or when asset performance is significantly lower than expected.

2. Significant accounting policies continued

The main impairment indicators used by the Group are described below:

- External sources of information:
  - Significant changes in the economic, technological, political or market environment in which the entity operates or to which an asset is dedicated.
  - Fall in demand.
  - Changes in commodity prices and exchange rates.
- Internal sources of information:
  - Evidence of obsolescence or physical damage.
  - Significantly lower than expected production or cost performance.
  - Reduction in reserves and resources, including as a result of unsuccessful results of drilling operations.
  - Pending expiry of licence or other rights.
  - In respect of capitalised exploration and evaluation costs, lack of planned future activity on the prospect or licence.
  - For reversals, plausible downside sensitivity scenarios are run to test the robustness of the asset carrying values typically against changes in production and commodity prices.

Measurement of recoverable amount
The cash-generating unit (CGU) applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single CGU where the cash inflows of each field are interdependent. The carrying value of each CGU is compared against the expected recoverable amount of the asset, which is primarily determined based on the fair value less cost of disposal (FVLCD) method, where the fair value is determined from the estimated present value of the future net cash flows expected to be derived from production of commercial reserves. Standard valuation techniques are used based on the discount rates that reflect the specific characteristics of the operating entities concerned; discount rates are determined on a post-tax basis and applied to post-tax cash flows.

Any impairment loss is recorded in the income statement under Impairment of property, plant and equipment. Impairment losses recorded in relation to property, plant and equipment may be subsequently reversed if the recoverable amount of the assets subsequently increases above carrying value. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised in prior periods.

Financial instruments

Financial assets
Financial instruments are recognised and measured in accordance with IFRS 9 Financial Instruments.

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

Financial assets held at amortised cost
Financial assets held at amortised cost are initially measured at fair value except for trade debtors which are initially measured at cost. Both are subsequently carried at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is presented within finance income in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

Default events could include:

- Payment default, i.e. the failure to pay principal or interest when it falls due for payment.
- Prospective default, when payment is not yet due, but it is clear that it will not be capable of being paid when it does fall due.
- Covenant default, when the borrower fails to keep a promise (a covenant) that it has made in the contract.

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs as allowed under IFRS 9. Provision rates are calculated based on estimates including the probability of default by assessing counterparty credit ratings, as adjusted for forward-looking factors specific to the debtors, the economic environment and the Group's historical credit loss experience.

Credit impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as default or past due event.
- The restructuring of a loan or advance by the Group on terms that the Group would otherwise not consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for a security because of financial difficulties.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs.

Borrowings and loans
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Derivative financial instruments
The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps, commodity option contracts and commodity swap arrangements, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Derivative financial instruments are initially recognised and subsequently remeasured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with the Group's risk management policies. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instrument are recognised within the income statement.

Cash flow hedges
The effective portion of gains and losses arising from the remeasurement of derivative financial instruments designated as cash flow hedges are deferred within other comprehensive income and subsequently transferred to the income statement in the period the hedged transaction is recognised in the income statement. When a hedging instrument is sold or expires, any cumulative gain or loss previously recognised in other comprehensive income remains deferred until the hedged item affects profit or loss or is no longer expected to occur. Any gain or loss relating to the ineffective portion of a cash flow hedge is immediately recognised in the income statement. Hedge ineffectiveness could arise if volumes of the hedging instruments are greater than the hedged item of production, or where the credit-worthiness of the counterparty is significant and may dominate the transaction and lead to losses.

2. Significant accounting policies continued

Fair values
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows.

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

Under IFRS 9, embedded derivatives are not separated from a host financial asset, and are classified based on their contractual terms and the Group's business model.

Equity

Share capital
Share capital includes the total net proceeds, both nominal and share premium, on the issue of ordinary and preference shares of the company.

Capital redemption reserve
The capital redemption reserve represents the nominal value of shares transferred following the company's purchase of them.

Merger reserve
On 31 March 2021, Harbour Energy plc (formerly Premier Oil plc) acquired Chrysaor Holdings Limited as part of a reverse acquisition. Under the terms of the merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquirer for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The merger reserve primarily represents Premier's opening balance on the legal reserve plus the fair value of the assets and liabilities acquired by Chrysaor.

Cash flow hedge reserve
The cash flow hedge and cost of hedging reserves represent gains and losses on derivatives classified as effective cash flow hedges. Upon the designation of option instruments as hedging instruments, the intrinsic and time value components are separated, with only the intrinsic component being designated as the hedging instrument and the time value component is deferred in other comprehensive income as a cost of hedging.

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

Share-based payments

The Group has applied the requirements of IFRS 2 Share-Based Payment. The Group has share-based awards that are equity and cash settled as defined by IFRS 2. The fair value of the equity-settled awards has been determined at the date of grant of the award allowing for the effect of any market-based conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. For cash-settled awards, a liability is recognised for the goods or service acquired. This is measured initially at the fair value of the liability. The fair value of the liability is subsequently remeasured at each balance sheet date until the liability is settled, and at the date of settlement, with any changes in fair value recognised in the income statement.

Inventories

All inventories, except for petroleum products, are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on a first-in, first-out basis. Petroleum products and underlift and overlift positions are measured at net realisable value using an observable year-end oil or gas market price, and are included in other debtors or creditors, respectively.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of lease term and useful life. The Group recognises right-of-use assets and lease liabilities on a gross basis and the recovery of lease costs from joint operations' partners is recorded as other income.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Group assuming leases run to full term. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

The lease payments are discounted using the Group's incremental borrowing rates of between 1.9 per cent and 6.8 per cent, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group where possible:

- Uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- Makes adjustments specific to the lease, for example term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

For lease arrangements where all partners of a joint operation are considered to share the primary responsibility for lease payments under a lease contract, the Group recognises its share of the respective right-of-use asset and lease liability. This situation is most common where the parties of a joint operation co-sign the lease contract.

The Group recognises a gross lease liability for leases entered into on behalf of a joint operation where it has primary responsibility for making the lease payments. In such instances, if the arrangement between the Group and the joint operation represents a finance sublease, the Group recognises a net investment in sublease for amounts recoverable from non-operators whilst derecognising the respective portion of the gross right-of-use asset. The gross lease liability is retained on the balance sheet.

The net investment in sublease is classified as either trade and other receivables or long-term receivables on the balance sheet according to whether or not the amounts will be recovered within 12 months of the balance sheet date. Finance income is recognised in respect of net investment in subleases.

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the income statement.

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full when the related facilities are installed. The amount provided is the present value of the estimated future restoration cost. A non-current asset is also recognised. Any changes to estimated costs or discount rates are dealt with prospectively.

The Group recognises provision for the estimated CO_2 emissions costs when actual emissions exceed the emission rights granted and still held. When actual emissions exceed the amount of emission rights granted, provision is recognised for the exceeding emission rights based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

2. Significant accounting policies continued

Group retirement benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

The Group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Trade payables

Initial recognition of trade payables is at fair value. Subsequently they are stated at amortised cost.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity, not in the income statement.

Deferred tax

Deferred taxation is recognised in respect of all timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised.
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date. The carrying amount of the deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Group reassesses any unrecognised deferred tax assets each year taking into account changes in oil and gas prices, the Group's proven and probable reserves and resources profile and forecast capital and operating expenditures.
- Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Group to make a single net payment.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Group satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Revenue associated with the sale of crude oil, natural gas, and natural gas liquids (NGLs) is measured based on the consideration specified in contracts with customers with reference to quoted market prices in active markets, adjusted according to specific terms and conditions as applicable according to the sales contracts. The transfer of control of oil, natural gas, natural gas liquids and other items sold by the Group occurs when title passes at the point the customer takes physical delivery. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

Over/underlift

Differences between the production sold and the Group's share of production result in an overlift or an underlift. Overlift and underlift are valued at net realisable value using an observable year-end oil or gas market price and included within payables or receivables, respectively. Movements during the accounting period are recognised within cost of sales.

Interest income

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

New accounting standards and interpretations

The Group adopted new and revised accounting standards and interpretations relevant to its business and effective for accounting periods beginning on or after 1 January 2022, including:

Amendments to IFRS 3 – Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3 to update the reference to the 2018 Conceptual Framework. The amendments add an exception to the recognition principle for liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21 and clarify existing guidance for contingent assets. The requirements are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

IFRS 9 Financial Instruments – Fees in the 10 per cent test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group has applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Accounting standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1, Presentation of Financial Statements – classification of liabilities as current or non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The Group does not consider this amendment to have significant impact on the classification of its liabilities as either current or non-current when the standard becomes effective on 1 January 2023.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the International Accounting Standards Board issued Definition of Accounting Estimates, which amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies, with the distinction important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual periods beginning on or after 1 January 2023.

2. Significant accounting policies continued

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
In February 2021, the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provides guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
On 7 May 2021, the IASB issued amendments to IAS 12 Income Taxes. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

The amendments listed above are not expected to have a material impact on the Group.

Significant accounting judgements and estimates

The preparation of the Group's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. In particular, the Group has identified the following areas where significant judgement, estimates and assumptions are required.

Judgements
The significant accounting judgements for the Group are considered to be:

- the application of the going concern basis of accounting (see Basis of preparation section above);
- the carrying value of intangible exploration and evaluation assets, in relation to whether commercial determination of an exploration prospect had been reached;
- the carrying value of property, plant and equipment regarding assessing assets for indicators of impairment;
- decommissioning costs in relation to the timing of when decommissioning would occur; and
- tax and recognition of deferred tax assets, relating to the extent to which future taxable profits are included in the assessment of recoverability, including the Energy Profits Levy (EPL).

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:

- the carrying value of property, plant and equipment and goodwill, where the key assumptions relate to oil and gas prices expected to be realised, and 2P production profiles;
- decommissioning costs where the key assumptions relate to the discount and inflation rates applied, applicable rig rates and expected timing of cessation of production (COP) on each field; and
- tax and recognition of deferred tax assets, where key assumptions relate to oil and gas prices expected to be realised, and production profiles.

The results from downside sensitivities prepared with regard to production and commodity price assumptions, which in management's view reflect the principal risks, indicate that material changes that would impact the carrying amounts of assets and liabilities within the next financial year are unlikely.

Further information is provided in the Audit and Risk Committee report on pages 68 to 71.

3. Segment information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the Group's business segments, has been identified as the Chief Executive Officer.

The Group's activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves and related activities, and are split geographically and managed in two regions, namely North Sea and International. The North Sea segment includes the UK and Norwegian continental shelves, and the International segment includes Indonesia, Vietnam and Mexico.

Information on major customers can be found in note 4.

Income statement

	2022 $ million	2021 $ million
Revenue		
North Sea	**5,082.1**	3,268.2
International	**307.9**	210.6
Total Group sales revenue	**5,390.0**	3,478.8
Other income		
North Sea	**40.9**	139.0
International	**0.3**	0.2
Total Group revenue and other income	**5,431.2**	3,618.0
Operating profit		
North Sea	**2,388.4**	699.3
International	**152.5**	(59.0)
Group operating profit	**2,540.9**	640.3
Finance income	**279.1**	48.8
Finance expenses	**(358.2)**	(374.6)
Profit before income tax	**2,461.8**	314.5
Income tax expense	**(2,453.6)**	(213.4)
Profit for the financial year	**8.2**	101.1

Balance sheet

	2022 $ million	2021 $ million
Segment assets		
North Sea	**11,346.2**	13,325.8
International	**1,219.6**	1,178.8
Total assets	**12,565.8**	14,504.6
Segment liabilities		
North Sea	**(10,937.3)**	(13,379.6)
International	**(607.2)**	(651.5)
Total liabilities	**(11,544.5)**	(14,031.1)

3. Segment information continued

Other information

	2022 $ million	2021 $ million
Capital additions		
North Sea	**576.2**	640.7
International	**108.6**	68.4
Total capital additions	**684.8**	709.1
Depreciation, depletion and amortisation		
North Sea	**1,470.4**	1,299.8
International	**75.4**	71.2
Total depreciation, depletion and amortisation	**1,545.8**	1,371.0
Exploration and evaluation expenses and new ventures		
North Sea	**33.5**	45.4
International	**8.0**	4.4
Total exploration and evaluation expenses and new ventures	**41.5**	49.8
Exploration costs written-off		
North Sea	**71.6**	121.1
International	**(7.2)**	133.9
Total exploration costs written-off	**64.4**	255.0

Exploration costs written-off of $64.4 million is net of a $5.7 million credit related to a decrease in the decommissioning provisions in the North Sea (note 20) and includes a $7.0 million credit related to a change to the decommissioning estimate in the Falkland Islands business unit (2021: $6.3 million relating to the effect of changes in decommissioning provisions on oil and gas intangible assets previously written-off).

4. Revenue from contracts with customers and other income

	2022 $ million	2021 $ million
Type of goods		
Crude oil sales	**2,791.9**	2,023.4
Gas sales	**2,321.5**	1,264.0
Condensate sales	**238.3**	163.6
Total revenue from contracts with customers[1]	**5,351.7**	3,451.0
Tariff income	**30.0**	27.2
Other revenue	**8.3**	0.6
Total revenue from production activities	**5,390.0**	3,478.8
Other income[2]	**41.2**	139.2
Total revenue and other income	**5,431.2**	3,618.0

1 Revenues from contracts with customers of $8,536.5 million (2021: $4,968.2 million) include crude oil sales of $3,544.7 million (2021: $2,278.1 million) and gas sales of $4,753.5 million (2021: $2,526.5 million). This was prior to realised hedging losses in the period of $752.8 million (2021: $254.7 million) on crude oil and $2,432.0 million (2021: $1,262.5 million) on gas sales.
2 Other income mainly represents $20.3 million partner recoveries related to lease obligations (2021: $26.0 million), mark to market losses on EUA emissions hedges of $2.6 million (2021: gain of $51.0 million) and $16.7 million in respect of research and development expenditure credits (RDEC) (2021: $17.5 million). Other income in 2021 included a receipt from ConocoPhillips in relation to an adjustment to consideration relating to Chrysaor's purchase of the ConocoPhillips UK business in 2019 (2021: $40.0 million).

Approximately 84 per cent (2021: 84 per cent) of the revenues were attributable to sales to energy trading companies of the Shell group.

5. Operating profit

	Note	2022 $ million	2021 $ million
Cost of operations			
Production, insurance and transportation costs		**1,114.2**	1,085.5
Gas purchases		**36.6**	28.4
Royalties		**5.0**	3.8
Depreciation of oil and gas assets	12	**1,318.4**	1,204.1
Depreciation of right-of-use oil and gas assets	13	**218.6**	153.9
Capitalisation of IFRS 16 lease depreciation on oil and gas assets	13	**(29.9)**	(30.7)
Other cost of operations		**–**	(0.5)
Onerous contract provision	20	**–**	(2.3)
Amortisation of capacity rights	11	**1.0**	1.6
Remeasurement of royalty valuation		**–**	(0.5)
Remeasurement – loss on termination of lease		**–**	0.3
Movement in over/underlift balances and hydrocarbon inventories		**180.9**	9.6
Total cost of operations		**2,844.8**	2,453.2
Impairment (reversal)/expense of property, plant and equipment	12	**(87.3)**	108.7
Impairment (gain)/loss due to (decrease)/increase in decommissioning provisions on oil and gas tangible assets	20	**(82.3)**	8.5
Exploration costs written-off[1]	11	**64.4**	255.0
Exploration and evaluation expenditure and new ventures[2]		**41.5**	49.8
(Gain)/loss on disposal[3]		**(12.1)**	0.1
General and administrative expenses			
Depreciation of right-of-use non-oil and gas assets	13	**11.2**	10.5
Depreciation of non-oil and gas assets	12	**5.4**	5.5
Amortisation of non-oil and gas intangible assets	11	**21.1**	26.1
Other administrative costs		**83.6**	60.4
Total general and administrative expenses[4]		**121.3**	102.5
Auditor's remuneration			
Audit fees			
Fees payable to the company's auditor for the company's Annual Report		**2.6**	2.3
Audit of the company's subsidiaries pursuant to legislation		**0.6**	0.5
Non-audit fees[5]			
Other services pursuant to legislation – interim review		**0.2**	0.3
Other services[6]		**0.8**	0.4

1 Exploration costs written-off of $64.4 million includes a credit of $7.0 million related to a change to the decommissioning estimate in the Falkland Islands business unit.
2 Exploration and evaluation expenditure and new ventures of $41.5 million (2021: $49.8 million) includes $28.4 million (2021: $14.4 million) of early project costs on new ventures incurred in respect of the Group's interest in CCS and electrification projects in the UK, plus $13.1 million (2021 $35.4 million) of ongoing pre-licence costs.
3 The gain on disposal of $12.1 million relates to the release of a provision associated with Premier's sale of its legacy Pakistan assets in 2019 after the expiry of the deadline in the period for tax claims to be submitted.
4 Expenses related to both short-term and low value lease arrangements are considered to be immaterial for reporting purposes.
5 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 auditor's objectivity that cannot be reduced to an acceptable level by applying safeguards.
6 Other services in 2022 primarily relate to reporting accountant services provided by EY. In 2021 this also included services in respect of the merger and other corporate transactions. The Audit and Risk Committee concluded that shareholder value was best served by appointing our auditors for this work.

6. Staff costs

	2022 $ million	2021 $ million
Wages and salaries and other staff costs	**306.1**	261.0
Social security costs	**30.1**	27.9
Pension costs	**30.3**	28.2
Total staff costs	**366.5**	317.1

Average annual number of employees employed by the Group worldwide was:	2022 Number	2021 Number
Offshore based	**559**	589
Office and administration	**1,273**	1,218
Total staff	**1,832**	1,807

Staff costs above are recharged to joint venture partners where applicable, or are capitalised to the extent that they are directly attributable to capital or decommissioning projects. The above costs include share-based payments as disclosed in note 25.

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

The Group operates two defined contribution schemes and one defined benefit pension scheme for which further details are provided in note 26.

7. Finance income and finance expenses

	Note	2022 $ million	2021 $ million
Finance income			
Bank interest		**10.2**	0.9
Other interest and finance gains[1]		**20.0**	3.2
IFRS 9 modification impact		**–**	13.9
Lease finance income		**1.7**	3.2
Finance income on deferred revenue	19	**–**	1.2
Realised gains on interest rate swaps		**6.5**	–
Realised gains on foreign exchange forward contracts		**0.5**	10.0
Gains on derivatives[2]		**38.2**	14.5
Foreign exchange gains[3]		**202.0**	1.9
Total finance income		**279.1**	48.8
Finance expenses			
Interest payable on reserves-based lending		**71.1**	101.6
Interest payable on bond		**27.3**	5.7
Interest payable on loan notes		**–**	5.6
Other interest and finance expenses[4]		**11.7**	16.6
Lease interest	13	**25.1**	22.3
Realised losses on interest rate swaps		**–**	2.4
Losses on derivatives[5]		**48.0**	14.6
Finance expense on deferred revenue	19	**19.9**	–
Foreign exchange losses		**–**	65.2
Bank and financing fees[6]		**91.0**	63.4
Unwinding of discount on decommissioning and other provisions	20	**65.1**	78.0
		359.2	375.4
Finance costs capitalised during the year[7]		**(1.0)**	(0.8)
Total finance expense		**358.2**	374.6

1 Other interest and finance gains includes $16.0 million (2021: $1.9 million) related to an update to the amount recognised under the decommissioning liability agreement as detailed in note 16.
2 Gains on derivatives mainly relates to mark to market gains on interest rate and foreign currency derivatives.
3 Significant unrealised foreign exchange gains consist mainly of unrealised gains arising from revaluation of open gas hedges denominated in pound sterling.
4 Other interest includes a $9.5 million charge (2021: $11.6 million) which represents interest under a financing arrangement (note 21).
5 Losses on derivatives relate to changes in the fair value of an embedded derivative within one of the Group's gas contracts (2021: $14.6 million).
6 Bank and financing fees include an amount of $54.9 million (2021: $38.9 million) relating to the amortisation of arrangement fees and related costs capitalised against the Group's long-term borrowings (note 21).
7 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 4.4 per cent to the expenditures on the qualifying assets (2021: 3.7 per cent).

8. Income tax

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	2022 $ million	2021 $ million
Current income tax expense		
UK corporation tax	**671.7**	202.2
Overseas tax	**53.5**	(5.2)
Adjustments in respect of prior years	**(19.4)**	(4.9)
Total current income tax expense	**705.8**	192.1
Deferred tax expense		
UK corporation tax	**302.1**	7.7
UK Energy Profits Levy	**1,469.5**	–
Overseas tax	**(7.5)**	(10.3)
Adjustments in respect of prior years	**(16.3)**	23.9
Total deferred tax expense	**1,747.8**	21.3
Total tax expense reported in the income statement	**2,453.6**	213.4
The tax credit in the statement of comprehensive income is as follows:		
Tax credit on cash flow hedges	**(1,005.6)**	(1,433.2)

Reconciliation of tax expense and the accounting profit before taxation multiplied by the statutory rate of corporation tax and supplementary charge applying to UK oil and gas production operations for the years ended 31 December 2022 and 2021 is as follows:

	2022 $ million	2021 $ million
Profit before income tax	**2,461.8**	314.5
At the Group's statutory income tax rate of 55.0% (2021: 40.0%)	**1,354.0**	125.8
Effects of:		
– Expenses/(income) not deductible/(taxable) for tax purposes	**(11.7)**	56.8
– Interest not deductible for supplementary charge and Energy Profits Levy	**53.1**	13.1
– Adjustments in respect of prior years	**(35.8)**	19.0
– Movement in unrecognised deferred tax assets	**(72.2)**	27.4
– Deferred Energy Profits Levy	**1,469.2**	–
– Impact of different tax rates	**(190.3)**	4.0
– Expenses not deductible for Energy Profits Levy	**8.0**	–
– Energy Profits Levy investment allowance	**(81.4)**	–
– Investment allowance	**(39.3)**	(32.7)
Total tax expense reported in the consolidated income statement at the effective tax rate of 100% (2021: 68%)	**2,453.6**	213.4

The effective tax rate for the year was 100 per cent, compared to 68 per cent for 2021.

The tax expense/(credit) reconciliation has been prepared based on the statutory rate of taxation applying to UK oil and gas production because the majority of Group profit was generated on the UK Continental Shelf. UK oil and gas production is taxed at a rate of 30 per cent (2021: 30 per cent), a supplementary charge of 10 per cent (2021: 10 per cent), and with effect from 26 May 2022, the Energy Profits Levy (EPL) of 25 per cent to give an overall tax rate of 65 per cent (2021: 40 per cent). As the EPL was introduced part way through the financial year a blended average rate of 55 per cent has been applied.

The future effective tax rate is impacted by the mix of jurisdictions in which the Group operates. The UK statutory tax rate for oil and gas production operations is expected to remain a primary influence on the effective tax rate. The EPL will increase to a rate of 35 per cent from 25 per cent with effect from 1 January 2023 and consequently the headline rate will increase next year to 75 per cent. The Energy Profits Levy at the 35 per cent rate will be in place until 31 March 2028.

8. Income tax continued

Deferred tax

The principal components of deferred tax are set out in the following tables:

	2022 $ million	2021 $ million
Deferred tax assets	**1,406.5**	1,938.4
Deferred tax liabilities	**(397.2)**	(187.1)
Total deferred tax	**1,009.3**	1,751.3

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

	Note	Accelerated capital allowances $ million	Decommissioning $ million	Losses $ million	Fair value of derivatives $ million	Other $ million	Overseas $ million	Total $ million
As at 1 January 2021		(2,650.5)	1,640.7	–	(57.1)	51.5	(16.0)	(1,031.4)
Deferred tax expense		385.9	(178.2)	(216.1)	3.6	(26.8)	10.3	(21.3)
Comprehensive income		–	–	–	1,433.2	–	–	1,433.2
Foreign exchange		13.5	(13.6)	–	4.0	(1.1)	1.9	4.7
Additions from business combinations and joint arrangements	14	(569.0)	564.0	1,530.6	8.4	15.2	(183.1)	1,366.1
As at 31 December 2021		**(2,820.1)**	**2,012.9**	**1,314.5**	**1,392.1**	**38.8**	**(186.9)**	**1,751.3**
Deferred tax expense		(657.7)	(361.7)	(745.2)	49.0	(39.7)	7.5	(1,747.8)
Comprehensive income		–	–	–	1,005.6	–	–	1,005.6
Foreign exchange		82.2	(85.9)	(0.2)	5.0	(1.8)	0.9	0.2
As at 31 December 2022		**(3,395.6)**	**1,565.3**	**569.1**	**2,451.7**	**(2.7)**	**(178.5)**	**1,009.3**

The Group's deferred tax assets as at 31 December 2022 are recognised to the extent that taxable profits are expected to arise against which the tax assets can be utilised. The Group assessed the recoverability of its UK ring fenced losses and allowances using corporate assumptions which are consistent with the Group's impairment assessment. Based on those assumptions, the Group expects to fully utilise its recognised UK tax losses and allowances. The recovery of the Group's UK decommissioning deferred tax asset is additionally supported by the ability to carry back decommissioning tax losses and set these against ring fence taxable profits of prior periods.

The EPL will increase to a rate of 35 per cent from 25 per cent with effect from 1 January 2023. The increase in rate was substantively enacted on 30 November 2022. The EPL will be in place until 31 March 2028. Any temporary differences subject to the EPL expected to reverse in this period have consequently been remeasured to the higher rate. This has resulted in a one-off deferred tax charge to the income statement of $1,469.2 million and a one-off deferred tax credit arising on unrealised derivative balances in other comprehensive income of $1,005.6 million. The net impact on the deferred tax asset at the end of the period as a result of the EPL is a decrease in the deferred tax asset of $463.7 million.

In line with other sensitivity analysis undertaken, we have assessed the impact on the recoverability of deferred tax assets based on an average -10 per cent to the Harbour Scenario average crude price curves. The sensitivity analysis indicates that there would no material impact to the recoverability of deferred tax assets.

The Group has unrecognised UK tax losses and allowances as at 31 December 2022 of approximately $201.7 million (2021: $343.1 million) in respect of ring fence losses, $111.1 million (2021: $104.4 million) in respect of ring fence investment allowance and $807.2 million (2021: $741.5 million) in respect of non-ring fence losses.

The Group also has unrecognised tax losses of approximately $156.9 million (2021: $212.8 million) in respect of its international operations. These losses include amounts of $30.3 million which will expire, primarily within five years and $13.8 million expiring within 10 years.

The overseas deferred tax relates mainly to temporary differences associated with fixed asset balances.

No deferred tax liabilities have been provided on unremitted earnings of overseas subsidiaries, because due to the application of withholding reliefs under international double taxation treaties and dividend exemptions under UK and Netherlands legislation no additional taxation is expected to arise on future distribution.

Legislation was introduced in UK Finance Act 2021 to increase the main rate of UK corporation tax for non-ring fence profits from 19 per cent to 25 per cent from 1 April 2023. This change does not have a material impact on the Group as the UK profits are primarily subject to the UK ring fence tax rate.

9. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the year.

Diluted EPS is calculated by dividing the profit after tax attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2022	2021
Earnings for the year ($ millions)		
Earnings for the purpose of basic earnings per share	**8.2**	101.1
Effect of dilutive potential ordinary shares	**–**	–
Earnings for the purpose of diluted earnings per share	**8.2**	101.1
Number of ordinary shares (millions)		
Weighted average number of ordinary shares for the purpose of basic earnings per share[1]	**899.8**	871.2
Dilutive potential ordinary shares[2]	**12.3**	1.3
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**912.1**	872.5
Earnings per share ($ cents)		
Basic	**0.9**	11.6
Diluted	**0.9**	11.6

1 During the current period 78.4 million ordinary shares were repurchased as part of the share buyback programme.
2 Excludes certain share options outstanding at 31 December 2022 as their option price was greater than market price.

10. Goodwill

Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets.

	Note	2022 $ million	2021 $ million
Cost and net book value			
At 1 January		**1,327.1**	990.0
Additions	14	**–**	339.3
Currency translation adjustment		**–**	(2.2)
At 31 December		**1,327.1**	1,327.1

The goodwill balance consists of balances arising from the completion of the all-share merger between Premier Oil plc and Chrysaor Holdings Limited in March 2021, on Chrysaor Holdings Limited's acquisition of the ConocoPhillips UK business, and of the UK North Sea assets from Shell, which completed on 30 September 2019 and 1 November 2017, respectively.

Goodwill acquired through business combinations has been allocated to two groups of cash-generating units (CGUs), being the North Sea, of $1,278.1 million (2021: $1,278.1 million), and International, of $49.0 million (2021: $49.0 million), and these are therefore the lowest levels at which goodwill is reviewed.

10. Goodwill continued

Impairment testing of goodwill

In accordance with IAS 36 Impairment of Assets, goodwill is reviewed for impairment at the year-end or more frequently if there are indications that goodwill might be impaired. In assessing whether goodwill has been impaired, the carrying amount of the CGU for goodwill is compared with its recoverable amount. At the year-end, the Group tested for impairment in accordance with accounting policy and no impairment was identified (2021: $nil).

Determining recoverable amount

The recoverable amounts of the CGU and fields have been determined on a fair value less costs to sell basis. The key assumptions used in determining the fair value are often subjective, such as the future long-term oil and gas price assumption, or the operational performance of the assets. Discounted cash flow models comprising asset-by-asset life of field projections using Level 3 inputs (based on the IFRS 13 fair value hierarchy) have been used to determine the recoverable amounts.

The cash flows have been modelled on a post-tax and post-decommissioning basis, inflated at 2.5 per cent per annum from 1 January 2026, and discounted at the Group's post-tax discount rate of between 8.5 and 11.0 per cent (pre-tax 12.1 per cent – 14.1 per cent) (2021: 8.0 – 10.5 per cent post-tax; pre-tax 11.4 per cent – 12.8 per cent). Risks specific to assets within the CGU are reflected within the cash flow forecasts.

Key assumptions used in calculations

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

Commodity and carbon prices

Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. The first three years reflect the market forward prices curves transitioning to a long-term price thereafter. The long-term commodity prices used were $65/bbl for crude and 65p/therm for gas, which are inflated at 2.5 per cent per annum from 1 January 2026. The long-term carbon price used was £80/tonne, being $100/tonne at $:£1.25 foreign exchange rate, inflated at 2.5 per cent per annum from 1 January 2026.

Production volumes

Based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques and they are assessed at least annually by management and by an independent consultant. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Costs

Operating expenditure, capital expenditure and decommissioning costs, which have been inflated at 2.5 per cent per annum from 1 January 2026, are derived from the Group's business plan.

Discount rates

Represent management's estimate of the Group's country-based weighted average cost of capital (WACC), considering both debt and equity. The cost of equity is derived from an expected return on investment by the Group's investors, and the cost of debt is based on its interest-bearing borrowings. Segment-specific risk is incorporated by applying a beta factor based on publicly available market data. The discount rate is based on an assessment of a relevant peer group's post-tax WACC.

Foreign exchange rates

Based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

Sensitivity to changes in assumptions used in calculations

The Group has run sensitivities on its long-term commodity price assumptions, which have been based on long-range forecasts from external financial analysts, using alternate long-term price assumptions, and discount rates. These are considered to be reasonably possible changes for the purposes of sensitivity analysis. No impairment arose on the Group's goodwill under any of the sensitivity scenarios.

11. Other intangible assets

	Note	Oil and gas assets $ million	Non-oil and gas assets[3] $ million	Capacity rights[4] $ million	Total $ million
Cost					
At 1 January 2021		391.3	94.9	10.3	496.5
Additions during the year		210.0	30.2	–	240.2
Additions from business combinations and joint arrangements	14	596.7	0.4	–	597.1
Transfers to property, plant and equipment		(139.5)	–	–	(139.5)
Increase in decommissioning asset	20	10.4	–	–	10.4
Prior capitalised costs expensed		–	(4.7)	–	(4.7)
Unsuccessful exploration written-off		(255.0)	–	–	(255.0)
Currency translation adjustment		(0.5)	(1.4)	(0.1)	(2.0)
At 31 December 2021		**813.4**	**119.4**	**10.2**	**943.0**
Additions during the year		111.0	30.7	–	141.7
Transfers to property, plant and equipment		(29.0)	–	–	(29.0)
Decrease in decommissioning asset[1]	20	(11.8)	–	–	(11.8)
Unsuccessful exploration written-off[2]		(64.4)	–	–	(64.4)
Currency translation adjustment		(2.5)	(12.5)	(1.4)	(16.4)
At 31 December 2022		**816.7**	**137.6**	**8.8**	**963.1**
Amortisation					
At 1 January 2021		–	34.8	7.6	42.4
Charge for the year		–	26.1	1.6	27.7
Currency translation adjustment		–	(0.7)	(0.1)	(0.8)
At 31 December 2021		**–**	**60.2**	**9.1**	**69.3**
Charge for the year		–	21.1	1.0	22.1
Currency translation adjustment		–	(7.0)	(1.3)	(8.3)
At 31 December 2022		**–**	**74.3**	**8.8**	**83.1**
Net book value					
At 31 December 2021		813.4	59.2	1.1	873.7
At 31 December 2022		**816.7**	**63.3**	**–**	**880.0**

1 A decrease to decommissioning assets of $11.8 million (2021: increase of $10.4 million) was made during the year as a result of an update to decommissioning estimates (note 20).
2 The exploration write-off of $64.4 million (2021: $255.0 million), which relates to costs associated with licence relinquishments and uncommercial well evaluations, is net of a $5.7 million credit related to a decrease in decommissioning provisions in the North Sea (note 20) and a $7.0 million credit related to a change to the decommissioning estimate in the Falkland Islands business unit (2021: $6.3 million relating to the effect of changes in decommissioning provisions on oil and gas intangible assets previously written-off).
3 Non-oil and gas assets relate primarily to Group IT software.
4 The capacity rights represent National Transmission System (NTS) entry capacity at Bacton and Teesside acquired as part of the business combination completed in 2017. These rights, which have been amortised on a contracted volume basis, are now fully amortised.

12. Property, plant and equipment

	Note	Oil and gas assets $ million	Fixtures, fittings & office equipment $ million	Total $ million
Cost				
At 1 January 2021		9,996.0	22.8	10,018.8
Additions during the year		464.5	4.4	468.9
Additions from business combinations and joint arrangements[1]	14	1,814.3	4.2	1,818.5
Transfers from intangible assets		139.5	–	139.5
Disposals		–	(0.3)	(0.3)
Decrease in decommissioning asset	20	(357.8)	–	(357.8)
Currency translation adjustment		(34.5)	(0.3)	(34.8)
At 31 December 2021		**12,022.0**	**30.8**	**12,052.8**
Additions[2]		532.4	10.7	543.1
Transfers from intangible assets		29.0	–	29.0
Decrease in decommissioning asset[3]	20	(778.8)	–	(778.8)
Currency translation adjustment		(369.0)	(3.2)	(372.2)
At 31 December 2022		**11,435.6**	**38.3**	**11,473.9**
Accumulated depreciation				
At 1 January 2021		3,480.2	16.2	3,496.4
Charge for the year		1,204.1	5.5	1,209.6
Impairment		117.2	–	117.2
Disposals		–	(0.1)	(0.1)
Currency translation adjustment		(16.6)	(0.4)	(17.0)
At 31 December 2021		**4,784.9**	**21.2**	**4,806.1**
Charge for the year		1,318.4	5.4	1,323.8
Net impairment reversal		(169.6)	–	(169.6)
Currency translation adjustment		(174.4)	(2.2)	(176.6)
At 31 December 2022		**5,759.3**	**24.4**	**5,783.7**
Net book value				
At 31 December 2021		7,237.1	9.6	7,246.7
At 31 December 2022		**5,676.3**	**13.9**	**5,690.2**

1 Further information on additions from business combinations and joint arrangements can be found in note 14.
2 Included within property, plant and equipment additions of $543.1 million (2021: $468.9 million) are associated cash flows of $476.5 million (2021: $437.4 million) and non-cash flow movements of $66.6 million (2021: ($31.5 million)), represented by a $44.2 million increase in capital accruals (2021: $9.0 million increase) and $22.4 million of capitalised lease depreciation (2021: $22.5 million).
3 A decrease in the decommissioning assets of $778.8 million (2021: $357.8 million) was made during the year as a result of both new obligations and an update to the decommissioning estimates (note 20).

During the year, the Group recognised a net pre-tax impairment credit of $169.6 million (post-tax $49.8 million) (2021: impairment charge of $117.2 million; post-tax $70.3 million) comprising a pre-tax impairment reversal of $250.5 million (2021: $nil) and a pre-tax impairment credit of $82.3 million (2021: $8.5 million charge) in respect of revisions to decommissioning estimates on the Group's non-producing assets with no remaining net book value (see note 20). This is net of a pre-tax impairment charge representing a write-down of property, plant and equipment assets of $163.2 million (2021: $108.7 million).

The impairment reversal was driven by a higher forward curve and long-term price assumption for gas resulting in reversals of $250.5 million covering two cash-generating groups in the North Sea business unit.

The impairment to property, plant and equipment of $163.2 million arises primarily from a single CGU in the UK North Sea, driven primarily due to the contracted price realised for crude sales being negatively impacted by the pricing differential between Urals and Brent crude, which is currently subject to dispute with the buyer, and also a revised operating cost profile for the field. Impairments on property, plant and equipment are reversible in the future.

Key assumptions used in calculations

Assumptions used in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

Commodity and carbon prices

The Group uses the fair value less cost of disposal method (FVLCD) to calculate the recoverable amount of the cash-generating units (CGU) consistent with a level 3 fair value measurement (see note 22). In determining the recoverable value, appropriate discounted-cash-flow valuation models were used, incorporating market-based assumptions. Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. Individual field price differentials are then applied. The first three years reflect the market forward price curves transitioning to a long-term price from 2026, thereafter inflated at 2.5 per cent per annum. The long-term commodity prices used were $65 per barrel for crude and 65p per therm for gas.

Production volumes

Production volumes are based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques, assessed at least annually by management. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Costs

Operating expenditure, capital expenditure and decommissioning costs are derived from the Group's business plan. The discount rate reflects management's estimate of the Group's Weighted Average Cost of Capital (WACC), see note 10 for further details. Foreign exchange rates are based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

Sensitivity to changes in assumptions used in calculations

Reductions or increases in the long-term oil and gas prices of 10 per cent are considered to be reasonably possible changes for the purpose of sensitivity analysis. Decreases to the long-term oil and gas prices from 1 January 2026 specified above would result in a further post-tax impairment of $44.9 million. A 10 per cent increase in the long-term oil and gas price deck would reduce the post-tax impairment charge by $44.9 million. Considering the discount rates, the Group believes a one per cent increase in the post-tax discount rate is considered to be a reasonable possibility for the purpose of sensitivity analysis. A one per cent increase in the post-tax discount rate would lead to a further post-tax impairment of $17.6 million, and a one per cent decrease in the post-tax discount rate would reduce the post-tax impairment charge by $19.1 million.

Sensitivity analyses indicate that reductions or increases in the long-term oil and gas prices of 10 per cent or a one per cent increase or decrease in the post-tax discount rate would not have resulted in a different impairment reversal.

13. Leases

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

Balance sheet

Right-of-use assets	Note	Land and buildings $ million	Drilling rigs $ million	FPSO $ million	Offshore facilities $ million	Equipment $ million	Total $ million
Cost							
At 1 January 2021		66.0	129.9	–	–	3.2	199.1
Additions during the year		–	29.0	–	–	15.6	44.6
Additions from business combinations and joint arrangements	14	41.1	–	525.6	–	1.2	567.9
Cost revisions/remeasurements		–	(3.7)	(15.7)	–	(1.3)	(20.7)
Disposals		(5.4)	–	–	–	–	(5.4)
Currency translation adjustment		(1.4)	(2.5)	–	–	(0.5)	(4.4)
At 31 December 2021		**100.3**	**152.7**	**509.9**	**–**	**18.2**	**781.1**
Additions during the year[1]		–	–	–	338.0	–	338.0
Cost revisions/remeasurements		3.3	33.6	52.7	(3.8)	3.4	89.2
Disposals		(6.6)	–	–	–	–	(6.6)
Currency translation adjustment		(9.6)	(17.4)	–	–	(1.6)	(28.6)
At 31 December 2022		**87.4**	**168.9**	**562.6**	**334.2**	**20.0**	**1,173.1**
Accumulated depreciation							
At 1 January 2021		11.0	54.3	–	–	1.6	66.9
Charge for the year		11.6	44.8	102.1	–	5.9	164.4
Currency translation adjustment		(0.3)	(1.3)	–	–	(0.1)	(1.7)
At 31 December 2021		**22.3**	**97.8**	**102.1**	**–**	**7.4**	**229.6**
Charge for the year		11.8	42.5	107.4	61.1	7.0	229.8
Disposals		(6.4)	–	–	–	–	(6.4)
Currency translation adjustment		(1.8)	(11.8)	–	–	(1.0)	(14.6)
At 31 December 2022		**25.9**	**128.5**	**209.5**	**61.1**	**13.4**	**438.4**
Net book value							
At 31 December 2021		78.0	54.9	407.8	–	10.8	551.5
At 31 December 2022		**61.5**	**40.4**	**353.1**	**273.1**	**6.6**	**734.7**

1 Additions of $338.0 million related to the Tolmount offshore facilities were made to the right-of-use assets during the year (2021: total additions of $612.5 million arose primarily from business combinations of $567.9 million – see note 14) and $42.7 million from a new drilling rig contract.

Right-of-use liabilities	Note	2022 $ million	2021 $ million
At 1 January		**654.3**	140.9
Additions		**338.0**	42.7
Additions from business combinations and joint arrangements	14	**–**	637.8
Remeasurement		**88.9**	(5.0)
Finance costs charged to income statement	7	**25.1**	22.3
Finance costs charged to decommissioning provision	20	**0.6**	0.7
Disposals		**(0.4)**	(5.1)
Lease payments		**(254.0)**	(160.4)
Currency translation adjustment		**(27.9)**	(19.6)
At 31 December		**824.6**	654.3
Classified as			
Current		**220.8**	165.1
Non-current		**603.8**	489.2
Total lease liabilities		**824.6**	654.3

The significant portion of the Group's lease liabilities represent lease arrangements for FPSO vessels on the Catcher and Chim Sáo assets, and offshore facilities on the Tolmount asset.

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.

Income statement

Depreciation charge of right-of-use assets	Note	**2022 $ million**	2021 $ million
Land and buildings – non-oil and gas assets		**10.8**	10.5
Land and buildings – oil and gas assets		**1.0**	1.1
Drilling rigs		**42.5**	44.8
Offshore facilities		**61.1**	–
FPSO		**107.4**	102.1
Equipment – non-oil and gas assets		**0.4**	–
Equipment – oil and gas assets		**6.6**	5.9
		229.8	164.4
Capitalisation of IFRS 16 lease depreciation[1]			
Drilling rigs		**(25.9)**	(27.2)
Equipment		**(4.0)**	(3.5)
Total depreciation charge		**199.9**	133.7
Lease interest	7	**25.1**	22.3

1 Of the $29.9 million (2021: $30.7 million) capitalised IFRS 16 lease depreciation, $22.4 million (2021: $22.5 million) has been capitalised within property, plant and equipment and $7.5 million (2021: $8.2 million) within provisions (note 20).

The total cash outflow for leases in 2022 was $254.0 million (2021: $160.4 million).

14. Business combinations and acquisition of interests in joint arrangements

Business combinations during the year ended 31 December 2021

In October 2020, Harbour Energy Limited entered into an agreement with Premier Oil plc (Premier) regarding an all-share merger between Premier and Harbour Energy Limited's subsidiary, Chrysaor Holdings Limited (Chrysaor). Under the terms of the merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquirer for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The transaction completed on 31 March 2021, whereupon Premier, being the legal acquirer and accounting acquiree, changed its name from Premier Oil plc to Harbour Energy plc (Harbour).

The merger constituted a reverse takeover of Premier by Chrysaor and has therefore been accounted for as a reverse acquisition in accordance with IFRS 3 Business Combinations. As a result, Premier is fully consolidated in the financial statements with effect from 31 March 2021, and all results prior to this date represent those of Chrysaor only.

Premier was an upstream exploration and production company with its primary assets located in the UK North Sea, Vietnam and Indonesia. The merger brought together two complementary businesses and created the largest independent oil and gas company listed on the London Stock Exchange with a strong balance sheet and significant international growth opportunities.

A purchase price allocation (PPA) exercise has been performed under which the identifiable assets and liabilities of Premier were recognised at fair value.

14. Business combinations and acquisition of interests in joint arrangements continued

The fair values of the net identifiable assets as at the date of acquisition are as follows:

	Fair value $ million
Assets	
Exploration, evaluation and other intangible assets	597.1
Property, plant and equipment – oil and gas assets	1,814.3
Property, plant and equipment – non-oil and gas assets	4.2
Property, plant and equipment – right-of-use assets	567.9
Long-term receivables	258.8
Deferred tax	1,549.2
Inventories	15.2
Trade and other receivables	291.0
Derivative financial instruments	9.2
Cash and cash equivalents	97.4
	5,204.3
Liabilities	
Trade and other payables	(317.5)
IFRS 16 lease liabilities	(637.8)
Deferred tax	(183.1)
Provision for decommissioning	(1,683.0)
Derivative financial instruments	(153.7)
Short-term debt	(2,219.3)
Deferred income	(33.6)
Other provisions	(34.5)
	(5,262.5)
Fair value of identifiable net liabilities acquired	**(58.2)**
Fair value of shares acquired	285.7
Transaction cost adjustments	(4.6)
Cost of acquisition	**281.1**
Goodwill recognised	**339.3**

The fair values of the oil and gas assets and intangible assets acquired were determined using valuation techniques based on discounted cash flows using forward curve commodity prices and estimates of long-term prices, a discount rate based on market observable data and cost and production profiles generally consistent with the 2P reserves acquired with each asset. Where applicable other observable market information was also used. The decommissioning provisions recognised were estimated based on Harbour's internal estimates with reference to observable market data, including rig rates.

The fair value of debt facilities was determined based on the total fair value of cash paid and new shares issued to creditors to satisfy Premier's historical debt arrangements.

The consideration was measured using the closing market price of Premier's ordinary share capital and the number of shares in issue immediately before the acquisition date. The transaction cost adjustments relate to share-based payment charges accruing prior to 31 March 2021 and certain transaction costs settled by Premier on behalf of Chrysaor which have been recognised as an expense within general and administrative expenses.

Goodwill of $339.3 million was recognised on the acquisition, representing the excess of the total consideration transferred over the fair value of the net assets acquired. The goodwill arose principally because of the following factors:

1. The ability to deliver cost synergies as a result of combining the two businesses.
2. The avoidance of costs that would otherwise have been incurred by Chrysaor as a result of an initial stock exchange listing.
3. The expertise and experience of the acquired business, particularly with respect to fulfilling the obligations of a UK listed entity.
4. The requirement to recognise deferred tax liabilities for the difference between the assigned fair values and the tax bases of assets acquired.

None of the goodwill is deductible for corporation tax.

Acquisition related costs of $26.5 million were incurred by the Group and recognised as an expense within general and administrative expenses within 2021.

From the date of acquisition to 31 December 2021, the acquired business contributed $815.6 million of revenue and a loss of $89.0 million to the profit before tax from continuing operations of the Group. Had the acquisition completed at 1 January 2021, the business would have contributed revenue of $1,078.5 million in the year to 31 December 2021, and a loss of $93.9 million towards the profit before tax.

15. Inventories

	2022 $ million	2021 $ million
Hydrocarbons	**21.5**	65.4
Consumables and subsea supplies	**121.4**	146.0
Total inventories	**142.9**	211.4

Inventories of consumables and subsea supplies include a provision of $24.6 million (2021: $8.5 million) where it is considered that the net realisable value is lower than the original cost.

Inventories recognised as an expense during the year ended 31 December 2022 amounted to $22.4 million (2021: $3.3 million). These expenses are included within production costs.

16. Trade and other receivables

	2022 $ million	2021 $ million
Trade receivables	**392.4**	364.0
Underlift position	**69.3**	147.5
Other debtors	**97.2**	74.1
Prepayments and accrued income	**784.6**	677.4
Corporation tax receivable	**59.7**	79.2
Total trade and other receivables	**1,403.2**	1,342.2

Trade receivables are non-interest bearing and are generally on 20-to-30-day terms. As at 31 December 2022, there were no trade receivables that were past due (2021: nil).

Prepayments and accrued income mainly comprise amounts due, but not yet invoiced, for the sale of oil and gas. Other debtors mainly relate to amounts due from joint venture partners.

The carrying value of the trade and other receivables are equal to their fair value as at the balance sheet date.

Other long-term receivables

	2022 $ million	2021 $ million
Net investment in sublease	**44.0**	52.9
Decommissioning funding asset[1]	**62.5**	67.1
Long-term employee benefit plan surplus	**0.2**	0.8
Other receivables[2]	**163.7**	140.8
Prepayments and accrued income	**27.6**	1.4
Total other long-term receivables	**298.0**	263.0

1 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 2022, a long-term decommissioning funding asset of $62.5 million (2021: $67.1 million) has been recognised utilising the year-end US dollar/pound sterling exchange rate and underlying assumptions consistent with those used for the corresponding decommissioning provision.

2 Other receivables includes $123.4 million in cash held in escrow accounts for expected future decommissioning expenditure in Indonesia and Vietnam (2021: $120.7 million), and $22.6 million (2021: $23.9 million) held as security for the Mexican letters of credit.

17. Cash and cash equivalents

	2022 $ million	2021 $ million
Cash at bank and in hand	**499.7**	698.7

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Group only deposits cash with major banks of high-quality credit standing.

18. Commitments

Capital commitments

As at 31 December 2022, the Group had commitments for future capital expenditure amounting to $408.7 million (2021: $451.1 million). Where the commitment relates to a joint arrangement, the amount represents the Group's net share of the commitment. Where the Group is not the operator of the joint arrangement then the amounts are based on the Group's net share of committed future work programmes.

19. Trade and other payables

	2022 $ million	2021 restated $ million
Current		
Trade payables	**47.2**	120.9
Overlift position	**131.5**	76.7
Other payables[1]	**117.5**	148.6
Matured financial instruments	**258.2**	361.7
Accruals	**682.3**	482.4
Deferred income[2]	**14.5**	45.0
	1,251.2	1,235.3
Non-current		
Other payables	**10.8**	27.6
Deferred income[2]	**8.0**	4.7
	18.8	32.3

1 Other payables, within current liabilities at 31 December 2021, included $24.1 million of additional completion payments payable to ConocoPhillips as part of the acquisition of the ConocoPhillips UK business in 2019. This amount was settled in October 2022 and no further liabilities remain payable to ConocoPhillips.

2 Deferred income includes $22.5 million (2021: $20.8 million) in relation to the closing year-end fair value payable to FlowStream. In June 2015, Premier received $100.0 million from FlowStream in return for granting them 15 per cent of production from the Solan field until sufficient barrels have been delivered to achieve the rate of return within the agreement. This balance is being released to the income statement within revenue as barrels are delivered to FlowStream from production from Solan. The estimated fair value includes unobservable inputs and is level 3 in the IFRS 13 hierarchy and is held at fair value through profit and loss. The balance has increased by $1.7 million in the year reflecting the impact of barrels delivered to FlowStream resulting in a debit to the income statement within finance expense. Deferred income of $14.5 million (2021: $16.1 million) is expected to be delivered to FlowStream within the next 12 months and has been classified as a current liability, with the balance of $8.0 million classified as non-current liabilities.

20. Provisions

	Note	Decommissioning provision $ million	Other $ million	Total $ million
At 1 January 2021		4,197.1	13.9	4,211.0
Additions		17.1	1.0	18.1
Additions from business combinations and joint arrangements		1,683.0	34.5	1,717.5
Changes in estimates – decrease to oil and gas tangible decommissioning assets		(381.0)	–	(381.0)
Changes in estimates – increase to oil and gas intangible decommissioning assets		14.3	–	14.3
Changes in estimates – credit to income statement		–	(2.3)	(2.3)
Changes in estimates on oil and gas tangible assets – debit to income statement		8.5	–	8.5
Changes in estimates on oil and gas intangible assets – credit to income statement		(6.3)	–	(6.3)
Amounts used		(225.9)	(9.2)	(235.1)
Interest on decommissioning lease		(0.7)	–	(0.7)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset		(8.2)	–	(8.2)
Release of royalty provision	22	–	(10.2)	(10.2)
Unwinding of discount		78.0	–	78.0
Currency translation adjustment		(22.2)	(0.2)	(22.4)
At 31 December 2021		**5,353.7**	**27.5**	**5,381.2**
Additions		24.4	–	24.4
Changes in estimates – decrease to oil and gas tangible decommissioning assets		(720.9)	–	(720.9)
Changes in estimates – decrease to oil and gas intangible decommissioning assets		(6.1)	–	(6.1)
Changes in estimates – credit to income statement		–	(1.2)	(1.2)
Changes in estimates on oil and gas tangible assets – credit to income statement		(82.3)	–	(82.3)
Changes in estimates on oil and gas intangible assets – credit to income statement		(5.7)	–	(5.7)
Amounts used		(222.6)	(2.3)	(224.9)
Disposal		(9.0)	–	(9.0)
Interest on decommissioning lease		(0.6)	–	(0.6)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset		(7.5)	–	(7.5)
Unwinding of discount		65.1	–	65.1
Currency translation adjustment		(247.2)	–	(247.2)
At 31 December 2022		**4,141.3**	**24.0**	**4,165.3**

Classified within	Non-current liabilities $ million	Current liabilities $ million	Total $ million
At 31 December 2021	5,022.6	358.6	5,381.2
At 31 December 2022	**3,933.7**	**231.6**	**4,165.3**

Decommissioning provision

All of the $24.4 million decommissioning provision additions relate to oil and gas tangible assets (2021: $14.7 million related to oil and gas tangible assets, and $2.4 million related to oil and gas intangible assets).

The Group provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. The Group currently expects to incur decommissioning costs within the next 40 years, the majority of which are anticipated to be incurred between the next 10 to 20 years. These estimated future decommissioning costs are inflated at the Group's long-term view of inflation of 2.5 per cent per annum (2021: 2.0 per cent per annum) and discounted at a risk-free rate of between 3.5 per cent and 3.7 per cent (2021: 0.9 per cent and 1.8 per cent) reflecting a six-month (2021: 24-month) rolling average of market rates over the varying lives of the assets to calculate the present value of the decommissioning liabilities. The unwinding of the discount is presented within finance costs.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. In addition, the timing of decommissioning liabilities will depend upon the dates when the fields become economically unviable, which in itself will depend on future commodity prices and climate change, which are inherently uncertain.

20. Provisions continued

Other provisions

Other provisions relate to termination benefit provision in Indonesia of $23.5 million (2021: $25.3 million), where the Group operates a service, severance and compensation pay scheme under a collective labour agreement with the local workforce. Other provisions at 31 December 2021 also included a $2.3 million onerous contract provision in respect of the termination cost of the rig which had been operating on the Schiehallion field, which has now been fully settled. The onerous contract had no impact on the income statement in the year.

21. Borrowings and facilities

The Group's borrowings are carried at amortised cost:

	2022 $ million	2021 $ million
Reserves-based lending (RBL) facility	**702.3**	2,312.0
Bond	**491.3**	489.5
Exploration finance facility (EFF)	**10.5**	44.6
Other loans	**34.0**	39.9
Total borrowings	**1,238.1**	2,886.0
Classified within		
Non-current liabilities	**1,216.6**	2,823.7
Current liabilities	**21.5**	62.3
Total borrowings	**1,238.1**	2,886.0

Interest of $6.2 million (2021: $17.4 million) on the RBL, bond and EFF had accrued by the balance sheet date and has been classified within accruals.

The key terms of the RBL facility are:

- Term matures 23 November 2027.
- Facility size of $4.1 billion (with $0.75 billion accordion option).
- Debt availability currently at $2.75 billion.
- Debt availability to be redetermined on an annual basis.
- Interest at USD LIBOR plus a margin of 3.25 per cent, rising to a margin of 3.5 per cent from November 2025.
- A margin adjustment linked to carbon-emission reductions.
- Liquidity and leverage covenant tests.
- A syndication group of 19 banks.

Certain fees are also payable, including fees on available commitments at 40 per cent of the applicable margin and commission on letters of credit issued at 50 per cent of the applicable margin.

In October 2021, the Group issued a $500 million bond under Rule 144A and has a tenor of five years to maturity. The coupon was set at 5.50 per cent and interest is payable semi-annually.

Since 2019, the Group has been operating within an exploration finance facility, currently for NOK 1 billion, in relation to part-financing the exploration activities of Harbour Energy Norge AS. At the balance sheet date, the amount drawn down on the facility was NOK 104 million/$10.5 million (2021: NOK 396 million/$44.9 million).

During the year $54.9 million (2021: $38.9 million) of arrangement fees and related costs have been amortised and are included within financing costs. 2021 also included a $13.9 million modification gain following a maturity extension of the RBL debt prior to the completion of the merger in March 2021.

At 31 December 2022, $81.5 million of arrangement fees and related costs remain capitalised (2021: $136.4 million), of which $20.2 million are due to be amortised within the next 12 months (2021: $43.6 million).

At the balance sheet date, the outstanding RBL balance excluding incremental arrangement fees and related costs was $775.0 million (2021: $2,437.5 million). As at 31 December 2022, $1,972.0 million remained available for drawdown under the RBL facility (2021: $884 million).

The Group has facilities to issue up to $1.5 billion of letters of credit, of which $966 million was in issue as at 31 December (2021: $796 million), mainly in respect of future abandonment liabilities.

Other loans represent a commercial financing arrangement with Baker Hughes (formerly BHGE), that covered a three-year work programme for drilling, completion and subsea tie-in of development wells on Harbour's operated assets. The loan will be repaid based on production performance, subject to a cap, in addition to three annual instalments of $9.0 million commencing on 1 December 2024, if required.

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

	$ million
Total borrowings as at 1 January 2021	2,161.4
Repayment of RBL	(697.5)
Repayment of junior debt	(400.0)
Short-term debt arising on business combination	(2,219.3)
Repayment of debt – equity allocation to borrowings	942.8
Repayment of debt – cash allocation to borrowings	1,276.5
Conversion of D loan notes to equity	(134.7)
IFRS 9 modification gain	(13.9)
Repayment of financing arrangement	(9.3)
Repayment of EFF loan	(14.7)
Proceeds from drawdown of borrowing facilities	1,617.5
Proceeds from EFF loan	45.9
Proceeds from issue of bond	500.0
Loan notes redemption	(135.7)
Arrangement fees and related costs on RBL paid and capitalised	(77.2)
Arrangement fees and related costs on bond capitalised	(10.9)
Arrangement fees and related costs on EFF loan capitalised	(0.4)
Currency translation adjustment on EFF loan	(0.6)
Loan notes interest capitalised	5.6
Financing arrangement interest payable	11.6
Amortisation of arrangement fees and related costs	38.9
Total borrowings as at 31 December 2021	**2,886.0**
Repayment of RBL	(1,662.5)
Repayment of financing arrangement	(15.4)
Repayment of EFF loan	(38.6)
Proceeds from EFF loan	11.5
Currency translation adjustment on EFF loan	(7.3)
Financing arrangement interest payable	9.5
Amortisation of arrangement fees and related costs	54.9
Total borrowings as at 31 December 2022	**1,238.1**

22. Other financial assets and liabilities

The Group held the following financial instruments at fair value at 31 December 2022. The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy, except for the royalty valuation, which includes estimates based on unobservable inputs and is level 3 in the IFRS 13 hierarchy.

	31 December 2022		31 December 2021 restated	
Current	**Assets $ million**	**Liabilities $ million**	**Assets $ million**	**Liabilities $ million**
Measured at fair value through profit and loss				
Foreign exchange derivatives	**6.0**	**(0.1)**	0.9	(2.2)
Interest rate derivatives	**24.3**	**–**	3.3	–
Fair value of embedded derivative within gas contract	**–**	**(57.0)**	–	(11.5)
Carbon swaps	**–**	**–**	36.6	(15.6)
	30.3	**(57.1)**	40.8	(29.3)
Measured at fair value through other comprehensive income				
Commodity derivatives	**50.5**	**(2,114.4)**	1.0	(2,135.2)
	50.5	**(2,114.4)**	1.0	(2,135.2)
Total current	**80.8**	**(2,171.5)**	41.8	(2,164.5)
Non-current				
Measured at fair value through profit and loss				
Interest rate derivatives	**18.2**	**–**	8.3	–
	18.2	**–**	8.3	–
Measured at fair value through other comprehensive income				
Commodity derivatives	**84.5**	**(1,279.1)**	1.8	(1,373.6)
	84.5	**(1,279.1)**	1.8	(1,373.6)
Total non-current	**102.7**	**(1,279.1)**	10.1	(1,373.6)
Total current and non-current	**183.5**	**(3,450.6)**	51.9	(3,538.1)

Fair value measurements

All financial instruments that are initially recognised and subsequently remeasured at fair value have been classified in accordance with the hierarchy described in IFRS 13 Fair Value Measurement. The hierarchy groups fair value measurements into the following levels based on the degree to which the fair value is observable.

- **Level 1:** fair value measurements are derived from unadjusted quoted prices for identical assets or liabilities.
- **Level 2:** fair value measurements include inputs, other than quoted prices included within level 1, which are observable directly or indirectly.
- **Level 3:** fair value measurements are derived from valuation techniques that include significant inputs not based on observable data.

	Financial assets		Financial liabilities	
As at 31 December 2022	**Level 2 $ million**	**Level 3 $ million**	**Level 2 $ million**	**Level 3 $ million**
Fair value of embedded derivative within gas contract	**–**	**–**	**(57.0)**	**–**
Commodity derivatives	**135.0**	**–**	**(3,393.5)**	**–**
Foreign exchange derivatives	**6.0**	**–**	**(0.1)**	**–**
Carbon swaps	**–**	**–**	**–**	**–**
Interest rate derivatives	**42.5**	**–**	**–**	**–**
Total fair value	**183.5**	**–**	**(3,450.6)**	**–**

	Financial assets		Financial liabilities	
As at 31 December 2021 as restated	Level 2 $ million	Level 3 $ million	Level 2 $ million	Level 3 $ million
Fair value of embedded derivative within gas contract	–	–	(11.5)	–
Commodity derivatives	2.8	–	(3,508.8)	–
Foreign exchange derivatives	0.9	–	(2.2)	–
Carbon swaps	36.6	–	(15.6)	–
Interest rate derivatives	11.6	–	–	–
Total fair value	51.9	–	(3,538.1)	–

There were no transfers between fair value levels in the year. The movements in the year associated with financial assets and liabilities measured in accordance with level 3 of the fair value hierarchy are shown below:

Level 3	Financial assets 2022 $ million	2021 $ million	Financial liabilities 2022 $ million	2021 $ million
Fair value as at 1 January	–	9.7	–	–
Additions from business combinations and joint arrangements	–	(10.2)	–	(4.2)
Gains and (losses) recognised in the income statement	–	0.5	–	4.2
Fair value as at 31 December	–	–	–	–

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

	2022 $ million	2021 $ million
Income included in the income statement		
Warrants	–	4.2
Remeasurement of royalty valuation	–	0.5
	–	4.7

Fair values of other financial instruments

The following financial instruments are measured at amortised cost and are considered to have fair values different to their book values.

	2022		2021	
	Book value $ million	Fair value $ million	Book value $ million	Fair value $ million
Bond	(491.3)	(446.4)	(489.5)	(483.0)

The fair value of the bond is within level 2 of the fair value hierarchy and has been estimated by discounting future cash flows by the relevant market yield curve at the balance sheet date. The fair values of other financial instruments not measured at fair value including cash and short-term deposits, trade receivables, trade payables and floating rate borrowings equate approximately to their carrying amounts.

Cash flow hedge accounting

The Group uses a combination of fixed price physical sales contracts and cash-settled fixed price commodity swaps and options to manage the price risk associated with its underlying oil and gas revenues. As at 31 December 2022, all of the Group's cash-settled fixed price commodity swap derivatives have been designated as cash flow hedges of highly probable forecast sales of oil and gas.

The following table indicates the volumes, average hedged price and timings associated with the Group's financial commodity derivatives. Volumes hedged through fixed price contracts with customers for physical delivery are excluded.

Position as at 31 December 2022	2023	2024	2025	2026
Oil volume hedged (thousand bbls)	10,950	7,320	2,373	–
Weighted average hedged price ($/bbl)	74.08	84.37	81.22	–
Gas volume hedged (million therms)	1,339	652	113	–
Weighted average hedged price (p/therm)	41.46	68.85	75.22	–

As at 31 December 2022, the fair value of net financial commodity derivatives designated as cash flow hedges, all executed under ISDA agreements with no margining requirements, was a net payable of $3,516.7 million (2021: $3,868.2 million) and net unrealised pre-tax losses of $3,184.6 million (2021: $3,454.2 million) were deferred in other comprehensive income in respect of the effective portion of the hedge relationships.

Amounts deferred in other comprehensive income will be released to the income statement as the underlying hedged transactions occur. As at 31 December 2022, net deferred pre-tax losses of $2,367.9 million (2021: $2,495.9 million) are expected to be released to the income statement within one year.

22. Other financial assets and liabilities continued

Interest Rate Benchmark Reform (IBOR)

From 1 January 2022, publication of most LIBOR settings ended (including Sterling LIBOR). All IBORs were replaced with alternative reference rates with the exception of US LIBOR.

After 30 June 2023 US LIBOR will cease publication and will be replaced by SOFR (Secured overnight financing rate). The Group has variable rate RBL borrowings that currently reference US LIBOR, which are partially hedged by interest rate swaps that are also linked to US LIBOR. The RBL agreement has an automatic trigger to transition to SOFR after 30 June 2023, and a similar arrangement has been agreed in principle with the interest rate swap counterparties to reduce any future impact on the financial statements after transition.

The following table shows the financial instruments held by the Group as at 31 December 2022 which are referenced to US LIBOR that will transition to SOFR by 30 June 2023.

RBL borrowings financial liabilities	Nominal value $ million
USD 1M LIBOR	475.0
USD 6M LIBOR	300.0
	775.0
Derivatives	
Interest rate swaps USD 6M LIBOR	544.6

The nominal values in the table above also represent the carrying values net of unamortised deferred fees of the RBL as at 31 December 2022.

23. Financial risk factors and risk management

The Group's principal financial assets and liabilities comprise trade and other receivables, cash and short-term deposits accounts, trade payables, interest bearing loans and derivative financial instruments. The main purpose of these financial instruments is to manage short-term cash flow, price exposures and raise finance for the Group's expenditure programme. Further information on the Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of capital management policies in the Strategic Report.

Risk exposures and responses

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are market risks comprising commodity price risk, interest rate risk and foreign currency risk, liquidity risk, and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised in this note.

The Group's management oversees the management of financial risks. The Group's senior management ensures that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments mainly affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2022 and 31 December 2021.

The sensitivity analyses have been prepared on the basis that the number of financial instruments are all constant. The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the composition of the Group's financial instruments at the balance sheet date and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant profit before tax item and/or equity is the effect of the assumed changes in respective market risks for the full year based on the financial assets and financial liabilities held at the balance sheet date.
- The sensitivities indicate the effect of a reasonable increase in each market variable. Unless otherwise stated, the effect of a corresponding decrease in these variables is considered approximately equal and opposite.
- Fair value changes from derivative instruments designated as cash flow hedges are considered fully effective and recorded in shareholders' equity, net of tax.
- Fair value changes from derivatives and other financial instruments not designated as cash flow hedges are presented as a sensitivity to profit before tax only and not included in shareholders' equity.

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas products. On a rolling basis, the Group's policy is to hedge the commodity price exposure associated with 40 to 70 per cent of the next 12 months' production (year 1), between 30 and 60 per cent of year 2 production, from year 3 up to 50 per cent of production and from year 4 up to 40 per cent of production. The Group manages these risks through the use of fixed price contracts with customers for physical delivery and derivative financial instruments including fixed price swaps and options.

Commodity price sensitivity

The following table summarises the impact on the Group's pre-tax profit and equity from a reasonably foreseeable movement in commodity prices on the fair value of commodity based derivative instruments held by the Group at the balance sheet date.

As at 31 December 2022	Market movement	**Effect on profit before tax $ million**	**Effect on equity $ million**
Brent oil price	$10/bbl increase	**–**	**(48.8)**
Brent oil price	$10/bbl decrease	**–**	**48.8**
NBP gas price	£0.1/therm increase	**–**	**(48.9)**
NBP gas price	£0.1/therm decrease	**–**	**48.9**

As at 31 December 2021	Market movement	Effect on profit before tax $ million	Effect on equity $ million
Brent oil price	$10/bbl increase	–	(156.6)
Brent oil price	$10/bbl decrease	–	156.6
NBP gas price	£0.1/therm increase	–	(208.9)
NBP gas price	£0.1/therm decrease	–	208.9

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligation with floating interest rates.

Floating rate borrowings comprise loans under the RBL facility which incurs interest fixed either one month, three months or six months in advance at USD LIBOR plus a margin of 3.21 per cent. Fixed rate borrowings at 31 December 2022 comprise a bond which incurs interest at 5.5 per cent per annum. Floating rate financial assets comprise cash and cash equivalents which earn interest at the relevant market rate. The Group monitors its exposure to fluctuations in interest rates and uses interest rate derivatives to manage the fixed and floating composition of its borrowings.

The interest rate financial instruments in place at the balance sheet date are shown below:

	Derivative	Currency	Period of hedge	Terms
31 December 2022	**Interest rate swaps**	**$544.6 million**	**June 20 – June 25**	**Average 0.55%**
31 December 2021	Interest rate swaps	$700.0 million	June 20 – June 25	Average 0.56%

23. Financial risk factors and risk management continued

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

As at 31 December 2022	Cash at bank $ million	Fixed rate borrowings $ million	Floating rate borrowings $ million	Total $ million
US dollar	**480.5**	**(491.3)**	**(702.3)**	**(713.1)**
Pound sterling	**8.0**	**–**	**–**	**8.0**
Norwegian krone	**6.2**	**–**	**(10.5)**	**(4.3)**
Other	**5.0**	**–**	**–**	**5.0**
	499.7	**(491.3)**	**(712.8)**	**(704.4)**

As at 31 December 2021	Cash at bank $ million	Fixed rate borrowings $ million	Floating rate borrowings $ million	Total $ million
US dollar	477.9	(489.5)	(2,351.9)	(2,363.5)
Pound sterling	201.0	–	–	201.0
Norwegian krone	14.6	–	(44.6)	(30.0)
Other	5.2	–	–	5.2
	698.7	(489.5)	(2,396.5)	(2,187.3)

Interest rate sensitivity

The following table demonstrates the indicative pre-tax effect on profit and equity of applying a reasonably foreseeable increase in interest rates to the Group's financial assets and liabilities at the balance sheet date.

	Market movement	Effect on profit before tax $ million	Effect on equity $ million
31 December 2022			
US dollar interest rates	**+100 basis points**	**7.9**	**–**
31 December 2021			
US dollar interest rates	+100 basis points	(1.6)	–

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk primarily arising from exchange rate movements in US dollar against pound sterling. To mitigate exposure to movements in exchange rates, wherever possible financial assets and liabilities are held in currencies that match the functional currency of the relevant entity. The Group has subsidiaries with functional currencies of pound sterling, US dollar, Norwegian krone, Mexican pesos and Brazilian reals. Exposures can also arise from sales or purchases denominated in currencies other than the functional currency of the relevant entity; such exposures are monitored and hedged with agreement from the Board.

The Group enters into forward contracts as a means of hedging its exposure to foreign exchange rate risks. As at 31 December 2022, the Group had £42.0 million hedged at a forward rate of between $1.18331 and $1.24045:£1 for the period to January 2023, and $100.0 million hedged at forward rates of between $1.17543 and $1.18131:£1 for the period to January 2023.

As at 31 December 2021, the Group had £20.0 million hedged at a forward rate of $1.39/£1 for the period to January 2022 and EUR18.4 million hedged at forward rates of between € 1.19 and € 1.20/£1 for the period January 2022 to December 2022.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably foreseeable change in US dollars against pound sterling with all other variables held constant, of the Group's profit before tax (due to foreign exchange translation of monetary assets and liabilities). The impact of translating the net assets of foreign operations into US dollars is excluded from the sensitivity analysis.

	Market movement	Effect on profit before tax $ million	Effect on equity $ million
31 December 2022			
US dollar/pound sterling	**10% strengthening**	**291.1**	**–**
US dollar/pound sterling	**10% weakening**	**(291.1)**	**–**
31 December 2021			
US dollar/pound sterling	10% strengthening	284.5	–
US dollar/pound sterling	10% weakening	(284.5)	–

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity, and financial position. In addition, receivables balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and derivative financial instruments.

The Group has two ratings from two credit rating agencies: S&P Global at BB and Fitch at BB.

The Group only sells hydrocarbons to recognised and creditworthy parties, typically the trading arm of large, international oil and gas companies. An indication of the concentration of credit risk on trade receivables is shown in note 4, whereby the revenue from one customer exceeds 84 per cent of the Group's consolidated revenue.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are internationally recognised banking institutions and are considered to represent minimal credit risk.

There are no significant concentrations of credit risk within the Group unless otherwise disclosed, and credit losses are expected to be near to zero. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors the amount of borrowings maturing within any specific period and expects to meet its financing commitments from the operating cash flows of the business and existing committed lines of credit.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at 31 December 2022	Within 1 year $ million	1 to 2 years $ million	2 to 5 years $ million	Over 5 years $ million	Total $ million
Non-derivative financial liabilities					
Reserves-based lending facility	**60.9**	**61.0**	**881.1**	**–**	**1,003.0**
Bond	**27.5**	**27.5**	**555.0**	**–**	**610.0**
Exploration finance facility	**11.1**	**–**	**–**	**–**	**11.1**
Other loans	**11.0**	**9.0**	**18.0**	**–**	**38.0**
Trade and other payables	**1,318.4**	**18.8**	**–**	**–**	**1,337.2**
Lease obligations	**208.1**	**180.0**	**386.2**	**60.9**	**835.2**
Total non-derivative financial liabilities	**1,637.0**	**296.3**	**1,840.3**	**60.9**	**3,834.5**
Derivative financial liabilities					
Net-settled commodity derivatives	**2,308.2**	**930.3**	**154.5**	**–**	**3,393.0**
Net-settled foreign exchange derivatives	**0.1**	**–**	**–**	**–**	**0.1**
	3,945.3	**1,226.6**	**1,994.8**	**60.9**	**7,227.6**

23. Financial risk factors and risk management continued

As at 31 December 2021 as restated	Within 1 year $ million	1 to 2 years $ million	2 to 5 years $ million	Over 5 years $ million	Total $ million
Non-derivative financial liabilities					
Reserves-based lending facility	85.8	758.4	1,569.5	305.8	2,719.5
Bond	27.3	27.5	582.5	–	637.3
Exploration finance facility	45.8	–	–	–	45.8
Other loans	17.7	12.7	20.9	3.3	54.6
Trade and other payables	1,264.3	32.2	–	–	1,296.5
Lease obligations	181.7	127.8	309.4	97.4	716.3
Total non-derivative financial liabilities	**1,622.6**	**958.6**	**2,482.3**	**406.5**	**5,470.0**
Derivative financial liabilities					
Net-settled commodity derivatives	2,146.2	1,090.6	283.1	–	3,519.9
Net-settled foreign exchange derivatives	2.2	–	–	–	2.2
Net-settled carbon derivatives	15.6	–	–	–	15.6
	3,786.6	**2,049.2**	**2,765.4**	**406.5**	**9,007.7**

The maturity profiles in the above tables reflect only one side of the Group's liquidity position and will be recorded in the income statement against future production and revenue which are not recognised on the balance sheet as assets. Interest bearing loans and borrowings and trade payables mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant and equipment and working capital such as inventories. These assets are considered part of the Group's overall liquidity risk.

24. Share capital

Issued and fully paid	Number	2022 $ million	Number	2021 $ million
Ordinary shares of 0.002p each	**847,168,796**	**0**	925,532,639	0
Ordinary non-voting deferred shares of 12.4999p each	**925,532,809**	**171.1**	925,532,809	171.1
		171.1		171.1

The rights and restrictions attached to the ordinary shares are as follows:

- **Dividend rights:** the rights of the holders of ordinary shares shall rank pari passu in all respects with each other in relation to dividends.
- **Winding up or reduction of capital:** on a return of capital on a winding up or otherwise (other than on conversion, redemption or purchase of shares) the rights of the holders of ordinary shares to participate in the distribution of the assets of the company available for distribution shall rank pari passu in all respects with each other.
- **Voting rights:** the holders of ordinary shares shall be entitled to receive notice of, attend, vote and speak at any General Meeting of the company.

The rights and restrictions attached to the non-voting deferred shares are as follows:

- They will have no voting or dividend rights and, on a return of capital or on a winding up of the company, will have the right to receive the amount paid up thereon only after holders of all ordinary shares have received, in aggregate, any amounts paid up on each ordinary share plus £10 million on each ordinary share. The non-voting deferred shares will not give the holder the right to receive notice of, nor attend, speak or vote at, any general meeting of the company.

Issue of ordinary shares

During the year, the company issued 1,024 ordinary shares at a nominal value of 0.002 pence per share in relation to the exercise of equity warrants. All other outstanding warrants matured in May 2022.

Purchase and cancellation of own shares

During 2022, the company repurchased 78,364,867 ordinary shares for a total consideration, including transaction costs of $360.6 million, as part of the share purchase programmes announced on 16 June 2022 and 3 November 2022. All shares purchased were cancelled.

As of 15 February 2023, the buyback programme was completed with a further 11,093,925 million ordinary shares repurchased for cancellation for a cost of $41.1 million. These shares were also cancelled.

Own shares	2022 $ million
At 1 January	3.7
Purchase of ESOP trust shares	18.6
Release of shares	(0.9)
At 31 December	**21.4**

The own shares represent the net cost of shares in Harbour Energy plc purchased in the market or issued by the company into the Harbour Energy plc employee benefit (ESOP) trust. This ESOP trust holds shares to satisfy awards under the Group's share incentive plans. At 31 December 2022, the number of ordinary shares of 0.002 pence each held by the trust was 4,487,267 (2021: 775,523).

Capital reduction

The capital reduction, comprising the share premium and the merger reserve, was approved by shareholders at the General Meeting held on 11 May 2022. In connection with the capitalisation of the merger reserve, the resolutions authorising the Directors to allot new B ordinary shares and subsequently cancel them was also passed at the General Meeting. B ordinary shares totalling $4,806 million were issued on 25 July 2022.

On 3 August 2022, Harbour announced that the capital reduction had become effective following the confirmation by the Court of Session, Edinburgh on 2 August 2022 and the registration of the Court order with the Registrar of Companies in Scotland on 3 August 2022. The share premium account ($1,505 million), and the shares arising on the capitalisation of the merger reserve ($4,806 million), were cancelled.

The capital reduction creates additional distributable reserves to the value of $6,311 million.

25. Share-based payments

The company currently operates a Long Term Incentive Plan (LTIP) for certain employees, a Share Incentive Plan (SIP) and a Save As You Earn (SAYE) scheme for UK-based and expatriate employees only.

For the year ended 31 December 2022, the total cost recognised by the company for share-based payment transactions was $36.9 million (2021: $13.4 million). A credit of $36.9 million (2021: $13.4 million) has been recorded in retained earnings for all equity-settled payments of the company.

Like other elements of remuneration, this charge is processed through the time-writing system which allocates cost, based on time spent by individuals, to various entities within the Group. Part of this cost is therefore recharged to the relevant subsidiary undertakings, part is capitalised as directly attributable to capital projects and part is charged to the income statement as operating costs, pre-licence exploration costs or general and administration costs.

Details of the various share incentive plans currently in operation are set out below:

2017 Long Term Incentive Plan (2017 LTIP)

Discretionary share awards are granted to employees under the company's Long Term Incentive Plan (LTIP).

The following types of award have been granted under the 2017 LTIP:

- **Performance share awards (PSA):** vesting is subject to a Performance Target, normally measured over a three-year period from 1 January based on Total Shareholder Return (TSR) relative to (i) FTSE 100 index, and (ii) a bespoke peer group of oil and gas companies and aligns to longer-term strategic objectives.
- **Conditional share awards (CSAs):** vesting is only subject to continued employment.
- **Deferred bonus share plan (DBSP) awards:** certain employees are required to defer a portion of their annual bonus into shares which vest over a three-year period subject to continued employment.
- **Restricted share awards (RSA):** legacy Premier Oil awards which were aligned to the primary objective of balance sheet recovery. The remainder of these lapsed in 2022.
- **Premier value share plan (PVSP) awards:** legacy Premier Oil awards which were made up of two awards, Base Awards and Multiplier Awards. Under the PVSP, annual awards of time-vesting restricted shares (Base Awards) and three-year performance-vesting shares (Performance Multiplier Awards) were made, with performance-vesting shares subject to achievements of Premier's delivery of long-term shareholder return.

All LTIP awards are granted in the form of nil-cost options or conditional share awards and therefore there is no exercise price payable on the exercise of these awards.

All RSA awards lapsed during the year. The final outstanding PVSP Base Awards vested in the year, the remainder lapsed.

25. Share-based payments continued

For further details of the LTIP awards, including the performance conditions of the PSAs granted in 2022, please refer to the Directors' remuneration report (pages 78-99).

The following table shows the movement in the number of LTIP awards:

	2022 (million shares)	2021 (million shares)
Outstanding at 1 January	**20.5**	–
Additions from business combinations and joint arrangements[1]	–	31.2
Granted pre-share consolidation	–	23.1
Vested pre-share consolidation	–	(0.6)
Forfeited pre-share consolidation	–	(0.8)
20 to 1 share consolidation	–	(50.3)
Granted (post-share consolidation)[2]	**10.3**	18.0
Vested (post-share consolidation)[2]	**(1.6)**	–
Forfeited (post-share consolidation)[2]	**(1.4)**	(0.1)
Outstanding at 31 December[3]	**27.8**	20.5

1 Includes DBSP awards.
2 Post-share consolidation refers to movements in 2021 as a result of the merger.
3 This includes 1.6 million cash settled awards at 31 December 2022 (2021: 0.2 million), which are revalued using the year-end share price.

LTIP awards totalling 1.6 million shares were vested during the period. The weighted average remaining contractual life of the LTIP awards at 31 December 2022 was 1.5 years (2021: 2.0 years).

Key assumptions used to calculate the fair value of awards

The fair value of awards which are subject to TSR conditions, under the PSAs, is determined using a Monte Carlo simulation. The fair value of all other awards is calculated using the share price at the date of grant, adjusted for dividends not received during the vesting period.

The following table lists the inputs to the model used in respect of the PSA awards granted during the financial year:

	2022	2021
Share price at date of grant	**£5.00 – £5.19**	£3.60 – £3.77
Dividend yield	**0%**	0%
Expected term	**3.0 years**	1.5 years – 3.0 years
Risk free rate	**1.4% – 1.6%**	0.1% – 0.5%
Share price volatility of the company	**50.5% – 51.3%**	70%

The weighted average fair value of the PSA awards granted in 2022 was $4.02 (2021: $1.57).

Expected volatility was determined by reference to both the historical volatility of the company and the historical volatility of a group of comparable quoted companies over a period in line with the expected term assumption.

Share Incentive Plan (SIP)

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. 0.4 million matching shares were awarded to employees in 2022 (2021: 0.06 million). The SIP matching shares are valued based on the quoted share price on the grant date.

Save As You Earn (SAYE) scheme

Under the SAYE scheme, eligible employees with one month or more continuous service can join the scheme. Employees can save to a maximum of £500 per month through payroll deductions for a period of three years after which time they can acquire shares at up to a 20 per cent discount. 1.6 million SAYE options were granted in 2022 (2021: nil).

The following table shows the movement in the number of SAYE options:

	2022		2021	
	Number (million)	Weighted average exercise price	Number (million)	Weighted average exercise price
Outstanding at 1 January	**0.4**	**£5.78**	–	–
Additions from business combinations and joint arrangements	**–**	**–**	10.3	£5.82
20 to 1 share consolidation	**–**	**–**	(9.8)	–
Granted during the year	**1.6**	**£4.12**	–	–
Lapsed during the year	**(0.3)**	**£5.36**	(0.1)	£6.01
Exercised during the year	**–**	**–**	–	–
Outstanding as at 31 December	**1.7**	**£4.18**	0.4	£5.78

The SAYE options outstanding at 31 December 2022 had exercise prices ranging from £4.12 to £5.53 (2021: £5.53 to £20.09) and a weighted average remaining contractual life of 2.8 years (2021: 1.9 years).

26. Group pension schemes

Balance sheet

	2022 $ million	2021 $ million
UK funded pension scheme	**0.2**	0.8
Total surplus in balance sheet	**0.2**	0.8
UK unfunded pension scheme	**0.5**	0.7
Total liability in balance sheet	**0.5**	0.7

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 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 2022 of the future payments projected to be made in respect of UK unfunded pensions is $0.5 million (2021: $0.7 million).

Funded pensions

The Group operates a final salary defined benefit pension plan in the UK (the Scheme). The Scheme is an HMRC registered pension plan and is subject to standard UK pensions and tax law. Details on the benefits provided by the Scheme are set out in the Trust Deed and Rules dated 16 October 2008 (as amended).

The disclosures in these accounts below are based on calculations carried out at the balance sheet date by a qualified independent actuary.

The Scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to beneficiaries. The Trustee of the Scheme is required to act in the best interest of the beneficiaries. The appointment of trustee directors is determined by the trust documentation.

The Trustee of the Scheme invests assets in line with the Statement on Investment Principles. The Statement on Investment Principles has been established taking into consideration the liabilities of the Scheme and the investment risk that the Trustee is willing to accept.

Under the Scheme funding regime introduced by the Pension Act 2004, the Trustee is required to carry out regular actuarial valuations of the Scheme, establish a schedule of contributions and, when there is a shortfall, a recovery plan. Scheme funding valuations are carried out at least three years. Approximate funding updated are produced annually in years where a full scheme funding valuation is not completed.

26. Group pension schemes continued

As at the balance sheet date, contributions are payable to the Scheme at the rates specified in the schedule of contributions signed by the Trustee on 23 March 2021.

The defined benefit pension plan exposes the employer to actuarial risks, such as longevity risk, interest rate risk, salary risk, investment market risk and currency risk.

Principal assumptions

	At 31 December 2022	At 31 December 2021
Discount rate	**4.9% p.a.**	1.8% p.a.
RPI inflation	**3.2% p.a.**	3.4% p.a.
CPI inflation	**2.3% p.a.**	2.4% p.a.
Rate of increase in salaries	**3.2% p.a.**	3.4% p.a.
Rate of increase in pensions in payment: LPI (max 5%)	**3.1% p.a.**	3.3% p.a.
Mortality	**S3PxA Light CMI_2021 with 0.5% p.a. IAMI and 1.25% p.a. long term**	S3PxA Light CMI_2020 with 0.5% p.a IAMI and 1.25% p.a. long term
Proportion married	**80%**	80%
Withdrawals	**No allowance**	No allowance
Cash commutation	**75% of maximum tax-free cash on terms currently available**	75% of maximum tax-free cash on terms currently available
Life expectancy of male aged 65 now	**23.6**	23.6
Life expectancy of male aged 65 in 20 years	**24.8**	24.8
Life expectancy of female aged 65 now	**25.2**	25.1
Life expectancy of female aged 65 in 20 years	**26.5**	26.5

Asset breakdown

The major categories of the Scheme assets as a percentage of total Scheme assets are:

	2022	2021
Equities	**12.0%**	41.2%
Gilts	**51.7%**	29.3%
Corporate bonds	**13.1%**	29.1%
Cash	**23.2%**	0.4%
Total	**100.0%**	100.0%

Reconciliation of funded status and amount recognised in balance sheet

	2022 $ million	2021 $ million
Fair value of the Scheme assets	**(36.6)**	(55.4)
Present value of defined benefit obligation	**23.5**	39.4
Surplus	**(13.1)**	(16.0)
Unrecognised amount due to effect of IFRIC 14[1]	**12.9**	15.2
Defined benefit asset recognised in balance sheet	**(0.2)**	(0.8)

1 The trustees have certain rights to grant benefit increases to members and accordingly it has been concluded the Group does not have an unconditional right to the surplus by way of a refund.

Statement of amount recognised in the income statement

	2022 $ million	2021 $ 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

	2022 $ million	2021 $ million
Opening present value of defined benefit obligation	**39.4**	–
Additions from business combinations and joint arrangements	**–**	41.5
Current service cost	**0.1**	0.1
Interest cost	**0.6**	0.5
Actuarial (gains)/losses from changes in demographic assumptions	**0.4**	–
Actuarial (gains)/losses from changes in financial assumptions	**(13.3)**	(1.7)
Changes due to experience adjustments	**1.5**	0.4
Benefits paid	**(1.2)**	(1.1)
Currency translation effects	**(4.0)**	(0.3)
Closing defined benefit obligation	**23.5**	39.4

Reconciliation of fair value of assets

	2022 $ million	2021 $ million
Opening present value of Scheme assets	**55.4**	–
Additions from business combinations and joint arrangements	**–**	53.4
Interest income	**0.9**	0.6
Return on assets less interest income	**(12.9)**	2.9
Contributions by employer	**–**	–
Benefits paid	**(1.2)**	(1.1)
Currency translation effects	**(5.6)**	(0.4)
Closing fair value of Scheme assets	**36.6**	55.4
Actual return on Scheme assets	**(12.0)**	3.5

Statement of amount recognised in comprehensive income

	2022 $ million	2021 $ million
(Gain)/loss from changes in the financial assumptions for value of Scheme liabilities	**(13.3)**	(1.7)
(Gain)/loss from changes in the demographic assumptions for value of Scheme liabilities	**0.4**	–
Changes due to experience adjustments	**1.5**	0.4
Return on assets (excluding amounts included in net interest on the net defined benefit liability (asset))	**12.9**	(2.9)
Change in the effect of the asset ceiling excluding amounts included in net interest on the net defined liability	**(2.6)**	4.2
Currency translation effects	**1.6**	0.1
Other comprehensive income	**0.5**	0.1

Statement of amount recognised in profit and loss and other comprehensive income

	2022 $ million	2021 $ million
Amount recognised in profit and loss	**0.1**	0.1
Other comprehensive income	**0.5**	0.1
Total comprehensive loss	**0.6**	0.2

Sensitivity of balance sheet at 31 December 2022

The results of the calculations are sensitive to the assumptions used. The balance sheet position revealed by IAS 19 Employee Benefits 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 table overleaf shows the sensitivity of the IAS 19 balance sheet position to small changes in some of the significant assumptions, as at 31 December 2022. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation from one another.

26. Group pension schemes continued

	Revised (surplus)/deficit $ million	Change from disclosed (surplus)/deficit $ million
Discount rate less 0.1% p.a.	(12.8)	0.3
RPI inflation and linked assumptions plus 0.1% p.a.	(12.8)	0.3
Members living one year longer than assumed	(12.3)	0.8

Projected components of pension costs for period to 31 December 2023

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 2022 is 4.9 per cent p.a.
- Contributions to the Scheme will continue throughout 2023 in accordance with the current Schedule of Contributions in place at the date of signing this report.
- There will be no changes to the terms of the Scheme.

The amounts recognised in the components of pension expense were nil for the year.

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make specified contributions. Payments to the defined contribution schemes are charged as an expense as they fall due. The total cost charged to income of $30.3 million (2021: $28.2 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

27. Notes to the statement of cash flows

Net cash flows from operating activities consist of:

	2022 $ million	2021 $ million
Profit before taxation	**2,461.8**	314.5
Adjustments to reconcile profit before tax to net cash flows:		
– Finance cost, excluding foreign exchange	**358.2**	309.4
– Finance income, excluding foreign exchange	**(77.1)**	(48.8)
– Depreciation, depletion and amortisation	**1,545.8**	1,371.0
– Fair value movement in unrealised carbon swaps	**2.6**	–
– Net impairment of property, plant and equipment	**(169.6)**	117.2
– Taxes paid	**(551.5)**	(279.8)
– Share-based payments	**16.5**	8.4
– Decommissioning payments	**(217.0)**	(244.8)
– Onerous contract provision	**–**	(2.3)
– Exploration costs written-off	**64.4**	255.0
– Write-off of non-oil and gas assets	**–**	4.7
– Pre-merger costs	**–**	7.0
– Onerous contract payments	**(2.3)**	(9.2)
– Increase in royalty consideration receivable	**–**	(0.5)
– (Gain)/loss on termination of IFRS 16 lease	**(0.2)**	0.3
– (Gain)/loss on disposal	**(12.1)**	0.1
– Movement in realised cash flow hedges not yet settled	**(104.3)**	361.6
– Unrealised foreign exchange (gain)/loss	**(237.9)**	57.3
Working capital adjustments:		
– Decrease/(increase) in inventories	**65.0**	(13.0)
– Increase in trade and other receivables	**(75.7)**	(607.4)
– Increase in trade and other payables	**63.2**	13.5
Net cash inflow from operating activities	**3,129.8**	1,614.2

Reconciliation of net cash flow to movement in net borrowings

	2022 $ million	2021 $ million
Proceeds from drawdown of borrowing facilities	–	(1,617.5)
Proceeds from issue of bond	–	(500.0)
Short-term debt arising on business combination	–	2,219.3
Repayment of debt – equity allocation to borrowings	–	(942.8)
Repayment of debt – cash allocation to borrowings	–	(1,276.5)
Conversion of D loan notes to equity	–	134.7
Proceeds from EFF loan	**(11.5)**	(45.9)
Repayment of RBL facility	**1,662.5**	697.5
Repayment of junior debt	–	400.0
Loan notes redemption	–	135.7
IFRS 9 modification gain	–	13.9
Repayment of EFF loan	**38.6**	14.7
Repayment of financing arrangement	**15.4**	9.3
Arrangement fees and related costs capitalised	–	88.5
Financing arrangement interest payable	**(9.5)**	(11.6)
Amortisation of arrangement fees and related costs capitalised	**(54.9)**	(38.9)
Currency translation adjustment on EFF loan	**7.3**	0.6
Loan notes interest capitalised	–	(5.6)
Movement in total borrowings	**1,647.9**	(724.6)
Movement in cash and cash equivalents	**(199.0)**	253.3
Decrease/(increase) in net borrowings in the year	**1,448.9**	(471.3)
Opening net borrowings	**(2,187.3)**	(1,716.0)
Closing net borrowings	**(738.4)**	(2,187.3)

Analysis of net borrowings

	2022 $ million	2021 $ million
Cash and cash equivalents	**499.7**	698.7
RBL facility	**(702.3)**	(2,312.0)
Bond	**(491.3)**	(489.5)
EFF loan	**(10.5)**	(44.6)
Net debt	**(704.4)**	(2,147.4)
Financing arrangement	**(34.0)**	(39.9)
Closing net borrowings	**(738.4)**	(2,187.3)

28. Related party disclosures

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

In late 2021, the company agreed a secondment agreement with EIG to second two employees, familiar with Harbour's business and assets, to provide additional support and expertise for Harbour for an initial period of six months from 1 December 2021. The secondment agreement provided that the secondees would work for Harbour on a substantially full-time basis which could be terminated or extended with the agreement of the parties. In May 2022, the company and EIG agreed to terminate the agreement for one secondee and to extend the second for a further period which was subsequently terminated before the end of the year.

Harbour Energy's Viking CCS (formerly V Net Zero), the CO_2 capture, transport and storage network, entered into an arrangement with West Burton Energy, the independent power generation company based in Nottinghamshire which is a subsidiary of EIG, Harbour's largest shareholder. The intention is to capture, transport and permanently store CO_2 emissions from the West Burton B power station. Harbour Energy and West Burton Energy have recently begun the necessary engineering design to connect West Burton B to the high-capacity Viking CCS storage sites located deep beneath the Southern North Sea.

28. Related party disclosures continued

Compensation of key management personnel of the Group

The remuneration of directors during the year is set out in the directors' remuneration report (pages 78 to 99).

Remuneration of key management personnel, including directors of the Group, is shown below:

	2022 $ million	2021[1] $ million
Salaries and short-term employee benefits	**14.6**	18.6
Payments made in lieu of pension contributions	**0.8**	0.7
Termination benefits	**0.4**	–
Pension benefits	**–**	–
	15.8	19.3

1 2021 data includes remuneration of key management personnel for the Chrysaor Holdings Group in the three months to 31 March 2021.

29. Distributions made and proposed

A final dividend of 11 cents per ordinary share in relation to the year ended 31 December 2021 was paid on 18 May 2022 pursuant to shareholder approval received on 11 May 2022. Pursuant to shareholder approval received on 11 May 2022 an interim dividend of 11 cents per ordinary share in relation to the half year ended 30 June 2022 was paid on 19 October 2022.

	2022 $ million	2021 $ million
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2021: 11 cents per share (2020: no dividend)	**98.3**	–
Interim dividend for 2022: 11 cents per share	**93.2**	–
	191.5	–
Proposed dividends on ordinary shares:		
Final dividend for 2022: 12 cents per share (2021: 11 cents per share)	**100.0**	100.0

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December.

30. Events after the reporting period

On 14 February 2023, the Scheme's trustee effected a bulk annuity buy in policy with Just Retirement Limited. This policy secures the benefits of all the Scheme's members and eliminates mortality and investment risk from the company's balance sheet. This decision was made principally in light of the substantial improvement to the Scheme's funded status over 2022 and the favourable market conditions for such transactions. The company was not required to pay any additional contributions to the Scheme in respect of the annuity purchase.

31. Investments

At 31 December 2022, the subsidiary undertakings of the company which were all wholly owned were:

Name of company	Area of operation	Country of incorporation	Main activity
Chrysaor (U.K.) Alpha Limited	UK	UK[2]	Exploration, production, and development
Chrysaor (U.K.) Beta Limited	UK	UK[2]	Decommissioning activities
Chrysaor (U.K.) Delta Limited	UK	UK[2]	Non-trading intermediate holding company
Chrysaor (U.K.) Sigma Limited	UK	UK[2]	Exploration, production, and development
Chrysaor (U.K.) Theta Limited	UK	UK[2]	Exploration, production, and development
Chrysaor (U.K.) Zeta Limited	UK	UK[2]	Non-trading intermediate holding company
Chrysaor CNS Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Developments Limited	UK	UK[2]	Decommissioning activities
Chrysaor E&P Finance Limited	UK	UK[2]	Financing company
Chrysaor E&P Limited	UK	UK[2]	Intermediate holding company
Harbour Energy Services Limited (formerly Chrysaor E&P Services Limited)	UK	UK[2]	Service company
Chrysaor Holdings Limited[1]	UK	Cayman Islands[13]	Intermediate holding company

Name of company	Area of operation	Country of incorporation	Main activity
Chrysaor Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Marketing Limited	UK	UK[2]	Gas trading
Harbour Energy Norge AS (formerly Chrysaor Norge AS)	Norway	Norway[3]	Exploration, production, and development
Chrysaor North Sea Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Petroleum Company U.K. Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Petroleum Limited	UK	UK[2]	Decommissioning activities
Chrysaor Production (U.K.) Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Production Holdings Limited	UK	UK[2]	Intermediate holding company
Chrysaor Production Limited	UK	UK[2]	Intermediate holding company
Chrysaor Resources (Irish Sea) Limited	UK	UK[2]	Exploration, production, and development
Chrysaor Resources (UK) Holdings Limited	UK	UK[2]	Intermediate holding company
Ebury Gate Limited	Guernsey	Guernsey[11]	Risk mitigation services
EnCore (NNS) Limited	UK	UK[2]	Intermediate holding company
EnCore Oil Limited	UK	UK[2]	Intermediate holding company
FP Mauritania A BV	Mauritania	Netherlands[7]	Decommissioning activities
FP Mauritania B BV	Mauritania	Netherlands[7]	Decommissioning activities
Premier Oil (EnCore Petroleum) Limited	UK	UK[2]	Intermediate holding company
Premier Oil (Vietnam) Limited	Vietnam	British Virgin Islands[8]	Exploration, production, and development
Premier Oil Aberdeen Services Limited	UK	UK[2]	Service company
Premier Oil and Gas Services Limited	UK	UK[2]	Service company
Premier Oil Andaman I Limited	Indonesia	UK[2]	Exploration, production, and development
Premier Oil Andaman Limited	Indonesia	UK[2]	Exploration, production, and development
Premier Oil ANS Holdings Limited	UK	UK[2]	Intermediate holding company
Premier Oil ANS Limited	Alaska	UK[2]	Exploration, production, and development
Premier Oil Barakuda Limited	Indonesia	UK[2]	Exploration, production and development
Premier Oil do Brasil Petroleo e Gas Ltda	Brazil	Brazil[9]	Exploration, production, and development
Premier Oil E&P Holdings Limited	UK	UK[2]	Intermediate holding company
Premier Oil E&P UK Energy Trading Limited	UK	UK[2]	Gas trading
Premier Oil E&P UK EU Limited	UK	UK[2]	Exploration, production, and development
Premier Oil E&P UK Limited	UK	UK[2]	Exploration, production, and development
Premier Oil Exploration (Mauritania) Limited	Mauritania	Jersey[6]	Decommissioning activities
Premier Oil Exploration and Production Mexico S.A.de C.V.	Mexico	Mexico[10]	Exploration, production, and development
Premier Oil Far East Limited	Singapore	UK[2]	Service company
Premier Oil Finance (Jersey) Limited[1]	Jersey	Jersey[6]	Investment management
Premier Oil Group Holdings Limited[1]	UK	UK[2]	Intermediate holding company
Premier Oil Group Limited	UK	UK[5]	Intermediate holding company
Premier Oil Holdings Limited	UK	UK[2]	Intermediate holding company
Premier Oil Mauritania B Limited	Mauritania	Jersey[6]	Decommissioning activities
Premier Oil Mexico Holdings Limited	UK	UK[2]	Intermediate holding company
Premier Oil Mexico Investments Limited	UK	UK[2]	Intermediate holding company
Premier Oil Mexico Recursos S.A. de C.V.	Mexico	Mexico[10]	Exploration, production, and development
Premier Oil Natuna Sea BV	Indonesia	Netherlands[7]	Exploration, production, and development
Premier Oil Overseas BV	Netherlands	Netherlands[7]	Intermediate holding company
Premier Oil South Andaman Limited	Indonesia	UK[2]	Exploration, production, and development
Premier Oil Tuna BV	Indonesia	Netherlands[7]	Exploration, production, and development
Premier Oil UK Limited	UK	UK[5]	Exploration, production, and development
Premier Oil Vietnam 121 Limited	Vietnam	UK[2]	Exploration, production, and development
Premier Oil Vietnam Offshore BV	Vietnam	Netherlands[7]	Exploration, production, and development
Chrysaor (U.K.) Britannia Limited	–	UK[2]	Dormant company

31. Investments continued

Name of company	Area of operation	Country of incorporation	Main activity
Chrysaor (U.K.) Eta Limited	–	UK[2]	Non-trading
Chrysaor (U.K.) Lambda Limited	–	ROI[4]	Dormant company
Chrysaor Energy Limited	–	UK[2]	Non-trading
Chrysaor Investments Limited	–	UK[2]	Dormant company
Chrysaor Supply & Trading Limited	–	UK[2]	Dormant company
EnCore (VOG) Limited	–	UK[2]	Dormant company
EnCore CCS Limited	–	UK[2]	Dormant company
EnCore Natural Resources Limited	–	UK[2]	Dormant company
EnCore Oil and Gas Limited	–	UK[2]	Dormant company
Harbour Energy Developments Limited	–	UK[2]	Dormant company
Harbour Energy Production Limited	–	UK[2]	Dormant company
Harbour Energy Secretaries Limited (formerly Premier Oil Ebury Limited)	–	UK[2]	Non-trading
Chrysaor Petroleum Chemicals U.K. Limited (formerly Harbour Energy Services Limited)	–	UK[2]	Dormant company
Premier Oil B Limited	–	UK[2]	Dormant company
Premier Oil Belgravia Holdings Limited	–	UK[2]	Non-trading Intermediate holding company
Premier Oil Belgravia Limited	–	UK[2]	Non-trading
Premier Oil Bukit Barat Limited	–	UK[2]	Dormant company
Premier Oil Buton BV	–	Netherlands[7]	Non-trading
Premier Oil CCS Limited	–	UK[2]	Dormant company
Premier Oil Congo (Marine IX) Limited	–	Jersey[6]	Dormant company
Premier Oil Exploration and Production (Iraq) Limited	–	UK[2]	Dormant company
Premier Oil Exploration Limited	–	UK[5]	Non-trading
Premier Oil Exploration ONS Limited	–	UK[2]	Dormant company
Premier Oil International Holding BV	–	Netherlands[7]	Non-trading
Premier Oil Investments Limited	–	UK[2]	Dormant company
Premier Oil ONS Limited	–	UK[2]	Dormant company
Premier Oil Pacific Limited	–	Hong Kong[12]	Dormant company
Premier Oil Pakistan Offshore BV	–	Netherlands[7]	Dormant company
Premier Oil Philippines BV	–	Netherlands[7]	Dormant company
Premier Oil Vietnam North BV	–	Netherlands[7]	Non-trading
Premier Overseas Holdings Limited	–	UK[2]	Dormant company
XEO Exploration plc	–	UK[2]	Dormant company

Notes:
1 Held directly by the company. All other companies are held through a subsidiary undertaking.
2 Registered office – 23 Lower Belgrave Street, London SW1W ONR, United Kingdom.
3 Registered office – Haakon VII's gate 1, 4th Floor, 0161 Oslo, Norway.
4 Registered office – Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.
5 Registered office – 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN, United Kingdom.
6 Registered office – 46/50 Kensington Place, 1st Floor, Kensington Chambers, St. Helier JE4 0ZE, Jersey.
7 Registered office – Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands.
8 Registered office – Commerce House, Wickhams Cay 1, Road Town, Tortola VG1110, British Virgin Islands.
9 Registered office – Rua Lauro Muller, 116 – Sala 3201, Botafogo, Rio de Janeiro, CEP: 22.290-160, Brazil.
10 Registered office – Presidente Masaryk 111, Piso 1, Polanco V Seccion, Mexico City CP 11560, Mexico.
11 Registered office – Level 5, Mill Court, La Charroterie, St Peter Port GY1 1EJ, Guernsey.
12 Registered office – 31/F, Tower Two, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong.
13 Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Company balance sheet
As at 31 December

	Note	2022 $ million	2021 $ million
Assets			
Non-current assets			
Investments in subsidiaries	3	**2,301.7**	4,965.6
Long-term employee benefit plan surplus	7	**0.2**	0.8
Long-term receivables	4	**2,208.9**	2,782.6
Total non-current assets		**4,510.8**	7,749.0
Current assets			
Trade and other receivables	4	**4.5**	4.8
Total current assets		**4.5**	4.8
Current liabilities			
Trade and other payables	5	**(14.8)**	(10.9)
Net current liabilities		**(10.3)**	(6.1)
Non-current liabilities			
Borrowings	6	**(491.3)**	(489.5)
Long-term employee benefit plan deficit	7	**(0.5)**	(0.7)
Net assets		**4,008.7**	7,252.7
Equity and reserves			
Share capital	9	**171.1**	171.1
Share premium account		**–**	1,504.6
Retained earnings		**3,829.5**	762.6
Other reserves		**8.1**	4,814.4
Total equity and reserves		**4,008.7**	7,252.7

Loss for the year ending 31 December 2022 was $2,703.9 million (2021: $104.3 million profit).

The financial statements, including the notes, of Harbour Energy plc (registered number SC234781) on pages 173 to 176 were approved and authorised for issue by the board of directors on 8 March 2023 and signed on its behalf by:

Alexander Krane
Chief Financial Officer

Company statement of changes in equity
For the year ended 31 December

	Share capital $ million	Share premium $ million	Merger reserve $ million	Capital redemption reserve $ million	Retained earnings $ million	Total equity $ million
At 1 January 2022	171.1	1,504.6	4,806.3	8.1	762.6	7,252.7
Purchase and cancellation of own shares[1]	–	–	–	–	(360.6)	(360.6)
Loss for the financial year	–	–	–	–	(2,703.9)	(2,703.9)
Capital restructuring[2]	–	(1,504.6)	(4,806.3)	–	6,310.9	–
Expense for share-based payments	–	–	–	–	33.9	33.9
Purchase of ESOP Trust shares	–	–	–	–	(21.6)	(21.6)
Pension – actuarial losses	–	–	–	–	(0.3)	(0.3)
Dividend paid	–	–	–	–	(191.5)	(191.5)
At 31 December 2022	**171.1**	**0**	**0**	**8.1**	**3,829.5**	**4,008.7**
As at 1 January 2021	171.1	517.5	374.3	8.1	650.3	1,721.3
Merger shares issued	–	–	4,432.0	–	–	4,432.0
Debt settlement non top-up	–	987.1	–	–	–	987.1
Purchase of ESOP Trust shares	–	–	–	–	(4.9)	(4.9)
Profit for the financial year	–	–	–	–	104.3	104.3
Expense for share-based payments	–	–	–	–	13.1	13.1
Movement in cash flow hedges	–	–	–	–	(0.2)	(0.2)
At 31 December 2021	171.1	1,504.6	4,806.3	8.1	762.6	7,252.7

1 Includes $2.1 million costs in relation to fees and stamp duty.
2 Share premium and merger reserve balances recategorised to retained earnings following the capital reduction effective 3 August 2022. Of the reserves capitalised $1.65 billion is non-distributable until 31 March 2028.

Notes to the company financial statements

1. Significant accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). 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 49.

Where required, the equivalent disclosures are given in the consolidated financial statements. Key sources of estimation uncertainty disclosure are provided in the accounting policies and in relevant notes to the consolidated financial statements as applicable. Details of the company's share-based payment schemes are provided in note 25 of the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out on pages 123 to 136 to the consolidated financial statements except that investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2. Loss/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 loss for the financial year ended 31 December 2022 of $2,703.9 million (2021: $104.3 million profit). Other comprehensive expense for the year was $0.3 million (2021: $0.2 million).

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

3. Fixed asset investments

Net book value	2022 $ million
At 1 January	**4,965.6**
Additions	**–**
Impairment	**(2,663.9)**
At 31 December	**2,301.7**

The impairment provision of $2,663.9 million was triggered by a decrease in the estimated fair value of the company's investments in subsidiaries as at 31 December 2022, primarily resulting from the introduction of the UK Energy Profits Levy. The impairment has been calculated with reference to the company's market capitalisation at the year-end date, adjusted to reflect a control premium and cost of disposal in order to determine the recoverable amount of the investments on a fair value less cost to sell basis. A 10 per cent increase/decrease in the share price would result in a $380 million/$419 million decrease/increase to the impairment provision.

A list of all investments in subsidiaries held at 31 December 2022, including the name and type of business, the country of operation and the country of incorporation or registration, is given in note 31 to the consolidated financial statements.

4. Receivables

Current	2022 $ million	2021 $ million
Amounts owed by subsidiary undertakings[1]	**0.5**	0.3
Trade debtors	**0.1**	–
Prepayments	**3.9**	4.5
	4.5	4.8
Non-current		
Amounts owed by subsidiary undertakings[2]	**2,208.9**	2,782.6

1 Amounts owed by subsidiary undertakings include non-interest bearing loans that are repayable on demand, although the company has confirmed that it has no current intention to call on the loans until at least 12 months from the date of the approval of these financial statements.
2 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 receivables approximate their fair value.

5. Trade and other payables

	2022 $ million	2021 $ million
Amounts owed to subsidiary undertakings	**1.6**	1.7
Other creditors	**0.5**	1.4
Tax	**5.2**	–
Accruals	**7.5**	7.8
	14.8	10.9

The carrying values of the company's payables approximate their fair value.

6. Borrowings

	2022		2021	
	Book value $ million	Fair value $ million	Book value $ million	Fair value $ million
Bond	**(491.3)**	**(446.4)**	(489.5)	(483.0)

In October 2021, the company issued a $500 million bond under Rule 144A which has a tenor of five years to maturity. The coupon was set at 5.50 per cent and interest is payable semi-annually.

7. Long-term employee benefit plan

Defined benefit schemes

The company operates a defined benefit scheme in the UK – The Retirement and Death Benefits Plan (the Scheme). Further details of the Scheme are disclosed in note 26 of the consolidated financial statements.

Defined contribution schemes

The company operates a defined contribution retirement benefit scheme. Further details of this scheme are provided in note 26 of the consolidated financial statements.

8. Commitments and guarantees

At the year-end date, the company (together with certain subsidiary undertakings) guaranteed the Group's borrowing facilities, which comprise:

- $4.1 billion reserves-based lending facility, of which $1.5 billion is available for drawing letters of credit; and
- $500 million bond.

9. Share capital

Further details of these items are disclosed in note 24 of the consolidated financial statements.

10. Dividends

Further details of these items are disclosed in note 29 of the consolidated financial statements.

UK Government payment reporting
For the year ended 31 December

Basis of preparation
The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The aim of the regulations is to enhance the transparency of the payments made by companies in the extractive sector to host governments in the form of taxes, bonuses, royalties, fees and support for infrastructure improvements.

This consolidated report provides information in accordance with DTR 4.3A in respect of payments made by the company and its subsidiaries to governments for the year ended 31 December 2022 and in compliance with the Reports on Payments to Governments Regulations 2014 (SI 2014/3209), as amended by the Reports on Payments to Governments (Amendment) Regulations 2015 (SI 2015/1928).

The payments disclosed are based on where the obligation for the payment arose: payments levied at a project level have been disclosed at a project level and payments levied at a corporate level have been disclosed on that basis.

The payments disclosed are for the 12-month period ending 31 December 2022.

Within the UK Regulations, a project is defined as being the operational activities which are governed by a single contract, licence, lease, concession or a similar legal agreement. The company undertakes extractive activities in different types of fiscal petroleum regimes and therefore the types of payments disclosed vary from country to country. For the purposes of our reporting, for the UK, individual licences have been grouped into geographical hubs and are classified as projects; for the Falkland Islands and Norway we have classified each individual licence as a project, whereas for Indonesia, Vietnam and Mexico each PSC arrangement has been classified as a project.

All of the payments disclosed have been made to national governments, either directly or through a Ministry or Department, or to a national oil company, who have a working interest in a particular licence. For projects where we are the operator we have disclosed the full payment made on behalf of the project; where we have a non-operated interest we have not disclosed payments made on our behalf by another party.

In line with the UK Regulations, where a payment or a series of related payments do not exceed $106,419 (£86,000), they have not been disclosed. Where the aggregate payments made in the period for a project or country are less than $106,419 we have not disclosed the payments made for this project or country.

Our total economic value distributed to all stakeholders can be found in the ESG review on page 40.

Reporting currency: Payments disclosed in this report have been disclosed in US dollars, consistent with the rest of the 2022 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.

UK Government payment reporting continued
For the year ended 31 December

Country	Licence and hub/ company level	Production entitlements bbls '000s	Production entitlements $ '000s	Income taxes $ '000s	Royalties; cash only $ '000s	Dividends $ '000s	Bonus payments $ '000s	Licence fees $ '000s	Infrastructure improvement payments $ '000s	Total $ '000s
Falkland Islands	Sea Lion	–	–	–	–	–	–	200	–	200
	Corporate	–	–	–	–	–	–	276	–	276
	Total Falkland Islands	**–**	**–**	**–**	**–**	**–**	**–**	**476**	**–**	**476**
Indonesia	Natuna Sea Block A	3,673	291,474	65,557	–	–	–	–	–	357,031
	Total Indonesia	**3,673**	**291,474**	**65,557**	**–**	**–**	**–**	**–**	**–**	**357,031**
Mexico	Block 11	–	–	–	–	–	–	578	–	578
	Block 13	–	–	–	–	–	–	544	–	544
	Total Mexico	**–**	**–**	**–**	**–**	**–**	**–**	**1,122**	**–**	**1,122**
Norway	Corporate	–	–	(46,213)	–	–	–	–	–	(46,213)
	Total Norway	**–**	**–**	**(46,213)**	**–**	**–**	**–**	**–**	**–**	**(46,213)**
United Kingdom	Central North Sea	–	–	(304)	–	–	–	7,108	–	6,804
	Southern North Sea	–	–	(7,146)	–	–	–	2,791	–	(4,355)
	East Irish Sea	–	–	–	–	–	–	1,632	–	1,632
	West of Shetland	–	–	–	–	–	–	324	–	324
	Other	–	–	–	–	–	–	213	–	213
	Corporate	–	–	521,172	–	–	–	–	–	521,172
	Total UK	**–**	**–**	**513,722**	**–**	**–**	**–**	**12,068**	**–**	**525,790**
Vietnam	Chim Sáo	154	14,470	–	–	–	450	–	–	14,920
	Corporate	–	–	21,472	8,848	–	–	–	–	30,320
	Total Vietnam	**154**	**14,470**	**21,472**	**8,848**	**–**	**450**	**–**	**–**	**45,240**
Total Group		**3,827**	**305,944**	**554,538**	**8,848**	**–**	**450**	**13,666**	**–**	**883,446**

Country	Government	Production entitlements bbls '000s	Production entitlements $ '000s	Income taxes $ '000s	Royalties; cash only $ '000s	Dividends $ '000s	Bonus payments $ '000s	Licence fees $ '000s	Infrastructure improvement payments $ '000s	Total $ '000s
Falkland Islands	Falkland Island Government: Department of Mineral Resources	–	–	–	–	–	–	476	–	476
	Total Falkland Islands	**–**	**–**	**–**	**–**	**–**	**–**	**476**	**–**	**476**
Indonesia	SKK Migas	3,673	291,474	–	–	–	–	–	–	291,474
	Directorate General of Taxes	–	–	65,557	–	–	–	–	–	65,557
	Total Indonesia	**3,673**	**291,474**	**65,557**	**–**	**–**	**–**	**–**	**–**	**357,031**
Mexico	Fondo Mexicano del Petróleo para la Estabilización y el Desarrollo (FMP)	–	–	–	–	–	–	969	–	969
	Servicio de Administración Tributaria (SAT)	–	–	–	–	–	–	153	–	153
	Total Mexico	**–**	**–**	**–**	**–**	**–**	**–**	**1,122**	**–**	**1,122**
Norway	Tax authorities (Skatteetaten)	–	–	(46,213)	–	–	–	–	–	(46,213)
	Total Norway	**–**	**–**	**(46,213)**	**–**	**–**	**–**	**–**	**–**	**(46,213)**
United Kingdom	HM Revenue & Customs	–	–	513,722	–	–	–	–	–	513,722
	The North Sea Transition Authority	–	–	–	–	–	–	11,436	–	11,436
	The Crown Estate	–	–	–	–	–	–	418	–	418
	Crown Estate Scotland	–	–	–	–	–	–	214	–	214
	Total UK	**–**	**–**	**513,722**	**–**	**–**	**–**	**12,068**	**–**	**525,790**
Vietnam	Petro Vietnam	154	14,470	–	–	–	450	–	–	14,920
	HCM Tax Department	–	–	21,472	5,285	–	–	–	–	26,757
	Vung Tau Customs office	–	–	–	3,563	–	–	–	–	3,563
	Total Vietnam	**154**	**14,470**	**21,472**	**8,848**	**–**	**450**	**–**	**–**	**45,240**
Total Group		**3,827**	**305,944**	**554,538**	**8,848**	**–**	**450**	**13,666**	**–**	**883,446**

Group reserves and resources

For the year ended 31 December

Oil and gas

	North Sea[1]			International[1]			Total[1]		
	Oil and NGLs mmbbls	Gas bcf	Total mmboe[2]	Oil and NGLs mmbbls	Gas bcf	Total mmboe[2]	Oil and NGLs mmbbls	Gas bcf	Total mmboe[2]
2P reserves (working interest)									
1 January 2022	232	1,208	461	11	85	27	243	1,293	488
Revisions[3]	17	(89)	1	(1)	(10)	(3)	16	(99)	(2)
Production	(36)	(183)	(71)	(1)	(18)	(5)	(38)	(202)	(76)
31 December 2022	**213**	**936**	**390**	**9**	**57**	**19**	**221**	**993**	**410**
2P reserves (entitlement)[4]									
31 December 2022	**213**	**936**	**390**	**7**	**44**	**15**	**220**	**980**	**405**
2C resources (working interest)									
1 January 2022	220	516	309	116	208	151	336	724	460
Revisions, additions and relinquishments[5]	(78)	(155)	(105)	21	449	99	(57)	295	(5)
31 December 2022	**142**	**361**	**204**	**137**	**657**	**250**	**279**	**1,019**	**455**

1 North Sea consists of UK and Norway, while International consists of Indonesia, Vietnam and Mexico. Volumes reflect internal estimates. ERCE as a competent independent person has audited the Group's 2P net entitlement and working interest reserves as at 31 December 2022 and ERCE considers these to be fair and reasonable as per the SPE Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information. ERCE has also audited c.80 per cent of the Group's 2C contingent resources as at 31 December 2022 and is of the opinion that Harbour's estimates are fair and reasonable. Further, ERCE believes that if its audit had included all of Harbour's 2C resources then it would have been able to express the same opinion.
2 Conversion of gas volumes from bcf to boe is determined using an energy conversion of 5.8 mmbtu per boe. Fuel gas is not included in these estimates.
3 2P reserves revisions are accounted for by a downward revision of the Group's estimates of the Tolmount field 2P reserves based on the production performance of the field partially offset by the sanction of further activity, including the Talbot field development and for a further well in the Greater Britannia Area.
4 Harbour's net entitlement 2P reserves are lower than its working interest 2P reserves for its international assets, reflecting the terms of the Production Sharing Contracts (PSC).
5 Movement in 2C resources reflects the addition of the Timpan gas discovery in Indonesia offset by the movement of some volumes to 2P reserves, revisions and UK licence relinquishments.

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 405 mmboe as at 31 December 2022.

Because of rounding, some totals may not agree exactly with the sum of their component parts.

CO_2 storage capacity

	31 December 2022	At 31 December 2021
2C resources (million tonnes)[1]	**300**	–

1 Volumes reflect internal estimates. Harbour commissioned ERCE to complete a Competent Person's Report of the Storage Capacity of the Viking CCS project to the Society of Petroleum Engineers (SPE) Storage Resources Management System (SRMS) standard, and to audit Harbour's 2C storage resource estimate. This audit process has confirmed Harbour's estimate of 300 million tonnes of 2C storage resource for the Viking CCS project is fair and reasonable.

Worldwide licence interests
As at 31 December 2022

United Kingdom
Operated producing assets

Location	Asset(s)	Operator	Harbour equity	Associated fields/discoveries
Armada Area	Armada, Everest and Lomond	Harbour	100.0%	Drake, Fleming, Hawkins, Maria and Seymour
Catcher Area	Catcher	Harbour	50.0%	Burgman, Varadero and Laverda
Greater Britannia Area	Britannia	Harbour	58.7%	N/A
	Brodgar	Harbour	93.8%	N/A
	Callanish	Harbour	83.5%	N/A
	Enochdhu	Harbour	50.0%	N/A
J-Area	J-Area	Harbour	67.0%	Jasmine, Joanne, Judy, Dunnottar and Talbot
	Jade	Harbour	67.5%	N/A
West of Shetland	Solan	Harbour	100.0%	N/A
Southern North Sea	Johnston	Harbour	28.75%	N/A
	Tolmount	Harbour	50.0%	Tolmount and Tolmount East
East Irish Sea[1]	Calder, Dalton and Millom	Harbour	100.0%	N/A

1 Operated on our behalf by Spirit Energy.

Non-operated producing assets

Location	Asset(s)	Operator	Harbour equity	Associated fields/discoveries
West of Shetland	Clair	BP	7.5%	N/A
	Schiehallion	BP	10.0%	N/A
Central North Sea	Alder	Ithaca	26.3%	N/A
	Buzzard	CNOOC	21.7%	N/A
	Elgin, Franklin and West Franklin	Total	19.3%	N/A
	Erskine	Ithaca	32.0%	N/A
	Glenelg	Total	33.3%	N/A
	Nelson	Shell	1.7%	N/A
Northern North Sea	Beryl	Apache	39.4%	N/A
	Buckland	Apache	37.5%	N/A
	Callater	Apache	45.0%	N/A
	Ness/Nevis Central	Apache	39.4%	N/A
	Nevis South	Apache	42.8%	N/A
	Nevis West	Apache	49.1%	N/A
	Skene	Apache	34.0%	N/A
	Storr	Apache	39.5%	N/A
Southern North Sea	Galleon	Shell	8.4%	N/A
	Ravenspurn North	Perenco	28.8%	N/A

Note:
These lists are not exhaustive. Harbour also holds a number of operated and non-operated interests in fields on the UK Continental Shelf that have ceased production and are in or are entering decommissioning, as well as operated exploration, appraisal and pre-development interests.

Infrastructure

Asset	Operator	Harbour equity
Rivers terminal	Harbour[1]	100.0%
Sullom Voe terminal	EnQuest	0.5%
Brent pipeline system	TAQA	0.8%
Central area transmission system (CATS) pipeline	Kellas Midstream	0.7%
Esmond transportation system (ETS) pipeline	Kellas Midstream	10.0%
Glen Lyon FPSO	BP	8.2%
Graben area export line (GAEL) pipeline (Northern)	Ineos	4.0%
Graben area export line (GAEL) pipeline (Southern)	Ineos	13.4%
Scottish area gas evacuation (SAGE) pipeline	Ancala Midstream	19.7%
Shearwater and Elgin area line (SEAL) pipeline	Shell	10.8%
SEAL interconnector link (SILK) pipeline	Total	16.0%
West of Shetland pipeline system	BP	2.7%

1 Operated on our behalf by Spirit Energy.

Worldwide licence interests continued

As at 31 December 2022

Norway

Location	Asset(s)	Operator	Harbour equity	Associated fields/discoveries
PL956	Block 25/8	Vår Energi	15.0%	N/A
PL973	Block 15/12	Harbour	50.0%	N/A
PL973B	Block 15/12	Harbour	50.0%	N/A
PL1032	Blocks 2/7 and 2/10	Aker BP	40.0%	N/A
PL1034	Block 15/12	Harbour	60.0%	N/A
PL1058	Blocks 6307/1 and 6407/10	Equinor	40.0%	N/A
PL1060	Blocks 6407/8 and 6407/9	Equinor	20.0%	N/A
PL1066	Block 6507/3	Aker BP	50.0%	Galtvort
PL1087	Blocks 2/2 and 2/5	Harbour	50.0%	N/A
PL1089	Blocks 1/5 and 1/6	Aker BP	50.0%	N/A
PL1092	Blocks 15/6 and 9	Aker BP	50.0%	N/A
PL1093	Blocks 16/4, 5, 6, 8 and 9	Harbour	50.0%	N/A
PL1113	Blocks 6407/8, 9 and 11	Neptune	30.0%	N/A
PL1114	Blocks 640/7/7. 8, 10 and 11	Harbour	40.0%	N/A
PL 1138	Blocks 15/9, 16/4, 16/7	Harbour	40.0%	N/A
PL 1155	Blocks 6407/10 and 6407/11	Equinor	20.0%	N/A
PL 1162	Block 6407/2	Aker BP	30.0%	N/A
PL 1164	Block 6507/11	Aker BP	30.0%	N/A

Other worldwide licences

Licence	Asset(s)	Operator	Harbour equity	Associated fields/discoveries
Indonesia				
South Andaman	South Andaman	Mubadala Petroleum	20.0%	N/A
Andaman I	Andaman I	Mubadala Petroleum	20.0%	N/A
Andaman II	Andaman II	Harbour	40.0%	Timpan
Natuna Sea	Block A	Harbour	28.7%	Anoa, Gajah Baru, Naga, Pelikan, Bison, Iguana and Gajah Puteri
Tuna Block	Tuna Block	Harbour	50.0%	Kuda Laut and Singa Laut
Mexico				
Mexico Block 7	7	Talos	25.0%	Zama
Mexico Block 11	11	Harbour	100.0%	N/A
Mexico Block 13	13	Harbour	100.0%	N/A
Mexico Block 30	30	WDEA	30.0%	N/A
Vietnam				
Block 12W	12W	Harbour	53.1%	Chim Sáo, Chim Sáo North and Dua

Note:
These lists are not exhaustive. Harbour also holds a number of non-operated interests in fields in Mauritania that are currently being decommissioned.

Glossary

2C	Best estimate of contingent resources
2P	Proven and probable reserves
ABP	Association of British Ports
ADR	American depositary receipt
AFE	Authorisation for expenditure
AGM	Annual General Meeting
APA	Awards in Predefined Areas
APS	Announced Pledges Scenario
bbl	Barrel
bcf	Billion cubic feet
BEIS	Department for Business, Energy and Industrial Strategy
BMS	Business management system
boe	Barrel(s) of oil equivalent
CBCR	Country-by-country reporting
CCGT	Combined cycle gas turbine
CCS	Carbon capture and storage
CGUs	Cash-generating units
Chrysaor	Chrysaor Holdings Limited and subsidiaries
CMAPP	Corporate major accident prevention policy
CO_2e	Carbon dioxide equivalent
COP	Cessation of production
CPI	Consumer price index
CPRs	Competent person reports
CRR	Corporate reporting review
CRROs	Climate-related risks and opportunities
CSA	Conditional share awards
DBSP	Deferred bonus share plan
DCO	Development consent order
DD&A	Depreciation, depletion and amortisation
DE&I	Diversity, equity and inclusion
DESZN	Department for Energy Security and Net Zero
DRIP	Dividend re-investment plan
DTA	Deferred tax asset
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration
ECL	Expected credit losses
E&E	Exploration and evaluation
EFF	Exploration financing facility
EIR	Effective interest rate
EITI	Extractives Industries Transparency Initiative
EMS	Enterprise management system
EPL	Energy Profits Levy
EPS	Earnings per share
ERRV	Emergency response and rescue vessel
ESG	Environmental, social and governance
ESOP	Employee stock ownership plan
EUA	European Union Allowance
EUR	Euros
EVP	Executive Vice President
EY	Ernst & Young LLP
FCA	Financial Conduct Authority
FEED	Front end engineering and design
FPSO	Floating production, storage and offtake vessel
FRC	Financial Reporting Council
FVLCD	Fair value less cost of disposal
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
FY	Full year
GHG	Greenhouse gas emissions
GJ	Gigajoule
GRI	Global reporting initiative
HiPo	High potential incident (Any incident or near miss that could, in other circumstances, have realistically resulted in one or more fatalities)
HiPoR	High potential incident rate (The frequency of HiPos per million worked hours)
HMRC	HM Revenue & Customs
HSES	Health, safety, environment and security
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IEA	International Energy Agency
IFRIC	IFRS interpretations committee
IFRSs	International Financial Reporting Standards
IOGP	International Association of Oil and Gas Producers
IPCC	Intergovernmental Panel on Climate Change
IPIECA	International Petroleum Industry Environmental Conservation Association
IRR	Internal rate of return
ISAs (UK)	International Standards on Auditing (UK)
ISDA	International Swaps and Derivatives Association
JV	Joint venture
kboepd	Thousand barrels of oil equivalent per day
$kgCO_2e$	Kilograms of carbon dioxide equivalent
km^2	Square kilometre
KPI	Key performance indicator
kt	Thousand tonnes
LIBOR	London Inter-Bank Offered Rate
LNG	Liquefied natural gas
LOGGS	Lincolnshire Offshore Gas Gathering System
LTIP	Long Term Incentive Plan

Glossary continued

LWDC	Lost work day cases
M&A	Mergers and acquisitions
MAH	Major accident hazards
mmboe	Million barrels of oil equivalent
mscf	Thousand standard cubic feet
mt	Million tonnes
MTC	Medical treatment cases
mtpa	Million tonnes per annum
NBP	Natural gas prices
NCP	National contingency plan
NGFS	Network for Greening the Financial System
NGL	Natural gas liquids
NGO	Non-government organisation
NOK	Norwegian krone
NSIP	Nationally Significant Infrastructure Project
NSTA	North Sea Transition Authority
NSTD	North Sea Transition Deal
NTS	National Transmission System
NZE	Net zero emissions
OCM	Operating Committee Meetings
OECD	Organisation for Economic Co-operation and Development
OEUK	Offshore Energies UK
OSV	Offshore support vessel
POD	Plan of development
PPA	Purchase price allocation
PP&E	Property, plant and equipment
Premier	Premier Oil plc and subsidiaries
PSA	Performance Share Awards
PSC	Production sharing contract
PSE	Process safety events
PVSP	Premier Value Share Plan
RBL	Reserves-based lending
RFCT	Ring-fence corporation tax
RPI	Retail price index
RSA	Restricted Share Award
RTO	Reverse takeover
RWDC	Restricted work day cases
SAYE	Save As You Earn
Scope 1	Direct emissions from owned or operated sources
Scope 2	Indirect emissions from the generation of purchased energy
Scope 3	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions
SCT	Supplementary charge tax
SIP	Share Incentive Plan
SOFR	Secured Overnight Financing Rate
SPE	Society of Petroleum Engineers
SRMS	Storage Resources Management System
SSP	Shared Socioeconomic Pathways
Tcf	Trillion cubic feet
TCFD	Task Force on Climate-related Financial Disclosures
Therm	A unit for quantity of heat that equals 100,000 British thermal units. One therm is equal to approximately 100 cubic feet of natural gas
TRIR	Total Recordable Injury Rate (The number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked)
TSR	Total shareholder return
TWh	Terawatt-hour
USD	US dollar
VP	Vice President
WACC	Weighted average cost of capital

Non-IFRS measures

Harbour uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles (GAAP). These non-IFRS measures, which are presented within the Financial review, are defined below:

- **Capital investment:** Depicts how much the Group has spent on purchasing fixed assets in order to further its business goals and objectives. It is a useful indicator of the Group's organic expenditure on oil and gas assets, and exploration and appraisal assets, incurred during a period.
- **DD&A per barrel:** Depreciation and amortisation of oil and gas properties for the period divided by working interest production. This is a useful indicator of ongoing rates of depreciation and amortisation of the Group's producing assets.
- **EBITDAX:** Earnings before tax, interest, depreciation and amortisation, impairments, remeasurements, onerous contracts and exploration expenditure. This is a useful indicator of underlying business performance.
- **Free cash flow:** Operating cash flow less cash flow from investing activities less interest and lease payments.
- **GHG intensity:** Reported on a gross operated basis and excluding offsets.
- **Leverage ratio:** Net debt/last 12 months EBITDAX.
- **Liquidity:** The sum of cash and cash equivalents on the balance sheet and the undrawn amounts available to the Group on our principal facilities. This is a key measure of the Group's financial flexibility and ability to fund day-to-day operations.
- **Net debt:** Total reserves-based lending facility, bond and exploration financing facility (net of the carrying value of unamortised fees) less cash and cash equivalents recognised on the consolidated balance sheet. This is an indicator of the Group's indebtedness and contribution to capital structure.
- **Operating cost per barrel:** Direct operating costs (excluding over/underlift) for the period, including tariff expense, insurance costs and mark to market movements on emissions hedges, less tariff income, divided by working interest production. This is a useful indicator of ongoing operating costs from the Group's producing assets.
- **Total capital expenditure:** Capital investment 'additions' per notes 11 and 12 plus decommissioning expenditure 'amounts used' per note 20.

Shareholder information

Registrar
All enquiries concerning your shareholding should be directed to Equiniti:

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Website: **www.equiniti.com**

Share portal
As a shareholder you have direct access to an online share portal operated by Equiniti at **www.shareview.co.uk**. You can access the share portal with your Shareholder Reference Number (SRN) which can be found on your share certificate. The portal provides a range of services, free of charge, to help you to administer your shareholding quickly and efficiently by allowing you to:

- change your address details;
- choose to receive electronic shareholder communications;
- set up or amend a dividend mandate so dividends can be paid directly to your bank account; and
- buy and sell Harbour Energy plc shares using the dealing service operated by Equiniti.

E-communications
Shareholders have the option to receive communications including annual reports and notices of meetings electronically. This is a faster, more environmentally friendly and, for Harbour Energy plc, a more cost-effective way for shareholders to receive annual reports and other statutory communications as soon as they are available. To register for this service, please visit the share portal: **www.shareview.co.uk**. You will need your 11 digit Shareholder Reference Number which can be found on documents that you have been sent by Equiniti. Once registered, Harbour Energy plc will communicate with you via email rather than post.

Dividends
Details of dividend payments made are included within the Shareholder Information section of the Investors area of the company website: **harbourenergy.com**.

The company operates a Dividend Reinvestment Plan (DRIP) which enables shareholders to buy the company's shares on the London stock market with their cash dividend. Further information about the DRIP is available from Equiniti.

Shareholder security
Shareholders are advised to be cautious about any unsolicited financial advice, including offers to buy Harbour Energy plc shares at inflated prices, or offers of free reports about Harbour. More information can be found at **www.fca.org.uk/consumers/scams** and in the Shareholder Information section of the Investors area of the company website: **harbourenergy.com**.

American Depositary Receipt programme
Harbour Energy plc has a sponsored Level 1 American Depositary Receipt (ADR) programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one ordinary share of the company. The ADRs trade on the US over-the-counter market under the symbol HBRIY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders.

Registered Depositary Receipt holders can trade, access account balances and transaction history, find answers to frequently asked questions and download commonly needed forms online at **www.adrbnymellon.com**. To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the United States, please call 001-201-680-6825.

You may also send an email inquiry to **shrrelations@cpushareownerservices.com** or visit the website at **www.computershare-na.com/bnym_adr**.

Notes

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Designed and produced by three thirty studio
www.threethirty.studio

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Appendix C Property Cost Estimate

Viking CCS Pipeline Project

Property Cost Estimate Report

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Authors:	David Strafford FRICS Sophie Rathore
Approver:	Rob Brown MRICS
Date:	29th September 2023
Status:	ISSUED

This report is confidential. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval.

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1. BACKGROUND

This Property Cost Estimate (PCE) has been produced for the Viking CCS Pipeline (the "Project") to inform the funding statement in accordance with instructions from Chrysoar Production (UK) Limited (The "Applicant").

The advice contained within this document relates to the compensation arising from the compulsory acquisition of land and rights and statutory claims arising from the Project. The PCE represents a total compensation estimate for all outstanding interests in land, which may be paid as compensation and consideration, if acquired by compulsion, should a Development Consent Order ('DCO') be confirmed and subsequently executed. A PCE is not considered a 'Red Book' valuation as it considers compensation under statute and case law, referred to as the 'Compensation Code'.

2. PROJECT EXPERIENCE

Gateley Hamer (GH) has provided advice to the Applicant in relation to the Project since our instruction in 2021. GH has assisted in consultation with landowners, occupiers and tenants in the region and has attended to negotiating access for survey work in preparation for the DCO submission. Thus GH has a very good working knowledge of the onshore pipeline route and surrounding areas.

3. LIMITATIONS

The information provided in this PCE report is based on the best available information and data provided by the Applicant and its project team of technical consultants, engineers and advisors at the time of drafting. The PCE is subject to regular on-going review and updates and will continue to be revised to reflect any changes that might impact on the values reported.

The PCE provides an estimate of the total compensation arising under the Compensation Code for the entire pipeline route on a holistic basis. Accordingly, this estimate should not be relied upon to inform the valuation of individual interests or for entering into transactions for specific plots.

We have adopted a cautionary approach in assessing the estimated funding required to acquire the land and property interests on a compulsory basis. To this end we consider the figures reported are top end estimates and fairly reflect the anticipated funding required under the Compensation Code to deliver the land and property interests to meet Project delivery requirements to construct and operate the onshore pipeline and associated facilities, at the date of drafting.

4. METHODOLOGY

We have relied on the following methodology for the purpose of providing this PCE:

- We have assessed each interest based on the statutory compensation that would fall payable if the property was acquired by compulsory purchase powers. Government guidance for acquiring authorities states that compulsory purchase should only be used as a last resort. Acquiring authorities should aim to acquire all land and rights needed for their Project by voluntary agreement first.

- Compensation is assessed in accordance with the Compensation Code. The basis for assessing compensation is set out in section 5 of the Land Compensation Act 1961 in six Rules which are as follows:

  - Rule 1 No allowance shall be made on account of the acquisition being compulsory.

  - Rule 2 The value of land to be taken is the amount it may have sold for in the open market, if sold by a willing seller.

  - Rule 3 The special suitability or adaptability of the land for any statutory undertaker or the purpose, for which it is being compulsorily acquired, should not be taken into account in assessing the property's value.

  - Rule 4 Any increase in the value of the land which is attributable to its use in a manner contrary to law will not be reflected in the assessment of compensation.

  - Rule 5 Where the land is used for a purpose that has no general demand (and therefore no market value under Rule 2 above) and its use as such would be continued but for the compulsory purchase, the assessment for compensation may be based upon the reasonable cost of equivalent reinstatement.

  - Rule 6 The provisions in Rule 2 shall not affect the assessment of compensation for disturbance or any other matter not directly based on the market value of the land.

- The valuation date is September 2023.

The PCE provides an assessment of the expected Heads of Claim which would arise in a compulsory acquisition scenario if voluntary agreements are not obtained. The above principles detailed in our methodology have been considered in detail and the following Heads of Claim assessed:

- Freehold land acquisition value
- Permanent rights acquisition value
- Value for acquiring substrata with a permanent surface easement.
- Compensation arising from survey works and temporary pipeline construction corridor

- Stamp Duty Land Tax (SDLT)
- Injurious Affection and Severance
- Loss of Development
- Business Losses
- Claims arising under Part 1 of the Land Compensation Act 1973
- Claims arising under Section 10 of the Compulsory Purchase Act 1965
- Third Party Professional Fees
- A contingency sum

Freehold Land Acquisition Value

The Project requires the acquisition of freehold plots needed for block valves and a dune valve situated along the pipeline route. The freehold value of these plots has been assessed on the basis of existing use values in the current market. Any depreciation caused by the prospect of the property being acquired by an authority with compulsory powers is to be disregarded, conversely, no allowance has been made on the account of the acquisition being compulsory.

Value of Acquisition of Permanent Rights

The Project requires the acquisition of permanent rights for access, electrical connections and existing pipeline infrastructure.

Value for acquiring substrata with a permanent surface easement

The Project requires the acquisition of the substrata together with a surface easement needed for the installation, maintenance, repair, operation and protection of the pipeline.

Compensation from survey works and temporary pipeline construction corridor

The Project requires temporary occupation of land for the main pipeline construction corridor, survey work, and associated works including drainage, environmental mitigation, and accesses. The PCE includes compensation for crop loss, business loss, reinstatement and costs associated with temporary compounds.

At this stage, losses to specific businesses are uncertain, therefore, in providing our assessments we have relied on our experience of agreed settlements achieved on similar scheme in similar scenarios. These may be subject to change as negotiations with individual claimant's progress and we gather a fuller understanding of respective businesses.

These estimates do not include physical mitigation such as drainage.

Stamp Duty Land Tax

The Applicant may be liable for SDLT through the acquisition of rights and land. SDLT is payable on land and rights transactions exceeding £150,000. The PCE adopts a prevailing 2% on transactions between £150,000 and £250,000, with the remaining amount above £250,000 at 5%. Where approximate an allowance for SDLT had been included within the land and rights acquisition assessments.

Injurious Affection

The PCE is inclusive of allowances made for injurious affection where applicable. This relates to claimants where only part of their land is acquired and the retained land suffers a depreciation in value as a result of the proposed construction on, and use of, the land acquired by the Acquiring Authority for the scheme.

Severance

The PCE is inclusive of allowances made for severance where applicable. Severance occurs when the land acquired by the Acquiring Authority contributes to the value of the land retained, so that when severed from it, the retained land loses value.

The majority of the land required for the Project is subsurface acquisition through compulsory purchase. Therefore, we anticipate there will be minimal permanent severance. Where the Project requires the acquisition of freehold plots for block valves and dune valves, severance has been allowed for in the PCE. The PCE has an allowance in the disturbance estimates for temporary severance during the construction.

Blight

We consider the likelihood of valid blight claims to be very low, and have not identified any parties that we consider would have such a claim. However, we have made a contingent allowance in the PCE for blight.

Loss of Development

Claims for loss of development have been assessed for PCE reporting purposes on an anticipated worst-case scenario basis. Ultimately, the project aims to mitigate these claims through discussions with landowners and detailed design.

Business Losses

At this stage we are not aware of anticipated third party business losses and therefore our estimates have been assessed on a worst-case contingency basis for PCE reporting purposes

Claims arising under Part 1 of the Land Compensation Act 1973

In qualifying cases a route to compensation is available to nearby property owners where no land is taken but where, through the use and operation of the Project, there is a depreciation in the value of their interest caused by physical factors. The pipeline sits below ground and the only above ground infrastructure within the Project are the block values, dune valve and Immingham facility. We anticipate the likelihood of there being any substantiated Part 1 claims under the Land Compensation Act 1973 to be low due to the distance of the works from potential claimants and the nature of the physical factors which will arise from the use of the Project.

Although our opinion is that the likelihood of these claims is low, the PCE has made an allowance for claims arising from Part 1 of the land compensation Act 1973 as a contingency.

Claims arising under Section 10 of the Compulsory Purchase Act 1965

Section 10 of the Compulsory Purchase Act 1965 provides a person with the right to compensation for injurious affection in relation to the execution of the works, where the claimant has an interest in the land but where no land is acquired.

Although our opinion is that the likelihood of these claims is low, the PCE has made an allowance for claims arising from Section 10 claims.

Professional Fees

The Applicant, as an acquiring authority, is liable to pay a claimant's reasonable professional fees incurred in agreeing qualifying compensation arising under the Compensation Code. The PCE includes an allowance for legal, surveyor and other professional services based on the number of identified owner and occupier interests affected by the Project.

This does not include any professional fees for acting on behalf of the acquiring authority.

Contingency

A contingency of 10% has been allocated to account for the level of detail of the information available to us at this stage.

5. ASSUMPTIONS AND EXCLUSIONS

- Our estimates are based on a compulsory purchase scenario if voluntary negotiations are unsuccessful and therefore do not include an allowance for any incentive payments associated with those negotiations.
- A 10% contingency has been applied to our total estimates.
- Our land values are based on market values in the region.
- Our estimates do not provide an allowance for disturbance claims associated with survey works carried out prior to confirmation of the DCO, which are presently being settled by agreement with affected owners and occupiers.
- Our estimates do not include costs associated with reinstatement and mitigation such as drainage which will be carried out by the Applicant.
- No allowance has been made for VAT.

6. PROPERTY COST ESTIMATE

The figures set out in the table below are an estimate of the costs to secure the land and rights needed for the Project, carried out using the information available as of September 2023.

Heads of Claim	Net Value
Permanent Land Acquisition	£ 672,000.00
Permanent Rights Acquisition	£ 162,000.00
Permanent Acquisition of Substrata	£ 1,430,000.00
Compensation from survey works and temporary pipeline construction corridor	£ 2,500,000.00
Injurious affection and severance	£ 820,000.00
Blight	£ 150,000.00
Loss of Development	£ 4,750,000.00
Business Losses	£ 175,000.00
Part 1 of the Land Compensation Act 1973	£ 40,000.00
Section 10 of the Compulsory Purchase Act 1965	£ 116,000.00
Third Party Professional fees	£ 4,708,000.00
Total	**£ 15,523,000.00**
Total (including 10% contingency)	**£ 17,075,300.00**

Document reference number: EN070008/APP/3.1