

Company Registration No. 04609980
United Kingdom

Tullow Oil SPE Limited

Annual Report and Audited Financial Statements

For the year ended 31 December 2022



Tullow Oil SPE Limited

Annual report and financial statements

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Tullow Oil SPE Limited

Officers and professional advisers

Directors

A Holland
R Miller
M Walsh

Company Secretary

Any director of the company has authority to perform company secretary duties.

Registered office

9 Chiswick Park
566 Chiswick High Road
London W4 5XT

Solicitors

Dickson Minto W.S.
Broadgate Tower
20 Primrose Street
London EC2A 2EW

Bankers

JP Morgan Chase and Co.
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Auditor

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

Tullow Oil SPE Limited

Strategic report

The directors of Tullow Oil SPE Limited (“the company”) present their strategic report for the year ended 31 December 2022.

Principal activity and review of business

The principal activity of the company is to enter into derivative transactions as part of the Group’s risk management strategy. The underlying items are held by other Tullow group entities.

Future developments

The directors have no plans to change the company's principal activities in the foreseeable future.

Results and dividends

The company made a loss of US\$23,440,896 (2021: loss of US\$104,694,492) for the year.

At 31 December 2022 the company’s external derivatives matured and therefore had a net fair value of US\$nil million (2021: US\$(8) million). A loss after tax of US\$23.4 million (2021: US\$104.7 million) has been recognised in the statement of comprehensive income for 2022 in respect of derivative financial instruments.

No dividend has been paid during the current year (2021: US\$nil).

Principal risks and uncertainties

Financial risk management objectives and policies

The company seeks to minimise the effects of fair value interest rate risk and price risk through active management processes. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market Risk

Through the use of derivative financial instruments the company hedges oil price market risk on behalf of other group companies and therefore is itself exposed to oil price market risk. Where available fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

Key performance indicators (KPIs)

The directors of Tullow Oil plc (“the Group”) manage the group's operations at a group level. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company's business. The development, performance and position of the group are discussed in the group's 2022 annual report which does not form part of this report.

Tullow Oil SPE Limited

Strategic report (continued)

Credit risk

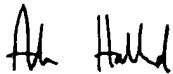
The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk on liquid funds is limited because the counterparties are banks and other commodity companies with high credit ratings.

Liquidity and interest risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company is able to actively source financing from its shareholder.

The company does not perform any research and development activities. The company does not employ any personnel and does not expect to do this in the near future.

Approved by the board of directors on 31 July 2023 and signed on its behalf by:



A Holland
Director
31 July 2023

Tullow Oil SPE Limited

Directors' report

The directors of Tullow Oil SPE Limited ("the company") present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year to 31 December 2022.

The company's risk policies, future developments and dividends are included in the Strategic report and not the Directors' report.

Directors and their interests

The directors, who held office at the date of this report, are listed on page 1. The changes to the company's directors during the year and between the accounting and the date of this report are as follows:

- G Wood – resigned on 31 March 2022.

The directors did not have any interests in the shares of the company at any time during the year. In accordance with the Articles of Association, none of the directors retire by rotation.

The company secretary, who held office at the date of this report, is listed on page 1. There were no changes to the company's secretary during the year and between the accounting and the date of this report.

Going concern

The company recorded a loss of US\$23,440,896 (2021: US\$104,694,492) for the year ended 31 December 2022. As at 31 December 2022, the company had a net asset position of US\$151,219,148 (2021: US\$174,660,044).

The Directors consider the going concern assessment period of 12 months from the date of approval of the financial statements. As the treasury activities are managed centrally as a group, the Directors are reliant on the letter of support from Tullow Oil plc ("the parent company") which states that the parent company can and will provide the necessary financial support to ensure that the Company will be able to meet its liabilities as and when they fall due for a period of 12 months from the date of signing of these financial statements. In assessing the ability of the parent company to provide such support, the Directors have considered the Tullow Oil plc group going concern assessment for the purposes of the approval of the Tullow Oil plc consolidated financial statements and then obtained suitable additional information, to ensure that the full financial support period has been considered.

Tullow Oil plc disclosed the following in its Annual Report dated 7 March 2023:

"The Directors consider the going concern assessment period to be up to 31 March 2024. The Group closely monitors and manages its liquidity headroom. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and different outcomes on ongoing disputes or litigation. Management has applied the following oil price assumptions for the going concern assessment: Base Case: \$84/bbl for 2023, \$79/bbl for 2024; and Low Case: \$70/bbl for 2023, \$70/bbl for 2024. The Low Case includes, amongst other downside assumptions, a 5% production decrease compared to the Base Case. At 31 December 2022, the Group had \$1.1 billion liquidity headroom consisting of c.\$0.6 billion free cash and \$0.5 billion available under the revolving credit facility. The Group's forecasts show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the going concern assessment period under its Base Case and Low Case."

As the period of support provided by the parent company to the Company is 12 months from approval of the financial statements and the above assessment was only to 31 March 2024, the Directors have obtained extended forecasts for the Group up to 31 July 2024 and performed an updated assessment. This reached the same conclusion as above that the Group will have sufficient headroom throughout the extended assessment period under both Base Case and Low Case and, accordingly, the Directors have been able to gain sufficient assurance that the parent company will be able to provide the financial support as indicated in their support letter for the Company assessment period of 12 months from approval of the financial statements.

Based on the above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the going concern assessment period. Accordingly, the Company has adopted the going concern basis of accounting in preparing the financial statements.

Tullow Oil SPE Limited

Directors' report (continued)

Events subsequent to the financial year end

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Supplier payment policy

It is company policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier.

Charitable and political donations

The company did not make any charitable or political contributions during the year (2021: US\$nil).

Directors' indemnities

As at the date of this report, indemnities are in force under which the parent or affiliate companies of the company have agreed to indemnify the directors, to the extent permitted by the Companies Act 2006, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the company.

Auditor

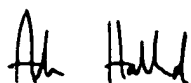
Each person who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP indicated their willingness to act and their appointment was approved at the 2023 Annual General Meeting.

Approved by the board of directors on 31 July 2023 and signed on its behalf by:



A Holland
Director
31 July 2023

Tullow Oil SPE Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for 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 TULLOW OIL SPE LIMITED

Opinion

We have audited the financial statements of Tullow Oil SPE Limited for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of changes in equity, and the related notes 1 to 17, 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 loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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.

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.

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TULLOW OIL SPE LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TULLOW OIL SPE LIMITED
(continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 101 "Reduced Disclosure Framework" and the Companies Act 2006, Bribery Act 2010 and UK Criminal Finances Act 2017, based on both qualitative and quantitative considerations, those laws and regulations relating to health & safety and employee matters and relevant tax compliance regulations in United Kingdom.
- We understood how Tullow Oil SPE Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation:
 - All minutes of board meetings held throughout the year;
 - the Tullow group's code of ethical conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations; and
 - and any relevant correspondence with local tax authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter, or detect fraud. We gained an understanding of the entity level controls and policies that the Company applies being part of the Tullow group.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - Testing of journal entries;
 - with a focus on journals indicating larger or unusual transactions;
 - meeting our risk criteria based on our understanding of the business;
 - Enquiries of management, legal counsel, and the audit committee of the Tullow group; and
 - Review of all minutes of board meetings held throughout the year.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Hee Yu Lee (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 31 July 2023

Tullow Oil SPE Limited

Statement of comprehensive income For the year ended 31 December

	Notes	2022 US\$'000	2021 US\$'000
Losses on hedging instruments	5	(16,989)	(169,289)
Marketing fee		2,093	1,869
		<hr/>	<hr/>
Operating loss	6	(14,896)	(167,420)
Intercompany interest		1,736	259
Interest and similar income	7	1,004	-
Movement in allowance for related party loans receivable	10	(14,630)	56,374
		<hr/>	<hr/>
Loss from continuing activities before tax		(26,786)	(110,787)
Income tax credit	8	3,345	6,092
		<hr/>	<hr/>
Loss for the year from continuing activities		(23,441)	(104,695)
		<hr/>	<hr/>
Total comprehensive loss for the year		(23,441)	(104,695)
		<hr/>	<hr/>

The notes to the financial statements on pages 14 – 24 form an integral part of these financial statements.

Tullow Oil SPE Limited

Statement of financial position As at 31 December

	Notes	2022 US\$'000	2021 US\$'000
Assets			
Non-current assets			
Derivative asset	12	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
Current assets			
Cash and cash equivalents	9	283	467
Debtors	10	151,795	196,242
		<hr/>	<hr/>
		152,078	196,709
		<hr/>	<hr/>
		<hr/>	<hr/>
Total assets		152,078	196,709
		<hr/>	<hr/>
Liabilities			
Current liabilities			
Other creditors	11	859	14,260
Derivative liability	12	-	7,789
		<hr/>	<hr/>
		859	22,049
		<hr/>	<hr/>
		<hr/>	<hr/>
Total liabilities		859	22,049
		<hr/>	<hr/>
Net current assets		151,219	174,660
		<hr/>	<hr/>
Total assets less current liabilities		151,219	174,660
		<hr/>	<hr/>
Net assets		151,219	174,660
		<hr/>	<hr/>

Tullow Oil SPE Limited

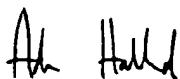
Statement of financial position (continued) As at 31 December

	Notes	2022 US\$'000	2021 US\$'000
Capital and reserves			
Called up share capital	13	60,709	60,709
Share premium		44,834	44,834
Accumulated loss		(41,256)	(17,815)
Capital contributions	14	86,932	86,932
Total equity		<u>151,219</u>	<u>174,660</u>

The notes to the financial statements on pages 14 – 24 form an integral part of these financial statements.

These financial statements of Tullow Oil SPE Limited, registered number 04609980, were approved by the board of directors and authorised for issue on 31 July 2023.

The financial statements on pages 10 to 24 were approved by the board of directors on 31 July 2023 and signed on its behalf by:



A Holland
Director
31 July 2023

Tullow Oil SPE Limited

Statement of changes in equity For the year ended 31 December

	Called up share capital US\$'000	Share premium US\$'000	Accumulated profit / (loss) US\$'000	Capital contributions US\$'000	Total US\$'000
Balance at 1 January 2021	60,709	44,834	86,880	86,932	279,355
Total comprehensive loss for the year	-	-	(104,695)	-	(104,695)
Balance at 31 December 2021	60,709	44,834	(17,815)	86,932	174,660
Total comprehensive loss for the year	-	-	(23,441)	-	(23,441)
Balance at 31 December 2022	60,709	44,834	(41,256)	86,932	151,219

Note

13

The notes to the financial statements on pages 14 – 24 form an integral part of these financial statements.

Tullow Oil SPE Limited

Notes to the financial statements For the year ended 31 December 2022

1. General information

Tullow Oil SPE Limited is a private company, limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is shown on page 1. The principal activity of the company is given on page 2.

2. Accounting policies

Changes in accounting policies

The company's accounting policies are consistent with the prior year.

Basis of preparation

The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 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 share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis and were prepared in accordance with Companies Act 2006, except for derivative financial instruments that have been measured at fair value.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted by the company are set out below.

Tullow Oil SPE Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

2. Accounting policies (continued)

Going concern

The Directors consider the going concern assessment period of 12 months from the date of approval of the financial statements. As the treasury activities are managed centrally as a group, the Directors are reliant on the letter of support from Tullow Oil plc ("the parent company") which states that the parent company can and will provide the necessary financial support to ensure that the Company will be able to meet its liabilities as and when they fall due for a period of 12 months from the date of signing of these financial statements. In assessing the ability of the parent company to provide such support, the Directors have considered the Tullow Oil plc group going concern assessment for the purposes of the approval of the Tullow Oil plc consolidated financial statements and then obtained suitable additional information, to ensure that the full financial support period has been considered.

Tullow Oil plc disclosed the following in its Annual Report dated 7 March 2023:

"The Directors consider the going concern assessment period to be up to 31 March 2024. The Group closely monitors and manages its liquidity headroom. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and different outcomes on ongoing disputes or litigation. Management has applied the following oil price assumptions for the going concern assessment: Base Case: \$84/bbl for 2023, \$79/bbl for 2024; and Low Case: \$70/bbl for 2023, \$70/bbl for 2024. The Low Case includes, amongst other downside assumptions, a 5% production decrease compared to the Base Case. At 31 December 2022, the Group had \$1.1 billion liquidity headroom consisting of c.\$0.6 billion free cash and \$0.5 billion available under the revolving credit facility. The Group's forecasts show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the going concern assessment period under its Base Case and Low Case."

As the period of support provided by the parent company to the Company is 12 months from approval of the financial statements and the above assessment was only to 31 March 2024, the Directors have obtained extended forecasts for the Group up to 31 July 2024 and performed an updated assessment. This reached the same conclusion as above that the Group will have sufficient headroom throughout the extended assessment period under both Base Case and Low Case and, accordingly, the Directors have been able to gain sufficient assurance that the parent company will be able to provide the financial support as indicated in their support letter for the Company assessment period of 12 months from approval of the financial statements.

Based on the above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the going concern assessment period. Accordingly, the Company has adopted the going concern basis of accounting in preparing the financial statements.

Consolidation

The company is exempt from preparing consolidated accounts as it is a member of a group, headed by Tullow Oil plc, whose consolidated accounts are publicly available.

Foreign currencies

The US dollar is the presentation currency and the functional currency of the company.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into functional currency at the exchange rate ruling at the statement of financial position date, with a corresponding charge or credit to the statement of comprehensive income. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Tullow Oil SPE Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

2. Accounting policies (continued)

Gain or loss on hedging instruments

Gross margin represents the income earned or cost incurred as a result of oil hedge derivative financial instruments.

Tax

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the statement of financial position date.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Derivative financial instruments

The company uses derivative financial instruments to manage its exposure to fluctuations in interest rates and movements in oil prices.

Derivative financial instruments are stated at fair value.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); financial assets 'at fair value through other comprehensive income (FVTOCI)'; and amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The company chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Tullow Oil SPE Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

2. Accounting policies (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3. Critical accounting judgements

The company assesses critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations (which are dealt with below) that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- Application of the going concern basis of accounting

The non-statutory financial statements have been prepared on the going concern basis. In order to determine whether it is appropriate for the company to report as a going concern, the directors consider financial position of the company, its business activities, principal risks and uncertainties, as well as the company's reliance on its ultimate parent company, Tullow Oil plc, providing financial support during the period of assessment. The details of the going concern assessment performed and conclusion reached, including the identification of a material uncertainty related to going concern, are discussed in the Directors' Report on page 4.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Amounts due from fellow subsidiary undertakings (note 10):

The Company is required to assess the carrying values of each of the amounts due from fellow subsidiary undertakings, considering the requirements established by IFRS 9 Financial Instruments.

IFRS 9 requires the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39. Where conditions exist for impairment on amounts due from subsidiary undertakings expected credit losses assume that repayment of a loan is demanded at the reporting date. If the subsidiary has sufficient liquid assets to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. However, if the subsidiary could not demonstrate the ability to repay the loan, if demanded at the reporting date, the Company calculates an expected credit loss. This calculation considers the percentage of loss of the amount due from subsidiary undertakings, which involves judgement around how amounts would likely be recovered, and over what time they would be recovered. Despite this requirement, the Company does not intend to demand repayment of any amounts due from subsidiary undertakings in the near future.

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Notes to the financial statements (continued) For the year ended 31 December 2022

4. Directors' emoluments and employees

None of the directors received any remuneration in respect of their services to the company (2021: US\$nil).

The company had no employees during the year (2021: none).

5. Losses on hedging instrument

	2022 US\$'000	2021 US\$'000
Loss on oil options	(16,989)	(169,289)

Gross loss represents the cost incurred as a result of oil hedge derivative financial instruments.

6. Operating loss

The current and preceding year's fee for the audit of the company's statutory accounts of US\$25,448 (2021: US\$22,129) was borne by a fellow group company.

7. Interest and similar charges

	2022 US\$'000	2021 US\$'000
Foreign exchange gain	255	-
Other interest received	749	-
	1,004	-

Other interest received relates to the tax credit received as mentioned in note 8 below.

8. Current tax credit for the year

	2022 US\$'000	2021 US\$'000
(a) Analysis of tax credit for the year:		
Current tax		
Current year tax expense	-	-
Prior year adjustment	3,345	6,092
	3,345	6,092

The prior year adjustment above relates to a credit received in respect of tax overpayment in 2015.

Tullow Oil SPE Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

8. Current tax credit for the year (continued)

(b) Factors affecting tax charge for the year:

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2022 US\$'000	2021 US\$'000
Loss from continuing activities before tax	(26,786)	(110,787)
Tax on loss from continuing activities at standard UK corporation tax rate of 19% (2021: 19%).	5,089	21,049
Effects of:		
Group relief surrendered for nil consideration	-	(3,604)
Tax losses not recognised as deferred tax assets	(2,035)	(10,357)
Utilisation of tax losses not previously recognised as deferred tax assets	-	(17,409)
(Expenses not deductible) / income not taxable	(2,780)	10,711
Prior year adjustment	3,345	6,092
Transfer pricing adjustments	(274)	(390)
Total tax credit for the year	3,345	6,092

The company is subject to UK corporation tax. The Finance Act 2020 sets the Corporation Tax main rate at 19% for the financial year beginning 1 April 2021. The Finance Act 2021 sets the Corporation Tax main rate at 19% for the year beginning 1 April 2022 and at 25% for the financial year beginning 1 April 2023. These changes were enacted on 10 June 2021 and hence any effect of the change on deferred tax balances has been included, depending upon when deferred tax is expected to reverse.

The company has tax losses of US\$124.2 million (2021: US\$97.1 million) that are available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as it is not sufficiently probable that there will be future taxable profits against which these losses can be utilised. The tax losses can be carried forward indefinitely.

9. Cash and cash equivalents

	2022 US\$'000	2021 US\$'000
Cash at bank	283	467

Tullow Oil SPE Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

10. Debtors

	2022 US\$'000	2021 US\$'000
Amount owed by Tullow Cote D'Ivoire Limited	8	-
Amount owed by Tullow Oil Gabon SA	15	-
Amount owed by Tullow Oil Finance Limited	169,584	108,682
Amount owed by Tullow Plc	-	90,157
Amount owed by Tullow Ghana Limited	857	1,442
Less: Allowance for related party loans receivable	(18,669)	(4,039)
	<u>151,795</u>	<u>196,242</u>

The allowance for doubtful debt has been made based on the credit risk and probability of default of the counterparty Group company.

A summary of the movement in provision is outlined below:

	Individually assessed \$'000
Balance as at 1 January 2021	(60,413)
Transfer from credit impaired	56,374
	<u>(4,039)</u>
Balance as at 31 December 2021	(4,039)
Transfer to credit impaired	(14,630)
	<u>(18,669)</u>
Balance as at 31 December 2022	<u>(18,669)</u>

11. Other creditors

	2022 US\$'000	2021 US\$'000
Oil hedge accrual instrument	859	14,221
Amount due to Tullow Oil Gabon SA	-	39
	<u>859</u>	<u>14,260</u>

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Notes to the financial statements (continued) For the year ended 31 December 2022

12. Derivative financial instruments

The company held a portfolio of commodity derivative contracts, with various counterparties, covering the group's underlying oil businesses. In addition the company held a small portfolio of interest rate derivatives. The group's policy is to mitigate its exposure to oil and gas price fluctuation for a portion of its production, using a range of derivative financial instruments such as put options, collars and other option structures. The group's policy is also to mitigate its exposure to fluctuations in US Dollar and Sterling interest rates through the use of similar derivative financial instruments. At 31 December 2022 the company's external derivatives matured.

Disclosure exemptions adopted

Where equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in the 2022 Annual Report and Accounts of Tullow Oil Plc, the company has adopted the disclosure exemptions available to the company's accounts.

The 2022 Annual Report and Accounts of Tullow Oil plc ("the Group") can be obtained from the company's website (<http://www.tulloil.com/investors>).

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The company had an intercompany oil derivative trade with its ultimate parent company to sell downside oil protection up to 31 December 2022.

The above intercompany transactions did not impact the Group's oil derivative contracts with external counterparties, which it continues to transact and hold in line with the Group's commodity price risk management strategy.

As at 31 December 2022, none (2021: none) of the company's derivatives had been designated into hedging relationships at entity level. As such, derivative fair value movements in the year have been recognised immediately in the income statement.

Tullow Oil SPE Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

12. Derivative financial instruments (continued)

Fair values of derivative instruments (continued)

The company's derivative carrying and fair values were as follows:

	31 December 2022			31 December 2021		
	Less than one year \$'000	One to three years \$'000	Total 2022 \$'000	Less than one year \$'000	One to three years \$'000	Total 2021 \$'000
Derivative liabilities						
Oil derivatives	-	-	-	(7,789)	-	(7,789)
Total derivative liabilities	-	-	-	(7,789)	-	(7,789)

The following provides an analysis of the company's financial instruments measured at fair value, grouped into Levels 1 to 3 as defined by the fair value hierarchy of IFRS 13 'Fair Value Measurements', based on the degree to which their fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the company's derivatives were Level 2 (2021: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the company determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

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Notes to the financial statements (continued) For the year ended 31 December 2022

12. Derivative financial instruments (continued)

Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being Dated Brent oil prices and interest rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

	Market movement	Impact on results before tax	
		2022 \$'000	2021 \$'000
Brent oil price	25%	-	(17,180)
Brent oil price	(25%)	nil	nil

The following assumptions have been used in calculating the sensitivity in movement of oil prices; the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the sensitivities have been run only on the intrinsic element of the derivatives as management consider this to be the material component of oil derivative valuations.

13. Called up share capital

Allotted, called up and fully paid ordinary share capital

	Share capital allotted and fully paid Number	Share capital US\$'000
At 1 January 2021	169,501,187	60,709
Issued during the year	-	-
At 1 January 2022	169,501,187	60,709
Issued during the year	-	-
At 31 December 2022	169,501,187	60,709

Pursuant to a Special Resolution passed on 8 December 2009, the company adopted new Articles of Association which, in accordance with the Companies Act 2006, no longer require the company to have an authorised share capital.

No dividend has been paid during the current year (2021: US\$nil).

14. Capital contributions

The capital contributions reserve is used to record capital contributed by the Company's parent without the corresponding issuance of shares, or debt.

Tullow Oil SPE Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

15. Financial commitments

In accordance with the company's accounting policy, derivative financial instruments are marked to market at the end of each month. These instruments had cumulative unrealised mark to market losses at year end of US\$nil million (2021: US\$8 million) inclusive of deferred premium. The fair value movement has been recognised as a profit in the statement of comprehensive income and are all with respect to third parties. At 31 December 2022 the company's external derivatives matured.

16. Ultimate holding company

Tullow Oil plc, a company incorporated in the United Kingdom, is Tullow Oil SPE Limited's immediate and ultimate holding company. The parent undertaking is the only group which includes the company and for which consolidated financial statements is produced. These consolidated financial statements can be obtained from Tullow Oil plc, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, which is its registered address.

17. Events subsequent to the financial year end

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.