Tailwind Energy Ltd

Annual report and
financial statements

Year ended 31 December 2019
Registered number 07879002

Tailwind was established in 2016 as a value driven oil and gas company looking to build a robust portfolio of UK Continental Shelf (UKCS) Assets.

2019 is the first full year of operations of Tailwind following the acquisition of two material UKCS oil and gas assets in the second half of 2018.

Highlights

Revenue **$367.2 million**	**Production Daily Average** **15.9 kboepd**
EBITDA **$222.2 million**	**2P reserves at 31 December 2019 (ERCE CPR)** **41.0 mmboe (46% growth)**
Profit before tax **$31.3 million**	**2P+2C resources at 31 December 2019 (ERCE CPR)** **60.7 mmboe**
Cash and cash equivalents at 31 December 2019 (unrestricted) **$142.8 million**	**Liquidity at 31 December 2019** **c. $213.1 million**
Net debt at 31 December 2019 ***low leverage at 0.7x Net Debt / EBITDA*** **$164.4 million**	**Underlying value of fixed price contract and hedging instruments at 30 April 2020** **c. $175.3 million**

Our Portfolio

Conwy Field

Triton Area

Columbus Field

For our glossary of terms, please see page 49

Contents

Tailwind Energy Ltd

Strategic Report

The directors present their strategic report of Tailwind Energy Ltd ("Tailwind", or the "Company") and its subsidiary (the "Group") for the year ended 31 December 2019. The Company is a private limited company by shares and the Group is domiciled and incorporated in the UK under the Companies Act and is registered in England and Wales. The registered office address of all members of the group is 62 Buckingham Gate, London, SW1E 6AJ, United Kingdom.

Principal activities

The principal activity of the Group and the Company is the acquisition, exploration, development and production of oil and gas reserves on the UK Continental Shelf (UKCS). Tailwind has completed its first full calendar year of asset ownership following two material acquisitions of UK Continental Shelf (UKCS) assets in the second half of 2018. These assets constitute a high-quality portfolio of established UK oil and gas development and producing assets with opportunities for reserves growth, cost reduction and life extension.

The Group's interests in significant joint arrangements are listed below:

Fields	**Type**	**Ownership interest 2019**	**Ownership interest 2018**
Bittern	Production	64.63%	64.63%
Guillemot W/NW	Production	10.00%	10.00%
Gannet E *	Production	100.00%	100.00%
Belinda *	Development	100.00%	100.00%
Evelyn *	Development	100.00%	100.00%
Conwy *	Production	100.00%	100.00%
Columbus	Development	25.00%	25.00%
Valkyrie	Decommissioning	25.00%	25.00%
Arthur	Decommissioning	30.00%	30.00%

** Operated by the Group*

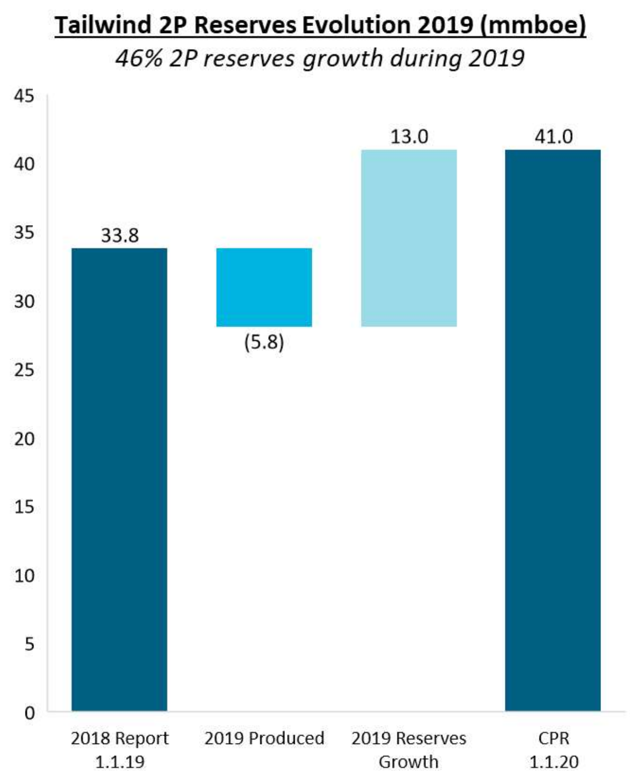
Review of the business

During 2019, the Group has continued to develop and exploit its oil and gas production, development and exploration interests in the UKCS. It has been a busy year for Tailwind, consolidating its strategy across the business while continuing to place the highest priority on the safety of its workforce. We moved to a new office in London and integrated the ex-EOG Resources (UK) team into Tailwind.

The operational performance of the business was strong in 2019, with reserves growth of 46% or 13.0 mmboe, and average production of 15.9 kboepd, with peak days regularly above 20.0 kboepd. The Group is working towards the development of the Evelyn field located in the Triton asset cluster, aiming for sanction in 2020 and first oil in Q4 2022.

As a result of the strong operational performance, the Group's 2019 results included:

- 46% 2P reserves growth to 41.0 mmboe (1.1.20)
- $367.2 million revenue
- $222.2 million EBITDA
- $31.3 million profit before tax
- $201.0 million unlevered free cash flow
- $213.1 million liquidity (cash and committed facilities) at 31 December 2019



Strategic Report (continued)

Review of the business (continued)

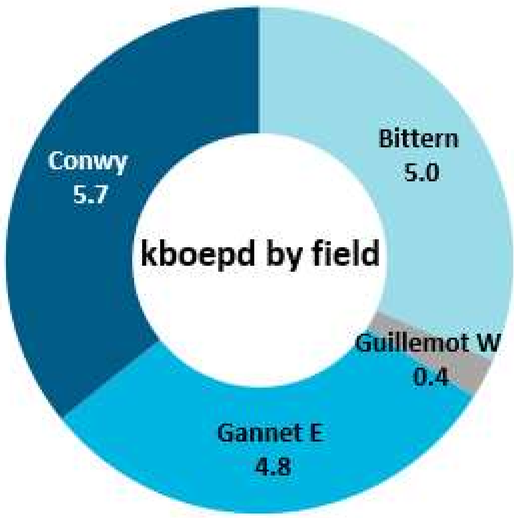
On 4 July 2019, as part of a Group restructuring, Tailwind Energy Ltd transferred the entirety of its oil and gas business which includes the Triton cluster assets to its fully owned subsidiary Tailwind Mistral Ltd for a total consideration of $365.5 million, consolidating all its oil and gas operations under a single entity.

For 2020, Tailwind is well positioned financially to manage the COVID-driven oil market crisis, with over 9 mmbbls of Brent crude oil for which the Group has mitigated its exposure to Brent oil prices via fixed price marketing agreements and ISDA options (collars) at an average price of $62/bbl. As of 30 April 2020, the underlying value of these fixed price contracts and collars in the current low price environment represent an upside of approximately $175.3 million for the Group, offsetting most of the enterprise value decline from the fall in the oil prices and creating further liquidity on top of an already strong balance sheet with cash of $142.8 million and committed financing resources of $70.3 million comprising undrawn amounts of the Group's reserve-based lending (RBL) facility and a loan facility with Mercuria.

Operations

- **Group production** was 5.8 mmboe in 2019 (c. 15.9 kboepd).

- **Gannet E.** During the year production output was a stabilised flow rate of 5.5-6.0 kbopd. The wells have stabilised at lower watercuts than rates seen in the pre shut-in phase of production (2011) which has resulted in an increase in reserves at the end of 2019. Overall, Gannet E produced 1.75 mmboe in 2019. This was also supported by a high Triton FPSO uptime of 88%. In 2020, we will advance studies on increasing production/reserves from the Gannet E field via two possible projects: (i) a new flow line to increase production from the existing 3 wells, and (ii) drilling a fourth (and potentially more) well.



- **Bittern.** The proactive Bittern business plan developed by Tailwind was supported and approved by Dana, comprising two well interventions in 2019, followed by two further well interventions and one sidetrack in 2020. One of the 2019 interventions was particularly successful, with reserves and production rates above our upside forecast. At times during 2019, Bittern production was constrained by gas export capacity limitations caused by unexpected maintenance on the Shell Esso Gas and Associated Liquids (SEGAL) gas transportation system. There was material developed and undeveloped reserves growth in Bittern during 2019 and we look forward to further successful well activities in 2020.

- **Belinda and Evelyn Development.** Tailwind commenced feasibility studies on these two discoveries to mature a development concept for subsea tieback via the Triton FPSO. The concept selection work was completed in late 2019 with the concept select report approved by the Oil and Gas Authority (OGA) in March 2020. The development is planned in two phases, with Phase 1 consisting of one Evelyn well with a direct production/gaslift/umbilical line from Evelyn to the Triton FPSO. Phase 2 is dependent on the success of phase 1 and would consist of a second Evelyn well and/or a Belinda well with associated flowline back to the Triton FPSO. The field development plan (FDP) is expected to be submitted to the OGA in Q2 2020 with sanction expected later in 2020 and first oil targeted in Q4 2022.

Strategic Report (continued)

Operations (continued)

- **Triton Hub Strategy and Life Extension.** As Triton operator, Dana has started a workstream to look at the Triton Hub Strategy, in support of OGA's MER initiative to extract as much economic value as possible through existing infrastructure. The work will look at the operating options for Triton in the longer term and potential value enhancing opportunities including Belinda/Evelyn (Tailwind 100%) and other third-party fields in the Triton area. The Triton Asset Life Appraisal Project (TALAP) kicked off in late 2019 to review the integrity of the Triton FPSO as well as options to extend economic life beyond 2030. Initial findings are encouraging with the key facilities (Hull, Turret, Risers, Topsides steel structures) generally in good condition and look to be robust for production until at least 2030. The study still has various workstreams to conclude, but the base case remains to plan for an extended shutdown in 2022 to execute life extension offshore works.

- **Conwy Production Enhancement.** In 2019, Conwy produced 2.1 mmbbls (5.7 kbopd). The Douglas platform (operated by Eni UK Limited), which is the export host for Conwy, had excellent production efficiency in 2019 with a 91% uptime. Tailwind's trial to increase the water injection into Conwy, via conversion of the condensate injector ("CCI") well into a second water injector for the field was very successful with the additional pressure supporting higher production rates. Following this success, it was agreed with ENI to install permanent CCI injection facilities on Conwy. The offshore construction and installation of these facilities completed in Q4 2019 ahead of schedule and with no HSE incidents.

- **Columbus Gas Development.** The Columbus development project was sanctioned in late October 2018 with FDP submission by the operator Serica Energy Plc ('Serica') to the OGA. Tailwind is working with Serica on the remaining commercial agreements (primarily with Shearwater platform host operator Shell) and to ensure the project execution plan is sufficiently resourced. Columbus fluids will be processed and separated into gas and liquids export streams via the SEGAL line to St Fergus and the Forties Pipeline System to Cruden Bay respectively. Key milestones achieved during 2019 include major long-lead items ordered and a rig contract signed with Maersk. Timing of the Columbus development is dependent on Shell's Arran Field development and availability of its associated infrastructure. The sanctioned first gas date was April 2021, but given the recent oil price decline, Shell has delayed the execution of the Arran project by six months, hence, Columbus first gas is now expected in Q3 2021.

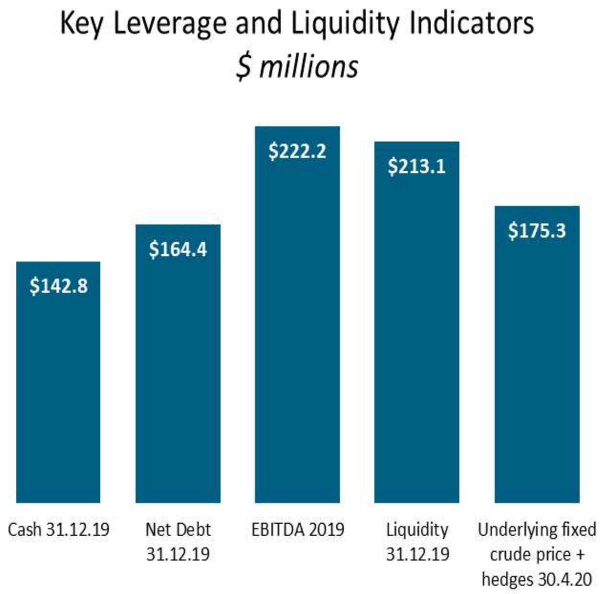
- The COVID driven crisis in the oil sector has not materially impacted our 2020 operations with no significant changes to the committed plans and activities, other than the 6-month delay to Columbus first gas. In particular:
  - Our Bittern business plan remains attractive and robust at low oil prices and we will continue the 2020 interventions and sidetrack well as planned.
  - Some of the maintenance planned during the 2020 Triton FPSO shutdown may be deferred due to logistical constraints caused by planning around the health and safety aspect of COVID.
  - Non-sanctioned projects – Gannet E expansion and the Belinda and Evelyn discoveries – remain on plan for now, as they are still attractive at lower prices, especially considering we receive first oil and gas from these projects in late 2022 when commodities futures are higher than current spot prices.

Reserves and Resources

- At the end of 2019, the Group had a net proven and probable 2P reserves of 41.0 mmboe (ERCE CPR) compared to 33.8 mmboe at the end of 2018. This was a 2P increase of 13 mmboe (46% growth) after production during 2019 of 5.8 mmboe. There are further contingent resources of 19.7 mmboe associated with development of Belinda/Evelyn and expansion of Gannet E, but not yet mature enough to be included in the base business plan.

Strategic Report (continued)

Financing



- Key leverage and liquidity indicators were very strong in 2019 (see chart on right), with:
  - $213.1 million in liquidity, comprising cash $142.8 million and undrawn facilities $70.3 million.
  - Low leverage of 0.7x Net Debt to EBITDA ($164.4 million Net Debt vs. $222.2 million EBITDA)

- Financial performance was strong, as the business generated $201.0 million of unlevered free cash flow.

- On 24 September 2019, the Group agreed a new reserve-based lending facility of $350.0 million from a syndicate of banks. The facility has a six-year term due to mature on 23 September 2025. In addition to the committed $350.0 million, a further $400.0 million was agreed on an uncommitted "accordion" basis.

- On 24 September 2019, the Company also entered in a Junior Facility agreement with Mercuria Energy Trading S.A. for a facility of $50.0 million. There were no drawdowns on this facility as at 31 December 2019.

- On 26 September 2019, $307.2 million was drawn down from the RBL facility and this was used to fully repay the Senior and Mezzanine loan facilities that the Group had with Mercuria Energy Trading S.A., including interest accrued of $6.6 million, which amounted to a total of $305.7 million as at that date. At the year end, the Group had a total of $70.3 million of committed undrawn facilities (RBL and Mercuria) available on demand.

- The Group is in a net current asset position at the year end and the Group's adjusted effective current ratio remains very robust. The adjusted effective current ratio assumes a draw-down of any undrawn committed funding facilities as shown in the table below.

At 31 December 2019		Current ratio	Adjustment for undrawn loan	Adjusted Effective Current Ratio
Current Assets	$'000	195,465	70,300	265,765
Current Liabilities	$'000	(91,284)	-	(91,284)
Current Ratio	%	214%		291%

Principal risks, uncertainties and mitigation strategies

The key risks facing the Group are:

- Hydrocarbon Prices: the Group's portfolio is exposed to oil prices. The Group engaged in a robust programme of mitigating its exposure to Brent oil prices via fixed price marketing agreements and ISDA options. As of 31 December 2019, the Group had fixed price contracts in excess of 45% of its 2020-2022 forecasted production (three years).

- Field Production: the Group is exposed to production performance, primarily on its three key fields: Bittern, Gannet E and Conwy. The range of uncertainty is captured in the business planning approach and insurance programmes which Tailwind manage.

- The external business environment is a source of emerging risks and uncertainties for the industry. Intensifying focus on climate change, shifting sentiment towards the E&P industry, changes in geopolitical landscape and the COVID-19 pandemic are some of the examples of factors that add to uncertainty of doing business. We consider such risks and factor them into our plans. We cannot influence the outcome of such risks, but we have prepared for them via an insurance programme and business continuity planning.

For a further discussion on these risks and uncertainties refer to note 22.

Strategic Report (continued)

Insurance

Tailwind undertakes a significant and appropriate range of insurance programmes to minimise the risk to its operational and investment programmes, which includes property damage, pollution and operability and business interruption insurance. Our Operability Insurance (OI) policy provides a unique type of insurance for our revenues, by removing accidental physical damage and waiting period scopes from standard policies available in the market.

Key performance indicators (KPIs)

The Group's activities consist of acquisition, development and commercialisation of hydrocarbon reserves in the UK Continental Shelf. The Group's KPIs are shown below and are closely monitored by management.

		Year ended 31 December 2019	18 months ended 31 December 2018
Oil and gas production	kboepd	15.9	10.2
Revenue	US $ million	367.2	23.0
EBITDA	US $ million	222.2	208.9
HSE incidences		None	None

Revenue and EBITDA in 2019 are higher as the current year reflects a full year of operations for the Group following the acquisition of the UKCS assets in the second half of 2018. Please refer to the operations section of the strategic report for more information on our oil and gas production.

In the prior period, the KPIs reflect only the performance since completion of the acquisitions in the second half of 2018.

Health, Safety and Environment

The Group continues to recognise and act on its responsibilities towards Health, Safety and the Environment (HSE) with a key focus on ensuring that all Tailwind operations are executed in a safe and environmentally responsible manner. HSE is embedded in all operational readiness assurance planning activities and the Group works in conjunction with its contractors to ensure that all HSE risks are identified and managed appropriately. HSE performance of Tailwind joint venture partners are monitored to assure that all Group partners meet acceptable HSE standards. 2019 saw excellent HSE performance on Tailwind operated assets and Lost Time Incidents (LTI) was zero.

COVID-19

Tailwind has been closely monitoring the ongoing COVID-19 pandemic as part of its duty of care to its workforce and given the potential risk to operations arising from availability issues relating to key offshore or onshore personnel. Tailwind follows OGUK's guidance on travel and logistics for Offshore Installations, and has been working with its offshore rig, FPSO and aviation contractors to put measures in place to prevent the spread of the virus, including quarantine arrangements in place offshore, and services available to manage repatriation onshore.

To date, the Group has not experienced any adverse impact on its operations as a result of COVID-19. The precautionary and contingency measures that have been put in place, on both operated and non-operated assets, are working well.

Strategic Report (continued)

Environment, Social and Governance

Environment

Tailwind takes a shared approach to caring for the environment. We work within and through an independently verified Environmental Management System, which has been developed to comply with ISO 14001. Tailwind participates in the EU Emissions Trading System through the operators of our production facilities, to compensate for the emissions that are produced due to our activities.

As well as complying with all applicable environmental and international standards, we actively support the global energy transition through maximizing recovery from existing assets and our decommissioning work. We acknowledge and support the need to transition from the existing hydrocarbon economy to limit the effects of climate change on society. Tailwind is a contributing member of bodies such as OGUK that has a defined plan and timeline for the UK Oil and Gas Industry to help achieve the UK Government target of net-zero carbon by 2050.

Social

Tailwind is an equal opportunity employer committed to diversity and inclusion. We believe that good corporate citizenship requires a meaningful commitment and contribution to the communities in which we live and work, and our staff, based on our core values of teamwork, trust and transparency.

Governance

Tailwind works proactively with regulators, legislators, and partners to ensure we adhere to the strictest standards of corporate governance and risk management. Our Code of Conduct is a living document that defines the behaviour required from our employees, contractors, and partners. We actively encourage dialogue with OGA, BEIS and OPRED to ensure we are continually meeting expectations of our stakeholders. This interaction also allows us to update regulators and policy makers and to optimize measures for the continued growth of the basin.

Section 172 Statement Companies Act 2006

This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006. The section specifies that the Directors must act in good faith when promoting the success of the Group and in doing so have regard (amongst other things) to:

a. the likely consequences of any decision in the long term,
b. the interests of the Group’s employees,
c. the need to foster the Group’s business relationship with suppliers, customers and others,
d. the impact of the Group’s operations on the community and environment,
e. the desirability of the Group maintaining a reputation for high standards of business conduct, and
f. the need to act fairly as between members of the Company and Group.

In discharging our section 172 duties, we have regard to the factors set out above. We also have regard to other factors that we consider relevant to the decision being made.

The Board of Directors is collectively responsible for the decisions made towards the long-term success of the Group and how the strategic, operational and risk management decisions have been implemented throughout the business is detailed in the preceding sections of this Strategic Report. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Group’s mission, vision and values together with its strategic priorities and having a clear process in place for decision making, we do, however, aim to make sure that our decisions are consistent and predictable.

Strategic Report (continued)

Section 172 Statement Companies Act 2006 (continued)

- Employees

  Our employees are a significant asset to our business. Tailwind's offices operate on an open-door policy and, due to our flat structure, employees are encouraged at all levels to directly feedback to management and Directors. Monthly business update meetings are held during which key business issues are discussed and the employees updated on progress towards corporate targets. These meetings are attended by the Directors and facilitate two-way communications with employees. Employees are encouraged to submit suggestions which include where we can improve safety, offshore working, and training opportunities.

- Partners and suppliers

  The Board of Directors acknowledges that a strong business relationship with partners, suppliers and customers is a vital part of the growth. Tailwind works closely with joint venture (JV) partners to deliver solutions for asset safety, integrity, and field life. We collaborate with JVs to develop risk mitigation strategies for any delays or instances of underperformance in our operations. We engage regularly with operators and partners on day to day operations to share knowledge, offer support and use our influence to establish best practices. On a more formal basis, senior management attend JV committee meetings on at least a quarterly basis to participate in material decisions.

  The Directors uphold ethical business behaviour across all of the Group's activities and have established a Code of Conduct which requires comparable business practices from partners and suppliers doing business with the Group. We treat suppliers equally, without discrimination and also ensure that creditors are paid within the contracted terms.

  Regular meetings are held with all members of the Group's bank syndicate. These include both quarterly formal presentations as well as ad hoc business updates.

- Community and environment

  Care of the community and the environment in which the Group works is a business priority. We adhere to all applicable legislation. For further details, please see the Environment, Social and Governance section of the Strategic Report and www.tailwind.co.uk for our Health & Safety Policy and Environmental Care Policy.

- Maintain a reputation for high standards of business conduct

  The UK in general and UK offshore sector in particular are highly regulated business environments and the UK is widely considered to be one of the most transparent and well-regulated E&P markets globally We build strong, transparent relationships with the government and regulatory authorities. We adhere to all relevant legislation in the areas where we have our operations and disclose all necessary information. We are also a member of the Oil & Gas UK and the Association of British Independent Oil Exploration Companies (BRINDEX) which works with the OGA and UK Government on issues that impact the oil and gas industry. We are registered with FPAL, the world's leading oil and gas supply chain database to identify and select suppliers with the same high standards of business conduct to us.

- Shareholders

  The Group is privately owned by the Directors and Mercuria, a global energy and commodity group. The Directors are deeply involved in all key decisions and formal board meetings are supplemented by ad hoc communications as required. Members' rights are protected by a shareholders' agreement between them.

On behalf of the Board

Jacques J Tohme
Director
22 May 2020

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Directors

The Directors who served the Company during the period 1 January 2019 up to the date of the financial statements were as follows:

- Dr S C Edwards
- Dr D P Freeman
- J J Tohme
- T Z H Ujejski

Results and dividends

The Group's profit for the year after tax amounted to $47.2 million (2018: $430.7 million). The Directors declared a final dividend of $110.0 million for the year ended 31 December 2019 to its immediate parent NSV Energy Limited. (2018: $nil).

Financial instruments

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

Financial instruments can give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on these risks is set out above in the Strategic Report and note 22 to the financial statements. During the year, the Group entered into commodity swap contracts to manage the price risk associated with the Group's underlying oil and gas revenues and entered into currency swap contracts to manage risk arising from exchange rate movements in US Dollar against Pounds Sterling.

Directors' Indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Post balance sheet events

Subsequent to the year end, oil prices declined sharply due to supply and demand factors, which included the impact of the COVID-19 pandemic and increases in Saudi Arabian production. The COVID-19 pandemic has not had any adverse impact on the Group's current production operations (see Strategic Report) and the Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event as there was no disruption to the market, customers, employees or supply chain prior to the year end. Although it is not possible to reliably estimate the length or severity of this development, and hence their financial impact, if oil prices remain at or below current prevailing levels of $30 - $35 bbl for an extended period of time, this could have an adverse impact on our financial results for future periods.

Future developments

Please refer to the Strategic Report for further details about future developments.

Directors' Report (continued)

Directors' responsibilities statement

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 Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 year. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state whether the Group and Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Group and Company will continue in business.

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

Each of the persons who is a Director at the date of approval of this report confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and Company's performance, business model and strategy.

Going concern

The Group closely monitors and carefully manages its liquidity risk. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Group's producing assets. Cash forecasts have been updated in light of COVID-19 and recent oil price volatility. The Group has run a downside sensitivity forecast at $20/bbl for the remainder of 2020 and $30/bbl for 2021 with a 30% reduction in production to cater for any impacts of COVID-19 or other operational issues.

Following this review, the directors are satisfied that, after taking into consideration the current macroeconomic situation and uncertainty arising from the COVID-19 pandemic, the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of signing these Financial Statements. For this reason, they continue to adopt the Going Concern Basis for preparing the Financial Statements.

Directors' Report (continued)

Statement of Disclosure to Auditor

Each of the persons who is a Director at the date of approval of this annual 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 steps required to make himself 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 section 418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

By order of the Board

Jacques J Tohme
Director
22 May 2020

Independent Auditor's Report to the member of Tailwind Energy Ltd

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Tailwind Energy Ltd (the 'parent company') and its subsidiary (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss and other comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated and company cash flow statements; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions 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 Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the members of Tailwind Energy Limited (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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's and the 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.

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

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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

Independent Auditor's Report to the members of Tailwind Energy Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 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.

We have nothing to report in respect of these matters.

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.

Ivan Boonzaaier, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

22 May 2020

Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the year ended 31 December 2019

	Notes	**Year ended 31 December 2019**	18 months ended 31 December 2018
		$'000	$'000
Revenue	5	**367,205**	23,009
Cost of sales		**(287,576)**	(25,662)
Gross profit/(loss)		**79,629**	(2,653)
Exploration and evaluation expenses		**(1,096)**	-
Other (cost)/ income	13,15	**(11,409)**	65,044
Gains on acquisition	4	**7,760**	135,996
General and administrative expenses		**(17,361)**	(11,366)
Operating profit	6	**57,523**	187,021
Finance income and other gains	8	**672**	122
Finance costs, other finance expense and losses	8	**(26,927)**	(9,572)
Profit on ordinary activities before taxation		**31,268**	177,571
Taxation	9	**15,931**	253,163
Profit for the year/period		**47,199**	430,734
Other comprehensive results for the year/period, net of taxation		**(2,553)**	(610)
Total comprehensive income for the year/period, net of taxation		**44,646**	430,124

All results have been derived from continuing operations.

Tailwind Energy Ltd

Consolidated and Company Balance Sheets

as at 31 December 2019

		Group		Company	
		31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	Note	**$'000**	$'000	**$'000**	$'000
Assets					
Non-current assets					
Exploration and evaluation assets	10	**19,307**	15,666	**-**	15,666
Property, plant and equipment	11	**635,922**	781,687	**-**	578,965
Investment in subsidiary	12	**-**	-	**214,654**	133,524
Other financial assets	13	**4,448**	27,166	**-**	27,166
Deferred tax	9	**76,326**	54,952	**-**	-
Trade and other receivables	15	**30,112**	-	**30,112**	-
		766,115	879,471	**244,766**	755,321
Current assets					
Inventories	14	**4,814**	7,745	-	-
Trade and other receivables	15	**45,208**	24,386	**88,559**	18,425
Other financial assets	13	**2,646**	38,521	**5,314**	38,521
Cash and cash equivalents	16	**142,797**	12,305	**20**	10,996
		195,465	82,957	**93,893**	67,942
Total assets		**961,580**	962,428	**338,659**	823,263
Current liabilities					
Trade and other payables	17	**70,800**	77,226	**24,605**	69,680
Provisions	18	**20,484**	18,524	**13,046**	17,623
Interest bearing loans	19	**-**	55,100	**-**	55,100
		91,284	150,850	**37,651**	142,403
Non-current liabilities					
Trade and other payables	17	**-**	12,274	**-**	12,274
Provisions	18	**91,806**	110,710	**39,886**	70,387
Interest bearing loans	19	**303,632**	258,382	**112,905**	258,382
Other financial liabilities	13	**-**	-	**16,042**	-
Deferred tax	9	**-**	-	**6,188**	218,722
		395,438	381,366	**175,021**	559,765
Total Liabilities		**486,722**	532,216	**212,672**	702,168
Net assets		**474,858**	430,212	**125,987**	121,095
Equity					
Called up share capital	20	**1**	1	**1**	1
Preference share capital	20	**1**	1	**1**	1
Currency translation reserve		**(3,163)**	(610)	**(234)**	(234)
Retained earnings		**478,019**	430,820	**126,219**	121,327
Total equity		**474,858**	430,212	**125,987**	121,095

The Company reported a profit for the financial year ended 31 December 2019 of $4.9 million (2018: $121.2 million).

The financial statements of Tailwind Energy Ltd, company number 07879002, were approved by the Board of Directors and authorised for issue on 22 May 2020. They were signed on its behalf by:

Jacques J Tohme
Director

Consolidated Statements of Changes in Equity
for the year ended 31 December 2019

Group	**Share capital $'000**	**Redeemable preference shares $'000**	**Currency translation reserve $'000**	**Retained earnings $'000**	**Total $'000**
At 1 January 2019	**1**	**1**	**(610)**	**430,820**	**430,212**
Profit for the year	**-**	**-**	**-**	**47,199**	**47,199**
Other comprehensive loss	**-**	**-**	**(2,553)**	**-**	**(2,553)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(2,553)**	**47,199**	**44,646**
At 31 December 2019	**1**	**1**	**(3,163)**	**478,019**	**474,858**

	Share capital $'000	Redeemable preference shares $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
At 1 July 2017	1	1	-	86	88
Profit for the period	-	-	-	430,734	430,734
Other comprehensive loss	-	-	(610)	-	(610)
Total comprehensive income/(loss) for the period	-	-	(610)	430,734	430,124
At 31 December 2018	1	1	(610)	430,820	430,212

The current year currency translation reserve arose following the change in the Company's subsidiary functional currency from Pounds Sterling to US Dollars from 1 July 2019 and reporting currency from Pound Sterling to US Dollars for the year ended 31 December 2019. The prior period currency translation reserve arose following the change of the Company's functional currency from Pounds Sterling to US Dollars from 1 September 2018, as well as the change in presentational currency of the Group and Company for the period ended 31 December 2018.

Tailwind Energy Ltd

Company Statements of Changes in Equity

for the year ended 31 December 2019

Company	**Share capital $'000**	**Redeemable preference shares $'000**	**Currency translation reserve $'000**	**Retained earnings $'000**	**Total $'000**
At 1 January 2019	**1**	**1**	**(234)**	**121,327**	**121,095**
Profit for the year and total other comprehensive income	**-**	**-**	**-**	**4,892**	**4,892**
At 31 December 2019	**1**	**1**	**(234)**	**126,219**	**125,987**

	Share capital $'000	Redeemable preference shares $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
At 1 July 2017	1	1	-	86	88
Profit for the period	-	-	-	121,241	121,241
Other comprehensive loss	-	-	(234)	-	(234)
Total comprehensive income/(loss) for the period	-	-	(234)	121,241	121,007
At 31 December 2018	1	1	(234)	121,327	121,095

The prior period currency translation reserve arose following the change of the Company's functional currency from Pounds Sterling to US Dollars from 1 September 2018, as well as the change in presentational currency of the Group and Company for the period ended 31 December 2018.

Tailwind Energy Ltd

Consolidated and Company Cash Flow Statements
for the year ended 31 December 2019

	Note	**Group**		**Company**	
		Year ended 31 December 2019	18 months ended 31 December 2018	**Year ended 31 December 2019**	18 months ended 31 December 2018
		$'000	$'000	**$'000**	$'000
Profit before tax		**31,268**	177,571	**(4,761)**	138,560
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation, depletion and amortisation	11	**164,474**	21,834	**43,425**	13,476
Gain on acquisition	4	**(7,760)**	(135,996)	**(7,760)**	(100,751)
Other cost/(income)	13,15	**11,409**	(65,044)	**12,095**	(65,044)
Finance income	8	**(143)**	(122)	**-**	(1)
Finance costs	8	**23,857**	7,533	**17,996**	7,533
Change in provision expensed		**12,603**	-	**2,315**	-
Unwinding of discount	8	**2,358**	987	**1,860**	864
Foreign currency swaps		**(529)**	-	**3,830**	-
Unrealised foreign exchange losses		**571**	977	**42**	823
		238,107	7,740	**69,042**	(4,540)
Working capital adjustments:					
(Increase)/decrease in trade and other receivables		**(7,235)**	38,124	**(44,887)**	(2,838)
(Decrease)/increase in trade and other payables		**(16,287)**	(19,847)	**55,016**	10,796
Decrease/(increase) in inventories		**2,931**	(5,982)	**-**	-
Cash from operations		**217,516**	20,035	**79,171**	3,418
Hedging amounts received/(paid)		**4,529**	201	**(1,872)**	201
Interest paid		**(17,002)**	(534)	**(13,224)**	(534)
Interest received		**143**	122	**-**	1
Net cash from operating activities		**205,186**	19,824	**64,075**	3,086
Investing activities					
Acquisition of subsidiary, net of cash acquired	4	**-**	24,367	**-**	-
Acquisition of Triton area assets		**(37,817)**	1,638	**(37,817)**	1,638
Decommissioning expenditure		**(353)**	-	**-**	-
Exploration and evaluation asset additions		**(388)**	-	**-**	-
Purchase of property, plant and equipment		**(15,748)**	(19,081)	**(6,192)**	(19,016)
Net cash (used in)/ provided by investing activities		**(54,306)**	6,924	**(44,009)**	(17,378)
Financing activities					
Proceeds from borrowings	19	**15,343**	32,644	**-**	32,644
Loan commitment fees	19	**(3,577)**	-	**-**	-
Repayment of borrowings	19	**(31,000)**	(47,000)	**(31,000)**	(47,000)
Loan repayment from subsidiary		**-**	-	**-**	39,633
Net cash (used in)/ from investing activities		**(19,234)**	(14,356)	**(31,000)**	25,277
Net increase/(decrease) in cash and cash equivalents		**131,646**	12,392	**(10,934)**	10,985
Cash and cash equivalents at beginning of year		**12,305**	75	**10,996**	75
Effect of foreign exchange rate changes		**(1,154)**	(162)	**(42)**	(64)
Cash and cash equivalents at end of year	16	**142,797**	12,305	**20**	10,996

Further details about non-cash investing activities and non-cash financing activities are provided in Note 4 and Note 19 respectively.

Notes to the Financial Statements
for the year ended 31 December 2019

1. Corporate information

The consolidated financial statements of Tailwind Energy Ltd (the Group) for the year ended 31 December 2019, which comprise the parent company, Tailwind Energy Ltd (the Company) and its subsidiary, Tailwind Mistral Ltd, were authorised for issue in accordance with a resolution of the directors on 22 May 2020.

Tailwind Energy Ltd is a private limited company by shares and is incorporated in the United Kingdom under the Companies Act 2006. The principal activity of the Group and the Company is the acquisition, exploration, development and production of oil and gas reserves on the UK Continental Shelf (UKCS).

The registered office address of all members of the Group is 62 Buckingham Gate, London, SW1E 6AJ, United Kingdom.

2. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Going Concern

The financial statements have been prepared in accordance with the going concern basis of accounting. The use of this basis of accounting takes into consideration the Company's and the Group's current and forecast financing position, additional details of which are provided in the Going Concern section of the Directors' Report.

Basis of Preparation

The Group has prepared its financial statements under International Financial Reporting Standards (IFRSs), and as adopted by the European Union. The financial statements are prepared on the historical cost basis except for the valuation of hedging instruments. The Group financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars ($'000) except where otherwise stated.

The Group has elected to take the exemption under section 408 of the Companies Act 2006 not to present a company income statement. The profit recorded for the year ended 31 December 2019 was $4.9 million (2018: $121.2 million).

The prior period was an 18-month period to align the Company's reporting period to the 31 December period end of the rest of the Group.

New standards, amendments and interpretations issued and effective during the financial year beginning 1 January 2019 that are relevant to the Group

The Group, has considered all new and amended IFRSs issued by the International Accounting Standards Board (IASB), that are mandatorily effective for the year ending 31 December 2019. Where the changes affect the Group, the relevant application and disclosure has been made during the year to 31 December 2019. The new and amended IFRSs during the year are as detailed below:

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRS 16: Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

The application of the above standards and amendments did not have any material impact on the Group's consolidated financial statements.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

Basis of Consolidation (continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

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 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 profit and loss account, except when hedge accounting is applied. Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the transaction and subsequently not retranslated.

On consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly exchange rates for the year. Equity is held at historic costs and are not retranslated. The resulting exchange differences are recognised as other comprehensive income or expense and are transferred to the Group's translation reserve.

Joint arrangements

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

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

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

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;

Business combinations (continued)

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum of one year.

Goodwill

In the event of a business combination or acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, the acquisition method of accounting is applied. Goodwill arises when the aggregate of the fair value of purchase consideration transferred at the acquisition date exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill is treated as an asset of the relevant entity to which it relates and accordingly, non-US Dollar goodwill is translated into US Dollars at the closing rate of exchange at each reporting date. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of the cash generating units to which the goodwill relates. Where the carrying amount of the cash generating unit and related goodwill is higher than the recoverable amount of the cash generating unit, an impairment loss is recognised.

Bargain purchase arises when the fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the aggregate of the fair value of purchase consideration transferred at the acquisition date. Bargain purchase is credited to the income statement when it arises.

Business combinations under common control

Business combinations under common control (BCUCC) are business combinations involving entities or businesses under common control, in which all of the combining entities or businesses are ultimately controlled by the same party both before and after the business combination.

BCUCC are not within the scope of IFRS 3, Business combinations. The Company applies the continuity of interests' method when accounting for BCUCC. Under this method, the Company records the assets acquired and liabilities assumed at their carrying amounts on the closing date of the transaction. The difference between the consideration given and the aggregate value of the net assets acquired is recorded as an adjustment to the shareholders' equity.

Intangible assets – exploration and evaluation assets

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

(i) Pre-licence costs

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

(ii) 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. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and that sufficient progress is being made on establishing development plans and timing.

Intangible assets – exploration and evaluation assets (continued)

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through the statement of profit or loss and other comprehensive income. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

(iii) Exploration and evaluation costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the exploration is complete and the results have been evaluated. Geological and geophysical costs are recognised in the statement of profit or loss and other comprehensive income, as incurred.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through the statement of profit or loss and other comprehensive income as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. 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 statement of profit or loss and other comprehensive income.

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. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

(iv) Farm-outs – in the exploration and evaluation phase

The Group does not record any expenditure made by the farminee 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 farminee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farminor as a gain on disposal.

(v) Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

Oil and gas properties and other property, plant and equipment

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

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. The capitalised value of a finance lease is also included within property, plant and equipment.

Oil and gas properties and other property, plant and equipment (continued)

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

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

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

Other property, plant and equipment

Non-oil and gas property, plant and equipment is stated at cost less accumulated depreciation and impairment. Depreciation is provided for on a straight-line basis at rates sufficient to write off the 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	5 years

Impairment of non-current assets (excluding goodwill)

The Group assesses at each reporting date whether there is an indication that an asset (or CGU) may be impaired. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating VIU, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining FVLCD, recent market transactions (where available) are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Instruments (continued)

(a) Financial Assets
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans and receivables

Loans and receivables are initially measured at fair value and subsequently carried at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is presented within finance income in the profit and loss account.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.
The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The losses arising from any impairment are recognised in operating expenses.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

(b) Financial Liabilities

Borrowings

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

(c) Derivative financial instruments

Derivative financial instruments are initially recognised and subsequently re-measured at fair value. 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 profit and loss.

Financial Instruments (continued)

(d) Fair values

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active market for identical assets and liabilities
- Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories of consumable well supplies are stated at the lower of cost and net realisable value, cost being determined on an average cost basis. Inventories of petroleum products are stated at net realisable value.

Production imbalances and under/overlift

Production imbalances arise on fields as oil is lifted per each joint venture party, resulting in a variance in the volume of oil lifted versus the entitlement per owner per their working interest. All Group fields are operated through a Joint Operating Agreement ('JOA') through which production imbalances are settled. Settlement occurs through agreed lifting schedules and are not settled in cash, with the exception of a misbalance at the cessation of contract. As collaborative agreements and non-monetary exchanges, the transactions do not meet the definition of a customer under IFRS 15 and are recognised through cost of sales.

The under or over-lifted positions of hydrocarbons arising from production imbalances are valued at market prices prevailing at the balance sheet date. An under-lift of production from a field is included in current receivables and valued at the reporting date spot price or prevailing contract price. An over-lift of production from a field is included in current liabilities and valued at the reporting date spot price or prevailing contract price. Movements in under or over-lifted positions are accounted for through cost of sales.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax risk free rate. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

Decommisioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate.

Provisions (continued)

Decommissioning liability (continued)

Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset. If the decrease in the decommissioning liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. If the adjustment results in an addition to the cost of the asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

Taxes

(a) 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 country 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 profit or loss.

(b) Deferred tax

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

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised.
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date. The carrying amount of the deferred income tax asset is reviewed at each reporting date.
- Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Group to make a single net payment.

(c) Investment allowance

The UK taxation regime provides for a reduction in ring fence supplementary corporation tax where investment in new or existing UK assets qualify for a relief known as investment allowance. Investment allowance must be activated by commercial production from the same field before it can be claimed. The Group has both unactivated and activated investment allowance which could reduce future supplementary corporation taxation. The Group's policy is that investment allowance is recognised as a reduction in the charge to taxation in the years claimed.

Revenue

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids, and other items sold by the Group usually coincides with title passing to the customer and the customer taking physical possession. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Under the Group's joint operation arrangements, revenue is recognised according to the actual liftings. However, where liftings do not match working interest or entitlement interest, an adjustment is made to cost of sales representing the amount due to/from joint venture partners representing over/ underlift movements.

Use of significant accounting judgements and key sources of estimation uncertainty

The preparation of the Group's and Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions at the date of the financial statements.

Significant accounting judgements

There were no significant accounting judgements applied during the year.

Key sources of estimation uncertainty

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 and liabilities affected in future periods. The estimates and assumptions which have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Oil and gas reserves (note 11)

Significant estimates and determinations are required when assessing the economically recoverable reserves of an oil and gas field. Such estimates are impacted by a number of factors, including commodity prices, future capital expenditure and the available reservoir data. The estimation of oil and gas reserves affects the calculation of depreciation, the recoverable amount of assets for the purpose of impairment testing and the anticipated date of decommissioning. A 5% reduction in the estimation of proved and probable reserves would have increased the depreciation charge by $8.6 million.

(b) Recoverability of oil and gas assets (note 11)

The Group assesses each asset or cash generating unit each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use (VIU). The assessments of VIU require the use of estimates and assumptions such as 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, reserve profiles and operating performance.

(c) Decommissioning costs (note 18)

Decommissioning costs will be incurred by the Group at the end of the operating life of most of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including the expected timing, extent and amount of expenditure. On the basis that all other assumptions in the calculation remain the same, a 10% increase in the cost estimates used to assess the final decommissioning obligation would result in an increase to the decommissioning provision of circa $5.9 million. This change would be principally offset by a change to the value of the associated asset.

Key sources of estimation uncertainty (continued)

(d) Recovery of deferred tax assets (note 9)

Judgement is required to determine whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods over the life of field, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable income are based on forecasted cash flows from operations and judgement about the application of existing tax laws.

3. Business transfer

On 4 July 2019, the Company transferred the entirety of its oil and gas business which includes the Triton cluster assets to its subsidiary Tailwind Mistral Ltd for a total consideration of $365.5 million, consolidating all its oil and gas operations under a single entity.

The book values of the assets and liabilities transferred and related consideration received are set out below:

	Final values **$'000**
Exploration and evaluation assets (note 10)	15,666
Property, plant and equipment (note 11)	541,732
Trade and other receivables	19,030
Cash and bank balances	51
Other financial assets	15,184
Trade and other payables	(18,984)
Decommissioning provision (note 18)	(11,566)
Deferred tax (note 9)	(195,624)
Total identifiable net assets at fair value	**365,489**
Consideration	
Cash payable	68,616
Senior loan facility assumed by Tailwind Mistral Ltd (note 19)	174,143
Royalty obligation assumed by Tailwind Mistral Ltd	18,532
Receivable from parent	(172)
Intercompany receivable written off	23,240
Issuance of share capital	81,130
Total purchase consideration transferred	**365,489**

4. Business combination

Triton Cluster

In December 2017, Tailwind signed agreements with Shell UK Limited, Shell EP Offshore Ventures Limited and Esso Exploration and Production UK Limited (the 'Sellers') to acquire the Sellers' interests in a package of assets (Triton cluster) in the UK North Sea.

The transaction completed on 1 September 2018 for a cash consideration at completion of $139.7 million with further payments to the respective Sellers contingent upon future production results and commodity prices.

The preliminary estimates of the fair values recognised in respect of net identifiable assets acquired and liabilities assumed at acquisition date and after finalisation during 2019 are set out below:

	Preliminary estimates $'000	Finalisation adjustments $'000	Final values $'000
Exploration and evaluation assets	15,666	-	15,666
Property, plant and equipment	561,856	-	561,856
Inventory	10,151	-	10,151
Trade and other payables	(45,405)	504	(44,901)
Deferred tax	(201,399)	7,256	(194,143)
Total identifiable net assets at fair value	340,869	7,760	348,629
Purchase consideration			
Cash consideration on completion	139,671	-	139,671
Deferred consideration	24,655	-	24,655
Contingent consideration	75,792	-	75,792
Total purchase consideration transferred	240,118	-	240,118
Gain on acquisition	(100,751)	(7,760)	(108,511)

Acquisition related costs of $3 million were incurred during the year and recognised as an expense within operating costs. The cash consideration on completion comprised drawdowns from the Company's senior secured facility which were paid directly to the sellers amounting to $141.3 million, net of refunds on final completion received by the Company of $1.6 million.

Deferred consideration represents $24.7 million payable one year and two years after the acquisition date and has been included at a discounted value. The total consideration transferred includes a contingent amount of $57.7 million representing the fair value of payments to the Sellers which are dependent upon the future production results of the Triton cluster producing assets. Contingent consideration also includes an amount of $18.1 million representing the fair value of royalty payments dependent on future commodity prices for the production volumes on the Bittern and Guillemot West fields. Liabilities for contingent consideration are assessed at each reporting date with any change in the valuation reported through the income statement.

A gain on acquisition of $108.5 million was recognised in the income statement. The finalisation adjustments in 2019 relate to recognition of deferred tax asset on royalty and adjustments to working capital following additional information becoming available during the year relating to these preliminary estimates. The gain on acquisition is largely attributable to an increase in the commodity price between the time the agreement was signed and the completion date. The fair values of the oil and gas assets recognised as property, plant and equipment were determined by reference to commodity forward price curves for the first four years following acquisition date and, for subsequent years, based on a market consensus.

4. Business combination (continued)

EOG Resources UK Limited

In August 2018, the Company entered into an agreement with EOG Resources, Inc. to acquire 100% of the share capital of EOG Resources UK Limited. The transaction completed on 8 November 2018 and comprised cash consideration at completion of $133.5 million. For accounting purposes, the effective date of the transaction has been determined as 31 October 2018. The entity was subsequently renamed Tailwind Mistral Ltd.

The preliminary estimates of the fair values recognised in respect of net identifiable assets acquired and liabilities assumed are set out in the table below:

	$'000
Property, plant and equipment	207,821
Trade and other receivables	46,866
Inventories	1,820
Cash and bank	24,367
Trade and other payables	(36,337)
Decommissioning liabilities	(39,768)
Interest bearing loan	(39,633)
Deferred tax assets	3,633
Total identifiable net assets at fair value	168,769
Purchase consideration	
Cash consideration on completion	133,524
Total purchase consideration transferred	133,524
Gain on acquisition	(35,245)

Acquisition related costs of $1 million were incurred during the period and recognised as an expense within operating costs. The cash consideration on completion comprised drawdowns from the Company's senior secured facility amounting to $133.5 million which were paid directly to the seller. The interest-bearing loan assumed on acquisition was repaid following the acquisition via a drawdown from the Company’s secured senior facility transferred directly to the loan provider.

An internal valuation of the acquired net assets resulted in a fair value adjustment being made to property, plant and equipment of $48.9 million. The gain on acquisition of $35.2 million represents an arm's length transaction at the time of acquisition. There were no finalisation adjustments to the fair values of the net assets acquired.

5. Revenue

Revenue represents amounts receivable for the sale of hydrocarbons as follows:

	Year ended 31 December 2019	18 months ended 31 December 2018
	$'000	$'000
Crude oil sales	**361,121**	22,147
Gas sales	**6,084**	862
	367,205	23,009

Two customers represent 100% of the crude oil sales and gas sales. In the prior period, revenue reflects the four months and two months of oil and gas production following the acquisition of the Triton cluster assets and Conwy assets respectively. One customer represented 100% of crude oil sales and two customers represented 100% of gas sales in 2018.

The performance obligation is satisfied by the delivery of the product at an agreed delivery point in the distribution chain, often either at the well head or delivery terminal. Payment is generally due within 30 days from delivery.

6. Operating profit

This is stated after charging:

	Year ended 31 December 2019	18 months ended 31 December 2018
	$'000	$'000
Operating costs	**130,568**	10,979
Depreciation - oil and gas producing assets (note 11)	**164,474**	21,832
Depreciation - fixtures and fittings (note 11)	**162**	3
Movement in hydrocarbon inventories	**(7,466)**	(7,149)

Auditor's remuneration	**Year ended 31 December 2019**	18 months ended 31 December 2018
	$'000	$'000
Audit of the Company's and Group Financial Statements	**60**	44
Audit of the Subsidiary	**77**	70

There were no non-audit services and fees during the year (2018: $nil).

7. Staff costs

The monthly average number of persons employed during the year was 18 (2018: 5) including the 4 directors.

	Year ended 31 December 2019 $'000	18 months ended 31 December 2018 $'000
Directors' remuneration	**2,548**	2,250
Wages and salaries	**2,356**	104
Social security	**645**	720
Pension	**106**	17
Other	**658**	-
	6,313	3,091
Remuneration of the highest paid director		
Emoluments	**766**	638
Pension	**13**	-
	779	638

8. Finance income and finance costs

	Year ended 31 December 2019 $'000	18 months ended 31 December 2018 $'000
Finance income and other gains		
Bank interest income	**143**	122
Foreign currency swaps (note 13)	**529**	-
	672	122
Finance costs, other finance expenses and losses		
Interest on loans (note 19)	**23,857**	7,533
Unwinding of discount on provisions	**2,358**	987
Bank charges and other	**141**	32
Exchange differences and other losses	**571**	1,020
	26,927	9,572

9. Taxation

The major components of the Group's and Company's income tax (credit) were:

	Group	
	Year ended 31 December 2019	18 months ended 31 December 2018
	$'000	$'000
Current tax		
Current tax on profits for the year and adjustments in respect of prior years	**-**	-
Total current tax	**-**	-
Deferred tax		
Current year	**(12,092)**	(256,596)
Adjustment in respect of previous periods	**(3,070)**	3,433
Effect of changes in tax rates	**(769)**	-
Total deferred tax	**(15,931)**	(253,163)
Tax per income statement	**(15,931)**	(253,163)

The standard rate of UK ring fence corporation tax and supplementary charge rate of 40% was applied to the reported profit before tax.

The tax (credit) for the year can be reconciled to the profit before tax as follows:

	Group	
	Year ended 31 December 2019	18 months ended 31 December 2018
	$'000	$'000
Profit before tax	**31,268**	177,571
Tax on profit at standard UK rate of 40%	**12,507**	71,028
Effects of:		
Adjustments in respect of prior years	**(3,070)**	3,433
Expenses not deductible	**3,521**	2,396
Income not taxable	**(4,221)**	(54,706)
Investment allowance	**(19,547)**	(481)
Tax rate changes	**(769)**	-
Recognition of previously unrecognised tax losses	**-**	(274,886)
Impact of Outside Ring Fence activity taxable at 19%	**(5,752)**	-
Other	**1,400**	53
Income tax (credit) reported in profit or loss	**(15,931)**	(253,163)

9. Taxation (continued)

Deferred income tax

Deferred income tax at year end relates to the following:

	Group		Company	
	Year ended 31 December 2019	18 months ended 31 December 2018	**Year ended 31 December 2019**	18 months ended 31 December 2018
	$'000	$'000	**$'000**	$'000
Deferred tax liability				
Accelerated capital allowances	**(256,206)**	(318,941)	**-**	(237,852)
Temporary differences on hedges	**(13,316)**	-	**(6,188)**	-
	(269,522)	(318,941)	**(6,188)**	(237,852)
Deferred tax asset				
Decommissioning provisions	**23,743**	21,116	**-**	4,626
Tax losses carried forward	**304,827**	352,377	**-**	14,022
Other	**17,278**	400	**-**	482
	345,848	373,893	**-**	19,130
Deferred tax asset/(liability)	**76,326**	54,952	**(6,188)**	(218,722)

Analysis of deferred tax

	Group		Company	
	Year ended 31 December 2019	18 months ended 31 December 2018	**Year ended 31 December 2019**	18 months ended 31 December 2018
	$'000	$'000	**$'000**	$'000
Deferred tax at beginning of year/period	**54,952**	-	**(218,722)**	-
Initial recognition in business combination	**7,257**	(197,766)	**7,257**	(201,399)
Transfer to Tailwind Mistral Limited	**-**	-	**195,624**	
Currency translation differences	**(1,814)**	(445)	**-**	-
Credited/(charged) to profit and loss account	**15,931**	253,163	**9,653**	(17,323)
Deferred tax asset/(liability) at end of year/period	**76,326**	54,952	**(6,188)**	(218,722)

The Group's deferred tax assets at 31 December 2019 are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised. In accordance with IAS 12 Income Taxes, the Group assessed the recoverability of its deferred tax assets at 31 December 2019 with respect to ring fence tax losses and allowances.

A change to the UK corporation tax rate was substantively enacted on 17 March 2020. The corporation tax main rate for the period beginning 1 April 2020 will remain at 19%. As the change was not substantively enacted at the balance sheet date the effect is not included in these financial statements.

If this change had been substantively enacted at the balance sheet date the deferred tax charge in the year would increase by $769,037.

10. Exploration and evaluation assets

	Group		Company	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	$'000	$'000	**$'000**	$'000
At beginning of year/period	**15,666**	-	**15,666**	-
Additions from business combinations (note 4)	**-**	15,666	**-**	15,666
Transfer to subsidiary (note 3)	**-**	-	**(15,666)**	
Additions in the year	**388**	-	**-**	
Movement in decommissioning assets (note 18)	**3,253**	-	**-**	-
At end of year/period	**19,307**	15,666	**-**	15,666

On 4 July 2019, Tailwind Energy Ltd transferred the entirety of its oil and gas business which includes the Triton cluster assets to its fully owned subsidiary Tailwind Mistral Ltd. See note 3 for further details. The interest bearing loans (note 19) are secured over the oil and gas assets of the Group.

11. Property, plant and equipment

	Group		
	Oil and gas development & production assets	**Fixtures and fittings**	**Total**
	$'000	**$'000**	**$'000**
Cost			
At 1 July 2017	-	5	5
Additions from business combinations (note 4)	769,580	97	769,677
Additions in the period	20,931	65	20,996
Movement in decommissioning assets (note 18)	12,846	-	12,846
At 31 December 2018	803,357	167	803,524
Additions in the year	16,135	-	16,135
Movement in decommissioning assets (note 18)	3,375	-	3,375
Currency translation adjustment	(794)	-	(794)
At 31 December 2019	**822,073**	**167**	**822,240**
Depreciation			
At 1 July 2017	-	3	3
Charge for the period	21,832	2	21,834
At 31 December 2018	21,832	5	21,837
Charge for the year	164,474	162	164,636
Currency translation adjustment	(155)	-	(155)
At 31 December 2019	**186,151**	**167**	**186,318**
Net book value			
At 31 December 2018	781,525	162	781,687
At 31 December 2019	**635,922**	**-**	**635,922**

Notes to the Financial Statements

for the year ended 31 December 2019

11. Property, plant and equipment (continued)

	Company		
	Oil and gas development & production assets	**Fixtures and fittings**	**Total**
	$'000	**$'000**	**$'000**
Cost			
At 1 July 2017	-	5	5
Additions from business combinations (note 4)	561,856	-	561,856
Additions in the period	19,017	-	19,017
Movement in decommissioning assets (note 18)	11,566	-	11,566
At 31 December 2018	592,439	5	592,444
Additions in the year	6,192	-	6,192
Transfer to subsidiary	(598,631)	(5)	(598,636)
At 31 December 2019	**-**	**-**	**-**
Depreciation			
At 1 July 2017	-	3	3
Charge for the period	13,474	2	13,476
At 31 December 2018	13,474	5	13,479
Charge for the year	43,425	-	43,425
Transfer to subsidiary	(56,899)	(5)	(56,904)
At 31 December 2019	**-**	**-**	**-**
Net book value			
At 31 December 2018	578,965	-	578,965
At 31 December 2019	**-**	**-**	**-**

On 4 July 2019, Tailwind Energy Ltd transferred the entirety of its oil and gas business which includes the Triton cluster assets to its fully owned subsidiary Tailwind Mistral Ltd. See note 3 for further details.

The interest bearing loans (note 19) are secured over the oil and gas assets of the Group.

12. Investment in subsidiary

	Company	
	31 December 2019	31 December 2018
	$'000	$'000
At beginning of year/period	**133,524**	-
Additions	**81,130**	133,524
Disposals	**-**	-
At end of year/period	**214,654**	133,524

12. Investment in subsidiary (continued)

On 8 November 2018, the Company acquired 100% of the issued share capital of EOG Resources UK Limited from EOG Resources, Inc. via cash consideration at completion of $133.5 million. The entity was subsequently renamed Tailwind Mistral Ltd.

During 2019, as part of the consideration for the transfer of the oil and gas business from Tailwind Energy Ltd to Tailwind Mistral Ltd, the Company received one share in Tailwind Mistral Ltd at nominal price of £1 and with a share premium of $81.1 million.

At 31 December 2019, the principal subsidiary undertaking of the Company which was wholly owned was:

Name of company	Country of incorporation	Holding	Main activity
Tailwind Mistral Ltd	UK	100%	Oil and gas

The registered address of Tailwind Mistral Limited is 62 Buckingham Gate, London, SW1E 6AJ, United Kingdom.

13. Other financial assets

Group and Company	**31 December 2019**		31 December 2018	
	Assets	**Liabilities**	Assets	Liabilities
	$'000	**$'000**	$'000	$'000
Measured at fair value				
Commodity swaps and options	**46**	**-**	38,521	-
Foreign currency swaps	**2,600**	**-**	-	-
Total current	**2,646**	**-**	38,521	-
Measured at fair value				
Commodity swaps and options	**4,448**	**-**	27,166	-
Total non-current	**4,448**	**-**	27,166	-
Total current and non-current	**7,094**	**-**	65,687	-

All financial instruments that are initially recognised and subsequently re-measured at fair value have been classified 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.

13. Other financial assets (continued)

	Financial assets			Financial liabilities		
Group	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Measured at fair value						
As at 31 December 2019	**-**	**7,094**	**-**	**-**	**-**	**-**
As at 31 December 2018	-	65,687	-	-	-	-

	Financial assets			Financial liabilities		
Company	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Measured at fair value						
As at 31 December 2019	**-**	**5,314**	**-**	**-**	**(16,042)**	**-**
As at 31 December 2018	-	65,687	-	-	-	-

The Group uses put and call options and swap contracts to manage its exposure to the oil price and foreign currency exposure to GBP. Derivative financial instruments are valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data (level 2).

Commodity and foreign currency derivative contracts are designated as at fair value through profit and loss (FVPL), and gains and losses on these contracts are recognised in the income statement. Commodity derivative contracts typically include bought and sold call options, bought put options and commodity swap contracts. Foreign currency derivative contracts include foreign currency swap contracts.

During the year, the Company transferred all its commodity derivative contracts to its subsidiary as part of the oil and gas business transfer on 4 July 2019. Subsequently, on 3 October 2019, the Company purchased the commodity hedge swap contracts from the counterparty as at 3 October 2019, such that Tailwind Mistral Ltd commodity swap contracts were with Tailwind Energy Ltd from that date. The fair value of these commodity swap contracts at that date amounted to $58.2 million.

For the year ended 31 December 2019, losses totalling $2.4 million (2018: $65.0 million) were recognised in respect of commodity contracts designated as FVTPL. This included gains totalling $0.7 million (2018: gains of $0.7 million) realised on contracts that matured during the year, and mark-to-market unrealised losses totalling $3.1 million (2018: gains of $65.7 million).

For the year ended 31 December 2019, gains totalling $0.5 million (2018: $nil) were recognised in respect of foreign currency swap contracts designated as FVPL. This included losses of $2.1 million (2018: $nil) realised on contracts that matured during the year and mark-to-market unrealised gains totalling $2.6 million (2018: $nil).

The mark-to-market of the Group's open contracts as at 31 December 2019 was an asset of $7.1 million (2018: asset of $65.7 million).

14. Inventories

	Group	
	31 December 2019	31 December 2018
	$'000	$'000
Hydrocarbons	**4,802**	7,733
Consumables and supplies	**12**	12
	4,814	7,745

Hydrocarbons are measured at net realisable value. There was no hydrocarbon inventory for the Company.

15. Trade and other receivables

	Group		Company	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	$'000	$'000	**$'000**	$'000
Current				
Trade receivables	**17,130**	-	**-**	-
Accrued receivables	**3,866**	6,338	**-**	6,338
Other receivables	**19,067**	10	**19,067**	34
Underlift position	**1,740**	11,582	**-**	10,447
Prepayments	**-**	726	**-**	420
Tax receivable	**3,405**	5,729	**40**	1,185
Amounts receivable from parent	**-**	1	**-**	-
Amounts receivable from subsidiary	**-**	-	**69,452**	-
	45,208	24,386	**88,559**	18,425
Non-current				
Other receivables	**30,112**	-	**30,112**	-
	30,112	-	**30,112**	-

Trade receivables are non-interest bearing and are generally on 30 day terms. None of the Group's receivables are considered to be impaired and there are no financial assets past due but not impaired at the year end.The carrying values of the trade and other receivables are equal to their fair values as at the balance sheet date.

Current and non-current other receivables include a total amount of $49.2 million representing the remaining unamortised costs of entering a revenue contract deferred over future periods. The Company entered in a fixed price contract with Mercuria to sell at least 45% of the Group's oil production on agreed fixed prices between 2020 and 2023. The cost to enter this arrangement was $58.2 million and this cost is amortised to the income statement based on volumes lifted at fixed prices, with an amount of $9.0 million amortised as at 31 December 2019.

16. Cash and cash equivalents

	Group		Company	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**142,797**	12,305	**20**	10,996
	142,797	12,305	**20**	10,996

17. Trade and other payables

	Group		Company	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	$'000	$'000	**$'000**	$'000
Current				
Trade creditors	**4,078**	23,785	**-**	22,834
Amount due to subsidiary	**-**	-	**-**	6,384
Amount due to NSV Energy Limited	**5,082**	-	**-**	-
Accruals	**49,820**	32,262	**13,096**	19,376
Deferred income	**-**	6,750	**-**	6,750
Other creditors	**311**	1,836	**-**	1,743
Deferred consideration	**11,509**	12,593	**11,509**	12,593
	70,800	77,226	**24,605**	69,680
Non-current				
Deferred consideration	-	12,274	-	12,274

Trade payables are normally non-interest bearing and settled on terms of between 10 and 30 days. Accrued expenses include accruals for capital and operating expenditure in relation to the oil and gas assets.

Deferred consideration relates to the Triton Cluster acquisition and represent the final deferred payment two years after the acquisition date and has been included at a discounted value.

The carrying value of the Group's trade and other payables as stated above is considered to be a reasonable approximation of their fair value largely due to the short-term maturities.

18. Provisions

	Group			
	Contingent consideration	**Royalty**	**Decommissioning provision**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 31 December 2018	58,146	18,298	52,790	129,234
Transfer to accruals	(10,000)	(3,461)	-	(13,461)
Change in estimate	2,315	10,234	6,682	19,231
Utilisation in the year	(24,000)	-	(353)	(24,353)
Unwinding of discount	932	468	496	1,896
Currency translation adjustment	-	-	(257)	(257)
At 31 December 2019	**27,393**	**25,539**	**59,358**	**112,290**
Current	9,849	3,197	7,438	20,484
Non-current	17,544	22,342	51,920	91,806
At 31 December 2019	**27,393**	**25,539**	**59,358**	**112,290**

18. Provisions (continued)

	Company			
	Contingent consideration $'000	**Royalty $'000**	**Decommissioning provision $'000**	**Total $'000**
At 31 December 2018	58,146	18,298	11,566	88,010
Utilisation in the year	(24,000)	-	-	(24,000)
Unwinding of discount	932	468	-	1,400
Transfer to subsidiary	-	-	(11,566)	(11,566)
Transfer to accruals	(10,000)	(3,461)	-	(13,461)
Change in estimate	2,315	10,234	-	12,549
At 31 December 2019	**27,393**	**25,539**	**-**	**52,932**
Current	9,849	3,197	-	13,046
Non-current	17,544	22,342	-	39,886
At 31 December 2019	**27,393**	**25,539**	**-**	**52,932**

Contingent consideration represents amounts payable subject to future production volume results on certain assets in the Triton Cluster over the life of the asset from 2020 to 2030.

Royalty represent amounts payable subject to future production volumes and commodity prices over the life of certain assets in the Triton Cluster.

The provision for the above deferred, contingent and royalty considerations represents the best estimate of amounts payable under the sale and purchase agreement for the Triton Cluster as at the balance sheet date and will be reviewed at least annually, taking into account actual production results and planned activities. Changes to the provisions will be presented in the profit and loss statement on a prospective basis.

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas interests in the UK which are expected to be incurred up to 2031. These provisions have been created based on Tailwind's internal estimates and, where available, operator estimates and third-party reports. Based on the current economic environment, assumptions have been made which are believed to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

Discount rates ranging from 0.63% to 0.96% and an inflation rate of 1.68% have been applied to decommissioning estimates when determining the net present value of the decommissioning provision.

Notes to the Financial Statements
for the year ended 31 December 2019

19. Interest bearing loans

The Group's loan is carried at amortised cost as follows:

	Group		Company	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	$'000	$'000	**$'000**	$'000
Reserve based lending	**307,209**	-	**114,235**	-
Loan commitment fees	**(3,577)**		**(1,330)**	
Senior loan facility	-	290,000	-	290,000
Mezzanine loan facility	-	23,482	-	23,482
	303,632	313,482	**112,905**	313,482
Due within one year	**-**	55,100	**-**	55,100
Due after more than one year	**303,632**	258,382	**112,905**	258,382
	303,632	313,482	**112,905**	313,482

During the year, the Group drew down a total of $16.2 million from the Mezzanine loan facility represented by cash drawdowns of $13.8 million and non-cash drawdown of $2.4 million relating to net settlement of hedges and interest with Mercuria Energy Trading S.A. The Group also made total cash repayments of $31.0 million on the Senior loan facility.

On 24 September 2019, the Group obtained a new reserve lending facility of $350.0 million from a syndicate of banks. The facility has a six-year term due to mature on 23 September 2025. In addition to the committed $350.0 million, a further $400.0 million is available on an uncommitted "accordion" basis. Interest will accrue at LIBOR plus a margin of between 2.5% to 3.1% depending on the maturity of the facility.

On 26 September 2019, $307.2 million was drawn down from the RBL facility and this was used to fully repay the Senior and Mezzanine loan facility that the Group had with Mercuria Energy Trading S.A., including interest accrued of $6.6 million, which amounted to a total of $305.7 million as at that date. This repayment portion of the drawdown represented a non-cash movement as the loan drawdown was made directly by the banks to Mercuria Energy Trading S.A. The remaining portion of the RBL drawdown amounting to $1.5 million was drawn down as cash for the Company's operations.

On 24 September 2019, the Group also entered in a Junior Facility agreement with Mercuria Energy Trading S.A. for a facility of $50.0 million. There were no drawdowns on this facility as at 31 December 2019.

During the prior period ended 31 December 2018, the Group entered in a number of borrowing arrangements and facilities to fund the acquisition of the oil and gas assets discussed in note 4.

The Group entered into a senior secured loan agreement with Mercuria Energy Trading S.A on 20 December 2017 for an initial facility of $182.0 million which was subsequently increased to $337.0 million on 4 September 2018. This facility was fully drawn down during the period and an amount of $47.0 million was repaid in November 2018. The loan is secured over the Group's oil and gas interests in the North Sea and Irish Sea and is repayable quarterly from 20 March 2019 until 20 December 2022. The facility carries interest of 3-month USD Libor plus 6%.

The Group also entered into a Mezzanine loan facility with Mercuria Energy Trading S.A on 8 November 2018 for a facility of $60.0 million, with an amount of $36.5 million still undrawn at period end. The loan is secured over the Group's oil and gas interests in the North Sea and Irish Sea and is repayable in 2025. The facility carries interest of 3-month USD Libor plus 2.5% and payment in kind interest of 8%. The PIK interest is added to the loan balance at each interest payment date.

19. Interest bearing loans (continued)

The non-cash movements on the loan balances during the prior year comprised drawdowns of $141.3 million and $133.5 million in relation to the acquisition of the Triton Cluster assets and Tailwind Mistral respectively which were paid directly to the respective sellers. Loans assumed on the acquisition of Tailwind Mistral Ltd of $40.6 million was subsequently repaid through a drawdown from the Company's senior secured facility directly to the loan provider. In addition, interest on the loan amounting to $6.1 million and hedge amounts payable of $6.3 million were settled through capitalisation to the loan balance.

20. Authorised and issued share capital

	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
	No.	No.	$'000	$'000
Authorised and issued ordinary shares of £1 each	1,000	1,000	1	1
Redeemable preference shares of £1 each	667	667	1	1

21. Commitments

Capital commitments

At 31 December 2019, the Group had commitments for future capital expenditure relating to its oil and gas and exploration and evaluation assets amounting to $64.5 million (2018: $8.6 million) and had issued a letter of credit for future decommissioning liabilities of $10.8 million which was guaranteed by Mercuria Trading S.A.

22. Financial instruments

The Group's principal financial assets and liabilities comprise:

	Group		**Company**	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	$'000	$'000	**$'000**	$'000
Held at amortised cost				
Trade and other receivables	**20,996**	6,349	**-**	6,373
Cash and cash equivalents	**142,797**	12,305	**20**	10,996
Interest bearing loans	**(307,209)**	(313,482)	**(114,235)**	(313,482)
Trade and other payables	**(70,800)**	(82,750)	**(24,605)**	(75,204)
	(214,216)	(377,578)	**(138,820)**	(371,317)
At FVTPL				
Derivative financial instruments	**7,094**	65,687	**(10,728)**	65,687

The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the Group's acquisitions.

22. Financial instruments (continued)

The Group's activities expose it to various financial risks particularly associated with fluctuations in oil price, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks, which are summarised below. Also presented below is a sensitivity analysis to indicate sensitivity to changes in market variables on the Group's financial instruments and to show the impact on profit and shareholders' equity, where applicable. The sensitivity has been prepared for the periods ended 31 December 2019 and 31 December 2018 using the amounts of debt and other financial assets and liabilities held at those reporting dates.

Commodity price risk – oil prices

The Group is exposed to the impact of changes in Brent oil prices on its revenues and profits generated from sales of crude oil.

The Group's policy is to have the ability to hedge oil prices up to 50% of the next four years production on a rolling annual basis. Details of the commodity derivative contracts entered into during and in place at the end of 2019 are disclosed in note 13.

The following table summarises the impact on the Group's pre-tax profit and total equity of a reasonably possible change in the Brent oil price on the fair value of derivative financial instruments, with all other variables held constant. As the derivatives on hand at 31 December 2019 have not been designated as hedges, there is no impact on other comprehensive income within equity.

	Pre-tax profit		**Equity**	
	+$10/bbl increase	**-$10/bbl decrease**	**+$10/bbl increase**	**-$10/bbl decrease**
	$'000	**$'000**	**$'000**	**$'000**
31 December 2019	**(1,422)**	**9,745**	-	-
31 December 2018	(73,726)	73,078	-	-

Interest Rate Risk Profile of Financial Assets and Liabilities

The interest rate profile of the financial assets and liabilities of the Group as at 31 December is as follows:

Group	**Within 1 year**	**1-2 years**	**2-5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Year ended 31 December 2019 - Floating rate				
Cash	**142,797**	**-**	**-**	**142,797**
Interest bearing loan	**-**	**-**	**(307,209)**	**(307,209)**
	142,797	**-**	**(307,209)**	**(164,412)**
Period ended 31 December 2018 **-** Floating rate				
Cash	12,305	-	-	12,305
Interest bearing loan	(55,100)	(147,900)	(110,482)	(313,482)
	(42,795)	(147,900)	(110,482)	(301,177)

The following table demonstrates the sensitivity of finance revenue and finance costs to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on interest bearing loans).

	Effect on profit before tax 31 December 2019 $'000
Increase/decrease in interest rate	
+0.5%	**1,536**
-0.5%	**(1,536)**

22. Financial instruments (continued)

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The interest rate profile of the financial assets and liabilities of the Company as at 31 December is as follows:

Company	**Within 1 year $'000**	**1-2 years $'000**	**2-5 years $'000**	**Total $'000**
Year ended 31 December 2019-Floating rate				
Cash	**20**	**-**	**-**	**20**
Interest bearing loan	**-**	**-**	**(114,235)**	**(114,235)**
	20	**-**	**(114,235)**	**(114,215)**
Period ended 31 December 2018-Floating rate				
Cash	10,996	-	-	10,996
Interest bearing loan	(55,100)	(147,900)	(110,482)	(313,482)
	(44,104)	(147,900)	(110,482)	(302,486)

Credit risk

The Group's and Company's exposure to credit risk relating to financial assets arises from the default of a counterparty with a maximum exposure equal to the carrying value as at the balance sheet date. The Group's oil and gas sales are all contracted with well-established trading, oil and gas or energy companies and the Group deposit cash surpluses with major banks of high-quality credit standing.

Foreign currency risk

The Group is exposed to foreign currency risk primarily arising from exchange rate movements in US Dollar against Pounds Sterling. To mitigate exposure to movements in exchange rates, wherever possible, financial assets and liabilities are held in currencies that match the functional currency of the relevant entity. Exposures can 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. During 2019, the Group also entered into foreign currency derivative contracts to hedge its pound sterling requirements for 2020. As at 31 December 2018, the Group had not entered into any exchange rate derivatives.

The following table summarises the impact on the Group's pre-tax profit and total equity of a reasonably possible change in the US Dollar to pound sterling exchange rate on the fair value of derivative financial instruments, with all other variables held constant. As the derivatives on hand at 31 December 2019 have not been designated as hedges, there is no impact on other comprehensive income within equity.

Group	**Pre-tax profit**		**Equity**	
	+10% increase $'000	**-10% decrease $'000**	**+10% increase $'000**	**-10% decrease $'000**
31 December 2019	**12,630**	**(12,630)**	**-**	**-**
31 December 2018	-	-	-	-

There were no foreign currency derivatives in the Company.

22. Financial instruments (continued)

Liquidity risk

The Group monitors the amount of borrowings maturing within any specific period and proposes to meet its financing commitments from the operating cash flows of the business and existing committed lines of credit.

The table below summarises the maturity profile of the Group and Company's financial liabilities at 31 December 2019 based on contractual undiscounted payments.

	Within 1 year $'000	**1-2 years $'000**	**2-5 years $'000**	**Total $'000**
Group				
Year ended 31 December 2019				
Trade and other payables	**(70,800)**	**-**	**-**	**(70,800)**
Interest bearing loan	**-**	**-**	**(307,209)**	**(307,209)**
	(70,800)	**-**	**(307,209)**	**(378,009)**
Company				
Year ended 31 December 2019				
Trade and other payables	**(24,605)**	**-**	**-**	**(24,605)**
Interest bearing loan	**-**	**-**	**(114,235)**	**(114,235)**
	(24,605)	**-**	**(114,235)**	**(138,840)**

	Within 1 year $'000	1-2 years $'000	2-5 years $'000	Total $'000
Group				
Period ended 31 December 2018				
Trade and other payables	(70,476)	(12,274)	-	(82,750)
Interest bearing loan	(55,100)	(147,900)	(110,482)	(313,482)
	(125,576)	(160,174)	(110,482)	(396,232)
Company				
Period ended 31 December 2018				
Trade and other payables	(62,930)	(12,274)	-	(75,204)
Interest bearing loan	(55,100)	(147,900)	(110,482)	(313,482)
	(118,030)	(160,174)	(110,482)	(388,686)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group maintains capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

22. Financial instruments (continued)

Capital risk management (continued)

The gearing ratio at 31 December for the Group was as follows:

	31 December 2019	31 December 2018
	$'000	$'000
Total borrowings (note 19)	**307,209**	313,482
Less: cash and cash equivalents (note 15)	**(142,797)**	(12,305)
Net debt	**164,412**	301,177
Total equity plus net debt	**450,006**	325,787
Gearing ratio %	**36.5%**	92.4%

23. Related party

The Group financial statements include the financial statements of Tailwind Energy Ltd and its subsidiary, Tailwind Mistral Ltd. Balances and transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group's main related parties comprise the Directors, NSV Energy Limited and Mercuria Energy Trading S.A., a shareholder in the ultimate parent company of the Group. Balances and transactions with NSV Energy Limited and Mercuria Energy Trading S.A. are disclosed below.

Balances with related party at year end	**31 December 2019**	**31 December 2018**
	$'000	**$'000**
NSV Energy Limited		
Interest free loan	**(5,082)**	**-**
Mercuria Energy Trading S.A.		
Senior loan facility (note 20)	**-**	290,000
Mezzanine loan facility (note 20)	**-**	23,482
Accrued interest (note 17)	**-**	890
Deferred income (note 17)	**-**	6,750
Other financial assets (note 14)	**7,094**	65,687
Accrued receivables (note 15)	**3,665**	-
Accruals (note 17)	**(3,991)**	-

On 24 September 2019, the Group entered in a Junior Facility agreement with Mercuria Energy Trading S.A. for a facility of $50.0 million. There were no drawdowns on this facility as at 31 December 2019.

Transactions in income statement	**Year ended 31 December 2019**	18 months ended 31 December 2018
	$'000	$'000
Revenue (note 5)	**319,360**	22,147
Interest on loans (note 8)	**(20,079)**	(7,533)
(Loss)/gain on commodity derivative contracts (note 13)	**(2,345)**	65,044
Gains on foreign currency derivative contracts (note 13)	**529**	-

There are no related party transactions, or transactions with Directors that require disclosure except for the remuneration items disclosed in the Directors Report and note 7 above. These disclosures include the compensation of key management personnel.

24. Interests in joint arrangements

The Group, jointly with other participants, owns interests in licences for the exploration and production of hydrocarbons on the UK Continental Shelf and the East Irish Sea. The Group's share of joint arrangements as at 31 December 2019 are:

	Interest %
Joint arrangement	
Triton	46.42%
Bittern	64.63%
Guillemot West	10.00%
Columbus	25.00%
Valkyrie	25.00%
Arthur	30.00%

25. Immediate and ultimate parent company

The Company is a wholly owned subsidiary of NSV Energy Limited, which itself is a wholly owned subsidiary of Tailwind Holdings LLP. Tailwind Holdings LLP is a wholly owned subsidiary of Cavendish Energy Holdings Ltd, with both entities incorporated in the UK. Cavendish Energy Holdings Ltd is also the ultimate parent company and ultimate controlling party, and which prepares consolidated financial statements. Cavendish Energy Holdings Ltd was incorporated in September 2019 and its first reporting period is 31 December 2020 and therefore, no consolidated financial statements are available for 2019. Its registered office address is Balfour House Suite 206, 741 High Road, North Finchley, London, United Kingdom, N12 0BP.

26. Post balance sheet events

Subsequent to the year end, oil prices declined sharply due to supply and demand factors, which included the impact of the COVID-19 pandemic and increases in Saudi Arabian production. The COVID-19 pandemic has not had any adverse impact on the Group's current production operations (see Strategic Report) and the Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event as there was no disruption to the market, customers, employees or supply chain prior to the year end. Although it is not possible to reliably estimate the length or severity of this development, and hence their financial impact, if oil prices remain at or below current prevailing levels of $30 - $35 bbl for an extended period of time, this could have an adverse impact on our financial results for future periods.

Glossary of Terms

2P	Proven and probable reserves.
2C	Contingent resources
BBL	Barrel
BEIS	Department for Business, Environment & Industrial Strategy
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
Capex	Capital expenditure
CPR	Competent person's report
EBITDA	Earnings before interest, tax and depreciation and amortisation
ERCE	Energy resource consultants
FPAL	First Point Assessment
FPSO	Floating, Producing, Storage and Off-Loading unit
ISDA	International Swaps and Derivatives Association
kbopd	Thousands of barrels of oil per day
kboepd	Thousands of barrels of oil equivalent per day
MER	Maximising Economic Recovery
mmbbls	Million barrels
mmboe	Million barrels of oil equivalent
mmboepd	Million barrels of oil equivalent per day
Net Debt	The cash and cash equivalents less total debt recognised on the consolidated balance sheet.
Opex	Operating expenditure
OPRED	Offshore Petroleum Regulator for Environment and Decommissioning

Non-IFRS Measures

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. Definitions and reconciliations to the nearest equivalent IFRS measure are presented below.

Unlevered free cash flow

Unlevered free cash flow is defined as cash from operations less capital expenditure and decommissioning expenditure.

	2019
	$'000
Cash from operations (cash flow statement)	217,516
Less	
Purchase of property, plant and equipment	(15,748)
Purchase of exploration and evaluation assets	(388)
Decommissioning expenditure	(353)
Unlevered free cash flow	201,027

EBITDA

This is a useful indicator of underlying business performance and is defined as earnings before interest, tax and depreciation

	2019
	$'000
Profit for the year (income statement)	47,199
Adjusted for:	
Finance income and other gains (note 8)	(672)
Finance costs, other finance expense and losses (note 8)	26,927
Taxation (note 9)	(15,931)
Depreciation, depletion and amortisation (note 11)	164,636
EBITDA	222,159

Net debt

This is an indicator of the Group's indebtedness and contribution to capital structure and is defined as the cash and cash equivalents less total debt recognised on the consolidated balance sheet.

	2019
	$'000
Cash and cash equivalents (note 16)	142,797
Interest bearing loans	(307,209)
Net debt	(164,412)