

A full-cycle business



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

Premier aims to deliver increasing net asset value by investing in and executing the development of high quality oil and gas projects.

i Read more about our Business Model on page 10



Read more online at
premier-oil.com

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Delivering in challenging times

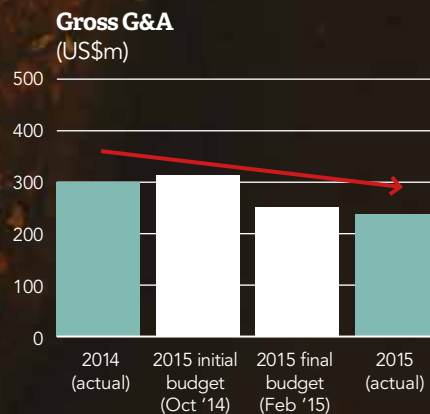
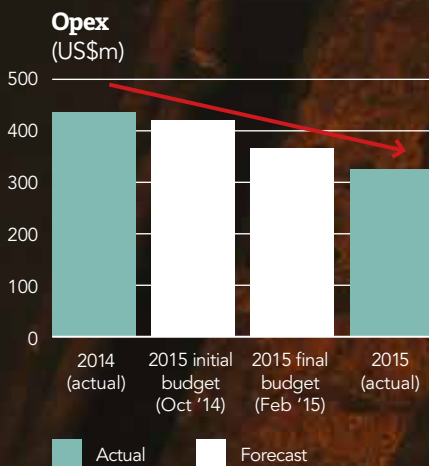
We are meeting the challenges of the current lower oil price environment head on and have been **proactive** in reducing operating costs and rationalising the portfolio in order to remain competitive and cash generative even at today's low oil prices.

We are **strategically** positioned, spread across several major oil and gas producing regions, diversifying our risk. We have a valuable reserve and resource base, providing a basis for future growth.

We are **focused** on executing our core sanctioned projects, managing the balance sheet and taking advantage of attractive acquisition opportunities in the low point of the oil price cycle to create long-term value.



Meeting the challenge...



...of a low oil price environment

Stable production of c.60 kboepd

Our robust, low cost production from existing assets combined with significant growth in future years from our committed development projects and by acquisition, provides strong underlying future cash flows for the Group.

Ongoing hedging programme

Our 2015 and ongoing 2016 hedging programme helps to mitigate the risk of lower oil prices, helping us to plan and protect future cash flows and protect debt capacity.

Reduced operating costs

Group-wide cost saving initiatives, including optimising work programmes, reducing discretionary spend, sharing services with other operators and re-negotiating supplier contracts, have provided and will continue to provide significant savings, driving Group operating costs down to US\$16/boe in 2015.

No short-term debt maturities

We retain significant cash and undrawn facilities which are structured on a corporate unsecured basis, are not subject to any redeterminations and have no maturities until the end of 2017. Continuing compliance with our covenants remains a key focus of the business going forward.

i Read more about our **Business Model: page 10**

US\$160_m
of non-core asset sales in 2015

US\$16/boe
Group operating costs



2015 Highlights

Financial highlights

Strong cash flows
from operations of

US\$809.5m

(2014: US\$924.3 million)

Operating costs and G&A
reductions of over

25%

further actions planned in 2016
to lower cost base

Significant liquidity

US\$1.2bn

cash and undrawn facilities

2016 production
guidance of

65-70 kboepd

including a contribution from E.ON

2016 oil production hedged

30%

at US\$73.4/barrel post acquisition
of the E.ON UK assets

Significant reduction
in capex spend for 2016

35%

with further reductions in
annual spend forecast in 2017

Operational highlights

Production
averaged

57.6 kboepd

(2014: 63.6 kboepd), exceeding
our market guidance

Proposed acquisition of
E.ON's UK assets: strongly
value accretive, adds

C.15 kboepd

of 2016 net production and a
valuable hedging programme

Continued portfolio
rationalisation; Norwegian
business sold for

US\$120m

Pakistan sales process ongoing

	2015	2014
Revenue (US\$m)	1,067	1,629
Loss after tax (US\$m)	(1,104)	(210)
Post-tax impairments (US\$m)	583¹	328

¹ Due to lower near-term oil price assumptions, principally relating to the Solan field.

Read more in our Financial Review on page 50





Vietnam

High performing cash generator

- Robust production and cash flow achieved from Chim Sáo
- Operating efficiency from the Chim Sáo facility remains high at 87 per cent with good reservoir performance

i Read more about our production projects on page 12

Key milestones reached on development projects:

- Solan first oil is expected shortly; plans for second oil and ramp up to full production progressing
- Catcher is under budget and scheduled for first oil in 2017; ongoing development drilling results are encouraging
- Sea Lion Phase 1 project scope modified with lower break-even oil price; new contractual arrangements agreed with Sea Lion partner, and FEED contracts now in place

i Read more about our development projects on page 14



Community relations:

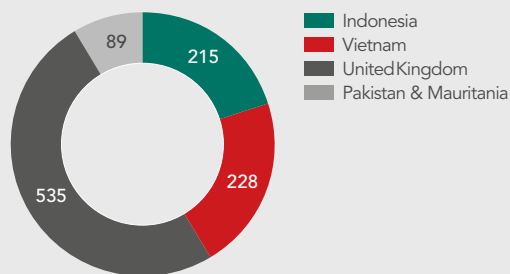
Operation Wallacea

Premier continued to fund an annual bursary to provide financial support to up to 10 United Kingdom-based undergraduate students undertaking field research into coral reef preservation as part of Operation Wallacea's programme in Indonesia.

i Read more about our corporate responsibility projects on page 56

Strength through a diversified asset base

Revenue by region (%)



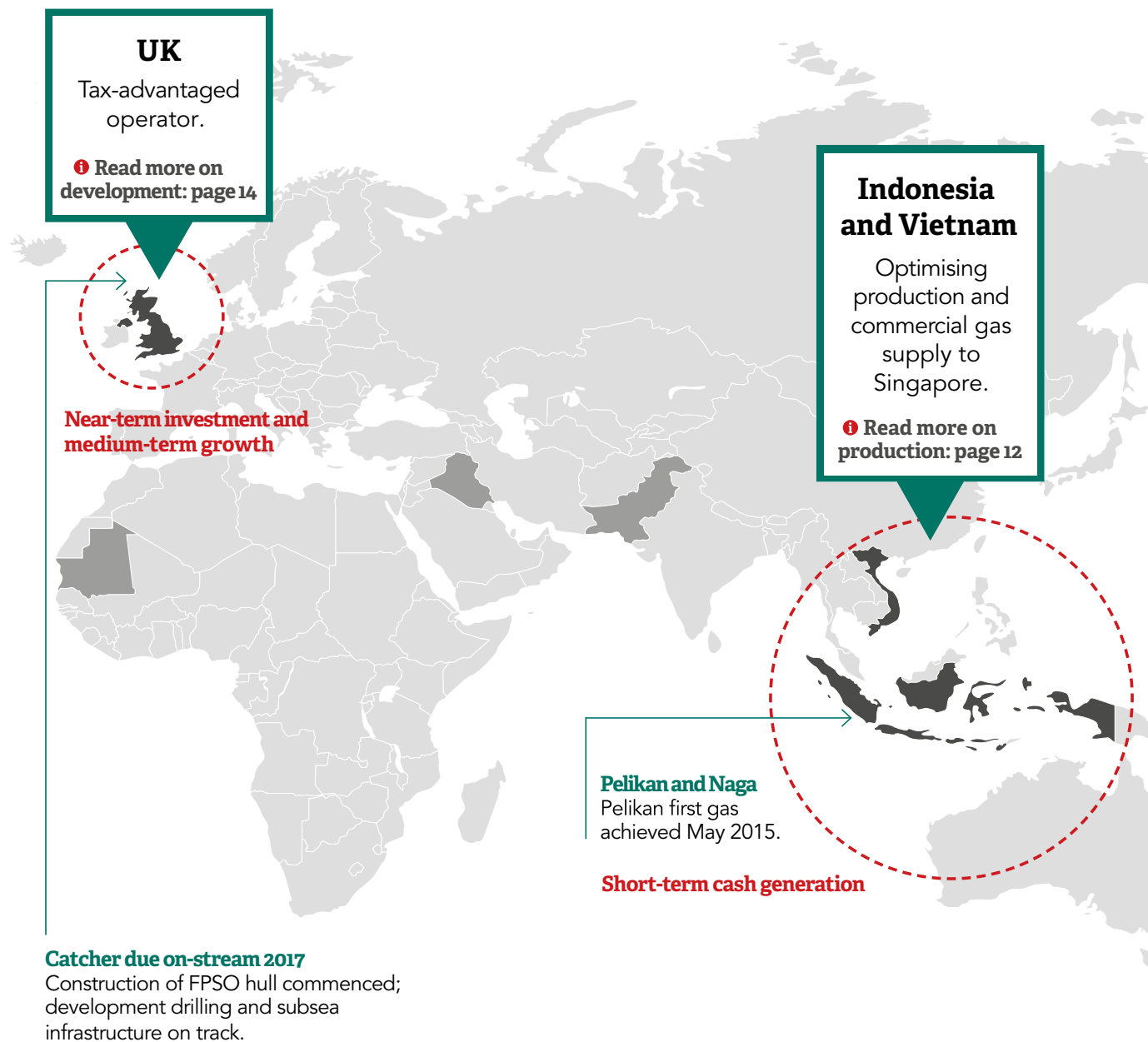
US\$1,067m
total Group sales revenue

Premier has eight offices worldwide with 800 employees and is organised into five key business units – UK, Pakistan, Indonesia, Vietnam and Falkland Islands – with functional support provided by the corporate office in London. Premier is active both offshore and onshore, but all of the Company’s operated interests are offshore.

8 offices worldwide

800 employees





Global Code of Conduct

Integrity, honesty and fairness are fundamental to the way we conduct our business. We are committed to transparency in all our dealings.

i Read more in our Corporate Responsibility Review on page 56

We have responded rapidly to meet the challenges presented by the current oil price environment. Longer term, our quality asset base stands us in good stead

Mike Welton

Chairman



The industry context

2015 was another challenging year for the upstream oil and gas sector. The oil price, having started the year around US\$55/bbl, fell to a low of US\$36/bbl in December. Post the year-end, the price continued to fall, reaching a low of US\$27/bbl in January. This has been driven by a number of factors, including the effects of significant investment in unconventional resources in the USA, OPEC's strategy of pursuing market share over price, the anticipated return of Iran to the global oil market and concerns around Chinese economic growth. While it is generally agreed that the oil price will recover from current levels, as supply will be impacted by the significant reduction in capital investment across the sector, the timing and full extent of any such recovery is difficult to forecast. Consequently, 2015 saw the industry focus on re-setting its cost base and adjusting its expenditure plans in order to withstand such an environment.

Premier's reaction to the low oil price environment

Premier's focus is to invest in high quality production and development opportunities, to maintain exposure to upside value through selective exploration, and to build on our core positions through acquisitions when the market conditions allow. In the current oil price environment, the Board's priority has been to take measured

actions to reset business plans to meet near-term priorities. Cost and capital discipline remain key to ensuring we are well placed to deliver maximum value from our existing production and current sanctioned developments, Solan and Catcher, as well as preserving the option for long-term growth through our Sea Lion project. Exploration activities in 2016 will be reduced, whilst retaining in Brazil, Mexico and the Falklands the potential for material value creation in future years.

In this environment, Premier has been able to capture sustainable savings in operating costs, defer discretionary capital expenditure and actively manage the portfolio. At the same time, Premier delivered a good operational performance during 2015, with strong production across the portfolio, high levels of operating efficiency and declining operating costs. The Solan development project, which has been a challenging project since sanction, will achieve first oil shortly and the Catcher development project is under budget and on schedule for first oil in 2017.

We have continued to execute our strategy of actively managing our asset portfolio to ensure our capital and people are focused on high returning assets, and that our financial position is appropriate. The proposed acquisition of E.ON's UK North Sea assets, announced since the year-end, is in line with this strategy and continues Premier's track record of being able to add long-term value through acquisitions in low oil price environments. We also disposed of our Norwegian business in 2015, realising immediate value for the Company from long-term asset plays which required near-term investment.

We remain focused on managing our financial position and achieving the highest level of operational and safety performance, whilst maintaining optionality in the portfolio for future growth. During the year, we successfully renegotiated our financial covenants with our banks and bondholders. Our long-term, unsecured debt structure and supportive banking relationships provide considerable balance sheet flexibility. However, if current low oil prices persist, then a further relaxation of our main financial covenants may be required, which we are taking pre-emptive action to address.

The proposed acquisition of E.ON's UK North Sea assets provides a significant contribution to current cash flow and is materially covenant accretive. We retain strong relationships with our lending group, and we will continue to work closely with them as we have done throughout 2015.

Health, safety and the environment

Health, safety and environmental matters continue to be of paramount importance to us. We will not compromise on the integrity and safety of our operations, ring-fencing associated expenditure with these areas. We are very pleased to be able to report that our trend of improved safety performance continued in 2015. Our Total Recordable Injury Rate stood at 1.27 per million man hours, significantly better than our target for the year. We are particularly proud of our track record on our operations in Vietnam and Indonesia which, at year-end 2015, had reached two and four million man hours respectively without a lost work day case. Our production operations management systems at Balmoral in the UK, and at Anoa and Gajah Baru in Indonesia, retained their OHSAS 18001 and ISO 14001 certifications for Environmental/Occupational Safety and Health Management, as did our worldwide Drilling Management Systems. In addition, in December, our Chim São facility in Vietnam was awarded the same accreditation which means that all our production and drilling operations are now accredited to these internationally recognised standards.

People and governance

The composition of the Board remained constant throughout the year with the exception of the retirement of Andrew Lodge, Exploration Director, in June.

Premier continues to comply in full with all aspects of the UK Corporate Governance Code and attaches the highest importance to corporate governance matters. During the year we strengthened a number of areas of corporate governance including the Board's succession planning and evaluation of the appropriate skills, knowledge and experience required for future Board appointments. Further details of the Board's activities this year can be found in the Corporate Governance section of this Annual Report.

On behalf of the Board, I would like once again to express my appreciation for the hard work and effort put into the business by Premier's staff. Their continued dedication and enthusiasm in what are trying times for the industry should see us well placed amongst our peers to prosper in the future.

Shareholder returns

Our goal remains to deliver long-term capital growth to our shareholders. Over the course of 2015, our share price fell by 70 per cent, as the whole of the sector suffered from the fall in commodity prices. As we enter 2016 with the potential for a prolonged period of lower oil prices, our focus is on maintaining access to liquidity, lowering our cost base and taking action to allow us to reduce balance sheet debt once we have completed our sanctioned development projects.

Well positioned for future growth

The oil industry is cyclical and few believe that the oil price will not recover from the current low levels as it has done in the past. Significant levels of capital investment across the industry have been deferred or cut back, which will impact future production and ultimately lead to a revival in the oil price. Our portfolio of 758 mmbob of reserves and resources remains a valuable asset and a basis for future growth. In the meantime, we are managing our business to withstand lower oil prices and I am confident that we will emerge from the current down cycle a leaner, more efficient organisation, in better shape to deliver future shareholder value.

Mike Welton
Chairman

A proven track record of full-cycle delivery

Premier aims to increase net asset value by investing in and executing the development of high quality oil and gas projects.

Premier accesses the oil and gas reserves and resources to do this through successful exploration and by selectively acquiring assets. Premier also actively manages its portfolio through disposals and plans its business on a conservative basis. The cash flow generated from these activities continues to support investment in high quality projects and, subject to the oil price, a high impact but capital disciplined exploration programme, the repayment of debt and, where appropriate, cash returns to shareholders.



Exploration

Premier seeks to replenish its reserve and resource base through successful exploration within a strict capital disciplined framework.

Long-term growth

Future exploration and appraisal in the Falkland Islands along with new areas in Brazil and Mexico provide Premier with growth opportunities in the longer term.

Read more: page 16



Development

While Premier is a full-cycle exploration and production company, we have an established and successful history of asset development.

Medium-term growth

Solan and Catcher in the UK and the first phase of the Sea Lion project in the Falkland Islands will underpin future production growth.

Read more: page 14



Production

Premier seeks to maximise value from its low cost, stable production base to generate long-term cash flows.

Short-term cash generation

Stable production from assets in Indonesia, Vietnam, UK and Pakistan provides the cash generation to fund current and future projects.

Read more: page 12



Portfolio management

Premier actively manages its portfolio to ensure the Group's capital and people are focused on its highest return assets and where the Company is best placed to add value.

Read more: page 18

Our 2015 key community projects

In 2015, Premier undertook a range of community investment projects, both new and ongoing.

Read more: page 56



Nam Con Son Basin

— a full-cycle story



2004 – 2007
Discovery and appraisal

Leveraging regional knowledge	Acquired 37.5% in Block 12 for US\$6 million	Chim Sáo, Dua extension & Ca Rong Do discovered

2008 – 2011
Development

Acquired additional 25% for US\$75 million	Cost savings of US\$130 million	Chim Sáo development sanction
Facilities installed	Development drilling	Chim Sáo on-stream

2012 –
Production

Dua on-stream	Improved operating efficiency	Production performance remains ahead of sanction estimate

Portfolio management

Operating Efficiency

High operating efficiency and better than expected reservoir performance has maintained production at the field without the need for production optimising activities.

+87%
operating efficiency

Maximising cash flow from our low cost production



Premier seeks to maximise value from its low cost, stable production base to generate long-term cash flows.

Premier's production base is focused around operated floating production systems, such as the Chim São field in Vietnam, and the Group's dominant position in the South East Asia gas market.

Premier's portfolio mix is changing as the weighting of our production assets shifts from taxed gas production in Pakistan to untaxed UK oil production. As a result, at flat oil prices, Premier's production base becomes increasingly cash flow generative.

Strategically positioned



Indonesia

Premier has an interest in two producing licences – Natuna Sea Block A and Kakap – which provide gas to the Singapore gas market on long-term, stable gas sales agreements. Premier has a dominant position and has consistently supplied more than its share of production under the contracts.

2015 highlights

- Singapore demand above Take or Pay ('ToP')
- 43% of GSA1 vs 39.9% contractual share
- Pelikan on-stream
- Sustainable operating costs reduced to US\$8/boe

Outlook

- Portfolio of growth opportunities

Underlying growth

UK

Premier's producing fields in the UK generate cash flow on a tax-free basis due to a significant tax loss position. The portfolio contains two sanctioned development projects, Solan and Catcher, which will underpin future production growth to c.50 kboepd in the short term, excluding any contribution from the E.ON portfolio.



2015 highlights

- Averaged 16.7 kboepd
- Improved operating efficiency
- Opex US\$30/boe, down 20% (2014: US\$37.5/boe)
 - Sale of high cost Scott area
 - Active cost management and G&A cut
- US\$3.5 bn of UK tax losses and allowances

Outlook

- Deliver Solan and Catcher projects
- Complete proposed E.ON acquisition

+
83%
operating
efficiency



High performing cash generator

Vietnam

Premier has exploration, development and production activities across two licences in Vietnam, the Chim Sáo and the Dua fields. In January 2015, Premier surpassed the milestone of 30 mmbbls (gross) of production. This strong performance has generated significant cash flow for the Group.

2015 highlights

- Robust production of 17 kboepd
- Better than predicted reservoir performance
- Significantly reduced operating costs at c.US\$12/boe

Outlook

- No committed capital expenditure
- Incremental growth opportunities



Near-term development growth



Premier is a full-cycle exploration and production company, with an established and successful history of asset development.

Premier focuses on projects where it can utilise its operating capabilities and, in particular, leverage the Group's strong track record in developing medium-sized offshore oil fields utilising floating production systems.

Premier has been involved in a number of FPSO projects across the cycle from FEED and the contracting processes through construction and development to production. Premier also aims to leverage its development capabilities to build on its dominant position in the Singaporean and Indonesian gas markets and to position itself to take advantage of future opportunities.

Ramp up of production will add significant tax-free barrels to our UK portfolio



Solan

The Solan field, located on the UK Continental Shelf West, is expected to achieve first oil in March 2016 and to produce approximately 40 million barrels of oil with peak production of 20,000 – 25,000 barrels of oil per day when the second producer well is completed and tied in.

Long-term vision

- Reserves upside potential
- Infill drilling opportunities; near field exploration
- Nearby discoveries; potential 3rd party business over Solan hub facility
- Consider farm down of equity post first oil

2015 highlights

- P1/W2 tied in
- Subsea work, commissioning and tanker trials carried out
- Platform habitation achieved post year end
- Removed partner funding concerns
- Reduced balance sheet exposure

Underpinning our growing UK production

Catcher

Located in the UK North Sea, Catcher is expected to produce 96 million barrels of oil equivalent with a peak production rate of around 50,000 barrels of oil equivalent per day. The project will entail the drilling of 22 subsea wells which will be tied back to an FPSO.



US\$1.6bn Peak
(gross budget to first oil) production
c.50 kbopd

2015 highlights

FPSO

- Turret and mooring system progressing
- Hull fabrication ongoing in Japan and Korea – first section delivered in December
- Topsides fabrication underway

Drilling

- Drilling of first three wells completed with good reservoir results
- Operations on schedule and within budget

Subsea

- 2015 programme successfully completed
- Two templates installed (Catcher & Burgman)
- 60km gas export pipeline successfully laid

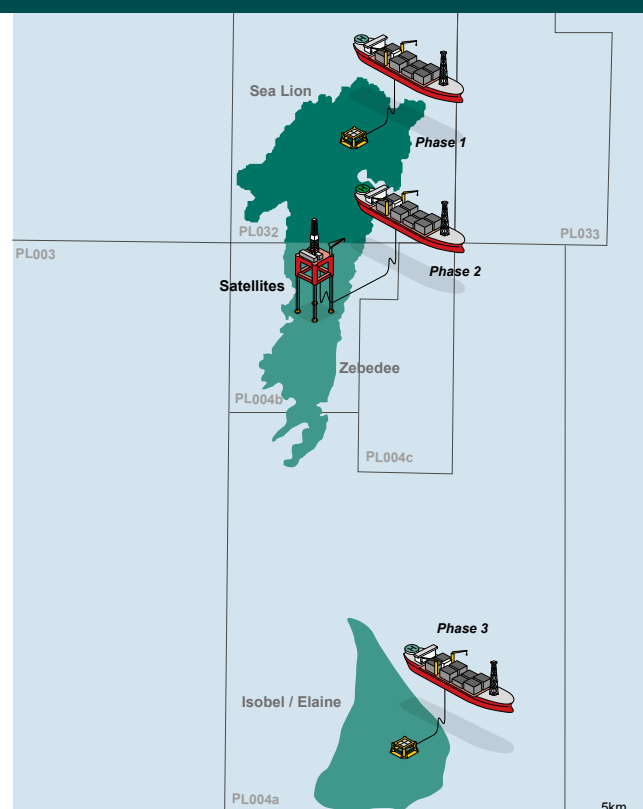
Maintaining future optionality

Sea Lion

The first phase of our Sea Lion project in the Falklands is expected to recover 220 million barrels of reserves over 20 years. Future phases could add over 500 million barrels over multiple phases.

2015 highlights

- Phase 1 development plan delivers a robust project with lower break-even costs and improved economics
- Key project execution contractors selected ahead of FEED
- Commercial arrangements with Sea Lion partner renegotiated and financing plans being progressed



Ensuring future growth



Premier seeks to replenish its reserve and resource base through successful exploration within a strict capital disciplined framework.

Premier targets near-field, value accretive opportunities which can be tied-in to our existing infrastructure as well as emergent plays which have the potential to transform the resource base of the Company.

Premier also continually high-grades its exploration portfolio through divestment and relinquishment of licences that do not meet the Group's internal metrics on a risk reward basis.

Premier's exploration portfolio has seen significant change over the last few years, moving away from its traditional but now mature areas. The forward focus is on under-explored but proven hydrocarbon basins.

Demonstrating the potential of the North Falklands Basin



North Falklands Basin

The North Falklands Basin exploration campaign aimed to demonstrate the exploitation potential of the licence adjacent to the Sea Lion discovery, and to explore the upside potential of the southern licence in the basin.

2015 highlights

- Zebedee oil & gas discovery (36% operated interest), adds c. 60 mmbbls to Phase 2
- Isobel Deep oil discovery (36% operated interest)
 - de-risks the Isobel/Elaine fan complex
 - opens up potential Phase 3 development

2016 look ahead

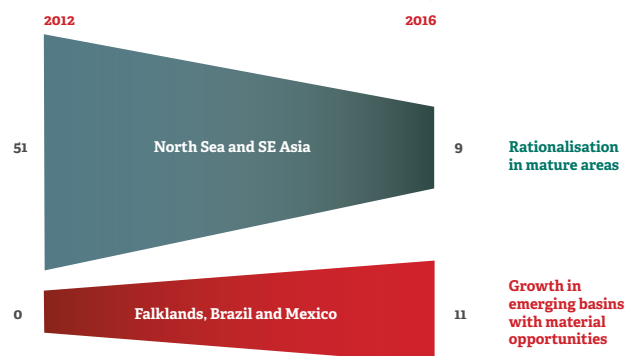
- Isobel Deep redrill (36% operated interest)
 - confirmed the results of the original Isobel Deep well and discovered hydrocarbons in additional sandstones
- Drilling programme curtailed due to rig performance issues

Focusing on under-explored areas in proven provinces

Premier's focus is on under-explored but proven hydrocarbon basins with the potential to provide future new areas of focus.

- Targeting low cost acreage acquisitions with minimal up-front capital commitments
- Exiting acreage in traditional, more mature areas, generating significant disposal proceeds, reduced well commitments and improving the materiality of discoveries

Number of licences actively being explored



Expanding our footprint

In line with our strategy to focus on under-explored but proven hydrocarbon basins, Premier successfully entered Mexico and increased its position in Brazil.

Mexico

Opportunity

- Sureste Basin is a proven and prolific hydrocarbon province in the Gulf of Mexico
- First licence round for 30 years provided access to shallow water acreage with numerous leads at low cost

Premier's position

- 10% non-operated interest in Blocks 2 & 7, awarded at no upfront cost
- Option to increase to 25% interest prior to drilling
- Fully carried to first well on each block

Brazil

Opportunity

- Ceará Basin has strong analogies with West African discoveries
- Proven light oil petroleum system with multiple geological play types
- A number of Supermajors are active in the basin

Premier's position

- 50% interest in two operated blocks (CE-M-665, CE-M-717)
- 30% interest in non-operated block (CE-M-661)
- Dominant position in the basin
- 3D seismic survey complete

Image courtesy of Petroleum Geo-Services.



Re-focusing our portfolio



Premier actively manages its portfolio across the cycle to ensure the Group's capital and people are focused on its highest return assets and where the Company is best placed to add value.

Premier looks to add high quality assets to its portfolio through selective acquisitions where its position is commercially advantaged. This includes increasing its equity in assets in which Premier already has an interest and acquiring key

assets which fit within Premier's core areas of expertise. Premier also seeks to take advantage of opportunities arising as a result of oil price or capital market weakness.

On disposals, Premier seeks to dispose of non-core assets which do not meet our internal hurdle rates, fit our financial profile or sit within our core area of expertise. These include mature producing assets with rising costs and pre-development projects.

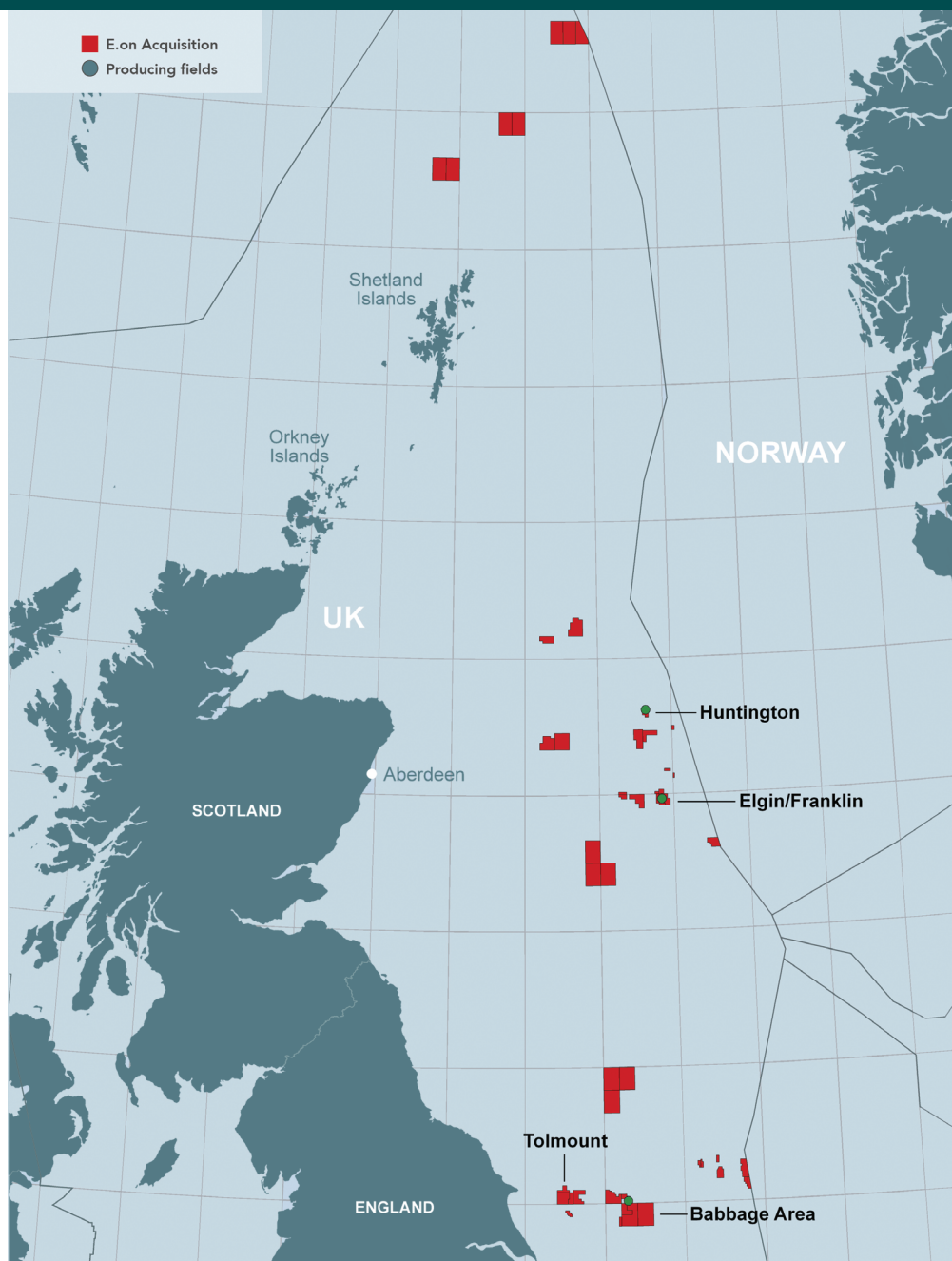
Acquisition of assets

Premier has a track record of being able to add long-term value through acquisitions in low oil price environments.

Proposed acquisition of E.ON's UK assets

Post the year end, Premier agreed to purchase E.ON's UK North Sea assets for a net consideration of US\$120 million. The proposed acquisition significantly enhances the core UK business at a compelling valuation and adds stable UK gas revenues to the portfolio. It also offers the potential to generate significant operating and cost synergies across the combined UK North Sea business and allows Premier to accelerate the realisation of its significant tax assets in the UK.

The acquisition is subject to the approval of shareholders, US Private Placement holders and the banks and this approval process is ongoing.



Disposing of non-core assets

On disposals, Premier seeks to dispose of non-core assets which do not meet our internal hurdle rates, fit our financial profile or sit within our core area of expertise.

Block A Aceh

In January 2015, Premier successfully completed the sale of its 41.67% non-operated interest in Block A Aceh onshore Indonesia, for an after-tax consideration of US\$40 million.

+ US\$40_m
completed sale of Block A Aceh

Norway

In November 2015, Premier sold its Norwegian business to Det norske, a long-term partner in Norway.

- Premier Oil Norge AS was sold to Det norske for a cash consideration of US\$120 million
- Sale included the Premier operated Vette pre-sanctioned development project
- The disposal allowed Premier to realise immediate value from the project rather than to sanction a project requiring significant capital investment to reach first oil in the medium term

+ US\$120_m
completed sale of Premier Oil Norge AS



A challenging oil and gas industry drives Premier's strategy

As a full-cycle exploration and production company, Premier is impacted by the volatility in the oil price. Premier looks to manage this through an active hedging programme and by planning its business on a conservative basis.

Highlights

Sale of non-core assets

US\$160_m

combined sale value of two non-core assets in 2015

Cost savings

25%

reduction on operating costs and G&A for 2015

Equity markets

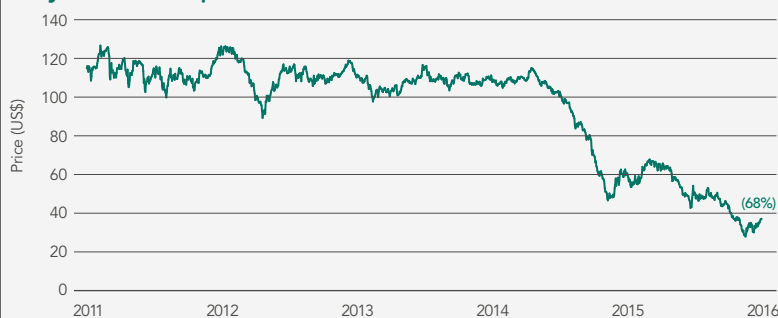
Equity markets remained volatile in 2015, affected by many of the themes driving the market in the preceding year. The performance of UK and European equities was particularly strong in the first quarter following a decision by the Governing Council of the ECB to expand its asset purchase programme and include government bonds and agencies and European institution debt. This strength continued into the second quarter despite concerns over the Greek sovereign debt crisis. A period of relative stability ended mid-August when Chinese growth concerns led to a significant sell-off in equity markets. A key theme throughout the year was the potential for a US interest rate rise, a hike becoming ever-more likely in the face of consistently strong US macroeconomic data, helping equity markets to rally into the end of the year, with the FTSE 250 ending the year 8 per cent higher.

Over the course of the year Brent crude fell by 34 per cent and consequently the FTSE Oil & Gas sector underperformed the wider market, closing the year down 21 per cent. Premier shares, which tend to be strongly correlated with the oil price, fell 70 per cent over the course of 2015, closing the year at 48 pence.

Commodity prices

Crude oil benchmarks Brent and West Texas Intermediate ('WTI') continued the downward trend from the second half of 2014, falling below US\$50/bbl early in the first quarter. Whilst there was a modest recovery in the second quarter with Brent trading in the US\$60–70/bbl range, this was reversed in the third quarter and the benchmark price ended

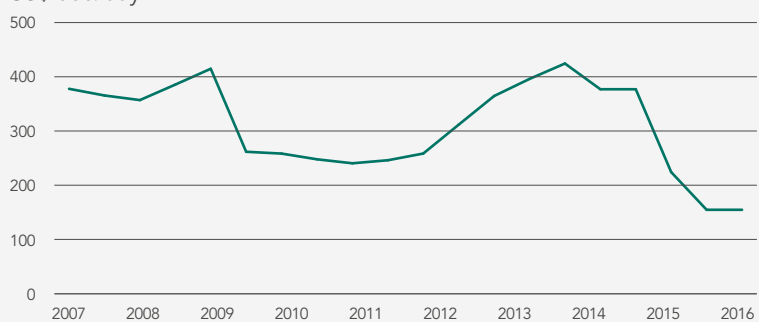
5 year Brent oil price



Source: Bloomberg as at 3 March 2016.

UK semi-submersible rig rates (6 months average)

US\$'000/day



Source: IHS Petrodata.

the year at US\$37.3/bbl, down 34 per cent from the beginning of the year. The weakness in oil prices compared to recent years was driven by the continued effects of an over supplied market, driven primarily by the growth in unconventional output in North America and OPEC's, particularly Saudi Arabia's, decision not to cut production to try to stabilise markets. In addition, the second half of the year saw concerns over the effect on global supply from the expected easing of Iranian sanctions and the impact of slowing growth in China.

Consensus around the outlook for the oil price remains relatively bearish in the short term, although the medium to long-term view is more positive as the fall in oil prices is expected to curtail the growth in US oil shale production combined with the effects of a slowdown in E&P investment more broadly from NOCs, the Majors and Independent producers as new developments are deferred. The correlation between the price of Brent and the high sulphur fuel oil ('HSFO') benchmark Sing180 (which drives our Singapore gas pricing) remained strong in 2015, with Sing180 also falling by 49 per cent through the year to finish at US\$178/MT.

With a significant amount of the Group's production either directly or indirectly linked to Brent, a fall in the commodity price affects Premier's revenues, cash flows and the value of its underlying assets. To manage this and to protect our capital investment programme, Premier looks to sell forward up to 50 per cent of its entitlement production, on a rolling forward 12–18 months time frame. In 2015, Premier hedged 55 per cent of its entitlement oil production at an average price of US\$97 per barrel, and for 2016 has approximately 30 per cent hedged at US\$68 per barrel (excluding the E.ON portfolio).

Investment and costs

Whilst global upstream capital investment in 2014 was broadly flat year-on-year, 2015 saw a significant decline in capital expenditure as the effect of lower oil prices impacted operating cash flow and the industry's appetite to invest in new developments with uncertainty over the duration of the current downturn in commodity prices.

The scope of cost reduction programmes initiated in the second half of 2014 was broadened during 2015 with all aspects of the cost base, both internal and external, targeted by upstream companies.

Reduced activity and a greater focus on costs inevitably impacts the oil service sector and whilst the response to a weakening market has varied across the supply chain, the trend has been firmly downwards. Rig rates had already fallen before the oil price collapse as the supply of new units coming into the market exceeded demand, and rates continued to be weak in 2015. Logistics and well service costs have also fallen, in some areas significantly.

Premier has delivered savings of 25 per cent in operating costs in 2015 including the sale of the high cost Scott area, and further like-for-like savings are planned in 2016. This has been achieved primarily by renegotiating rates with existing service providers, including in-house contractors, G&A reductions, lower insurance rates and savings on fuel costs as a result of the fall in oil prices.

On our yet unsanctioned projects, the market weakness has provided an opportunity to review cost estimates and to engage contractors in a favourable market. The Sea Lion project in particular has seen savings as studies have passed though the pre-FEED stage and should benefit from the reduced backlog in global offshore activity forecast in future years.

Exploration

2015 was another poor year for exploration for the industry with few notable discoveries. Discretionary capital expenditure is often the first item to be sacrificed in a falling oil price environment and this inevitably led to lower exploration activity, a trend that is expected to continue in 2016. Despite this, Premier enjoyed two further discoveries in the North Falklands Basin, Zebedee and Isobel Deep, confirming the emergence of a significant new hydrocarbon province that was established with the Sea Lion discovery.

The continued focus on capital preservation as a result of the recent sharp fall in the oil price has caused exploration budgets to be tightened further. Rig rates remain at cyclical lows and we have taken advantage of the current market conditions to drill two commitment wells in the UK North Sea in 2016.

The current environment has also created opportunities to acquire new licences with reduced commitments and low entry costs. In Mexico, Premier teamed up with Talos Energy and Sierra Oil & Gas to acquire a 10 per cent interest in offshore Blocks 2 and 7 in the country's first licensing round. The interest is carried through to the first drilling decision where Premier has options to exit or increase its stake in this highly prospective acreage.

Acquisitions and disposal activity

The volatility in oil prices created significant uncertainty in M&A markets which resulted in a significant drop in deal completions in 2015. However, some major transactions were announced, most notably Shell's acquisition of BG Group, which was completed in the first quarter of 2016.

In the North Sea, utility companies which had previously been highly acquisitive in acquiring upstream assets reversed that strategy. Both RWE and E.ON announced disposals of their Norwegian and UK E&P assets after making strategic decisions to exit the sector.

Premier took advantage of its position in the UK North Sea to announce the acquisition of E.ON's UK E&P assets which is ongoing and subject to shareholder approval. The deal will add c15 kboepd to Premier's portfolio and create significant value by utilising a portion of the Company's sizeable UK tax loss position.

In Norway, the disposal of Premier's business in November 2015 for US\$120 million continued the Company's active management of its portfolio, realising value from non-core assets despite tough market conditions.

Controlling costs and managing operations efficiently allows us to manage the business effectively in the current period of low oil prices

Tony Durrant
Chief Executive Officer



“With a low cost, growing production base, Premier is well placed to take advantage of a future recovery in the oil price.”

Given the macroeconomic backdrop, it was important that in 2015, Premier remained focused on operational delivery and achieving the near-term priorities that we set ourselves.

As we move into 2016 there remains considerable uncertainty over the direction of oil prices. Premier was quick to react to the fall in the oil price, rationalising our business while retaining our core skills and never compromising the safety or performance of our operations. A low operating cost base ensures that we can operate effectively through a period of low oil prices and positions us well to take advantage of any future recovery.

Generating cash flow from our low cost, efficient production

Premier delivered a robust production performance in 2015, averaging 57.6 kboepd (2014: 63.6 kboepd), in line with expectations and above our market guidance of 55 kboepd. This was driven by high operating efficiency of 90 per cent (2014: 84 per cent) across the Group's assets. The reduction year-on-year largely reflects the sale of the Scott area production, which contributed 3.8 kboepd in 2014.

In Asia, our operated Chim São field in Vietnam continued to outperform, with high levels of operating efficiency, good reservoir performance and strong control of costs. Singapore's demand for our Indonesian gas remained strong and our operated Natuna Sea Block A fields captured a market share well in excess of contractual allocation. Our gas contracts into Singapore generate long-term, stable cash flows for the Group, and we retain additional productive capacity as well as future development opportunities to back fill that deliverability, which will enable us to benefit from any contractual supply shortfall from other suppliers or strengthening of Singapore demand for our gas. In the UK, all fields produced in line with expectations, with



good production efficiency across the portfolio, including Huntington which benefitted from an improved CATS export availability from April onwards. The UK business unit's performance was also aided by the first full year of production from the Kyle redevelopment.

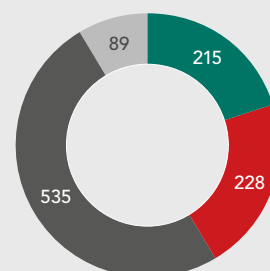
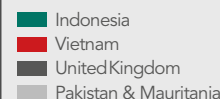
In 2016, we expect Group production to be around 65–70 kboepd, reflecting some natural decline in our existing portfolio, offset by new production from the Solan field and a contribution from the E.ON UK assets on completion.

At the start of the year Premier set itself the goal of materially reducing operating expenses across the Group. As a result of significant cost saving initiatives and the sale of the high cost Scott area in the UK, underlying operating costs were US\$16/boe (2014: US\$18.5/boe), a reduction year-on-year of over US\$100 million in absolute terms. Cost reduction initiatives have included optimising work programmes, reducing discretionary spend, sharing services with other operators and re-negotiating contracts with existing suppliers. These initiatives continue and it is anticipated that further savings in underlying

operating costs of 5–10 per cent can be achieved in 2016.

As at 31 December 2015 proven and probable (2P) reserves, on a working interest basis, were 332 mmboe (2014: 243 mmboe). The increase reflects the booking of 136 mmboe in respect of the first phase of the Sea Lion field in the Falkland Islands following completion of a draft field development plan, which more than offsets the impact of 2015 production and disposals from our reserve base.

Revenue by region (%)



US\$1,067m
total Group sales revenue

	Working interest		Entitlement	
	2015	2014	2015	2014
Production (kboepd)				
Indonesia	13.9	14.4	11.9	10.3
Pakistan and Mauritania	10.1	12.9	10.0	12.9
UK	16.7	19.4 ¹	16.7	19.4 ¹
Vietnam	16.9	16.9	14.8	15.2
Total	57.6	63.6	53.4	57.8

¹ Includes production from Scott area disposed of in December 2014.

Disposals comprised the Block A Aceh disposal at the start of the year and the Vette field, sold as part of the sale of our Norwegian business in December. These disposals demonstrate our ability to monetise discovered resources as part of our strategy of active management of our portfolio.

	Proven and probable 2P reserves (mmbobe)	2P reserves and 2C contingent resources (mmbobe)
1 January 2015	243	794
Production	(21)	(21)
Net additions, revisions	140	143
Disposals	(46)	(176)
Acquisitions	16	18
31 December 2015	332	758

Executing our key sanctioned development projects

In May 2015 we acquired Chrysaor's 40 per cent interest in the Solan field for no upfront cash consideration, removing partner funding concerns and, as a result, Premier holds a 100 per cent equity interest. First oil on the Solan project is expected shortly. This has been a challenging project for Premier with the commissioning of the platform taking longer than planned largely due to significantly worse than anticipated weather conditions West of Shetlands. As a result, costs have been higher and first oil is later than originally planned.

Looking to the future, lessons have been learnt and will be applied to future projects. Following first oil from Solan, our efforts will turn to delivering the second pair of wells later in the first half of 2016, in order to ramp up production at Solan to target plateau production of 20–25 kboepd.

Key milestones have been achieved on our operated Catcher project during the year, and the project is under budget and scheduled to deliver first oil in 2017. The subsea installation work planned for 2015 was successfully completed and fabrication of the critical subsea equipment, due to be installed in the summer of 2016, is on schedule. Initial development drilling has been encouraging with good reservoir results, and construction of the topside modules is progressing well. Construction of the FPSO hull was initially slower than planned but following actions taken by the FPSO contractor to address scheduling issues, the sail-away date from Singapore for a 2017 field start up remains on schedule.

Once fully on-stream, both the Solan and Catcher projects will contribute materially to our cash flows, given our tax advantaged position in the UK.

Progressing future development projects, retaining future optionality and growth opportunities

We have continued to mature the development plan for the first phase of the Sea Lion project in the Falkland Islands and the pre-FEED work is now complete. The project scope has been modified with a lower break even oil price and significantly enhanced economics. We have begun the FEED exercise alongside the set of world class contractors that we have selected, and we anticipate this will last approximately 18 months. A draft Field Development Plan has been completed and submitted to the Falkland Islands Government, and we have entered into new contractual arrangements with our Sea Lion partner. The timing of the final investment decision remains dependent on achieving our target rate of return, the oil price outlook at the time, the level of cost reductions secured and our ability to fund the project without putting our balance sheet at risk. It remains our intention to seek an additional partner ahead of final investment decision.

In Norway, on the Premier-operated Vette project, extensive project re-work and market engagement was carried out during the course of 2015, generating very competitive offers of commercial terms from the supply chain. Two alternative development concepts were validated but rather than continue to prepare the project for a sanction decision, we agreed to sell the whole of our Norwegian business to Det norske oljeselskap ASA in November for US\$120 million, realising immediate value from the project.

+
US\$809.5m
cash flows from operations

US\$1.2bn
cash and undrawn facilities
at year end

Refocusing the exploration portfolio and success with the drill bit

In 2015, Premier delivered notable exploration successes, with important discoveries at Zebedee and Isobel Deep in the Falkland Islands and additional resource potential confirmed at Anoa Deep, Indonesia. Post year-end, the re-drill of the Isobel/Elaine complex confirmed the results of the original Isobel Deep exploration well and discovered hydrocarbons in additional reservoir horizons. The successes in the Falklands add significant additional resources to the North Falkland Basin, providing further potential for future phases of development and increasing the attractiveness of the Basin to Premier and to potential future partners. During the year, unsuccessful wells were drilled on our acreage onshore Kenya and offshore Norway.

Our Exploration New Ventures team has taken advantage of the reduced competition for high quality exploration acreage in the current environment, to replenish our portfolio at low cost with minimal near-term commitments, focusing on under-explored but proven hydrocarbon basins. We were pleased to have been awarded two blocks in the proven Sureste basin in Mexico's Round 1, with our interests carried through the initial phase of exploration. At the same time, we have continued to divest and relinquish non-core exploration acreage.

Actively managing our asset portfolio

Post the year-end, Premier agreed to purchase E.ON's UK North Sea assets for a net consideration of US\$120 million plus a completion adjustment of US\$15 million, resulting in an aggregate cash payment of US\$135 million. The proposed acquisition significantly enhances our core UK business by adding both cash generative production and reserves and resources at a compelling valuation. It adds stable UK gas revenues to the portfolio and increases Premier's presence in the Central North Sea, including a stake in the producing world class Elgin-Franklin asset and related fields. The acquisition offers the potential to generate significant operating and cost synergies across the combined UK North Sea business and allows Premier to accelerate the realisation of our significant tax assets in the UK. The acquisition is a Class 1 transaction, requiring approval from Premier's shareholders, banks and US Private Placement holders. A circular is expected to be issued to shareholders shortly.

During 2015, we completed the sale of our interest in Block A Aceh onshore Indonesia for US\$40 million and our Norwegian business for US\$120 million. These disposals form part of our strategy to actively manage our portfolio, disposing of non-core assets where we can realise appropriate value. In addition, the formal sales process for the Pakistan business, which was initiated after an unsolicited approach, is ongoing. A number of bids have been achieved which we continue to evaluate.

Financial discipline and balance sheet focus

Our strong production performance in 2015, together with the benefit of our hedging programme and extensive cost savings, has enabled the Group to deliver strong cash flows from operations of US\$809.5 million (2014: US\$924.3 million), despite the low oil price during the year. The Group is reporting a loss after tax of US\$1,103.8 million in 2015 (2014: US\$210.3 million loss after tax) largely as a result of impairment charges of US\$558.7 million (post-tax) principally on the carrying value of Solan. These were due to the impact of the lower near-term oil price assumptions used in balance sheet tests at the year-end. Capital expenditure in 2015 was US\$1,070.1 million (2014: US\$1,195.5 million). In 2016 we expect this to reduce significantly to approximately US\$700 million, reflecting the reduction in committed expenditure now that the Solan project is nearing completion. In 2017, committed capital expenditure is expected to fall further to approximately US\$300 million, reflecting primarily remaining development expenditure on the Catcher project.

The continuing low oil price environment has served to highlight the importance of maintaining a strong funding position and a conservative approach to financing. In order to plan and protect our future cash flows, we have continued with our oil price hedging programme and at the year-end we have approximately 30 per cent of 2016 production hedged at US\$68/barrel. The proposed acquisition of the E.ON UK assets adds a significant hedging position to our portfolio which, post completion, means that we maintain approximately 30 per cent of the enlarged 2016 oil entitlement production hedged but at US\$73/barrel. Approximately 30 per cent of E.ON's UK gas production is sold forward at an average of 63 pence per therm.

We retain significant funding facilities with cash and undrawn facilities of US\$1.2 billion at year-end. During the year we renegotiated our principal financial covenants with banks and bondholders. Ongoing continued compliance with our covenants will remain a key priority for Premier in 2016 and beyond, with covenant headroom in excess of US\$900 million at year-end. We continue to benefit from the flexibility of our funding arrangements which are structured on a corporate unsecured basis and are not subject to any redeterminations. However, if current oil prices persist, then a further short-term relaxation of our main financial covenants may be required. We are actively working on a number of mitigating initiatives including the proposed acquisition of E.ON's UK North Sea assets which is materially accretive to our lending covenants, and we retain strong relationships with our lending group, with whom we will continue to work closely, as we have done throughout 2015.

Looking forward, 2016 will see significantly lower capital expenditure as the Solan project is completed, while at the same time delivering production growth. Our aim is to manage the business such that we are able to maintain the integrity of our production assets, continue to execute our Catcher development within budget and on schedule, protect the optionality for future growth in projects such as Sea Lion even in the current oil price environment and start to deleverage the balance sheet as future cash flows allow. The acquisition of the E.ON assets in the North Sea alongside the rationalisation of our portfolio through the sale of our Norway position and the proposed sale of our Pakistan business will allow us to focus on and grow our UK and South East Asian asset bases where we have competitively advantaged businesses.

Tony Durrant
Chief Executive Officer

Delivering value across the oil life cycle

Our vision is to be a world-class upstream independent. As a full-cycle exploration and production company, our strategy is to grow shareholder value by investing in high quality production and development opportunities while maintaining exposure to upside value from successful exploration.

1

Operating in a safe and responsible manner



Description

Premier has a proven track record of operating across the cycle from exploration through development to production with particular focus on offshore projects. Premier aims to leverage its operating capabilities to build a dominant position and to position itself to take advantage of future opportunities. Our aim is to deliver operational excellence in all activities in a safe and responsible manner.

Progress in 2015

Premier has operated assets in Indonesia, Vietnam and the UK throughout the year with improved operating efficiencies demonstrated on almost all the fields. This has driven stable production as this improved operating efficiency has partially offset the anticipated natural decline in the fields.

We have also operated a number of drilling campaigns including offshore the Falkland Islands and in the North Sea. Our focus on safe and reliable operations saw a continued improvement in 2015, with our Total Recordable Injury Rate at 1.27 per million man hours and our Loss of Primary Containment from our operated assets, both below our target for the year.

Priorities in 2016

Continue to operate all the assets across our portfolio in a safe and reliable manner ensuring both the safety of our workforce remains paramount and that any potential risk to the environment is minimised. Maintain the high levels of operating efficiency across our producing assets in order to sustain production levels over the medium term.

2

Focused on high quality assets with commercially advantaged positions



Description

Premier seeks to find, develop and operate high quality assets in parts of the world where we have a strategic or operational advantage, creating commercially advantaged businesses. In Asia, we are a key player in the Singapore gas market, with contracts underpinning long-term cash flows, and our Chim Sáo field in Vietnam provides strong cash flows for the Group. We are a tax advantaged production and development operator in the North Sea, and we are the dominant player in the North Falklands Basin with access to a potentially world-class resource base.

Progress in 2015

Stable production from our operated Natuna Sea Block A in Indonesia delivered gas to Singapore, capturing a market share well in excess of its contractual share, with increased deliverability provided by the Pelikan field brought on-stream in March. Our Chim Sáo field

outperformed expectations and both of our North Sea development projects were progressed, with first oil from Solan expected shortly and the Catcher project under budget and scheduled for first oil in 2017. Pre-FEED work on the first phase of the Sea Lion development project in the Falklands has been completed.

Priorities in 2016

Continue to deliver gas to Singapore, using our deliverability to fill any shortfall from other suppliers within the existing contracts and progress the next generation of developments. Maintain high operating efficiency at Chim Sáo in Vietnam. Complete and tie-in the second producer well at Solan, allowing the field to ramp up to plateau production of 20–25 kpoed. Continue to progress the Catcher project to achieve first oil in 2017. Take advantage of high quality acquisition opportunities in the low point of the oil price cycle to create long-term value.

Key performance indicators

57.6kboepd

Working interest production

758mmboe

Reserves and resources

1.3

Total recordable injury rate ("TRIR") per million man hours

▲ See how our strategic objectives link to Executive Directors' remuneration (on page 102)

📌 **Read more about our KPIs on page 28**

3 Financial efficiency and debt liquidity ▲

Description

Premier's favourable, low cost debt structure with significant liquidity underpins our capital investment programme and our ability to access new opportunities for future growth. We seek to operate within the balance sheet debt capacity and to maintain a conservative financial profile especially in periods of prolonged commodity price volatility.

Progress in 2015

During the year we renegotiated our banking covenants with banks and bondholders and these have been relaxed until mid-2017. Covenant headroom at the year-end was in excess of US\$900 million. The Company had net debt of US\$2.2 billion at year-end, with cash and undrawn facilities of US\$1.2 billion providing significant liquidity. We have also continued with our

hedging programme to mitigate risk against the lower oil price and protect debt capacity and have successfully hedged approximately 30 per cent of 2016 production at US\$68/barrel.

Priorities in 2016

Ongoing continued compliance with our debt covenants will remain a priority for Premier in 2016 and beyond, although the Company may have to seek a relaxation of our covenants during the year if low oil prices persist. We will continue to operate within balance sheet debt capacity and to carry out our hedging programme to plan and protect future cash flows and implement further cost reduction initiatives. Further initiatives to preserve covenant headroom, including the proposed acquisition of E.ON's UK North Sea assets, will continue to be pursued.

4 Attracting and retaining the right people ▲

Description

Premier employs strong in-house operating teams at an asset and country level supported by functional experts with a significant track record of project delivery. Our aim is to ensure that the organisation is appropriately sized with the right calibre of people to achieve the Company's strategic initiatives.

Progress in 2015

A process of rationalising the business and streamlining operations, which began at the end of 2014, continued throughout the year. Although this process necessitated a reduction in headcount at both employee and contractor level, it was achieved while retaining our core skills and without compromising the safety or performance of our operations.

Priorities in 2016

Continue to ensure that the organisation is appropriately sized with the right calibre of people to achieve the Company's objectives, against a backdrop of a prolonged period of lower oil prices and taking into account current and future operations.

US\$809.5m
Operating cash flow

16.0 US\$/boe
Operating costs

US\$900m
Covenant headroom

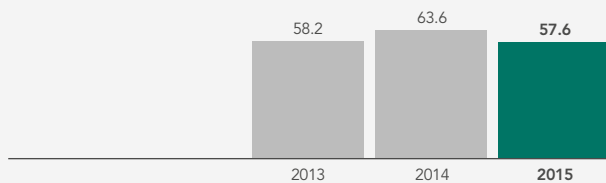
Measuring our performance

The Board monitors the Group's progress against its Key Performance Indicators to assess performance and delivery of its strategy.

Premier measures a range of operational, financial and non-financial metrics to help it manage its long-term performance and achieve the Company's business plans. Despite the challenging conditions faced by the sector in 2015, Premier continued to deliver on a number of its key metrics.

Working interest production

(kboepd)



Objective

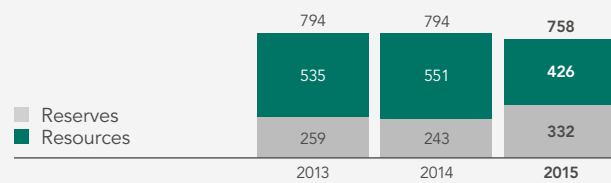
Premier aims to maximise production from its existing asset base and, over time, to deliver production growth. By delivering on our production targets it provides a source of funding in the form of significant high-margin annual cash flow. Production growth is measured using average daily production and the number of development projects being brought through to sanction. The ability to commercialise and bring these projects on-stream is key to the Company's success.

2015 Progress

Average daily production in 2015 was 57.6 koeppd, in line with expectations and ahead of the 55 koeppd market guidance. The reduction from the previous year principally reflects the disposal at the end of 2014 of the Scott area in the UK which contributed 3.8 koeppd in 2014. Progress was made on the next generation of development projects in the UK which will underpin the Company's future production growth.

Reserves and resources

(mmbobe)



Objective

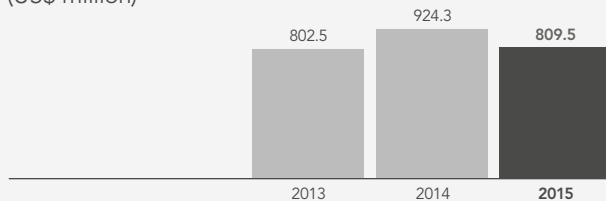
Premier aims to provide a basis for future growth by growing the reserves and resources base through a combination of successful exploration and selective acquisitions. This ambition is measured by reserves replacement, risked prospective resources added and finding costs.

2015 Progress

Proven and probable (2P) reserves at the end of 2015 were 332 mmbobe (2014: 243 mmbobe). The increase reflects the booking of 136 mmbobe in respect of the first phase of the Sea Lion field in the Falkland Islands following the completion of a draft field development plan, which more than offsets the impact of 2015 production and disposals from our reserve base. Disposals comprised the Black A Aceh disposal at the start of the year and the Vette field, sold as part of our Norwegian business in December.

Operating cash flow

(US\$ million)



Objective

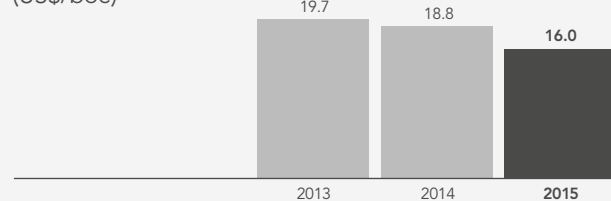
Premier aims to maximise cash flow from operations in order to maintain financial strength, ensuring it can invest in the future of the business and deliver long-term returns to shareholders. Premier's cash flows are protected by a rolling forward hedging programme and this metric is closely monitored.

2015 Progress

Despite the difficult macro environment and a low oil price throughout the year, Premier has registered a strong operating cash flow in 2015 of US\$809.5 million (2014: US\$924.3 million). This was achieved by strong production performance, extensive cost savings and the benefit of the hedging programme. Premier's portfolio of crudes was sold at an average of US\$52.6/bbl (2014: US\$98.2/bbl) (pre-hedge) and US\$70.0/bbl (2014: US\$101.0/bbl) (post hedge) compared with an average Brent crude price of US\$52.4/bbl.

Operating costs

(US\$/boe)



Objective

Premier aims to minimise costs from operations without compromising on health and safety or asset integrity. Operating costs per barrel of oil equivalent is a function of industry costs, inflation, Premier's fixed cost base and production output. Operating costs are monitored closely to ensure that they are maintained within pre-set annual targets.

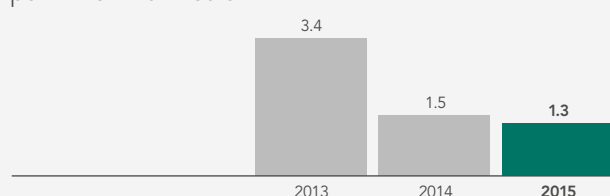
2015 Progress

Operating costs reduced to US\$16.0/boe in 2015 (2014: US\$18.8/boe), a reduction year-on-year of over US\$100 million. This was the result of significant cost saving initiatives carried out across the Group, the sale of the high cost Scott area in the UK at the end of 2014 and high operating efficiencies delivered in 2015.

i Read more about our financial results in the Financial Review on page 50

Total recordable injury rate ('TRIR') ▲

per million man hours



Objective

Premier is committed to managing its operations in a safe and reliable manner in order to prevent major accidents and to provide a high level of protection to its employees, contractors and the environment. Health and safety performance is measured using a number of metrics including total recordable injury rate ('TRIR') per million man hours. Safety performance data includes both Premier employees and contractors.

2015 Progress

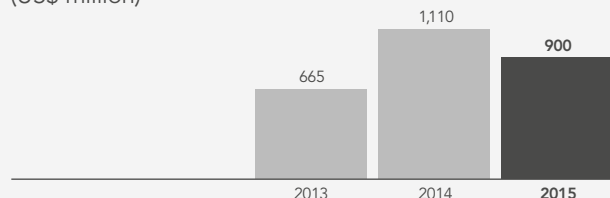
In 2015, Premier completed the roll-out of a centralised, online Occupational Health and Safety incident reporting tool – Synergi Life – across the Company. This has centralised HSES incident reporting and action tracking into a single Company-wide platform, thereby improving the analysis of performance. Premier achieved a TRIR performance of 1.27 per million man hours (2014: 1.5), a 14 per cent decrease on 2014, continuing the improving trend from 2014 and ahead of our target for the year.

Key

- Operational KPIs
- Financial KPIs
- ▲ Linked to Executive Directors' remuneration (see page 102)

Covenant headroom ▲

(US\$ million)



Objective

Premier aims to retain balance sheet strength by maintaining liquid reserves, including undrawn committed banking facilities, to meet planned funding commitments. The long-term, unsecured nature of our debt means that ongoing compliance with our covenants is the key metric to ensure the ongoing availability of our funding arrangements.

2015 Progress

At the end of 2015, Premier retains significant funding facilities with cash and undrawn facilities of US\$1.2 billion. During the year, covenants were renegotiated with our banks and bondholders and these have been relaxed until mid-2017. Ongoing continued compliance with covenants is a priority for Premier, with covenant headroom in excess of US\$900 million at year-end. However, if current low oil prices persist, then a further relaxation of our main financial covenants may be required, which we are taking pre-emptive action to address.

Managing our principal risks

Premier's business may be impacted by various adverse events or circumstances leading to failure to achieve strategic targets for growth, loss of financial standing, cash flow and earnings, and reputation. Certain external developments such as the global price of oil are outside the Company's control which can have serious consequences for the Company with limited opportunity to mitigate. The Company may also be exposed to risks which are not yet manifested or reasonably foreseeable.



David Lindsell

Chairman of the Audit and Risk Committee

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

The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of those risks, together with details of how such risks are managed and mitigated, is set out on pages 32 to 35.

A critical part of the risk management process is to assess the impact and likelihood of risks occurring so that appropriate control and mitigation plans can be developed and implemented. However, there are certain risks to which Premier is exposed over which it has very limited power to control or mitigate, such as oil price and extended adverse weather conditions in the North Sea.

Risk level matrices are developed across Premier's business to facilitate assessment of risk. The specific risks identified by project and asset teams, business units and corporate functions are consolidated and amalgamated to provide an oversight of key risk factors at each level from operations through business unit management to Executive Committee and Board level.

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

Significant risk factors during 2015

- Continued oil price weakness (weak share price and North Sea impairments).
- Project delivery challenges (schedule and cost).
- 'Alignment' with JV partners (in particular their ability to fulfil commitments).
- Negative market sentiment.

Significant risk factors for 2016

- Breach of banking covenants and longer-term viability.
- Continued oil price weakness.
- Cash flow and ability to fund existing and planned projects, thereby deliver business strategy.
- Political and security instability in countries of current and planned activity.
- Negative market sentiment.
- Potential costs arising from decommissioning liabilities.
- Reputational impact if we defer projects.
- Ability to maintain core competencies.

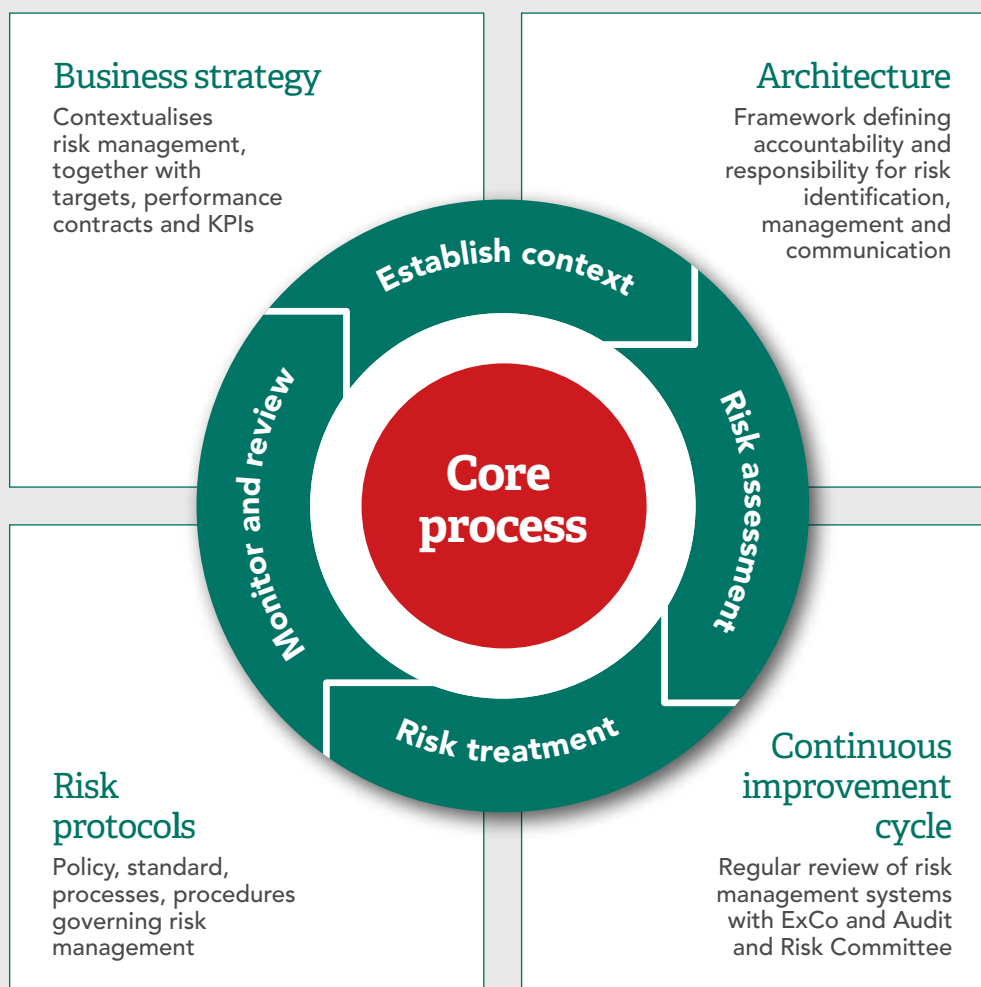
Group risk management framework

The core process for risk management lies at the heart of Premier's framework of internal controls, comprising the policies, standards, procedures and guidelines for every function involved in carrying out Premier's business.

A systematic process for identification and assessment of risk is undertaken across the Company business units and functions.

Regular workshops are undertaken with input from independent consultants with specialist knowledge and from dialogue with our partners to assist with risk identification and assessment, and risks are reviewed on a regular basis to ensure that new risks or exposures as a result of changes in the business or the business environment, are captured.

This core process is used to manage the spectrum of risks which Premier faces, from strategic, geopolitical and other external risks to operational, financial and organisational risk.



Principal risk factor	Risk detail
<p>Commodity price volatility</p> <p>(Of particular significance during 2015 and into 2016)</p>	<ul style="list-style-type: none"> • Oil and gas prices are affected by global supply and demand and price can be subject to significant fluctuations. • Factors that influence these include operational issues, natural disasters, weather, political instability, or conflicts and economic conditions or actions by major oil-exporting countries. • Price fluctuations can affect our business assumptions and can affect investment decisions and financial capability. • Specific risks for 2016: inability to deliver satisfactory hedging programme due to low forward oil prices.
<p>Production and development delivery</p> <p>(Of particular significance during 2015 – Solan – and into 2016)</p>	<ul style="list-style-type: none"> • Uncertain geology and reservoir performance leading to lower production and reserves recovery. • Availability of services including FPSOs and rigs, availability of technology and engineering capacity, availability of skilled resources, maintaining project schedules and costs as well as fiscal, regulatory, political and other conditions leading to operational problems and production loss or development delay. • Consequences may include lower production, lower recovery of reserves, production delays, cost overruns and/or failure to fulfil contractual commitments. • Specific risks in 2016: delayed second producer well on Solan; Solan ramp-up to plateau production is delayed or budget exceeded; decline in Indonesian and Vietnamese production through operational issues.
<p>Financial discipline and governance</p> <p>(Of particular significance during 2015 and through 2016)</p>	<ul style="list-style-type: none"> • Risk of covenant breach and that sufficient funds are not available to finance the business. • Risk of financial fraud. • Breach of delegated authority. • Specific risks in 2016: need to relax financial covenants; failure to deliver cost efficiencies; and reduced capex plans.
<p>Health, safety, environment and security ('HSES')</p>	<ul style="list-style-type: none"> • Major process safety incident or operational accident, natural disasters, pandemics, social unrest, civil war. • Consequences may include accidents resulting in loss of life, injury and/or significant pollution of the local environment, destruction of facilities and disruption to business activities.
<p>Joint venture partner alignment and supply chain delivery</p> <p>(Of particular significance during an extended period of oil price weakness/volatility)</p>	<ul style="list-style-type: none"> • Global operations in the oil and gas industry are conducted in a joint venture environment. There is a risk that joint venture partners are not aligned in their objectives and drivers and this may lead to inefficiencies and/or delays. Several of our major projects are operated by our joint venture partners and our ability to influence our partners is sometimes limited due to our small interest in such ventures. • We are heavily dependent on supply chain providers to deliver services and products to time, cost and quality criteria. Heightened risk during period of downturn in the upstream services sector. • Specific risks in 2016: failure of supply chain providers to deliver, causing delays/cost over-runs on Catcher project.

How is it managed?

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

- Geoscience and reservoir engineering management systems, including rigorous production forecasting and independent reserves auditing processes.
- Effective contracting strategy, operations, development and project execution management systems and cost controls together with capable project teams.
- Long-term development planning to ensure timely access to FPSOs, rigs and other essential services.

- Strong financial discipline. Premier has an established financial management system to ensure that it is able to maintain an appropriate level of liquidity and financial capacity and to manage the level of assessed risk associated with the financial instruments. Premier maintains access to capital markets through the cycle. The management system includes policies and a delegation of authority manual to reasonably protect against risk of financial fraud in the Group.
- An insurance programme is put in place to reduce the potential impact of the physical risks associated with exploration and production activities. In addition, business interruption cover is purchased for a proportion of the cash flow from producing fields. Cash balances are invested in short-term deposits with minimum A credit rating banks, AAA managed liquidity funds and A1/P1 commercial paper, subject to Board approved limits.

- Comprehensive HSES and operations management systems including emergency and oil spill response capability and asset integrity.
- Active security monitoring and management and regular testing of business continuity plans.
- Learning from Company and third party incidents.

- Due diligence and continuous and regular engagement with partners in joint ventures in both operated and non-operated projects. Premier takes strategic acquisition opportunities where appropriate to gain a greater degree of influence and control.
- Non-operated ventures management system.
- Active engagement with supply chain providers. Monitor performance and delivery.

Key steps to mitigate in 2015/16

- Seek acquisition opportunities which will improve the Company's hedging position.
- Hedging programme (continued into 2016) taking advantage of the limited protection from such activity during an extended period of low oil prices.
- Economics of development programmes re-worked to reflect low oil price environment.
- Discretionary spend curtailed.
- Contingency planning or accelerated decommissioning of identified production assets.

- Improved production forecasting, enhanced reporting and monitoring through further refinement of near-real-time production analytics platform.
- Improved project planning and delivery through better co-ordination and execution of cross-functional review prior to decision gates.
- Independent 'lessons learned' review of Solan project communicated to Group corporate and business unit teams.
- Continued ExCo, business unit and project engagement on contractor selection/management.

- Careful management of covenant headroom on the Group's debt facilities and ongoing dialogue with lenders regarding the likely need to re-negotiate covenants.
- Economics of investment decisions and development projects re-worked to reflect low oil price environment.
- Deferred discretionary exploration spend.
- Unsanctioned development projects deferred and re-shaped.
- Ongoing reduction of contractor spend.
- Contingency planning for right-sizing and re-structuring of Group to deliver business goals.
- Enhancement of Business Control Review process.

- Further embedded electronic incident-recording and action-tracking system, implemented HSEMS self-audit system.
- Further embedded implementation of asset integrity scorecard methodology (covering people, plant and process lead indicators) at all operated production assets.

- Heightened engagement with joint venture partners and supply chain counterparties with regard to their ability to fulfil commitments.
- Solan JV partner bought out.
- Various portfolio management options under review in 2015/16.

Principal risk factor	Risk detail
Host government: political and fiscal risks	<ul style="list-style-type: none"> • Premier operates in some countries where political, economic and social transition is taking place or there are current sovereignty disputes. Developments in politics, laws and regulations can affect our operations and earnings. • Consequences may include forced divestment of assets; limits on production or cost recovery; import and export restrictions; international conflicts, including war, civil unrest and local security concerns that threaten the safe operation of Company facilities; price controls, tax increases and other retroactive tax claims; expropriation of property; cancellation of contract rights; and increase in regulatory burden. It is difficult to predict the timing or severity of these occurrences or their potential impact.
Organisational capability	<ul style="list-style-type: none"> • Risk that the capability of the organisation is not adequate to deliver plans for strategic growth. The capability of the organisation is a function of both the strength of its human resources and its business management systems. Inadequate systems or lack of compliance may lead to loss of value and failure to achieve growth targets. Loss of personnel to competitors, inability to attract and retain quality human resources and competency gaps could affect our operational performance and delivery of growth strategy.
Exploration success and reserves addition	<ul style="list-style-type: none"> • Failure to identify and capture acreage and resource opportunities to provide a portfolio of drillable exploration prospects and sufficient development projects to achieve reserves addition targets. • Specific exploration programmes may fail to add reserves and hence value. • Failure to negotiate access rights or close transactions could slow growth of reserves and production and lead to loss of competitive advantage.

Risk management and internal controls in Premier

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

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

Business Management System

Internal controls within Premier are governed by the Business Management System ('BMS'). This system is composed of the policies, standards, procedures, processes and guidelines for every function involved in carrying out Premier's business including Development and Operations, Exploration, Business Development, Finance, Health, Safety, Environment and Security ('HSES'), Corporate Responsibility, Risk and other business support services. Group corporate function management systems are complemented by local management systems within the business units which contain additional content specifically required in order to operate and manage the business under local conditions and in compliance with local laws and regulations.

During 2015 a significant upgrade to the BMS platform was initiated for delivery in 2016. Premier also commissioned an external, independent peer review of its management and governance systems in comparison with a number of anonymised independent upstream oil & gas companies. The review identified no significant shortcomings compared to peer companies. The recommendations from the review will be followed up and include improving the overall coherence of the risk-based reviews of management systems in the Group's functions by putting in place a Group-wide standard prescribing the review procedure and required outputs in order to improve ownership and accountability for required actions.

How is it managed?

- Premier's portfolio includes operations in both low and higher risk environments. Premier actively monitors the local situation and has business continuity plans in each area which can be activated depending on pre-defined levels of alert.
- Premier strives to be a good corporate citizen globally, and fosters reputation by strong and positive relationships with government and communities where we do business. Premier engages in respectful industry-wide lobbying and sustainable corporate responsibility and community investment programmes. Rigorous adherence to Premier's business ethics policy and code of conduct.
- Continuous monitoring of the external environment for emerging risks to the business.

- Premier has created a competitive remuneration and retention package including bonus and long-term incentive plans to incentivise loyalty and good performance from the existing, highly skilled workforce.
- Premier continues to strengthen its organisational capability to achieve strategic objectives. This includes resource planning, competency development, training and development programmes, succession planning including leadership development.
- Continuous strengthening of business management systems and controls as appropriate to the size and market position of the Company.

- Strong portfolio management and alignment with strategic growth targets. Appropriate balance between growth by exploration and acquisition.
- Exploration management systems including comprehensive peer review with focus on geologies in core areas we know well and in which we can build a competitive advantage.
- M&A effort focusing on geographical and technical areas aligned with our strategy. Diligence in acquisition process and post-acquisition integration to ensure targeted returns.

Key steps to mitigate in 2015/16

- Improved provision of politico-economic/ security/societal risk assessment informing investment decisions.
- Strengthened Corporate Responsibility ('CR') management system and ongoing improvements to CR reporting.
- Ongoing cost/benefit assessment of political risk insurance on case-by-case basis.

- Continuous improvement of human resources management systems and controls.
- New reward programme rolled out in the fourth quarter of 2015.
- Phased function roll-out of competency management system continued.
- Succession planning reviewed.

- Review and downsize exploration portfolio to high-grade prospectivity (in response to low oil price).
- Re-shape exploration team with revision of ExCo responsibility.
- Acquired Mexican offshore licence interests.
- Ongoing M&A options in progress into 2016.

The recommendations also included clarifying the interfaces between individual management systems covering development and operations activities and improving the coherence and communication around Management of Change across the Group.

Risk management

Premier believes that risk management is just part of good management which leads to quality decision making and achievement of targets for growth of the business.

The process for risk management is central to Premier's Business Management System and the Group's management system has been developed in accordance with the risk management principles and guidelines of ISO 31000 (Risk Management – Principles and Guidelines).

The processes developed by the Company cover all key elements of ISO 31000.

The core process for risk management is contextualised by the Company's business strategy and comprises the risk architecture defining accountability and responsibility, the risk protocols (policy, standard, procedures) and a continuous improvement cycle for these systems. This process is described in more detail on page 31.

Risk identification

A new risk workbench ('ARROW') based on ISO 31000 guidelines was further developed in-house during 2015 and has been implemented across the Group. ARROW facilitates the registration, communication and assessment of corporate, functional, business unit and asset/project risks

and the definition of the plans for control and mitigation, and assignment of responsibility. ARROW allows risks that have a significant potential impact and a higher likelihood of occurrence to be flagged and referred automatically up to the next level(s) of management, enabling more effective top-down monitoring of risk. ARROW's integration with Premier's BMS enables risks and the related controls and mitigating processes to be described, managed and communicated in a more complete and consistent manner and also enables the programme of financial and operational control reviews to be prioritised further against the principal Group business risks as ranked in ARROW.

Risk assessment

A standard matrix of impact versus likelihood is used to assess risks at all levels in the organisation. Appropriate consideration is given to risk inter-dependency and amalgamation of similar specific risks across the organisation. Risks are categorised according to a scale of Major, Medium and Minor and escalated to the appropriate level.

Risk treatment includes risk acceptance or tolerance and active risk reduction measures based on a Board approved risk appetite. Particular attention is given to occupational health, safety and environmental factors to ensure that residual risks are at a level that is as low as reasonably practicable.

Risk monitoring and review

The status of risks and progress with risk treatment plans are monitored continuously and reviewed periodically via performance reviews, workshops, audits and risk assessments.

The architecture of the organisation provides the framework for defining the accountability and responsibility for risk identification and management. It links the Board and Audit and Risk Committee to the Executive Committee and functional and business unit management structure, and enables risks to be escalated and managed at the appropriate level. The Group Head of Corporate Services is responsible for the risk management system and the overall running of the process.

The risk protocols are the policy, procedures and processes documented as part of the risk management system and key tools used in the process. A cycle of continuous improvement to the risk management system within the organisation is applied and regularly reviewed with both the Executive Committee (via regional and functional performance reviews) and the Audit and Risk Committee.

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

Regular review

The effectiveness of the Business Management System is a function of both the adequacy of the system and compliance with the system. The operation of internal control procedures is monitored by planned management system and business control reviews. An annual programme of review is agreed between functional and business unit management and approved by the Audit and Risk Committee. The programme adopts a risk-based focus and includes a review of management system efficacy and control as well as targeting key operational, financial and organisational delivery milestones. This process is designed, inter alia, to provide assurance to the Board that Premier is embedding effective risk management into its operations. Significant findings from these reviews are presented to the Audit and Risk Committee which monitors the implementation of recommendations for control improvements. A rolling three-year plan to cover all operations is in place.

In addition, where we are the operator, audits of joint venture operations are carried out by our joint venture partners. Where one of our partners is the operator, we seek visibility of the most significant risks identified and managed by the joint venture partners.

The annual cycle of monitoring in Premier culminates in the completion of the Corporate Governance Return which contains declarations by business unit and functional management confirming compliance with the Group's BMS as well as identifying enhancements as part of a continuous process for improving the effectiveness of management systems.

Board responsibility

Overall responsibility for the system of internal control and risk management and reviewing the effectiveness of such systems rests with the Board. This involves ensuring that there is a process to identify, evaluate and manage any significant risks that may affect the achievement of the Group's strategic objectives.

The Directors carry out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. These risks are regularly reviewed and monitored by the Board.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Combined Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required for the 'Going Concern' statement. In preparing this assessment of viability the Board has considered the principal risks faced by the Group, relevant financial forecasts and sensitivities and the availability of adequate funding.

Assessment period

The Board conducted this review for a period of three years to 30 June 2019 (the 'Forecast Period'), which was selected for the following reasons:

- At least annually, the Board considers the Group's long-term forecast (the 'Forecast') over a three-year period.
- Within the three-year period, liquid commodity price curves are able to be used in the Forecast. Given the lack of forward liquidity in oil and gas markets after this initial three-year period, we are reliant on our own internal estimates of oil and gas prices without reference to liquid forward curves.
- Over the next three years the Group's current major development projects (being Catcher and Solan) are expected to have come on-stream and the Group is not currently committed to any major developments beyond that date.
- The majority of the Group's financing facilities are available during the three-year horizon. However, beyond this time horizon, the Group's main lending facilities will need to be re-financed.

Review of financial forecasts

The Forecast is based on:

- the Group's latest life of field production and expenditure forecasts on an asset by asset basis, together with a variety of portfolio management opportunities which are currently under active consideration;
- management's best estimate of future commodity prices (based on recent forward curves, adjusted for the Group's hedging programme); and
- the Group's borrowing facilities, including the requirements of financial covenants included within these facilities.

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

Review of principal risks

The Group's principal risks and uncertainties, set out in detail on pages 32 to 35, have been considered over the period.

The Board considers that commodity price volatility, and in particular a sustained low oil price, has the most impact upon the continued viability of the Group during the Forecast Period. At the current low oil price being observed, a breach in at least one of the Group's financial covenants as currently set is likely to occur in respect of the testing period ending 30 June 2016 unless appropriate mitigating actions can be taken. The risk that the Group will be unable to either achieve appropriate mitigating actions prior to 30 June 2016 or to secure an appropriate relaxation of its financial covenants is a material uncertainty, as explained in more detail in the going concern section of the Financial Review on page 54. Having assessed this risk and after making enquiries, the Board has a reasonable expectation that the Group will avoid a covenant breach.

Furthermore, some US\$700 million of the Group's financing facilities will mature in 2017 and 2018. The Board has considered the risk around the Group's ability to re-finance these facilities as they fall due and how this risk can be mitigated. A key assumption underpinning the three-year forecast is that the credit markets will be sufficiently liquid, and prevailing oil prices sufficiently robust, to enable the Group's financing facilities to be renewed at the same level. Given the Group's ongoing banking relationships, the Board has a reasonable expectation that it will be possible to re-finance these facilities in 2017 and 2018.

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

Conclusion

The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy and availability of funding, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Strategic Report. The Directors have also considered the availability of actions within their control in the event of plausible negative scenarios occurring. On the assumption that the Group is able to avoid a covenant breach in respect of the 30 June 2016 testing period and is able to re-finance the Group's facilities towards the end of the period of assessment, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meets its liabilities, as they fall due, for the next three years.



Indonesia

The Premier-operated Natuna Sea Block A delivered stable production into the Singapore gas market with gas demand above the contractual share for GSA1. Initiatives to optimise the cost base for Natuna have been delivered during 2015, with sustainable operating costs of US\$8.0/boe.

At a glance

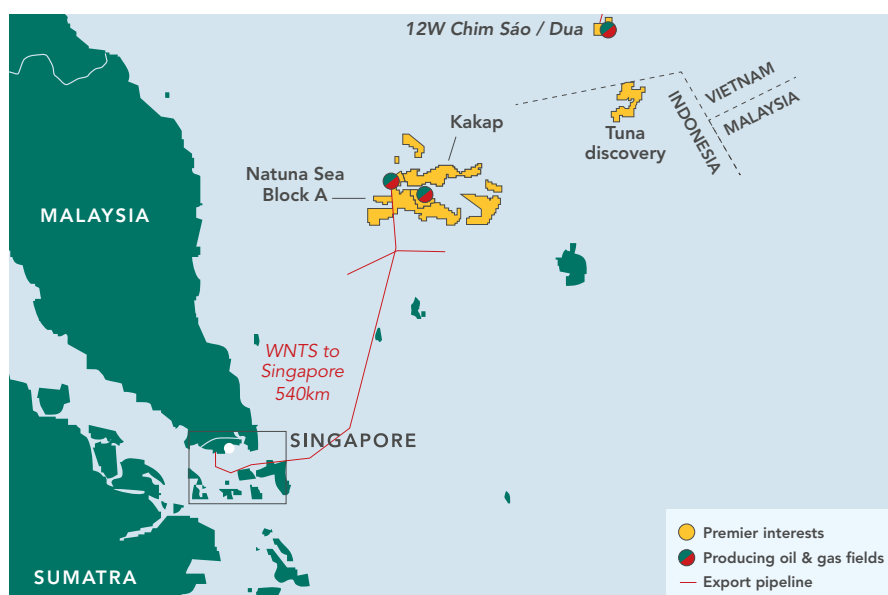
Highlights and achievements

- Singapore demand above ToP
- 43% of GSA1 vs 39.9% contractual share
- Pelikan on-stream
- Sustainable operating costs reduced to US\$8/boe

Outlook

- Portfolio of growth opportunities





Production and development

Net production from Indonesia in 2015 on a working interest basis was stable at 13.9 kboepd (2014: 14.4 kboepd). A strong operational performance from the Premier-operated Natuna Sea Block A was offset, in part, by lower production from the non-operated Kakap field.

Premier sold an average of 223 BBtud (gross) (2014: 231 BBtud) from its operated Natuna Sea Block A during 2015:

	GSA1		GSA2		GSA5	
	2015	2014	2015	2014	2015	2014
BBtud (gross)						
Anoa ¹	133	141	–	–	–	–
Gajah Baru ²	–	–	77	79	13	11
Total Block A	133	141	77	79	13	11
Kakap	23	30	–	–	–	–
Total	156	171	77	79	13	11

1 Includes production from the Pelikan field.

2 Includes production from the Naga field.

GSA1 deliveries from Block A were 43 per cent (2014: 45 per cent) of all GSA1 deliveries, above the contractual share of 39.9 per cent. In addition Premier continues to provide additional gas sales of up to 40 BBtud from the Gajah Baru field to the domestic market under a Domestic Swap Agreement (GSA5). In 2015, GSA5 sales were less than expected in the first half of the year due to competition from low price diesel fuel, but increased in the second half. End-users continued to make take or pay payments in full as per the terms of the DSA/GSA.

Gross liquids production from the Anoa field averaged 1.4 kboepd (2014: 1.6 kboepd) and gross liquids production from the non-operated Kakap field averaged 3.5 kboepd (2014: 3.9 kboepd).

Cost reduction initiatives have been delivered through optimisation of work programmes, reduction of discretionary spend, efficiencies through shared services with other operators in the area and contract renegotiations with existing suppliers. Based on current production levels, Natuna A is well placed to deliver operating costs of US\$8.0/boe into the medium term.

The Pelikan field was successfully brought on-stream in March within budget, following first gas from the Naga field in November 2014. The Pelikan and Naga gas fields, which contain 150 bcf of reserves, will maintain the production profiles of GSA1 and GSA2 and these fields are now fully tied into the Gajah Baru facilities. This increased deliverability from Natuna Sea Block A also allows Premier increased operational flexibility, the ability to fill any shortfall from other suppliers within the existing contracts and the potential to respond to any future increase in Singapore or domestic gas demand.

Elsewhere on Natuna Sea Block A, the next generation of developments to backfill our existing Singapore and domestic market contracts continue to progress. FEED has been completed on the Bison, Iguana and Gajah Puteri projects and an investment decision on these projects is targeted for the fourth quarter of 2016.

Evaluation of the potential development scenarios for the 2014 Kuda/Singa Laut discoveries on the Tuna Block remains ongoing. Premier is conducting a farm-out process with a view to reducing its 65 per cent equity interest in the block in order to manage its exposure going forward.



Exploration

The Anoa West-1 well successfully appraised the Anoa Deep discovery made in 2012, encountering the same gas bearing sandstones in the Lama formation as well as exploring deeper reservoir sections that were also found to be gas bearing. Premier continues to mature a number of other leads and prospects elsewhere in the Lama play to drillable status.



Portfolio management

In January 2015, Premier successfully completed the sale of its 41.67 per cent non-operated interest in Block A Aceh onshore Indonesia for an after-tax consideration of US\$40 million.



Vietnam

The Premier-operated Chim Sáo field out-performed expectations in 2015 with a robust production performance together with substantially reduced operating costs, generating strong positive net cash flows for the Group.

At a glance

Highlights and achievements

- Robust production of 16.9 kboepd
- Better than predicted reservoir performance
- Significantly reduced operating costs to cUS\$12/boe

Outlook

- No committed capital expenditure
- Incremental growth opportunities





Production

Production from the Premier-operated Block 12W, which contains the Chim Sáo and Dua fields, exceeded expectations, averaging 16.9 kboepd (12.8 kbopd of oil and 19.8 mmscfd of gas) net to Premier. A programme of acidising the reservoir to improve its delivery capacity and increasing the use of gas lift in the wells has helped to maintain production levels similar to those achieved in 2014, assisted by continued high operating efficiency of 87 per cent. Contractual changes, which enhanced the alignment between Premier and our Operations and Maintenance subcontractor, resulted in further improvements in plant reliability and improved business efficiency. While plateau rates from Block 12W have been maintained for longer and at higher rates than originally envisaged at sanction, some natural decline from the existing wells is now being seen.

In response to lower oil prices, operating costs have been proactively managed downwards. Chim Sáo operating costs were around US\$11.7/boe, reflecting a 20 per cent year-on-year decrease as a result of a rigorous approach to contract management. Cost savings and efficiency improvements have been achieved through a variety of measures: renegotiation of contracts; assumption of direct control of the offshore operations and maintenance services for the Chim Sáo FPSO; and operating efficiencies, such as changing crew shift patterns and the use of lower cost and more fuel efficient supply vessels.





United Kingdom

Premier's UK business has delivered a strong production performance from its existing asset base whilst implementing significant operating cost reduction measures across both its operated and non-operated asset portfolio. Commissioning of the Solan platform facilities is almost complete and first oil is expected shortly. Post first oil development activity will focus on the ramp up of the Solan production and delivery of the Catcher project in 2017. Once on-stream, production from these new projects will add significantly to Premier's production profile in the North Sea.

At a glance

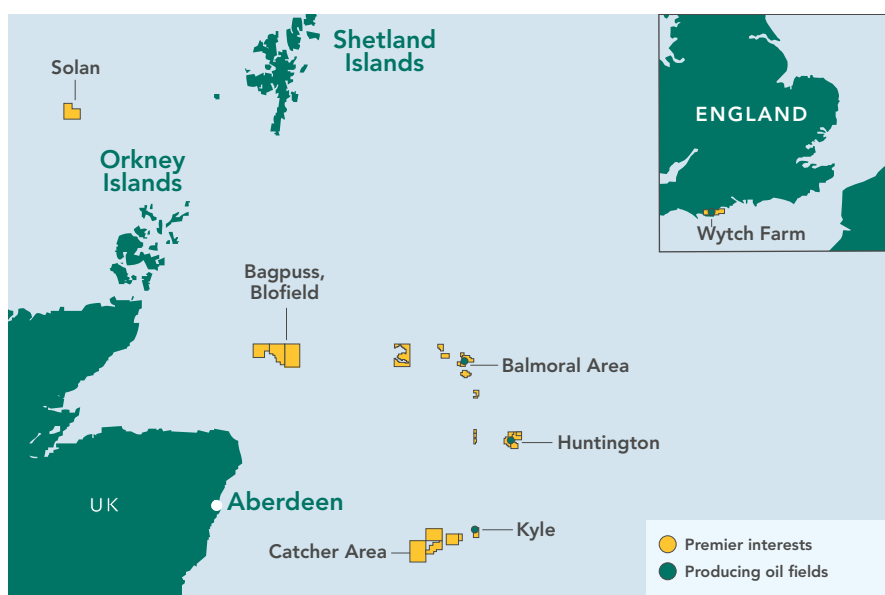
Highlights and achievements

- Production averaged 16.7 kboepd
- Improved operating efficiency
- Operating costs down 20% to US\$30/boe
- US\$3.5bn of UK tax losses and allowances

Outlook

- Deliver Solan and Catcher development projects
- Complete proposed E.ON acquisition to augment UK business





Production

Production from Premier's UK fields averaged 16.7 kboepd (2014: 15.6¹ kboepd). Good production efficiency across the portfolio and the first full year of Kyle production since the field was redeveloped, offset natural field decline across other assets. This production was delivered at reduced cost with UK unit operating costs of US\$30/boe during 2015 (2014: US\$37.5/boe). This reduction reflects the operating cost savings achieved across all assets as well as the disposal of the high-cost Scott area assets at the end of 2014. UK G&A costs have also been reduced, reflecting a lower headcount in the business unit.

Production from the Premier-operated Balmoral area averaged 3.1 kboepd (2014: 3.2 kboepd). Improved production efficiency which averaged 83 per cent (2014: 73.1 per cent), and the reinstatement of the Stirling well 20z for the majority of 2015 (2014: five months) were offset by natural field decline and the loss of the Balmoral B29 well in July 2015 for mechanical reasons. Operating costs were reduced to US\$64.4 million (2014: US\$88 million), representing savings from cost efficiencies such as the sharing of logistics with other operators plus reduced G&A allocations. These initiatives are all anticipated to deliver

further full-year benefits during 2016. In addition, the third party Beaully well was successfully reinstated during October 2015.

The non-operated Huntington field averaged 6.2 kboepd in 2015 (2014: 5.7 kboepd). Production was constrained in the first quarter due to restrictions on exporting gas through the CATS pipeline system following failure of a topside valve on the CATS riser platform during December 2014. On completion of repair work and subsequent agreement being reached for higher gas export volumes through the CATS system, production rates were increased to higher than anticipated levels before reducing as a result of natural field decline. Production efficiency since April has exceeded 90 per cent.

Production from the non-operated Wytch Farm field averaged 5.2 kboepd (2014: 5.6 kboepd) and was stable during the majority of the year. ESP pump failures on key producer wells and operational issues encountered with the Furzey Island water injection line led to a marginal reduction on the previous year but, at the year-end, production had been fully restored. Significant operating cost savings were delivered by the operator resulting in a decrease in operating costs to US\$32.4 million (2014: US\$36.9 million) in spite of the need to conduct the ESP well workovers.

Production from the non-operated Kyle field increased to an average of 2.0 kboepd (2014: 1 kboepd), reflecting the first full year of Kyle production since severe storm conditions in December 2011 resulted in damage to the subsea infrastructure and the host Banff FPSO facility. Production recommenced in July 2014 following a two and a half year reinstatement project. The main K14 production well has performed strongly in 2015, although the field suffered some unplanned outages due to gas compression issues on the host Banff field FPSO.



Development

Solan

On the Premier-operated Solan project, the unprecedented weather conditions West of Shetlands have continued to impact the final commissioning of the offshore installations systems required for first oil. Despite this, progress continues to be made and first oil is expected shortly. The first pair of subsea producer-injector wells required for first oil were successfully completed and tied back to the Solan platform during the year.

During the year all other subsea work required for first oil was completed, including the tie-in of the subsea oil storage tank. Platform commissioning work delivered the minimum systems required to support first oil including the living quarters, firewater deluge system and other safety related systems, and all the utilities including power, fuel supply and air. Export oil tanker trials were completed in November and platform habitation was achieved in January 2016.

The Regalia accommodation vessel provided accommodation facilities to support commissioning work and delivered high productivity and good up time from its arrival on location in August 2015 through to the completion of its contract in November. The Regalia was replaced by the Flotel Superior during November 2015, a vessel better suited to operations West of Shetland during winter conditions. Premier has options over the use of the Flotel Superior which potentially extends its hire to the end of May 2016 if required.

¹ Please note, comparatives are stated without divested assets: Scott/Telford/Rochelle fields.

In parallel, drilling of the second pair of producer-injector wells has progressed. Drilling of the second producer well (P2) commenced in July completing over 1,000 feet of the reservoir section. However, mechanical problems were encountered which resulted in the well being suspended during September. The Ocean Valiant rig is currently completing the second injector well (W2) after intersecting some 700ft of high quality reservoir sand, before returning to side-track the second producing well in the second quarter of 2016.

The field is expected to achieve initial production rates of 10–12 kboepd following ramp up from the first producer well, with plateau production rates of 20–25 kpoed when the second producer well is completed and tied-in around mid-year. Cash spend to 31 December on the Solan project stood at US\$1.88 billion.

An onshore control room to support Solan operations has been established within Premier's Aberdeen office. This will facilitate a future move to a not permanently manned state with resulting lower operating costs, and is currently anticipated to occur approximately one year after first oil.

Catcher

The Premier-operated Catcher project is progressing under budget and is scheduled to deliver first oil in the second half of 2017. Key milestones have been achieved during the year including the subsea installation work planned for 2015, which was completed with the successful installation of the pipeline end manifold and tow templates at Catcher and Burgman. In addition, the 60 kilometre gas export pipeline was successfully laid and tied in during July with minimal weather downtime. Fabrication of the subsea equipment including flowline bundles and associate towheads, the buoy and the mid water arches (riser buoyancy aids), which are all due to be installed in the summer of 2016, is on schedule.

Drilling activities which started in July using the Ensco 100 rig progressed well, with excellent operational performance. The three Catcher wells, two injectors (CTI1 and CC12) and one producer (CCP3), all met or exceeded pre-drill expectations in terms of reservoir quality and flow rates. In addition, the injection well tests successfully demonstrated that water can be injected into the field.

Fabrication of the FPSO hull and topsides is ongoing in Asia and the sail-away date of the FPSO from Singapore for a 2017 field start up remains on schedule following mitigating actions put in place by the FPSO provider BW Offshore to address scheduling issues. The first major FPSO hull section was successfully delivered in December to the yard in Japan from South Korea. Topsides module and turret construction continues to progress well in Batam and Singapore. The FPSO contractor currently plans the commencement of hull and integration work in Singapore from summer 2016.



Exploration

No exploration wells were drilled in 2015, however preparations are underway to drill two wells in the UK North Sea in 2016. Drilling of the Bagpuss/Blofeld heavy oil exploration prospect in the Moray Firth and the near-field Catcher Field prospect at Laverda-Slough are planned for the first half of 2016. Premier is committed to drilling the Bagpuss/Blofeld appraisal well as part of a prior commercial arrangement to farm into the licence, and the Laverda-Slough well is a licence commitment.

The Laverda-Slough well will be drilled using the Ensco-100 rig currently working on the Catcher project, whilst negotiations for the Bagpuss rig commitment are currently in progress.

During 2015, Premier continued to high grade and rationalise its UK North Sea exploration portfolio with several licences relinquished or sold.



Portfolio management

In May 2015, Premier successfully acquired Chrysaor's 40 per cent interest in the Solan field for no upfront cash consideration and entered into an agreement with FlowStream Commodities whereby a US\$100 million payment was received in return for the proceeds from 15 per cent of production from the field for a period of time. These transactions removed partner funding concerns and reduced the Group's balance sheet exposure to the Solan project.





Pakistan

Premier's Pakistan business continued to generate positive and stable net cash flows for the Group. During 2015, the average realised gas price was above US\$4/mmscf while operating costs remained low at around US\$3.7/boe (US\$0.58/mscf).



Production and development

Production in Pakistan averaged 9.7 kboepd (60.2 mmscfd), from Premier's six non-operated producing gas fields.

Mmscfd	2015	2014
Bhit	11.4	12.6
Badhra	7.7	4.9
Qadirpur	17.8	20.8
Kadanwari	9.8	18.1
Zamzama	13.0	20.7
Zarghun South	0.5	0.1
Total	60.2	77.1

The fall in production reflects natural decline in the Bhit, Qadirpur, Kadanwari and Zamzama gas fields only partially offset by higher production from the Badhra field.

Higher production was achieved from the Badhra area with three new wells being brought on-stream which performed better than expected, offsetting natural decline from existing wells. The compressor reconfiguration project at Bhit, designed to improve the ultimate recovery by around 54 billion cubic feet (gross), was successfully completed and the results are in line with expectations.

Production from the Qadirpur, Kadanwari and Zamzama fields fell over the year, reflecting natural decline in the fields, below expectation performance of the new infill wells at the Kadanwari field, and deferment of a development well in Zamzama.

All costs pertaining to Premier's 3.75 per cent working interest in the Zarghun South gas field are carried by the operator.



Exploration

Premier drilled one exploration well – Bhit South-1 – in Pakistan during the first half of the year. Although gas was encountered, the sands were of poor reservoir quality, and the well was subsequently plugged and abandoned.



Mauritania



Production and development

Production from the Chinguetti field averaged 414 bopd (2014: 447 bopd) net to Premier during the year. The fall in production was driven by natural decline from the existing wells. In view of the low oil price and resulting negative cash flows, the joint venture partners have decided to cease

production from the field by the end of 2016 and proceed to field abandonment during 2017 and 2018. Field decommissioning plans are being finalised for submission to the government for both the Chinguetti field and the previously relinquished Banda and Tiof discoveries.



The Falkland Islands

Following the decision to progress a phased development of the Sea Lion field, pre-FEED activities and contractor discussions during 2015 significantly de-risked the project and confirmed a robust and commercial Phase 1 development. In addition, exploration successes at Zebedee and Isobel Deep have highlighted the potential for high value subsequent phases of development in the North Falklands Basin.

At a glance

Highlights and achievements

- Phase 1 Sea Lion development plan revised, delivers a robust project with lower break-even costs and improved project economics
- Successful exploration programme adds potential resources to subsequent development phases

Outlook

- Progress FEED studies on Phase 1 project, seeking to further optimise costs and project economics
- Continue to progress financing arrangements including a partner
- Future sanction dependent on future oil price, cost savings secured and ability to fund project





Development

During the course of 2015, Premier continued to mature the development plan for the Sea Lion Phase 1 development and the pre-FEED work, which is now complete, has further optimised the project. As a result, this initial phase will target 220 mmbbls of reserves in the north-east and north-west of PL032.

During the pre-FEED work, the designs of both the FPSO and the subsea systems evolved and it is now planned that a leased FPSO with 18 subsea wells (drilled with a conventionally moored mobile offshore drilling unit) from a single drill centre, will recover 220 mmbbls of oil over 20 years (a 37 per cent increase on the 160 mmbbls previously announced). Despite the increase in scope, the estimate of pre-first oil capex requirement remains at US\$1.8 billion, reflecting significant cost reductions in the current market, and total expected development capex per barrel has reduced from US\$14 to US\$11/bbl. The technical and cost improvements and efficiencies identified during pre-FEED work have resulted in a lower break-even oil price for the project and have significantly improved the overall project economics.

As part of the pre-FEED activities, tendering exercises were completed and a set of world class preferred contractors selected for the provision of the FPSO and subsea facilities. Premier has entered into contracts with SBM Offshore covering the FEED for the FPSO, and the subsequent provision of the FPSO on a lease and operate basis (contingent on project sanction being achieved). Contracts have also been

awarded to Subsea 7 for SURF Transport and Installation, and to National Oilwell Varco for Flexibles. It is expected that the SPS FEED contract will be awarded during the first quarter of 2016.

It is planned that the FEED programme will last approximately 18 months and during this period Premier will work with these contractors to further optimise the design and fabrication plans for the facilities, and will also select the drilling and well service contractors. The construction of the FPSO will be financed by the FPSO provider and Premier is exploring the use of a similar leasing scheme for the subsea system. The timing of the final investment decision remains dependent on the economics of the project and in particular the oil price outlook.

A draft Field Development Plan has been submitted to the Falkland Islands Government ('FIG') for comment. An application has also been made to FIG to extend the licence for the Sea Lion discovery area in PL032.

Premier and Rockhopper executed an amendment to the 2012 Sale and Purchase Agreement ('SPA') which supersedes the Heads of Agreement announced in November 2014. The terms of this agreement allow Rockhopper to utilise the full exploration carry under the current exploration campaign whereas the development carry of US\$674 million will be split equally between phase 1 and the next development phase. Rockhopper will pay a Guarantee Fee to Premier of US\$15.9 million per quarter for five years from first oil. Either party may renegotiate this amount at the time of project sanction if they believe it results in an apportionment of value that is significantly different from 50/50. Instead of the financing arrangements in the original SPA, Premier will provide Rockhopper with a Standby Loan Facility of up to US\$750 million (at a 15 per cent interest rate), although it is anticipated that Rockhopper will continue to review alternative financing sources. Premier will also continue to progress the development financing arrangements during FEED, and this work will include a farm down process to bring in an additional upstream partner.

An overall development strategy for the entire basin has been matured. A subsequent phase 2 will develop the 300 mmbbls remaining reserves in PL032 and the satellite accumulations in the

north of PL004. Phase 3 will entail the development of the Isobel/Elaine fan complex in the south of PL004.



Exploration

Premier's four-well North Falklands Basin campaign, targeting multiple stacked fans in PL004 and PL032, commenced in March using the Eirik Raude rig. The Zebedee well in PL004 was declared a discovery having penetrated multiple targets in the Cretaceous F2 and F3 formations with a total hydrocarbon net pay of 136 feet, adding around 60 mmbbls of resource to a potential Phase 2 development. The Isobel Deep well, which was the first test of the Isobel/Elaine fan complex, encountered oil-bearing sandstone at the prognosed depth and opened up a new play in the previously unexplored southern part of PL004.

Following operational difficulties the Isobel Deep well was suspended and the Eirik Raude rig transferred to another operator in the South Falklands Basin. The rig returned to the North Falklands Basin late in the fourth quarter to complete the final two wells of our programme. Agreement was reached between the joint venture partners and the Falkland Islands Government to replace drilling the Jayne East prospect in PL004 with a re-drill of the Isobel prospect. The well, 14/20-2, confirmed the results of the original Isobel Deep exploration well and in addition discovered hydrocarbons in shallower sandstone units.

As a result of material operational issues experienced with the Eirik Raude rig during its contract, Premier and Noble Energy terminated the contract with Ocean Rig in February 2016. The last well of the four-well campaign, the Chatham exploration well, will no longer be drilled in the current campaign although it is planned that this prospect will be drilled at the same time as the Sea Lion development.



Portfolio management

Premier anticipates initiating discussions with potential co-investors in its Sea Lion development during the course of the FEED process.



New country entry: Exploration

Premier's exploration portfolio has seen significant change over the last few years, moving away from its traditional but now mature areas. The forward focus is on under-explored but proven hydrocarbon basins that have the potential to develop into new business units in 2018 and beyond. In these new countries Premier has a disciplined approach to investment, ensuring that cost exposure in the exploration phase is minimised and only the best opportunities are matured to drill-ready status.

At a glance

Highlights and achievements

- Entered Sureste Basin, Mexico with 10% interests in two shallow water blocks
- Farmed into additional block in the Ceará Basin, Brazil
- Completed 3D seismic exercise across all blocks in the Ceará Basin

Outlook

- Process and evaluate existing 3D seismic data in Mexico
- Interpret 3D seismic surveys acquired in Brazil to identify drilling targets

Image courtesy of Petroleum Geo-Services.





Mexico

In July 2015, Premier successfully entered Mexico with the award of a non-operated 10 per cent interest in Blocks 2 and 7 at no upfront cost, in partnership with Talos Energy (45 per cent operator) and Sierra Oil and Gas (45 per cent). The blocks are located in the shallow water Sureste Basin in the Gulf of Mexico, one of the world's most prolific hydrocarbon provinces and the most important in Mexico's history, having produced nearly 50 billion barrels of oil equivalent to date. Large parts of the basin remain under-explored, particularly in comparison to the US Gulf of Mexico. One such area is

the Salinas sub-basin where Blocks 2 and 7 are located and where light oil will be targeted in Tertiary clastic reservoirs. The existing 3D seismic data will be reprocessed in 2016, with new data acquired if necessary in 2017, ahead of exploratory drilling in 2017/18. Premier is carried on each of the blocks up to the point of the first well when it has the option to increase its interest to 25 per cent prior to drilling.

The award of Blocks 2 and 7 represents the first time in 75 years that Mexico's upstream sector has been open to private investment. Further opportunities are expected to follow in 2016 and beyond, and therefore Premier will be well placed, should it wish to invest and grow further in Mexico in the longer term.

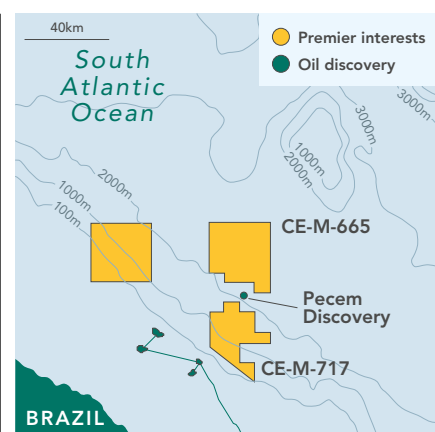


Brazil

In April, Premier increased its footprint in the Ceará Basin, our focus basin in Brazil, by farming into CE-M-661 for a non-operated 30 per cent equity interest at no upfront cost. With its 50 per cent operated interest in CE-M-717 and CE-M-665, Premier is now the largest net-acreage holder in the basin and is well placed to target the emerging Cretaceous play fairway. Multi-client 3D seismic acquisition across all of Premier's blocks was carried out during 2015. Interpretation of these 3D seismic surveys will take place in 2016, in order to identify drilling targets for the end 2017/18 drilling campaign.



In the Foz do Amazonas Basin where Premier holds a 35 per cent non-operated interest in block FZA-M-90, interpretation of new 3D seismic data continues. Drilling targets will be matured in 2016.



Portfolio management

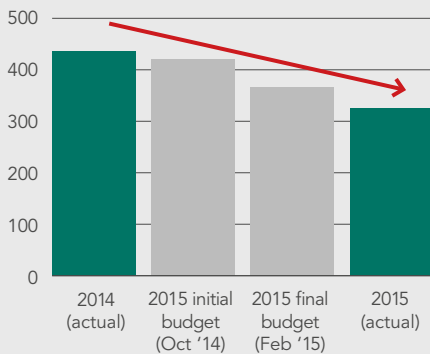
Premier has continued to divest or relinquish non-core exploration acreage in the UK and internationally. On 14 December 2015, Premier signed an agreement with Bashneft International B.V. whereby Premier will assign its participating interest share in Iraq, Block 12 back to Bashneft, the current operator. Completion of the assignment remains subject to receiving government consents.

In May 2015, Premier withdrew from Block 2B onshore Kenya following the drilling of the unsuccessful Badada-1 well and consequently no longer has an acreage position in Kenya.

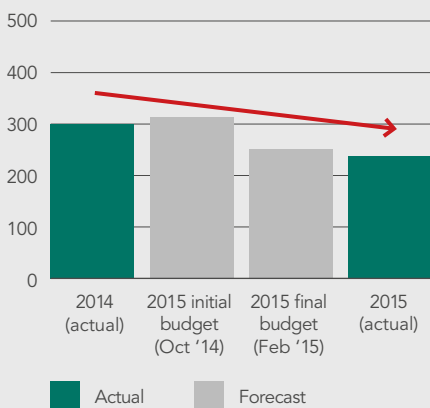
Generating strong cash flows whilst reducing our CAPEX

Richard Rose
Finance Director

Opex
(US\$m)



Gross G&A
(US\$m)



Overview

After the sharp fall in crude oil prices in the second half of 2014, oil and gas prices remained low throughout 2015. Brent opened the year at US\$55.0/bbl and despite increasing to US\$65.7/bbl in May 2015, the average for 2015 was US\$52.4/bbl against US\$98.9/bbl for the prior year, with a closing price of US\$35.7/bbl at the end of the year. The early part of 2016 has seen oil prices fall to further lows not seen for many years.

Against this economic backdrop our production averaged 57.6 kboepd, ahead of our full-year guidance of 55 kboepd per day (2014: 63.6 kboepd), resulting in revenue of US\$1,067.2 million compared with US\$1,629.4 million in 2014. Revenue for the year includes US\$278.9 million (2014: US\$46.0 million) for forward sales which have settled in the year.

The deterioration in the oil price environment has led to downward pressure on operating and development costs. Combined with the significant cost saving initiatives launched by Premier, operating costs have reduced by over US\$100 million year-on-year to US\$323.6 million (2014: US\$436.1 million). Gross G&A costs for 2015 were approximately US\$230 million, a reduction from almost US\$300 million in 2014, resulting in net G&A costs to Premier of US\$14.4 million (2014: US\$25.4 million).

Business performance (US\$ million)	2015	2014 ¹
Operating loss	(707.8)	(248.1)
Amortisation and depreciation	326.7	456.4
Impairment charge on oil and gas properties	1,023.7	784.4
Exploration expense and pre-licence costs	109.0	83.8
Gain on disposal of non-current assets	(1.2)	(2.7)
EBITDAX	750.4	1,073.8

¹ As previously reported.

EBITDAX for the year was US\$750.4 million for 2015 compared to US\$1,073.8 million for 2014 (as previously reported). The lower EBITDAX is mainly due to lower oil prices realised and a reduction in volumes lifted due to the disposal of the Scott area assets in the UK.

Operating cash flows remain strong at US\$809.5 million (2014: US\$924.3 million). Included within this balance is US\$100 million received by Premier from FlowStream Commodities, accounted for as deferred revenue in return for granting FlowStream 15 per cent of production from the Solan field until sufficient barrels have been delivered to achieve the rate of return within the agreement.

Net debt at 31 December 2015 amounted to US\$2,242.2 million (2014: US\$2,122.2 million), with cash resources of S\$401.3 million (2014: US\$291.8 million).

In August 2015, Premier reached agreement with its lending group to modify its financial covenants until mid-2017. Under this agreement our financial covenants have been modified as follows:

- Net Debt/EBITDAX cover ratio increases to 4.75 times until the period ending 31 December 2016 and to 4.5 times for the period ending 30 June 2017, before returning to its pre-modified level of 3.0 times for the period ending 31 December 2017.
- Interest cover ratio reduced to 3.0 times until the period ending 30 June 2017, before returning to its pre-modified level of 4.0 times for the period ending 31 December 2017.

These covenants are tested at 30 June and 31 December each year, based on EBITDAX for the previous 12 month period.

Premier does not have any significant debt maturities until late 2017 and all debt is unsecured.

Income statement

Production and revenue

Group production on a working interest basis averaged 57.6 kboepd compared to 63.6 kboepd in 2014. Lower production year-on-year is a result of the Scott area disposal and natural decline in the portfolio, partially offset by increased production from the Chim São field in Vietnam. This was driven by high operating efficiency and better than predicted reservoir performance. Entitlement production for the period was 53.4 kboepd (2014: 57.8 kboepd).

Premier realised an average price for the year of US\$52.6/bbl (2014: US\$98.2/bbl) after taking into account timings of actual liftings and export duties paid in Vietnam. Post hedging, realised prices increased to US\$79.0/bbl (2014: US\$101.0/bbl).

Average gas prices for the Group were US\$5.9 per thousand standard cubic feet (mscf) (2014: US\$8.4/mscf). Gas prices in Singapore, linked to high sulphur fuel oil ('HSFO') pricing and in turn, therefore, linked to crude oil pricing, averaged US\$9.4/mscf (2014: US\$16.8/mscf). The average price for Pakistan gas (where only a portion of the contract formulae is linked to energy prices) was US\$3.9/mscf (2014: US\$4.6/mscf).

Total sales revenue from all operations fell to US\$1,067.2 million (2014: US\$1,629.4 million), due to the fall in average realised prices and the lower year-on-year production.

Operating costs

Cost of sales comprise cost of operations, change in lifting position, inventory movement, royalties and amortisation and depreciation of property, plant and equipment ('PP&E'). Cost of sales for the Group was US\$661.0 million for 2015, compared to US\$986.2 million for 2014.

Operating costs	2015	2014
Cost of operations (US\$ million)	323.6	436.1
Unit costs of operations (US\$ per boe)	15.5	18.5
Amortisation of oil and gas properties (US\$ million)	315.9	446.1
Unit amortisation rate (US\$ per boe)	14.8	19.9

The reduction in unit operating costs year-on-year was due to improved operating efficiency across several of the Company's assets, active cost management with our suppliers and disposal of the high cost Scott area of assets. Underlying unit amortisation fell to US\$14.8/boe (2014: US\$19.9/boe).

Impairment of oil and gas properties

The sustained low in spot and forward oil prices has inevitably had an impact on our reported financial results in respect of the carrying value of certain of our oil and gas assets. An impairment charge has been booked in the income statement relating to several of our fields in the UK North Sea, Indonesia and Pakistan. The total amount for the impairment (pre-tax) is US\$1,023.7 million (US\$583.5 million post-tax) (2014: US\$784.4 million (pre-tax), US\$327.8 million (post-tax)).

Impairment charges for the year, relating to UK fields, amounted to US\$998.4 million (pre-tax) (2014: US\$732.3 million), and were recognised principally for the Solan field in addition to a number of other producing assets in the UK, while the remaining impairment charge of US\$25.3 million was recognised in respect of the Kakap field in Indonesia and the Kadanwari field in Pakistan. After the recognition of the impairment charges there is US\$2,611.7 million capitalised in relation to PP&E assets and US\$240.8 million for goodwill.

The principal cause of the impairment charge is a further reduction in the short to medium-term oil price assumption used in estimating the future discounted cash flows for each field and an increase earlier in the year in the expected cost to complete and future decommissioning costs attributable to the Solan development.

Exploration expenditure and pre-licence costs

Exploration expense and pre-licence expenditure costs amounted to US\$109.0 million (2014: US\$71.5 million, restated). This includes the write-offs relating to the unsuccessful Badada-1 well drilling costs in Kenya (US\$30.9 million), the Bonneville uncommercial discovery in the UK (US\$21.0 million) and licence costs held for Iraq (US\$20.8 million). After recognition of these expenditures, the exploration and evaluation asset remaining on the balance sheet at 31 December 2015 is US\$749.7 million.

General and administrative expenses

The Group general and administrative ('G&A') costs on a gross basis were significantly reduced year-on-year at US\$231.7 million (2014: US\$298.5 million), resulting in net G&A costs to the Group of US\$14.4 million (2014: US\$25.4 million).

Finance gains and charges

Interest revenue and finance gains reduced to US\$40.7 million from US\$57.1 million (restated) in 2014. The principal reason for this reduction is the fall in accrued interest receivable from the JV partner for the Solan development, which ceased to be accrued by us on completion of the asset acquisition of Chrysaor's 40 per cent interest in Solan in May 2015. Gross finance costs, before interest capitalisation, which included unwinding of the discount on decommissioning, were reduced to US\$219.4 million from US\$238.0 million (restated). Interest costs capitalised increased by US\$16.6 million to US\$58.8 million reflecting increased development expenditure on the Solan and Catcher assets.

Taxation

The Group's total tax charge for 2015 is US\$241.1 million (2014: US\$173.7 million credit as previously reported, US\$136.5 million restated) which comprises a current tax charge for the period of US\$98.6 million and a non-cash deferred tax charge for the period of US\$142.5 million.

The total tax charge for the period includes a number of material tax items arising in the UK. These include the effects of the UK Supplementary Charge to Tax rate reduction from 32 per cent to 20 per cent on the opening deferred tax asset balance (US\$167.2 million charge) and the net impact of ring fence expenditure supplement claims in the UK during the period offset by the non-recognition of UK tax losses and allowances due to the prevailing low oil price environment. In addition an element of the Group's UK impairment charge for the period is treated as a permanent difference which results in a reduction in the impairment deferred tax credit. The Group has a net deferred tax asset of US\$678.3 million at 31 December 2015 (2014: US\$717.5 million).

Discontinued operations

Premier agreed to sell its 100 per cent stake in Premier Oil Norge AS ('PONAS') which comprises all its Norwegian assets, to Det norske oljeselskap ASA for a cash consideration of US\$120 million, which was received in December 2015 on completion of the transaction.

As Norway was a separate operating segment, the results for this business unit have been presented as a discontinued operation for the year and prior year comparatives are restated on the same basis. The loss after tax for the year, including a loss on disposal recognised of US\$29.2 million, was US\$33.1 million.

Loss after tax

Loss after tax is US\$1,103.8 million (2014: US\$210.3 million) resulting in a basic loss per share of 216.1 cents from continuing and discontinuing operations (2014: 40.3 cents).

Acquisitions and disposals

In May 2015, Premier acquired Chrysaor's 40 per cent interest in the Solan field for nil upfront cash consideration. In return, Chrysaor can potentially receive a number of contingent payments from a notional 40 per cent interest in the field's net operating cash flow. As a result of this transaction, Premier recognises 100 per cent of the Solan field's production, revenues and capex in its financial results. The consideration for the transaction, recognised as part of our total development cost for the Solan field (pre-impairment), was US\$614.8 million, which included consideration of US\$549.0 million for waiving of the outstanding loan balance due from Chrysaor and US\$56.0 million for the fair value of the contingent consideration using Premier's long-term oil price planning assumptions.

Under the terms of the transaction, Premier agreed to make three types of contingent consideration (royalty) payments to Chrysaor which depend on the future profits generated from a notional 40 per cent interest in the Solan field. The terms of each royalty differ and in certain cases include a fixed monetary cap and in other cases allow for deductions designed to allow Premier to recover the loan previously advanced to Chrysaor and/or a 40 per cent share of the total project capital expenditure.

At year end, using the Group's updated long-term planning assumptions, the fair value of the contingent consideration payable to Chrysaor reduced to US\$24.1 million. The change in fair value of US\$31.9 million has been recognised as other operating income.

Separately, combined cash of US\$219.6 million was received from the completion of the disposals of Block A Aceh onshore Indonesia and the Scott area assets in the UK (both of which completed in January 2015) and the sale of the Norway business unit (completed in December 2015).

Cash flow

Cash flow from operating activities was US\$809.5 million (2014: US\$924.3 million) after accounting for tax payments of US\$94.0 million (2014: US\$208.5 million).

Capital expenditure in 2015 totalled US\$1,070.1 million, including US\$77.9 million advanced to Chrysaor prior to the acquisition of their 40 per cent share in Solan (2014: US\$1,513.9 million).

Capital expenditure (US\$ million)	2015	2014
Fields/development projects	847.4	1,205.9
Exploration and evaluation	216.8	294.1
Other	5.9	13.9
Total	1,070.1	1,513.9

The principal development projects were the Solan and Catcher fields in the UK. Exploration expenditure mainly related to our exploration campaign in the Falkland Islands.

Balance sheet position

Net debt

Net debt at 31 December 2015 amounted to US\$2,242.2 million (2014: US\$2,122.2 million), with cash resources of US\$401.3 million (2014: US\$291.8 million).

Net debt (US\$ million)	2015	2014
Cash and cash equivalents	401.3	291.8
Convertible bonds ¹	(232.9)	(228.5)
Other debt ¹	(2,410.6)	(2,185.5)
Total net debt	(2,242.2)	(2,122.2)

¹ The carrying amounts of the convertible bonds and the other long-term debt on the balance sheet are stated net of the unamortised portion of the issue costs of US\$0.3 million (2014: US\$0.4 million) and debt arrangement fees of US\$28.1 million (2014: US\$27.4 million) respectively.

Long-term borrowings consist of convertible bonds, UK retail bonds, senior loan notes and bank debt. During the period, Premier bought back US\$148 million and €40 million of its US private placement notes at a discount to par, repaid a US\$300 million term loan maturing in the second quarter of 2015 and repaid €20 million of the Schuldschein notes. Premier retains significant cash and undrawn facilities which, at 31 December 2015, were US\$401.3 million and c.US\$850 million respectively.

Deferred income

Deferred income of US\$108.5 million has been recognised on the balance sheet representing the initial US\$100.0 million of cash proceeds received from FlowStream and a finance expense of US\$8.5 million reflecting the period of time from the completion of the deal until the year end. This deferred income will be released to the income statement as barrels are delivered to FlowStream post first oil from Solan.

Provisions

The Group's decommissioning provision increased to US\$1,062.6 million at 31 December 2015, up from US\$871.3 million at the end of 2014, principally due to an increase in the expected cost of decommissioning the Solan and Chinguetti assets and the recognition of a decommissioning provision on Catcher as the development project has progressed.

In addition, contingent consideration payable to Chrysaor following the asset acquisition of the 40 per cent interest in Solan has been recognised.

The fair value of this future payment at 31 December 2015 was US\$24.1 million, with the movement since the acquisition date of US\$31.9 million being recognised as other operating income in the year.

Financial risk management

Commodity prices

At year-end, 3.7 mmbbls of Dated Brent oil were hedged through forward sales for 2016 at an average price of US\$68.3/bbl. This volume represents approximately 27 per cent of the Group's expected liquids entitlement production in 2016. 72,000 metric tonnes of HSFO, which drives our gas contract pricing in Singapore, has been sold forward for 2016 at an average price of US\$400.0/mt. These hedges cover approximately 10 per cent of our expected Indonesian gas entitlement production for 2016.

The year-end fair value on the commodity swaps was an asset of US\$114.2 million (2014: US\$273.4 million), which is expected to be released to the income statement during 2016 as the related barrels are lifted.

During 2015, forward oil sales of 5.6 mmbbls, and forward fuel oil sales of 120,000 mt expired resulting in a net credit of US\$278.9 million (2014: US\$46.0 million) which has been included within sales revenue for the year.

Foreign exchange

Premier's functional and reporting currency is US dollars. Exchange rate exposures relate only to local currency receipts, and expenditures within individual business units. Local currency needs are acquired on a short-term basis. At the year-end, the Group recorded a mark-to-market loss of US\$19.1 million on its outstanding foreign exchange contracts. The Group currently has £150.0 million retail bonds, €60.0 million long-term senior loan notes and £100.0 million term loan in issuance which have been hedged under cross currency swaps in US dollars at average fixed rates of US\$1.64:£1 and US\$1.37:€1.

Interest rates

The Group has various financing instruments including senior loan notes, convertible bonds, UK retail bonds, term loans and revolving credit facilities. As at year-end, 61 per cent of total borrowings is fixed or has been fixed using the interest rate swap markets. On average, the cost of drawn funds for the year was c.3.5 per cent. Mark-to-market credits on interest rate swaps amounted to US\$7.7 million (2014: credit of US\$6.8 million), which are recorded as movements in other comprehensive income.

Insurance

The Group undertakes a significant insurance programme to reduce the potential impact of physical risks associated with its exploration, development and production activities. Business interruption cover is purchased for a proportion of the cash flow from producing fields for a maximum period of 18 months. During 2015, claims amounting to US\$10.2 million were agreed in relation to umbilical damage on Dua (Chim São) and re-drill costs on Rochelle, which occurred in 2013.

Going concern

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

At year-end, the Group had significant headroom on its borrowing facilities and related covenants. However, although the Group expects to have sufficient availability of liquidity under these existing facilities during the next 12 months, the Group's projections currently indicate, unless mitigating actions can be taken, that a breach of one of the financial covenants within the Group's borrowing facilities is likely to arise in respect of the testing period ending 30 June 2016. If an agreement cannot be reached with the Group's principal lenders in relation to the amendment or relaxation of such covenants and a covenant breach therefore occurs then, under the terms of the Group's borrowing facilities, the Group's debt holders on all of the Group's facilities will have the right to request re-payment of the outstanding debt from October 2016 onwards and to cancel the relevant facilities.

The Group continues to work towards the completion of the acquisition of the E.ON E&P UK assets. If this transaction completes, it is expected to have a significant positive effect on the Group's near-term financial covenant calculations. However, at current oil prices, in the absence of other mitigating actions, this is unlikely to fully mitigate any potential covenant shortfall in respect of the testing period ending 30 June 2016. Therefore, the Group will seek to modify or temporarily waive the existing covenants ahead of the end of the testing period.

The risk that the Group will be unable to achieve appropriate mitigating actions prior to 30 June 2016 or secure an appropriate relaxation or amendment of its financial covenants in order to avoid a breach of covenant is a material uncertainty which the Financial Reporting Council Guidance on Risk Management, Internal Control and Related Financial and Business Reporting requires us to report may cast significant doubt upon the Company's ability to continue to apply the going concern basis of accounting.

Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Group will avoid a covenant breach. Therefore, the Group and Company are expected to have adequate resources to continue in operational existence for the foreseeable future, being at least the next 12 months from the date of approval of the 2015 Annual Report and Accounts. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

Business risks

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

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

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

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

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

- Commodity price volatility;
- Production and development delivery;
- Financial discipline and governance;
- Health, safety, environment and security ('HSES');
- Joint venture partner alignment;
- Host government – political and fiscal risks;
- Organisational capability; and
- Exploration success and reserves addition.

Further information detailing the way in which these risks are mitigated is provided on the Company website: www.premier-oil.com.

Richard Rose
Finance Director

Responsible behaviour

As a long-standing member of the FTSE4Good Index and the UN Global Compact, we remain committed to protecting our people, assets, environment and reputation by maintaining the highest possible standards.

Total Recordable
Injury Rate ('TRIR')

1.27
per million
man hours

High Potential Incident
Rate ('HiPoR')

1.13
per million
man hours

Process Safety
Loss Of Primary
Containment
(‘LOPC’)

8
events

Greenhouse Gas
Intensity

218
tonnes CO₂ per
thousand tonnes
of production

Total Economic
Distribution

705
US\$ million



A. Principles, frameworks and standards

As an upstream international oil and gas company, we recognise that we need to earn our social and legal licence to operate through a consistent track record of responsible and effective performance. We are guided in this respect by a range of internal and external principles and standards, a summary of which is set out below.

Our values

Our core values are the guiding principles that underlie our behaviours and activities, and are reflected in our policies and procedures. They are:



Our approach is summarised in our overarching Corporate Responsibility Policy, which is supported by the following policies on specific aspects:

- Global Code of Conduct
- Health, Safety, Environment and Security Policy
- Community Investment Policy
- Human Rights Policy

In addition, our mitigation of risks to the achievement of our corporate responsibility objectives is monitored through our risk management policy and its associated management systems.

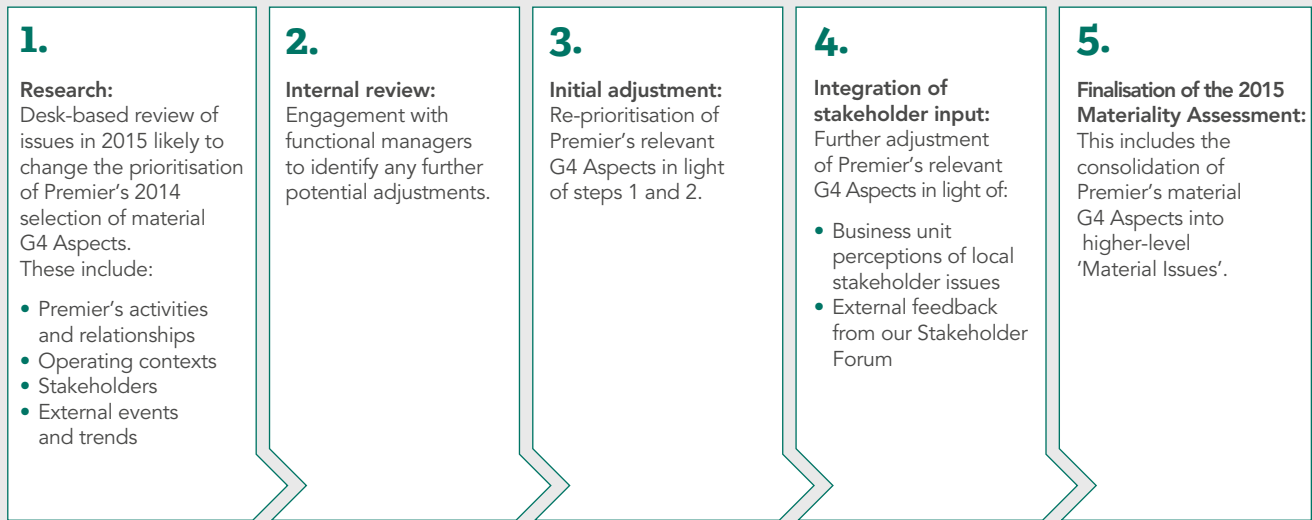
Principles, frameworks and standards

Internal		External	
Values	www.premier-oil.com/premieroil/about/our-values	United Nations Global Compact (participant)	www.unglobalcompact.org
Vision and Strategy	www.premier-oil.com/premieroil/about/vision-and-strategy	International Association of Oil & Gas Producers ('IOGP') (member)	www.iogp.org
Business Ethics Policy and associated Global Code of Conduct	www.premier-oil.com/premieroil/about/governance/company-policies-1	International Petroleum Industry Environmental Conservation Association ('IPIECA') (association member via the IOGP)	www.ipieca.org
Corporate Responsibility Policy		OHSAS 18001 occupational health and safety management system standard (applied to all Premier-operated production assets and our drilling operations)	www.bsigroup.com
Health, Safety, Environment and Security ('HSES') Policy		ISO 14001 environmental management system standard (applied to all Premier-operated production assets and our drilling operations)	www.iso.org
Human Rights Policy		Voluntary Principles on Security and Human Rights (member of the Corporate Pillar)	www.voluntaryprinciples.org
Community Investment Policy		United Nations Guiding Principles on Business and Human Rights	www.ohchr.org
Risk Management Policy		ISO 31000 risk management system standard underpinning our Risk Management System	www.iso.org

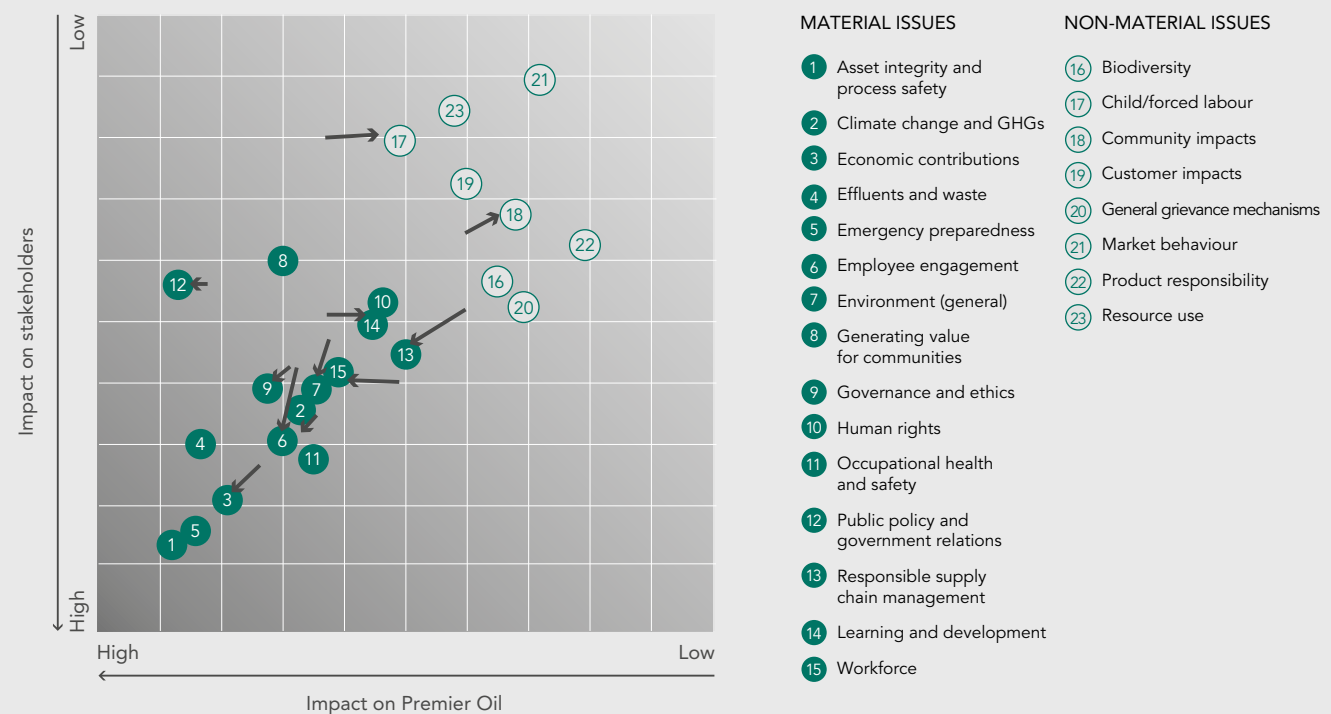
B. Materiality

Premier has assessed and prioritised its material corporate responsibility issues. This assessment process, which is explained below, draws on Premier’s existing risk assessment process as well as its stakeholder engagement activity.

Materiality assessment process



Corporate responsibility materiality matrix



The arrows reflect shifts in the materiality of issues since our 2014 assessment. See our Corporate Responsibility Report 2015 for further details.

Materiality assessment process

In line with the Global Reporting Initiative G4 Guidelines, our annual corporate responsibility reporting focuses on our most material issues. Materiality has been assessed (in conjunction with third party experts) on the basis of:

- The potential/actual impact of Premier on stakeholders and their interests
- The potential/actual impact of stakeholders on Premier and the achievement of its business objectives

Material issues

The corporate responsibility materiality matrix sets out the results of the assessment process, with arrows indicating the most significant changes compared with 2014.

Presentation of an issue as 'non-material' on this matrix does not mean it is irrelevant or that it is not being managed by Premier.

Key changes in Premier's Material Issues between 2014 and 2015 are indicated in the matrix and include:

- The new status of 'Responsible supply chain management' as a Material Issue – reflecting growing stakeholder expectations and a regulatory trend towards increased transparency and disclosure
- Increased prioritisation of 'Economic contributions' for both Premier and its stakeholders – reflecting: (1) the challenges posed by the current market environment; and (2) growing international focus on tax transparency

- Increased prioritisation of 'Employee engagement' for stakeholders – reflecting the actual and potential impacts of the low price environment on Premier's workforce
- Increased prioritisation of 'Climate change and GHGs' for both Premier and its stakeholders – reflecting growing international consensus on the need for stronger action to address man-made climate change. This has been reflected in the outcomes of the COP21¹ meeting in Paris in December 2015 as well as public support by a number of oil and gas majors for fair and coherent carbon pricing

¹ 21st Conference of the Parties to the United Nations Framework Convention on Climate Change.

Key community investment projects in 2015

Supporting neonatal nurse education through Newborns Vietnam, Vietnam

Context

Newborns Vietnam is a UK-registered charity that operates in Vietnam. The charity, which is highly dependent on support from volunteers, works to improve the health of newborn infants and their mothers.

It does so by delivering neonatal nursing and medical education programmes designed to produce skilled and capable professionals. These professionals can play an active role in reducing both neonatal mortality as well as long-term disability that can result from poor care. The charity works with higher education institutions and teaching hospitals in the UK to deliver these programmes.

Premier has supported Newborns since 2013, when it became the first sponsor of the charity's initial challenge bicycle ride, an event designed to raise funds for neonatal nurse training. Following the success of this ride, the charity has held regular fundraising cycling events across Vietnam, which Premier has continued to support and participate in.

Actions in 2015

Premier paid US\$10,000 to sponsor Newborns' 'Cycle a Difference Vietnam Challenge Ride', a two-week-long fundraising bicycle ride through northern Vietnam that took place in November 2015. The purpose of the ride (attended by cyclists from a range of countries) was to help finance the provision of specialist training by UK-based professionals for neonatal nurses and doctors in Vietnam. It also helped provide relevant equipment.

In addition to the sum donated by the Company, staff at Premier's Vietnam business unit have engaged in a variety of small-scale fundraising activities throughout the year (including bake sales and sponsored events), which have raised approximately US\$5,000 in funding for Newborns.

Impacts

The money provided by Premier and its staff is of great importance to Newborns and the programmes and initiatives that it currently operates. The initial funding that Premier

provided in 2013 not only enabled the first challenge ride to take place, but also acted as a catalyst for other businesses to support these events, which have so far raised US\$600,000 in revenue for the charity. As a result of this revenue, the charity has been able to significantly improve neonatal healthcare at the Da Nang Women and Children's Hospital, located in central Vietnam. Specialist training provided by Newborns has helped to reduce its neonatal mortality rate by 50 per cent between 2012 and 2014.

It is hoped that this positive impact can be extended to other hospitals. The most able nurses trained under this programme will become Nurse Practice Educators, who will teach the skills they have learned in district hospitals throughout Vietnam's central region in 2016. Over time, it is hoped that this sustainable training model will result in thousands of newborns across the central region benefiting from high-quality nursing care.

www.newbornsvietnam.org

C. High-level material issues

The following section provides an overview of our material corporate responsibility issues and explains why they are material to us, how we manage them and some of the key performance indicators we use to measure our performance.

Further details can be found in our 2015 Corporate Responsibility Report.

Governance and business ethics

Why this issue is material

Good governance underpins the entire scope of our business and our ability to act in a way that is not only legally compliant but which is also responsible. Doing business in this manner allows us to build and maintain the trust of our key stakeholders, including actual and potential investors, host governments and societies, business partners (including suppliers) and customers, whilst also ensuring our compliance with applicable laws and regulations. Furthermore, it is our responsibility to enhance rather than undermine our business environments, both for our own benefit and that of our stakeholders.

How we manage this issue

Our Corporate Responsibility Policy is owned and promulgated by our Board, whilst its supporting policies are owned and implemented by our Executive Committee. Premier's corporate responsibility activities are managed on a day-to-day basis by:

- The Group Development and Operations Manager, who oversees the management of HSES issues
- The Group Head of Corporate Services, who oversees human rights, government relations and risk management
- The Group Human Resources Director, who oversees human resources
- The Group General Counsel, who oversees legal and regulatory compliance, as well as ethical behaviour

Premier's Business Ethics Policy supports its overall Corporate Responsibility Policy, and our activities in this respect are governed by our Global Code of Conduct (the 'Code'). Implementation of the Code is supported by a Company-wide leadership group, made up of business ethics champions from each business unit. The group meets twice a year and addresses any opportunities for improving performance.

The Code is compliant with the UK Bribery Act and covers:

- Legal compliance
- Anti-bribery
- Facilitation payments
- Gifts and hospitality
- The appointment of intermediaries
- Charitable and political donations
- Whistleblowing
- The proper recording of transactions and the application of relevant accounting and reporting standards

All employees and those associated with Premier, such as consultants, are required to adhere to the Code. We require our business partners, including joint venture partners, contractors, customers and suppliers, to apply the principles of the Code or equivalent

standards. The main means by which we do so is the integration of business ethics provisions (such as anti-corruption requirements) into our contracts.

Any breach of the Code by our employees will result in disciplinary action, and, in extreme cases, in instant dismissal and referral to the relevant law enforcement authorities.

Whistleblowing hotline

Premier encourages employees, contractors and agency workers to voice their concerns to line managers if they think the Company or anyone working on behalf of the Company has not acted in accordance with the Global Code of Conduct. Premier provides a confidential and well publicised independent third party reporting hotline for employees who feel unable to raise concerns via other procedures. This hotline is available 24 hours a day, seven days a week. No material incidents of corruption or non-compliance with the Code were identified in 2015.

Key indicators – Governance and business ethics

Material issue	Premier Oil metric	2013	2014	2015
Governance and ethics	Disciplinary actions or dismissals for breaches of the Code	0	0	0
	New employees receiving induction training on the Code	100%	100%	100%
	Existing employees receiving training on the Code	100%	96%	N/A ²

² As our training cycle works on a triennial basis, no existing employees required refresher training in 2015.

Health, safety and security

Why this issue is material

Given the potential risks associated with offshore oil and gas operations, health and safety is paramount in everything we do. This is not only due to the potential impacts of health, safety and security incidents on our employees and contractors, but also the need to maintain our:

- Operational continuity
- Environmental performance
- Regulatory compliance
- Corporate reputation amongst our employees, business partners, government partners and investors

Key issues in this regard include:

- Process safety and asset integrity
- Emergency preparedness
- Occupational health and safety
- Employee and asset protection

How we manage this issue

Premier's Health, Safety, Environment and Security Policy ('HSES Policy') is implemented through our HSES Management System. The system, which underwent a major update in 2014 and was rolled-out in 2015, contains a comprehensive set of standards and procedures, all of which are integrated into the overall Business Management

System ('BMS'). These include our Golden Rules, which are designed to help address the most common causes of serious incidents at oil and gas facilities.

The HSES Management System prescribes how HSES issues should be managed throughout the hydrocarbon lifecycle (exploration, development, production and decommissioning). It applies to all our operated assets and activities. Certain elements also apply to our assets that are operated by third parties and to activities that we contract out. The management system is externally certified to the OHSAS 18001 health and safety management system standard for our production facilities and drilling operations.

We aim to provide our employees, contractors, visitors, neighbours and the environment with a high level of protection and believe that all major accidents are preventable. Because of this, we carry out regular reviews of our operations to assess the risk of major accidents and to implement relevant measures to prevent their occurrence. HSES performance is monitored, measured and reported on an ongoing basis to the Executive Committee and to the Board.



Key indicators – Health and safety

Material issue	Premier Oil metric	2013	2014	2015
Occupational health and safety	Fatalities	–	2	–
	Lost work day cases ('LWDC')	18	7	3
	Restricted work day cases ('RWDC')	5	2	2
	Medical treatment cases ('MTC')	17	5	4
	Target recordable injury rate ³	2.00	2.50	1.75
	Total recordable injury rate ('TRIR') ³	3.40	1.48	1.27
	Man hours worked (million)	11.7	10.8	7.1
Asset integrity and process safety	Total process safety loss of primary containment ('LOPC') events	41	11	8

³ Per million man hours.

Environment

Why this issue is material

Premier currently conducts all of its operated activities offshore, where we drill for and extract oil and gas from sub-surface reservoirs. By their very nature, offshore oil and gas operations can have a range of potential impacts on water quality, air quality and local ecosystems. Furthermore, any failure to responsibly avoid and/or mitigate negative environmental impacts poses a material risk to Premier’s reputation, as well as our ability to comply with our legal and regulatory obligations.

Our most significant environmental issues relate to:

- Greenhouse gas emissions associated with energy consumption and flaring at our facilities
- Effluents and waste, including the prevention of spills and the responsible management of hazardous materials

How we manage this issue

We manage our environmental performance across the lifecycles of our operations and projects through our HSES Management System. All of our operated production and drilling activities are certified to the ISO 14001 environmental management standard. Our HSES Management System, as well as our external ISO 14001 audits, help ensure our compliance with relevant environmental legislation and regulations.

Under our HSES Management System, we conduct baseline surveys and prepare environmental and social impact assessments (‘ESIAs’) for each operated activity.

The assessments include:

- Physical impacts
- Ecosystem impacts
- Socio-economic impacts

As part of this process, we gauge the significance of each impact and assess how we can reduce it to a level that is ‘as low as reasonably practicable’ (‘ALARP’). In this context, we decide on the implementation of potential impact controls on the basis of:

- Efficacy
- Practicality
- Cost

We gather environmental metrics from each business unit on a monthly basis. These are analysed and relevant performance indicators are reported to the Board each month. In addition, we distribute an HSES scorecard to all personnel to keep them informed of Company HSES performance.



Key indicators – Environment⁴

Material issue	Premier Oil metric	2013	2014	2015
Climate change and GHGs	Total Scope 1 GHG emissions (tonnes) ⁵	958,566	947,724	822,330
	Total Scope 2 GHG emissions (tonnes) ⁶	736	979	1,000
	GHG intensity (tonnes/1,000 tonnes of production)	288	242	218
Environment (general)	Hydrocarbon spills to the environment (tonnes)	0.1	0.3	0.9
	Oil in produced water (ppm-wt)	11.3	9.0	9.1
Resource use	Energy consumption (GJ/tonne of production)	1.9	2.2	2.3

⁴ We report our environmental performance in line with the IPIECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2010) and the GRI Sustainability Reporting Guidelines. Our greenhouse gas (‘GHG’) emissions performance is benchmarked against an industry database compiled and published by the IOGP.

⁵ Calculations of Scope 1 emissions (i.e. direct emissions from owned or controlled sources) are based on equations and emission factors provided in the 2009 API GHG Compendium. Global warming potential rates are taken from the IPCC (2013) Assessment Report as well as IOGP guidance.

⁶ Scope 2 (i.e. indirect emissions from the generation of purchased energy) calculations are based on emission factors supplied by the UK Department of Energy and Climate Change, the UK Department for Environment, Food & Rural Affairs (‘DEFRA’) and International Energy Agency guidance. A different factor is used for each country, and is applied to the total energy consumption in our onshore facilities (offices and warehouses). Emission factors are used to give an estimate of CO₂ equivalent.

Employees

Why this issue is material

Like any company, the ongoing success of our business is underpinned by our ability to recruit, retain and motivate high-quality, skilled employees and contractors. This still remains the case despite the fact that current market conditions have made competition for relevant technical and management skills less acute than in recent years. In this context, Premier seeks to treat its people fairly, offer meaningful professional development and deliver rewards commensurate with employee performance.

Key issues in this regard include:

- Workforce profile
- Learning and development
- Employee engagement (and rewards)

How we manage this issue

Human resource matters are addressed in a number of cross-cutting Premier policies. These include our overarching Corporate Responsibility Policy, our Human Rights Policy and our Global Code of Conduct. Our online human resources information system (the People Portal) and BMS host a range of processes and guidance that underpin our HR Management System.

This includes processes and guidance relating to:

- Performance
- Resourcing
- Reward
- Succession
- Competency management

The BMS helps us achieve the correct balance between consistent corporate policy requirements and flexible, local-level requirements across the Group.

When recruiting, developing and dealing with employees and service providers, we treat people fairly, equally and without prejudice, irrespective of gender, race, age, disability, sexual orientation or any other similar discriminatory attributes. This approach is embedded in our employment policies, which apply to all permanent, contractual and temporary staff, and to all job applicants.

We encourage staff to develop their professional skills to the advantage of both the individual and the Company, and provide experiential learning opportunities, coaching and training to support this objective. Although we do not currently employ any disabled people, this of course extends to those disabled employees that we might employ in the future. We will also strive to provide continued employment for members of our workforce who become disabled whilst employed by us.

Premier encourages open communication between employees and managers on an ongoing basis. We use a number of one- and two-way communication mechanisms to keep employees informed about wider Company issues and performance. These include:

- Regular team meetings
- A regularly updated Company intranet
- Video messages from our Chief Executive Officer and other members of the Executive Committee
- Ongoing email communications on Company matters
- Town Hall staff meetings at each business unit, attended by visiting members of the Executive Committee and senior management

We carry out regular structured employee surveys on a local basis. These help us gain insight into employee attitudes towards commitment, rewards, retention, working conditions and related issues.

Premier will typically provide its employees and their elected representatives (where relevant) with at least one month's notice of any significant operational changes that might affect them.

Key indicators – Employees

Gender balance as of end 2015	Male	Female
Total number of employees	612	217
Senior management ^{7,8}	90	12
Board	9	2

Material issue	Premier Oil metric	2013	2014	2015
Workforce	Number of employees at end of year/turnover during the year	880/67	927/91	829/119
Employee engagement	Employee notice period for significant operational changes (unionised and non-unionised employees)	1 month	1 month	1 month

7 Senior management is defined as Grade 5 and above.

8 Four members of our Board are also part of senior management and are therefore not included in this figure.

Community relations

Why this issue is material

The offshore nature of our operations means that community relations are not as critical for Premier as for companies with onshore operations. Nonetheless, they remain important due to:

- The impact of our activities (and those of our exploration partners) on local fishing communities, as well as our reliance on certain onshore communities as transit and logistics points for our offshore operations
- The important role that our community investment activities play, in terms of our reputation and wider social licence to operate
- The impact of our non-operated onshore exploration and production activities (in Pakistan and at Wytch Farm in the United Kingdom, for example), and the potential for new onshore operations in the future

A key issue in this regard is:

- Our generation of value for local communities

In addition, we are careful to minimise our negative impacts on local communities, if they do occur.

Key indicators – Community relations

Material issue	Premier Oil metric	2013	2014	Change in	
				2015	2015
Generating value for communities	Community investment spend (US\$m)	1.15	1.07	0.88	-18%

How we manage this issue

Our approach to community relations is governed by Premier’s Community Investment Policy. The Policy includes several commitments, ranging from the maintenance of transparent and constructive engagement with stakeholders, to working to achieve a net positive socio-economic impact on local communities. It is applied through our Community Investment Management System, which is aligned with IPIECA standards. Under the management system, we systematically identify, manage, evaluate and budget our disbursements and engagements in host countries. It focuses on the following key aspects:

- Policy governance
- Risk evaluation management
- Planning
- Implementation and monitoring
- Audit and review

All of our operations have community investment and engagement programmes in place.



Key community investment projects in 2015

Development of a community learning centre in Piabung Village, Indonesia

Context

In 2015, Premier began a new community investment project in Piabung Village, which is located on Matak Island in the same region as Natuna Sea Block A. The village, which is home to approximately 900 inhabitants, is situated in a remote area and is currently served by relatively poor quality roads. Like many of Indonesia’s more remote island communities, it has restricted access to high-quality public services.

In addition, the region in which the village is located (the Anambas Regency) is facing heightened levels of inward migration from other parts of Indonesia. Concerns have been raised by some community leaders that this could potentially threaten efforts to conserve traditional Malay cultural heritage.

Actions in 2015

In recognition of the challenges faced by the community, Premier contributed more than US\$40,000 to help develop a Community Learning Centre in the village. The Centre, which received the full support of the village head and local leaders, has been equipped with a variety of facilities, including:

- A public library containing approximately 1,000 books and a computer terminal through which users can access the internet.
- A community radio system that can broadcast to the inhabitants of Piabung Village as well as eight surrounding villages

Society

Why this issue is material

Premier's activities and relationships have the potential to directly and indirectly impact a range of stakeholders. Conversely, these stakeholders also have the potential to affect Premier's business at both a local and national level. In this context, it is important for Premier to respect the rights of local people, work transparently and constructively with government and other stakeholders, and demonstrate its economic value to broader society.

Key issues in this regard are:

- Human rights
- Public policy and government relations
- Economic contributions

How we manage this issue

Our interactions with society are managed through a number of policies, including our overarching Corporate Responsibility Policy, Code of Conduct, Human Rights Policy and Risk Management Policy, and through our associated management systems. Where relevant, we are also guided by the United Nations Guiding Principles on Business and Human Rights.

Key indicators – Society

Material issue	Premier Oil metric	2013	2014	Change in	
				2015	2015
Human rights	Violations of our Human Rights Policy	0	0	0	N/A
Economic contributions	Economic value distributed (US\$m) ⁸	986	1,035	705	-32%

⁸ i.e. operating costs, royalties, staff costs, dividends, finance costs, cash tax payments and community investments.

Impacts

Premier handed the new Centre over to the community on its completion in October 2015. It was warmly received and is quickly beginning to support local learning in Piabung, as well as broadcasting to the 2,000 people within range of the radio transmitter. Furthermore, the library is acting as a repository of information about local culture and traditions, helping preserve valuable cultural capital for future generations.

Further information regarding Premier's community investment activity can be found in the Community Relations section of our 2015 Corporate Responsibility Report and on the Company website.



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

Tony Durrant
Chief Executive Officer

24 February 2016

Our approach to governance



Dear shareholder,

2015 has again been a challenging year for Premier Oil as we continue to adjust to the low oil price environment. We have sought to meet the challenges this presents from a governance perspective by ensuring that Board agendas are managed to allow more time for major project sanction and other strategic decisions, including, where necessary, additional 'deep dive' sessions to gain an in-depth understanding of both current and pre-sanctioned projects, review management of engineering progress, and quality and budgetary control.

By ensuring that our Directors receive accurate, timely, comprehensive and clear information, your Board aims to ensure that it is effective in making the right decisions to secure the long-term success of the business for the benefit of its stakeholders whilst, at the same time, continuing to focus on minimising the Company's cost base to address the low oil price environment.

We have ensured that sound systems of risk management and internal control remain in place and are not adversely impacted by the cost reduction exercise.

Our governance

Your Board is committed to the highest standards of stewardship and governance and aims to maintain a culture which demands the same commitment and performance in all the Company's business activities.

Good governance provides a framework that allows the right decisions to be taken by the right people at the right time.

The information provided in this report, and in conjunction with the reports from each of the Board Committees and related sections of the Strategic Report, will help you to understand how the Company has been run, how risks are being managed and controls monitored, and how key decisions have been taken over the past year. This report also includes information regarding the Board and Committee effectiveness review undertaken during the year, the outcome of which is presented on page 75.

Board changes and succession planning

On 30 June 2015, Andrew Lodge stood down from the Board and from his position as Exploration Director. Having given due and careful consideration to the skills, knowledge and experience on the Board and the needs of the business in terms of its corporate planning and decision making, it was agreed that Andrew's successor would be recruited from our internal pool of talent and would become a member of our Executive Committee rather than the position being at Board level. This decision supports our succession planning strategy which has been a strong focus for the Nomination Committee and the Board during the course of 2015.

A considerable amount of work has been undertaken to assess the skills and knowledge on the Board and its Committees to ensure that we have a robust plan for the succession needs of the business. Further details are contained in the Nomination Committee Report on page 84.

On 29 May 2015, our Company Secretary, Stephen Huddle, retired and we appointed Rachel Rickard as Company Secretary. Rachel has over 13 years' experience as a chartered secretary and we are confident that she will play a key role in ensuring that the Board maintains the highest standards of corporate governance.

Our shareholders

Engagement with our shareholders is a priority for the Board. By maintaining good dialogue with our shareholders, we ensure that our objectives are understood and that we receive regular

feedback on our strategy, performance and governance. This enables us to build confidence amongst our shareholders in the Board's ability to oversee the implementation of the Company's strategy and address the immediate challenges faced by the business.

Through ongoing dialogue, we can ensure that we continue to take account of shareholders' views as we address these challenges and we would like to take this opportunity to thank our shareholders and our debt providers for their support.

Further details of our shareholder engagement activities are provided on page 77.

Board focus 2016

The Board's priorities in 2016, from a governance perspective, will include: strategic decision making, particularly on investment and divestment opportunities; succession planning activities to ensure that we have the right skills and knowledge on our Board to address the future needs of our business; the continuous improvement of our risk management and internal control framework to ensure that the identification and mitigation of risks remains at the heart of how we govern our business; the further development of the skills and knowledge of our existing Board members to support the effectiveness of our Board; and the continued review of executive remuneration to ensure that it reflects both our short and long-term business objectives and continues to align the interests of our Executive Directors with those of our shareholders. Further details of our remuneration policy are contained in the Directors' Remuneration Report on pages 86 to 114.

Mike Welton Chairman

Compliance statement

The UK Corporate Governance Code (the 'Code') was updated by the FRC in September 2014 and takes effect for accounting periods beginning on or after 1 October 2014.

This report, together with the Nomination Committee Report, the Audit and Risk Committee Report, the Directors' Remuneration Report and sections of the Strategic Report incorporated by reference, describes the manner in which the Company has applied the main principles of governance set out in the Code and complied with the individual Code provisions.

It is the Board's view that the Company has fully complied with the Code throughout 2015.

The Board

The Board provides leadership to the Group with a view to delivering long-term value to shareholders and other stakeholders. It sets the strategy and oversees its execution within an agreed framework of internal controls, ensuring that risk is appropriately managed.

As at 31 December 2015 the Board of Directors comprised the Chairman, Chief Executive Officer, three other Executive Directors and six independent Non-Executive Directors. Biographical details of each Director in service as at 24 February 2016, including membership of Board Committees, are set out on pages 68 and 69.

Mike Welton
Chairman

Tony Durrant
Chief Executive Officer

Richard Rose
Finance Director

Robin Allan
Director, North Sea
and Exploration

David Bamford
Non-Executive Director

Anne Marie Cannon
Non-Executive Director

Joe Darby
Senior Independent
Non-Executive Director

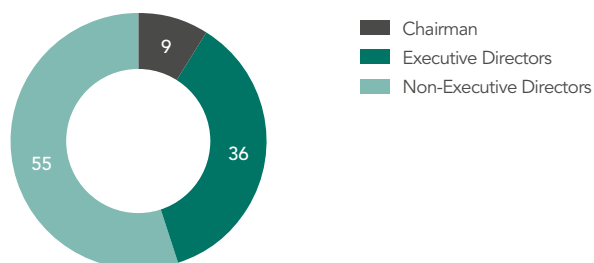
Neil Hawkings
Director, South East Asia and
Falkland Islands

Jane Hinkley
Non-Executive Director

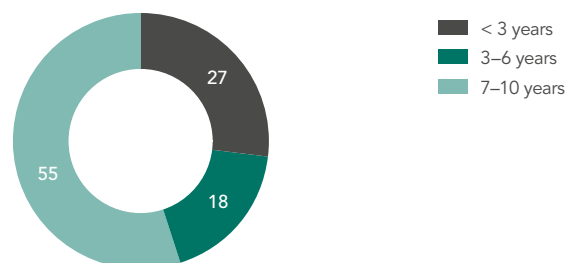
David Lindsell
Non-Executive Director

Michel Romieu
Non-Executive Director

Board composition¹ (%)



Length of tenure¹ (%)



¹ As at 24 February 2016.

The Committees

Executive Committee

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



Audit and Risk Committee

David Lindsell (Chair)
Anne Marie Cannon
Joe Darby
Michel Romieu

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

i Full Committee report on pages 78 to 83



Nomination Committee

Mike Welton (Chair)
David Bamford
Anne Marie Cannon
Joe Darby
Tony Durrant
Jane Hinkley
David Lindsell
Michel Romieu

Considers Board and Committee structure, composition and succession planning and oversees succession planning and development of senior management.

i Full Committee report on pages 84 to 85



Remuneration Committee


Jane Hinkley (Chair)
David Bamford
Joe Darby
David Lindsell

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

i Full Committee report on pages 86 to 114

The Board




Mike Welton N 
Independent on appointment
Chairman

Board tenure: 6 years 8 months

- Joined Premier's Board in June 2009 as a Non-Executive Director and became Chairman in October 2009
- Chairman of Premier's Nomination Committee
- Currently a director of Morrison Utility Services
- Sits on the advisory board of Montrose Associates and Alexander Proudfoot
- Previously Chief Executive of Balfour Beatty plc, and Chairman of Southern Water Services Limited, Hanson plc, the Turkish/British Business Council and the UK Government's Railway Sector Advisory Group




Tony Durrant N 
Chief Executive Officer

Board tenure: 10 years 7 months

- Joined Premier in June 2005, becoming Finance Director in July 2005 and Chief Executive Officer in June 2014
- Qualified as a chartered accountant with Arthur Andersen, joining the investment banking division of Lehman Brothers in 1987, going on to become a managing director and Head of the European Natural Resources Group
- Non-Executive Director and Chairman of the Audit & Risk Committee of Greenergy Fuels Holdings Ltd
- Member of the Advisory Committee of Flowstream Commodities



Richard Rose 
Finance Director

Board tenure: 1 year 5 months

- Joined Premier in September 2014 as Finance Director
- Qualified as a chartered accountant with Ernst & Young and has spent over 20 years in the energy sector, including 13 years working with a range of international banks and brokers in equity capital markets and corporate finance
- Joined Premier from Ophir Energy where his role encompassed strategy and head of corporate communications



Joe Darby I, A, R, N 
Senior Independent
Non-Executive Director

Board tenure: 8 years 5 months

- Joined Premier's Board as a Non-Executive Director in 2007 and is the Senior Independent Non-Executive Director
- 40 years of experience in the energy sector, including Chief Executive of LASMO plc, non-executive directorships at Nordaq Energy plc, British Nuclear Fuels plc, Mowlem plc, Faroe Petroleum plc and Centurion Energy, Inc
- Currently a Non-Executive Director of Gulfsands Petroleum plc



Neil Hawkings 
Director, South East Asia
and Falkland Islands

Board tenure: 9 years 11 months

- Joined Premier in May 2005, after more than 20 years with ConocoPhillips, working in a variety of engineering, commercial and management roles around the world
- Joined Premier's Board in March 2006 as Operations Director, and was appointed Director, Falkland Islands in January 2014
- Assumed responsibility for the South East Asia business units, in 2015








Jane Hinkley I, R, N 
Non-Executive Director

Board tenure: 5 years 5 months

- Joined Premier's Board in September 2010 as a Non-Executive Director
- Chairman of Premier's Remuneration Committee
- Qualified chartered accountant with executive experience primarily in international shipping
- Previously held roles with Navion Shipping AS, Gotaas-Larsen Shipping Corporation and Revus Energy ASA
- Currently a Non-Executive Director of Vesuvius plc, and Chairman of Teekay GP LLC

Industry expertise

-  Oil and gas/energy
-  Finance
-  Construction
-  HSE
-  People

Independence


I Independent

Committee membership

A Audit and Risk
R Remuneration
N Nomination

Board tenure as at
24 February 2016



Robin Allan 
Director, North Sea and Exploration

Board tenure: 12 years 2 months

- Joined Premier in July 1986
- Joined the Board in 2003 as Director of Business Development before being appointed Director – Asia in 2009
- Returned to London in 2012 to take up a role as Director, Business Units and, in 2015, was appointed Director, North Sea and Exploration
- Currently Chairman of The Association of British Independent Oil Exploration Companies ('BRINDEX')



David Bamford I, R, N   
Non-Executive Director

Board tenure: 1 year 9 months

- Joined Premier's Board as a Non-Executive Director in May 2014
- Spent 23 years at BP in a variety of technical and exploration roles including chief geophysicist, general manager for West Africa, and acted as Vice President, Exploration, directing BP's global exploration programme from 2000 to 2003
- Joined Tullow Oil's board as a Non-Executive Director in June 2004 and was Senior Independent Director from 2012 to 2014, as well as Chairman of the Remuneration Committee, retiring at the end of April 2014
- He is currently a director of PetroMall Ltd and Future Energy Publishing Ltd



Anne Marie Cannon I, A, N  
Non-Executive Director

Board tenure: 2 years

- Joined Premier's Board as a Non-Executive Director in February 2014
- 30 years' experience in the energy and banking sectors, including roles at Thomson North Sea, Shell Exploration and Production and J Henry Schroder Wagg
- Previously a senior advisor to the natural resources group at Morgan Stanley focusing on upstream mergers and acquisitions
- Currently Deputy Chair of the board of Det norske oljeselskap ASA and a Non-Executive Director of STV plc and Aker ASA
- Previously held executive director roles on the boards of Hardy Oil and Gas and British Borneo



David Lindsell I, A, R, N 
Non-Executive Director

Board tenure: 8 years 1 month

- Joined Premier's Board in January 2008 as a Non-Executive Director
- Chairman of Premier's Audit and Risk Committee
- Partner at Ernst & Young LLP for nearly 30 years, Deputy Chairman of the Financial Reporting Review Panel, 2008 to 2012
- Currently Senior Independent Director and Chairman of the Audit Committee of Drax Group plc
- Trustee and Chairman of the Audit Committee of Cancer Research UK and Deputy Chair of Governors of the University of the Arts London



Michel Romieu I, A, N  
Non-Executive Director

Board tenure: 8 years 1 month

- Joined Premier's Board as a Non-Executive Director in January 2008
- Over 35 years of experience in the international energy sector, including 25 years with the Elf Group
- Established own consultancy specialising in providing advice to the gas industry and is a lecturer at the French Petroleum Institute
- Currently President of Uprigaz



Rachel Rickard
Company Secretary

- Joined Premier in January 2014 becoming Company Secretary in May 2015
- A Fellow of the Institute of Chartered Secretaries and Administrators with more than 13 years' experience across a variety of industries in listed plc environments
- Responsible for advising the Board, through the Chairman, on all governance matters

The Role of the Board

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

The Board governs the Group in accordance with authority set out in the Company's Articles of Association and in compliance with the UK Corporate Governance Code (the 'Code'). A copy of the Articles of Association is available on Premier's website www.premier-oil.com. A copy of the Code can be accessed via the web at www.fca.org.uk.

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

Risk management and internal control

The Board sets the Company's strategic objectives and ensures that they are properly pursued within a sound framework of internal controls and risk management. As part of this process, the Board determines the nature and extent of the principal risks it is willing to take in achieving the Company's strategic objectives and ensures that major risks are actively monitored, with health, safety, environment and security ('HSES') borne in mind at all times.

The Board is responsible for maintaining sound risk management and internal control systems. In meeting this responsibility, the Board monitors the Company's risk management and internal control systems throughout the year and, on an annual basis, carries out a review of their effectiveness.

Further details about the systems used for ongoing monitoring and annual review of the Company's risk management and internal control environment are set out in the Principal Risks section of the Strategic Report on pages 30 to 36 and on page 80 of the Audit and Risk Committee Report.

Position	Role and responsibilities
Chairman of the Board	<ul style="list-style-type: none"> The Chairman's role is part-time and he is a Non-Executive Director. His key responsibility is the leadership of the Board, ensuring its effectiveness in all aspects of its role including maintaining effective communication with Premier's shareholders. Between Board meetings the Chairman is responsible for ensuring the integrity and effectiveness of the Board/Executive relationship. This is effected through meetings, as well as contact with other Board members, shareholders, joint venture partners and host governments. There is a clear division of responsibilities between the roles of the Chairman and Chief Executive Officer, which has been agreed by the Board and is set out in writing.
Chief Executive Officer	<ul style="list-style-type: none"> The Chief Executive Officer is responsible for the day-to-day running of the Group's operations, for applying Group policies including HSES and for implementing the strategy agreed by the Board. He plays a pivotal role in developing and reviewing the strategy in consultation with the Board and in executing it with the support of the Executive Committee.
Senior Independent Director	<ul style="list-style-type: none"> The Company's Senior Independent Non-Executive Director is available to shareholders who have concerns that cannot be resolved through discussion with the Chairman, Chief Executive Officer or other Executive Directors. The Senior Independent Director is responsible for leading the annual appraisal of the Chairman's performance, which is discussed further on page 74.
Non-Executive Directors	<ul style="list-style-type: none"> The Non-Executive Directors bring independent judgement to bear on issues of strategy and resource, including key appointments and standards of conduct. The Non-Executive Directors have a particular responsibility to challenge independently and constructively the performance of executive management and to monitor the performance of the management team in the delivery of the agreed objectives and targets. In meeting this responsibility, the Chairman and the Non-Executive Directors meet periodically without the Executive Directors present, and the Non-Executive Directors meet once a year without the Chairman present. The Non-Executive Directors must also be satisfied with the integrity of the Group's financial information and with the robustness of internal control and risk management systems. The Non-Executive Directors are responsible for determining appropriate levels of remuneration for the Executive Directors and have a key role in succession planning and the appointment of and, where necessary, removal of Directors. Non-Executive Directors are required to be free from any relationships or circumstances which are likely to affect their judgement. The Nomination Committee regularly reviews the independence of Non-Executive Directors. Non-Executive Directors are appointed for a specified term of three years subject to annual re-election and to Companies Act provisions relating to the removal of a director. The terms and conditions of their appointment are made available for inspection. Letters of appointment set out an expected time commitment, and all Non-Executive Directors undertake that they will have sufficient time to discharge their responsibilities effectively and any significant other business commitments are disclosed to the Board prior to appointment. Changes to such commitments are disclosed to the Board on an ongoing basis. Where necessary to discharge their responsibilities as directors, the Directors have access to independent professional advice at the Company's expense.
Company Secretary	<ul style="list-style-type: none"> The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters. The Company Secretary, under the direction of the Chairman, is responsible for ensuring good information flows between the Board and its Committees and between senior management and the Non-Executive Directors. The Company Secretary also plays a pivotal role in facilitating the induction of new directors and assisting with the ongoing training and development needs of Board members as required. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are complied with. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole.

How the Board operates

The Board has a structured agenda for the year ensuring all relevant matters are considered with sufficient time for discussion. The programme is structured to include: strategic issues, including setting the strategy and assessing performance in executing the strategy; the annual business plan and budget; HSES and risk; corporate responsibility; investor relations; corporate reporting; Board Committee related activity, including matters requiring Board sanction; and corporate governance matters.

The Board meets at least six times each year and, in addition, an update conference call takes place in the months when no formal meeting is scheduled. The agenda for each Board meeting is set by the Chairman in consultation with the Chief Executive

Officer and the Company Secretary based on the annual programme, with any additional matters included as and when they arise.

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

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

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

Board Committees

The Board has established Audit and Risk, Remuneration and Nomination Committees. Each Committee has formal terms of reference approved by the Board which can also be found on the Company's website. The Company Secretary provides advice and support to the Board and all Board Committees. Board Committees are authorised to engage the services of external advisers as they deem necessary.

Further details on the work of our Committees, the number of Committee meetings held and individual attendance by Directors, are shown in the Committee sections of this report.

Matters reserved for the Board

Corporate strategy

- Overall direction and strategy of the business
- Group values
- Major changes in organisation structure
- New country and/or business entry
- Acquisition and/or disposal of interests

Finance

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

Structure and capital

- Changes to capital structure
- Changes to the Company's Articles of Association

Expenditure

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

Risk management and internal control

- Recognising high impact business risks and approving risk mitigating strategies
- Monitoring effectiveness of internal control systems including finance, operations, HSES and asset integrity

Corporate governance

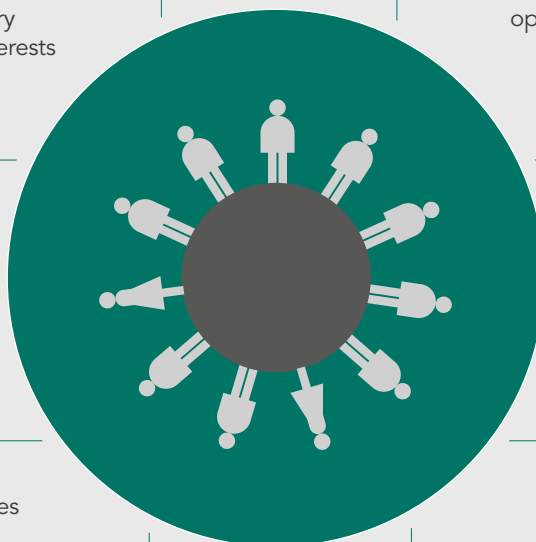
- The Group's corporate governance and compliance arrangements

Shareholder communication

- Approval of Half-Year and Full-Year results announcements and trading updates
- Management of relationships and dialogue with shareholders

Succession planning and appointments

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



Executive Committee and management structure

The Board delegates the day-to-day running of the Group to the Chief Executive Officer who is assisted by the Executive Committee. The Executive Committee ("ExCo") meets formally once a month and its membership comprises: each of the Executive Directors; Nic Braley, the Group Commercial and Strategy Manager; Mike Fleming, the Group HR Director; Andy Gibb, the Group General Counsel; Dean Griffin, the Head of Exploration; and Paul Williams, the Group Development and Operations Manager. In addition to formal monthly ExCo meetings, the ExCo holds fortnightly meetings with the Country Managers and, in the alternate weeks, there is a fortnightly meeting with functional heads which includes, in addition to ExCo members, the Head of Business Development and additional members of the exploration team.

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

Delegation of authority

Responsibility levels are communicated throughout the Group as part of the Business Management System and through an authorisation manual which sets out delegated authority levels, segregation of duties and other control procedures. The manual was updated in 2015 to reflect changes to the organisational structure. Further details of the Business Management System are provided on page 34 of the Strategic Report.

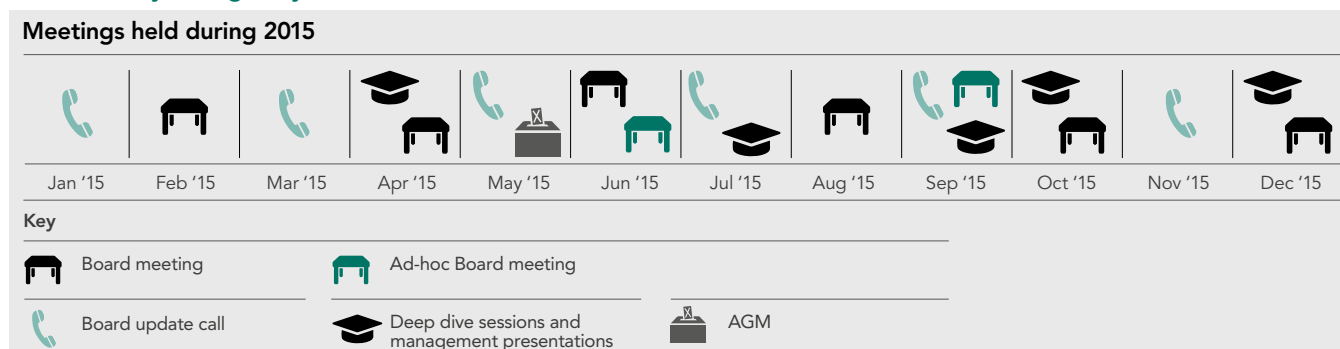
Board activity

In accordance with the normal Board procedure outlined on page 71, the Board held six full meetings during the year and, in addition, an update conference call took place in the months when no formal Board meeting was held. In addition, the Board held further ad-hoc meetings to consider and approve key projects and business developments such as new country entry and asset sales.

Details of the number of Board meetings held and individual attendance by Directors are shown in the table below.

The Board also attended 'deep dive' sessions during the year, allowing extra time to explore key aspects of the business outside of a formal meeting setting and with access to members of senior management. Subject areas are included in the table opposite and are detailed on page 76. Case studies on the Sea Lion deep dive and the HSES and Asset Integrity deep dive are set out on pages 75 and 76 respectively.

Board activity during the year



The number of meetings of the Board during 2015 and individual attendance by Directors

Current Directors	Scheduled		Ad-hoc	
	Attended	Entitled to attend	Attended	Entitled to attend
Robin Allan	6	6	2	2
David Bamford	6	6	2	2
Anne Marie Cannon ¹	5	6	2	2
Joe Darby	6	6	2	2
Tony Durrant	6	6	2	2
Neil Hawkings ²	6	6	1	2
Jane Hinkley	6	6	2	2
David Lindsell	6	6	2	2
Michel Romieu	6	6	2	2
Richard Rose	6	6	2	2
Mike Welton	6	6	2	2
Former Director				
Andrew Lodge ³	3	3	1	1

Notes:

- 1 Anne Marie Cannon was unable to attend the February Board meeting due to other board commitments made prior to joining Premier Oil.
- 2 Neil Hawkings was unable to attend the ad-hoc Board meeting held in June 2015 due to a pre-existing commitment.
- 3 Andrew Lodge stepped down as a Director of the Company on 30 June 2015.

Read more about our strategy on page 26

Strategic objectives:

- ① Operating in a safe and responsible manner
- ② Focused on high quality assets with commercially advantaged positions
- ③ Financial efficiency and debt liquidity
- ④ Attracting and retaining the right people

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

Subject	Cross reference	Link to strategic objectives
Shareholder relations <ul style="list-style-type: none"> received and discussed feedback from roadshows/presentations to investors by the CEO and CFO 	<ul style="list-style-type: none"> Shareholder engagement activity (see page 77) 	③
Corporate strategy <ul style="list-style-type: none"> reviewed and approved business plan to address low oil price environment reviewed and discussed monthly reports from the Company's business units on status of agreed objectives to deliver business unit plans to support corporate strategy received and discussed presentations from management on Brazil strategy reviewed and approved new country entry to Mexico reviewed and approved disposal of Norwegian assets attended separate Board session on scenario planning and oil price assumptions attended 'deep dive' sessions on the Solan project and the Sea Lion offshore Falklands project attended management presentation on the Catcher project 	<ul style="list-style-type: none"> Company's business model and strategy (see page 10 and page 26 respectively) Chairman's Statement (see page 8) Chief Executive Officer's Review (see page 22) 	②
Finance and expenditure <ul style="list-style-type: none"> reviewed and approved the Half-Year and Full-Year results and trading statements reviewed the annual budget and kept under review cost management underlying the Group's short-term strategy of cost reduction reviewed and approved amendments to the Group's banking covenants reviewed the Group's hedging policy reviewed and approved the Group's insurance arrangements 	<ul style="list-style-type: none"> Financial Review (see page 50) Financial Statements (see pages 119 to 169) 	③
HSES and risk management <ul style="list-style-type: none"> reviewed and discussed the Group's risk profile and, in particular, the Group's principal risks reviewed the effectiveness of the Group's risk management and internal control systems reviewed 2015 corporate HSES KPIs and HSES plan received a senior management presentation covering HSES and environmental performance and assurance activities, including process safety and asset integrity management and reporting 	<ul style="list-style-type: none"> Risk Management (see pages 30 to 36) Principal Risks (see pages 32 to 35) Corporate Responsibility Review (see pages 61 to 62) 	①
Corporate governance <ul style="list-style-type: none"> approved revised terms of reference for the Audit and Risk, Nomination and Remuneration Committees approved revised Schedule of Matters reserved for the Board considered bi-monthly updates on developments in corporate governance and legislation reviewed and discussed the outcome of the Board's annual performance evaluation process in consultation with the Audit and Risk Committee, reviewed the performance of the external auditor and recommendation for reappointment of Deloitte LLP as the Company's auditor reviewed and approved Directors' potential conflicts of interest 	<ul style="list-style-type: none"> Governance section of the Annual Report (see pages 66 to 118) 	① ② ③ ④
Corporate responsibility <ul style="list-style-type: none"> received a senior management presentation on Premier's approach to corporate responsibility including compliance with enhanced GRI G4 corporate responsibility standards 	<ul style="list-style-type: none"> Corporate Responsibility Review (see page 56) 	①
Succession planning and appointments <ul style="list-style-type: none"> considered and approved arrangements for the succession of Andrew Lodge, Director of Exploration considered and approved the appointment of Rachel Rickard as Company Secretary 	<ul style="list-style-type: none"> Nomination Committee Report (see page 84) 	④
Employees <ul style="list-style-type: none"> reviewed and discussed proposals for the introduction of a new Long Term Incentive Plan for employees 	<ul style="list-style-type: none"> Directors' Remuneration Report (see page 86) 	④

Board performance evaluation

The Board last undertook an externally facilitated performance evaluation exercise in 2013 and will be doing so again in 2016.

In 2015, an internal Board evaluation exercise was carried out mirroring the process carried out in 2014. Detailed surveys were compiled with input from all relevant internal stakeholders. Topics included:

- Board size and composition
- Board process
- Board support
- Board dynamics
- Strategy
- Shareholder engagement
- The Board's interface with middle management
- The balance between strategic and operational matters considered by the Board
- Risk identification
- HR and succession planning issues
- The Board's oversight of the development, management and control of projects and priorities for change

The evaluation included individual Director performance reviews, a review of the work of the Board's Committees and a review of the Chairman's performance.

One-to-one interviews were held by the Chairman with each Director and, in the case of reviewing the Chairman's performance, by the Senior Independent Director with each Director.

Although there was no explicit corporate responsibility component to the 2015 evaluation process, there were opportunities for Directors to raise any concerns in this regard through the survey or interview process as well as directly with senior management at a Board 'deep dive' session held on corporate responsibility during the year.

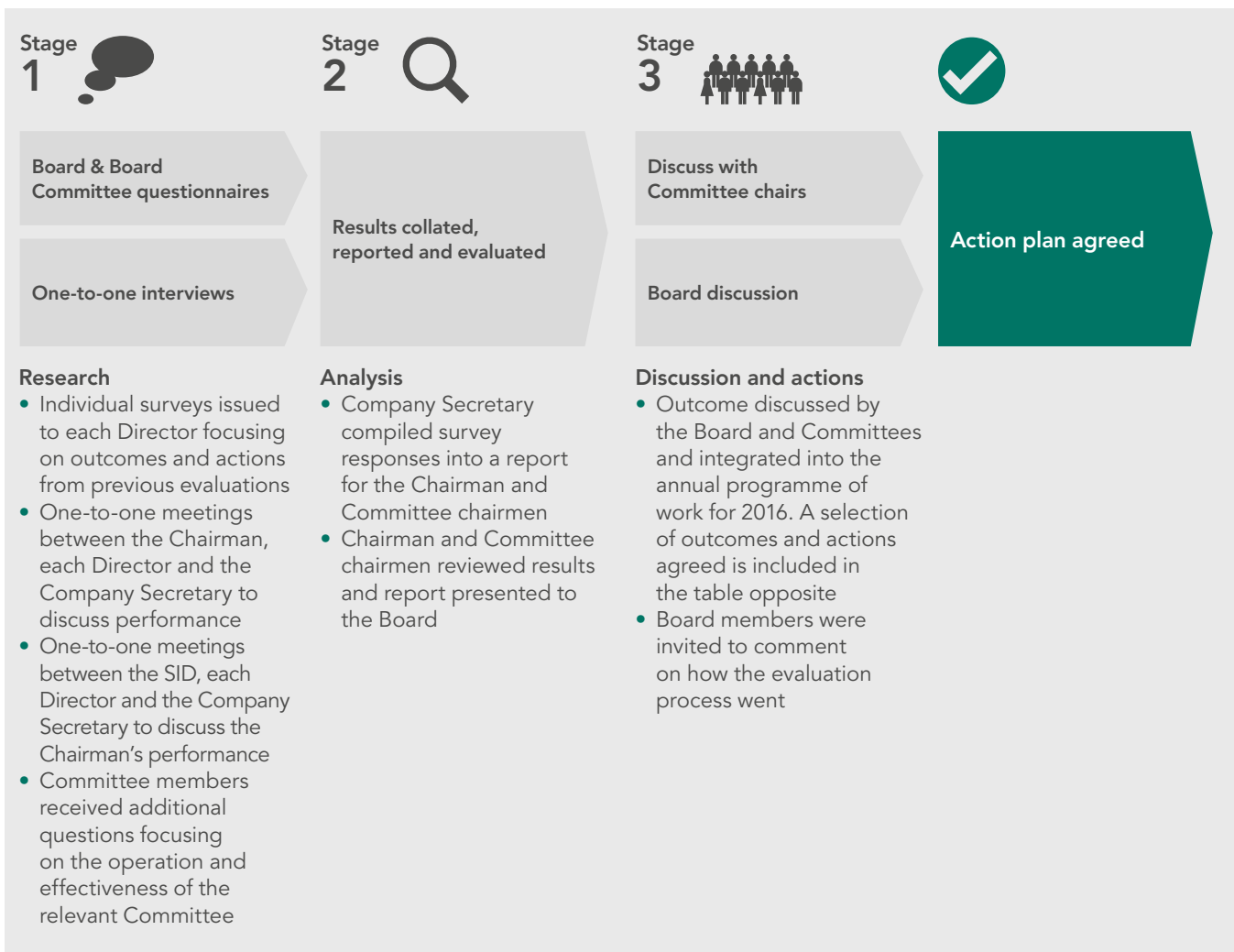
The results of the evaluation were condensed into a report by the Chairman and discussed by the Board as a whole.

Re-election of Directors

Following satisfactory performance effectiveness reviews, it was agreed that each of the Directors be put forward for re-election at the 2016 AGM. For any Directors serving beyond six years, the performance review was particularly rigorous. It was agreed that Joe Darby, David Lindsell and Michel Romieu, each having served over six years, continue to provide sound, independent judgement and make a significant contribution to the Board and its Committees.

Details of the Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are laid out in the Directors' Remuneration Report on pages 96 and 98 respectively. The main responsibilities of each Board role are set out on page 70 of this report.

Board evaluation programme 2015



Key outcomes and actions from the 2014 and 2015 evaluations are set out below:

Outcome 2014	Action 2015	Outcome 2015	Action 2016
Board members agreed that it would be beneficial to have further opportunities to meet, and have informal presentations on specific subjects from, middle management.	The Board and Committee calendars for 2015 and 2016 were revised to make additional space for a rolling programme of presentations by middle management alongside additional Board dinners, one of which was held with only Non-Executive Directors present.	Management presentations were held on a variety of topics throughout the year providing Non-Executive Directors with an opportunity to meet middle management and gain a greater understanding of several key business areas. Regular dinners were also held allowing more time for informal discussion. Overall the Board was satisfied with progress made in this area.	It was agreed that the schedule of management presentations and Board dinners should continue. A programme for 2016 has been prepared to facilitate this and provide Non-Executive Directors with greater insight into more key areas of the business.
Succession planning should be a matter of increased focus during 2015.	A review of the status of succession planning and talent management was undertaken by the Nomination Committee in November 2014 with actions agreed for 2015. Further detail was provided in the Nomination Committee Report in the 2014 Annual Report and Financial Statements. Internally, work continued on a review of short and longer-term succession arrangements for each senior role in the Company, alongside a review of development needs for potential successors.	The Nomination Committee and Board agreed that the level of increased focus on succession planning and talent management represented a significant improvement.	It was agreed that a Board skills matrix should be maintained and actively used in future Board recruitment processes. It was further agreed that ongoing succession planning should continue to look at senior management levels below the Executive Committee and that training and development should remain a focus of the Nomination Committee to support the ongoing development of potential successors.
Board members agreed that the balance between strategic and operational issues at Board meetings should be reviewed.	The balance of agenda items was kept under review throughout the year and Non-Executive Directors were requested to provide ongoing feedback on this.	The Board agreed that progress had been made on this objective, with increased time allocated to the discussion of strategic issues.	It was agreed that the balance of strategic and operational agenda items should remain under review, particularly in the context of a "lower-for-longer" oil price environment.
Board members requested more detailed updates on shareholder meetings.	Additional reporting on shareholder meetings was added to the monthly Board reports and additional briefings were provided by the CEO and Finance Director at each Board meeting.	The Board confirmed its approval of the increased reporting in this area.	It was agreed that the increased level of reporting should be maintained.

Board appointments and development

Premier is an international business and has to manage a variety of political, technical and commercial risks. It is therefore important that the Board has the appropriate mix of skills and experience to meet these challenges. To this end, the Nomination Committee reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary with due regard for the benefits of diversity on the Board, including gender. In selecting new Directors, the Committee prepares a description of the role and capabilities required for a particular appointment in the context of the existing skills and capabilities of other Board members. Full details regarding the Board appointment process are contained within the Nomination Committee Report and the Directors' Report. No Board appointments were made during 2015.

Conflicts of interest

A Director has a duty to avoid a situation in which he or she has, or may have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. Formal procedures are in place to ensure that the Board's powers of authorisation of conflicts or potential conflicts of interest of Directors are operated effectively. The Board is satisfied that during 2015 these procedures were enforced and adhered to appropriately.

Powers of Directors and process for amending Articles of Association

Details regarding the Company's Articles of Association and any amendment thereto, including powers of Directors under the Articles, are included within the Directors' Report on page 115.

Case study

Sea Lion Deep Dive

Agenda

- Sea Lion development overview
- Area vision subsurface and facilities
- Well construction
- Subsea facilities and FPSO
- Offtake system and operations planning
- Logistics and infrastructure
- Commercial and Tax
- Finance
- Economics

Attendance

- All Non-Executive Directors
- Nine members of the senior management team

Format

- Presentations
- Q&A
- Discussion

Directors' induction and training



Induction, information and support

New Directors receive a full, formal and tailored induction to the Company. The induction programme consists of: a comprehensive briefing pack including our corporate governance manual which details the structure of the Group, decision making processes and bodies, and policies and procedures; an introduction to our resource centre for Directors (including external communications such as investor presentations, reports and corporate responsibility reports); and one-to-one meetings with each of the Executive Directors, members of senior management and external advisers. Specific questions on ongoing Board training and quality of information were included in the 2015 Board effectiveness evaluation survey and positive feedback was received.

All Non-Executive Directors have access to the Company's senior management between Board meetings and the Board aims to hold at least one meeting each year in one of the business units to allow Non-Executive Directors to meet and

engage with local staff. In addition, the continuing development of Board members is supported through 'deep dives' into specific business areas as well as presentations by management and regular updates on changes to the legal and regulatory landscape.

During 2015, a full day deep dive session on the Sea Lion development project was held and was attended by all Directors. Pre-Board meeting presentations were also held on the subjects of Asset Integrity, HSES, Premier's Brazil strategy, the Catcher Project, the Solan Project and Corporate Responsibility.

Directors are regularly updated on relevant external training courses available to further complement their skills and knowledge. Formal procedures are in place to enable individual Board members to take independent advice at the Company's expense where appropriate. Shareholders are given the opportunity to meet with new Directors upon request or at the next Annual General Meeting following their appointment.

Case study

HSES and Asset Integrity Deep Dive

Agenda

- Safety and Asset Integrity reporting
- 2015 HSES reporting
- Environmental performance
- Health & Safety performance

Attendance

- Five Non-Executive Directors
- One Executive Director
- Two members of the senior management team

Format

- Presentations
- Q&A
- Discussion

Shareholder engagement

There is regular dialogue with institutional investors through meetings, presentations and conferences. Presentations are given to analysts and investors following the Full-Year and Half-Year results (which are broadcast live via the Company's website) and at other ad-hoc investor events. A total of 246 meetings were held with investors and prospective investors during 2015. The Chairman, Chief Executive Officer and Finance Director are the Directors primarily responsible for engaging with shareholders. They ensure that other members of the Board receive full reports of these discussions. The Board also receives copies of analyst and broker briefings and shareholder sentiment reports prepared by the Investor Relations team.

The Senior Independent Director is available to shareholders in the event that they have concerns which contact with the Chairman, Chief Executive Officer or Finance Director has failed to resolve, or where such contact would be inappropriate. Non-Executive Directors are expected to attend meetings, if requested, with major shareholders.

Extensive information about the Group's activities is provided in the Annual Report and Financial Statements, the Half-Year results and other trading statements and press releases, all of which are available to shareholders.

The Company's website also provides detailed information on the Group's activities. Information regarding the Company's share capital, including details of significant shareholders, is included in the Directors' Report on page 115.

Shareholder communications

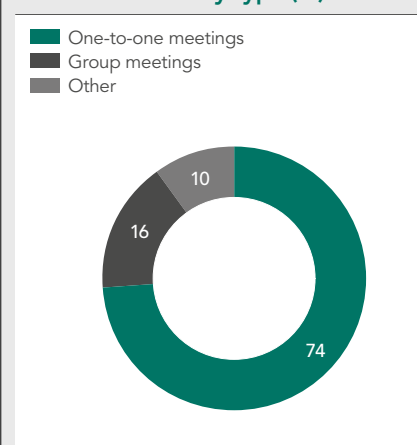
The primary method of ongoing communication with shareholders is the investor section of the Company's website. This contains key information such as reports and financial results, investor presentations, share price information, regulatory news announcements and information on Premier's AGM.

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

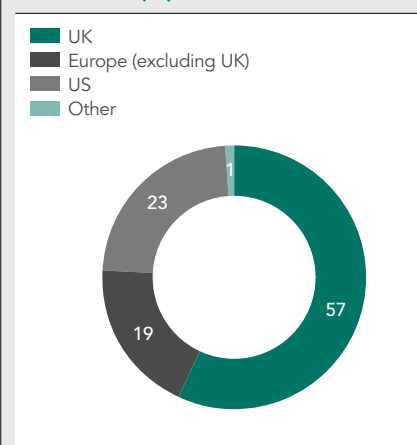
Premier promotes the use of online shareholder services via the Company's online share portal www.premier-oil-shares.com. Using this service, shareholders are able to access their shareholding, update their address or submit queries on their account directly to the Company's Registrar. Shareholders also have the ability to vote online prior to general meetings. The share portal also encourages shareholders to register to receive communications by email, rather than by post, thus further reducing the number of documents printed and distributed. Shareholders who have actively registered, receive an email notifying them when the Company has added a statutory document to its website. For each new registration processed, the Company will donate £1 to Pure Leapfrog's carbon offsetting programme which supports carbon reduction projects in Africa, India and other developing countries (further information can be found at www.pureleapfrog.org).

The Company has posted guidelines on its website, advising shareholders of how to recognise and deal with potential share scams. Shareholders are advised to be extremely wary of any unsolicited advice or offers and only to deal with financial services firms that are authorised by the Financial Conduct Authority. More information can be found in the Shareholder Information section of the Investors area of the Company's website.

Investor contact by type (%)



Investor contact by location of investor (%)



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

By order of the Board

Rachel Rickard
Company Secretary

24 February 2016

2015 shareholder engagement

January	Trading and Operations Update
February	Full-Year results
February/March	Full-Year results roadshow
May	Trading and Operations Update Annual General Meeting
July	Trading and Operations Update
August	Half-Year results
August/September	Half-Year results roadshow
November	Trading and Operations Update

For further information:
www.premier-oil.com/premieroil/investors





David Lindsell

Chairman of the Audit and Risk Committee

Membership and meetings held

Members	Meetings attended (meetings held)
David Lindsell	4(4)
Anne Marie Cannon	4(4)
Joe Darby	4(4)
Michel Romieu	4(4)

Role of the Committee

- Monitors and reviews the effectiveness of the Company's risk management and internal control systems, including in particular the identification of emerging risks and the effectiveness of actions taken to mitigate them, together with the results of the programme of reviews of these systems and management's response to the review findings
- Monitors and reviews the effectiveness and objectivity of the Company's Group Audit and Risk function, the appropriateness of its work plan, the results of reviews undertaken, and the adequacy of management's response to matters raised
- Monitors the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance and the significant financial reporting judgements they contain
- Reviews the external auditors' independence and objectivity and the effectiveness of the audit process
- Develops and implements policy on the engagement of the external auditor to supply non-audit services
- Monitors the enforcement of the Company's Code of Conduct and the adequacy and security of its whistleblowing procedure

Dear shareholder,

As Chairman of the Audit and Risk Committee it is my responsibility to ensure that the Committee is rigorous and effective in carrying out its role as summarised in the adjacent column.

The terms of reference of the Committee are reviewed annually by the Committee and then by the Board, and are available on the Company's website at www.premier-oil.com.

The members of the Committee are myself, Anne Marie Cannon, Joe Darby and Michel Romieu, all of whom are independent Non-Executive Directors. All have been members throughout 2015. The Board is satisfied that the membership of the Committee meets the requirement for recent and relevant financial experience.

The meetings of the Committee are normally attended by the Finance Director, the Group Financial Controller, the Group Head of Corporate Services, the Group Audit and Risk Manager and representatives of the auditors. Other Executive Directors or senior managers are required to attend when significant risk management or control issues relating to their area of responsibility are considered by the Committee. During the year, the Committee meets privately with the Group Head of Corporate Services and the Audit and Risk Manager, and with the Company's auditors. The Company Secretary acts as secretary to the Committee.

The Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and to make recommendations on the steps to be taken.

Meetings

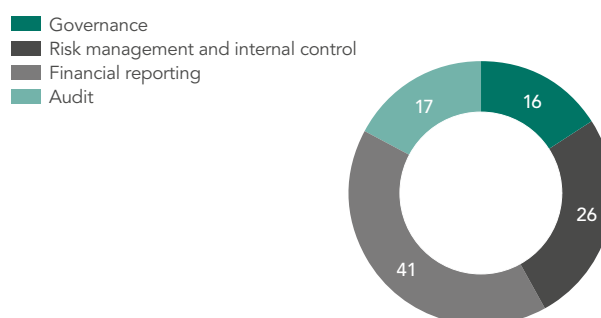
The Committee is required to meet at least three times per year and has an agenda linked to events in the Company's financial calendar.

Activities during the year

The Committee met four times in 2015 and has met twice in 2016 to date.

In February 2015, the Committee reviewed the 2014 Full-Year results and the Annual Report and Financial Statements, discussed with the auditors their audit findings, and completed its annual review of the effectiveness of internal controls so as to be able to approve the statements on internal control and the management of risk in the Corporate Governance Report. As part of this review, the Committee reviewed with management the hydrocarbon reserves reporting process. In completing its review of the effectiveness of risk management and

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



internal controls the Committee discussed the specific operational issues that had arisen in 2014 and significant risks foreseen for 2015. The Committee reviewed the effectiveness of the audit process and the independence of the auditors as a basis for considering their reappointment, and reviewed its own effectiveness. The Committee took note of enhanced Corporate Responsibility reporting for 2015, following application of new Global Reporting Initiative ('GRI') reporting guidelines.

At its June meeting, the Committee reviewed issues that were expected to affect the Half-Year results, including the future oil price assumption and consequent asset impairments including the resulting reduction in the deferred tax asset, the accounting for the acquisition of Chrysaor's interest in the Solan field and the advance payment from Flowstream. The Committee reviewed the potential impact on Group risk management of a reorganisation of the Corporate Services function and discussed the implications of changes in the Group's risk profile since the previous meeting (relating in particular to the oil price), the status of risk management and business control reviews, and a status report on the new risk management system ARROW. The Committee also reviewed the Company's preparations for complying with the Reports on Payments to Government Regulations (2014) and the new requirement under the UK Corporate Governance Code to include a 'viability statement' in the Annual Report.

The Financial Review Council's Audit Quality Review Team selected the audit of our financial statements for the year ended 31 December 2014 for review as part of their 2015 annual inspection of audit firms. The focus of the review is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. In August, the Committee received a copy of the findings of the Audit Quality Review Team and has discussed these with Deloitte. The Committee confirms that no significant areas for improvement were identified in the report. The Committee is also satisfied that there is nothing in the report which might have a bearing on the audit appointment.

During the August meeting the Committee also reviewed the Half-Year results and discussed the auditors' report on their review of the Half-Year results. The Committee received updates on major business risks, risk management and business controls reviews, ARROW (including a live demonstration of the system) and the Business Management System. The Committee confirmed that proposed revisions to its terms of reference were in line with the latest UK

Corporate Governance Code and supporting guidance, and approved them for onward recommendation to the Board.

In December the Committee reviewed the status of the 2015 risk management and internal control reviews, focusing on the significant findings during 2015 and actions arising, and reviewed and approved the scope of the outline 2016 plan for such reviews (steered by the principal business risks faced by the Group). The Committee considered expected accounting and reporting issues relating to the Full-Year results and the auditors' work plan (which built on the discussions held at the time of the Half-Year results), and reviewed and approved the proposed audit fee. The Committee reviewed the Company's risk management policy and the status of a review of the Company's Business Management System. In addition, the Committee reviewed the arrangements in place to address cyber security.

The Committee held two meetings in February 2016 at which it reviewed the 2015 Full-Year results and the Annual Report and Financial Statements, discussed with the auditors their audit findings, and completed its annual review of the effectiveness of the Group's risk management and internal control systems so as to be able to approve the statements on risk management and internal control in the 'Principal Risks' section of the Strategic Report on pages 30 to 36 and to report to the Board that, in the Committee's view, the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee's review included the going concern statement and viability statement included within the Annual Report and Financial Statements and the forecasts prepared by management on which the statements are based.

In completing its annual review of the effectiveness of the risk management and internal control systems, the Committee reviewed the close-out of the 2015 risk management and internal control reviews and was briefed on the corporate governance returns for 2015.

As discussed in more detail overleaf, the Committee also reviewed the effectiveness of the audit process and the independence of the auditors as a basis for considering their reappointment.

Risk management and internal control

The Committee continues to be responsible for reviewing the adequacy and effectiveness of the Group's risk management process designed to identify and mitigate the principal risks facing the Group. There is an ongoing process of refinement and embedding of risk management best practice through the Group in accordance with the principles and guidelines set out in ISO 31000. Risk management and internal control in the Group is discussed more fully in the 'Principal Risks' section of the Strategic Report on pages 30 to 36.

In addition to Group-wide governance, internal controls and risk management processes, the Group also has specific internal controls and risk management systems to govern the financial reporting process and preparation of the annual financial statements.

These systems include clear policies and procedures for ensuring that the Group's financial reporting processes and the preparation of its consolidated accounts comply with all relevant regulatory reporting requirements. These policies are applied consistently by the finance reporting teams at head office and each business unit in the preparation of the financial results.

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

Group Audit and Risk

An annual risk-based programme of reviews is proposed to the Committee following discussion by Group Audit and Risk with functional and business unit management. There are three levels of review as follows:

Level 1

Local internal management team review e.g. business unit manager site safety review.

Level 2

Group function review of business unit or asset/project e.g. drilling preparedness review, project safety review.

Level 3

External third party certification e.g. oil and gas reserves certification, ISO/OHSAS certification.

The Committee considers and approves the programme, and monitors and reviews the scope and results of the reviews carried out at each meeting, receiving reports covering progress against plan, significant findings and the action plans in place to address them.

In reviewing the findings from these reviews, the Committee noted that the work carried out had been directed towards the Group's principal risks, thereby providing assurance to the Committee on key issues and challenges facing the Group. Recommendations to improve internal controls and/or to mitigate risks were agreed with the relevant business unit or corporate function after each review and progress in implementing the recommendations was monitored by Group Audit and Risk.

Financial reporting

The Committee reviewed the 2015 Half-Year and Full-Year financial results announcements and 2015 Annual Report and Financial Statements with the Finance Director and Group Financial Controller and considered the findings from the auditors' review of the Half-Year results and their audit of the 2015 financial statements. The areas of focus for the Committee included consistency of application of accounting practices and policies; compliance with financial reporting standards and stock exchange and legal requirements; the appropriateness of assumptions and judgements in items subject to estimation; the going concern assumption; the clarity and completeness of disclosures in the financial statements; and, in relation to the Annual Report and Financial Statements, whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Committee considered in particular the following major items that required significant judgement and estimation in preparing the 2015 financial statements:

Going concern

In view of the current weakness in oil and gas prices, the Committee reviewed in detail management's projections of the Group's liquidity position and compliance with its financial covenants within its borrowing facilities for the next 12 months. Key assumptions in the projections include those related to oil and gas prices during the period, cost saving initiatives and portfolio management options available during the forecast period. The key assumptions were assessed and challenged by the Committee.

At 31 December 2015 the Group had significant headroom on all its financial covenants and availability of financing. However, the Group's projections indicate that at current oil prices it is likely that a breach of one or more of the Group's financial covenants will occur in respect of the testing period ending 30 June 2016 unless either appropriate mitigating actions can be taken or an appropriate relaxation or amendment of its financial covenant ratios can be achieved.

The Committee was satisfied that an appropriate degree of caution had been applied in exercising the judgements needed in making the assumptions and estimates, and concluded that the statement on going concern in the Financial Review on page 54 is fair and balanced.

The Committee has advised the Board that it is reasonable for the Directors to expect that the Group will be able to avoid a covenant breach in respect of the 30 June 2016 testing period, thereby resolving this material uncertainty, that the Group will therefore have adequate resources to continue in operational existence for the foreseeable future and, accordingly, that the going concern basis is the appropriate basis of preparation for the 2015 financial statements.

Recoverability of intangible exploration and evaluation ('E&E') assets

The Committee satisfied itself by reference to the Group's business plan and discussion with management that, in respect of all exploration and evaluation assets, either commercially viable resources have been discovered or substantive expenditure on further exploration and evaluation activities in the specific area is budgeted or planned. Details of the Group's E&E assets are provided in note 9 to the financial statements on page 143.

Oil and gas reserves

Unit-of-production depreciation, depletion and amortisation charges are principally measured based on management's estimates of proved and probable oil and gas reserves. Estimates of proved and probable reserves are also used in the determination of impairment charges. Proved and probable reserves estimates are based on a number of underlying assumptions including future oil and gas prices, future costs, oil and gas in place and reservoir performance, all of which are inherently uncertain.

The Committee considered reports from management on the process applied to calculate the reserves estimates, addressing in particular the extent to which the methodology and techniques applied by the Company were generally accepted industry practice, whether the methodology and techniques applied were consistent with those applied in prior years, and the experience and expertise of the managers who prepared and reviewed the estimates. The Committee noted that estimates of the Group's oil and gas proven and probable reserves prepared by independent reservoir engineers for producing and development fields were marginally higher than management's estimates. The Committee discussed with management the main reasons for the difference between the two estimates and was satisfied that it was appropriate to apply management's estimates for the purpose of preparing the financial statements.

Impairment of oil and gas properties

As explained in note 10 to the financial statements on page 144, an impairment charge of US\$1,023.7 million has been made largely in respect of the Solan development project as well as several producing fields in the UK North Sea, Indonesia and Pakistan. In order to determine whether an asset is impaired, management assess whether any indicators for impairment exist for the Group's producing and development oil and gas properties. Where such an indicator exists, the future discounted net cash flows the Company expects to derive from the asset must be estimated. Such estimates are based on a number of assumptions including future oil and gas prices, the latest estimates of costs to be incurred in bringing fields under development into production, oil and gas reserves estimates, production rates and the associated cost profiles, decommissioning costs and discount rates that reflect risks specific to individual assets.

In view of the current weakness in oil and gas prices, management prepared a detailed impairment report for the Committee setting out the key assumptions for each of the oil and gas properties. The Committee challenged these assumptions and judgements to ensure that:

- they were consistent with those that were used by management for budgeting and capital investment appraisal purposes;
- production volumes were derived from the oil and gas reserves estimates discussed above, applying the same assumptions regarding future costs; and
- they were reasonable within the context of the observed field performance and the wider economic environment currently being observed.

The Committee noted in particular that, consistent with the long-term planning assumptions used by the Company, assumed future oil and gas prices were based on forward price curves for two years, US\$65/bbl in 2018 followed by an oil price of US\$80/bbl in 'real' terms thereafter (as explained in more detail in note 10 to the financial statements on page 144). The Committee also noted that forecast field development costs and decommissioning costs were based on detailed and carefully reviewed current estimates.

The Committee discussed with management the review that was carried out of the longer-term plans for the life of those fields against which an impairment charge has been recognised and the factors giving rise to the impairment losses and was satisfied that the impairment charge recognised in the year was appropriate.

The Committee was satisfied that the rates used to discount future cash flows appropriately reflect current market assessments of the time value of money and the risks associated with the specific assets concerned.

The Committee was satisfied that the most significant assumptions on which the amount of the impairment charge is based are future oil and gas prices and the discount rate applied to the forecast future cash flows and, accordingly, that the disclosure of sensitivity of the impairment charge to changes in these factors in note 10 to the financial statements on page 144, is appropriate.

Provisions for decommissioning costs

Estimates of the cost of future decommissioning and restoration of hydrocarbon facilities are based on current legal and constructive requirements, technology and price levels, while estimates of when decommissioning will occur depend on assumptions made regarding the economic life of fields which in turn depend on such factors as oil prices and operating costs. The Committee therefore discussed with management the estimation process and the basis for the principal assumptions underlying the cost estimates, noting in particular the reasons for any major changes in estimates as compared with the previous year. The Committee was satisfied that the approach applied was fair and reasonable. The Committee was also satisfied that the discount rate used to calculate the provision was appropriate. Further information on decommissioning provisions is provided in note 17 on page 148.

Taxation

The Group currently produces oil and/or gas in five countries and is subject to complex hydrocarbon and corporate tax regimes in each of them. Judgements must be applied in order to make provision for the amounts of tax that are expected to be settled. Also, in order to continue to recognise the substantial deferred tax asset relating to tax losses in the UK, it must be probable that sufficient taxable profits will be available against which the tax losses can be utilised. This in turn requires assumptions about future profitability.

The Committee also discussed with management their projections of probable UK taxable profits and noted that these projections, which were based on the same assumptions as those used in the asset impairment review, support the recognition of a deferred tax asset of US\$871.6 million. Further details of the deferred tax asset and the assumptions used to estimate the amount of tax recoverable in respect of tax losses and allowances are provided in notes 6 and 19 to the financial statements on pages 141 and 155 respectively.

External audit**Audit effectiveness**

The Committee reviewed the auditors' work plan at the start of the audit cycle, considering in particular the auditors' assessment of the significant areas of risk in the Group's financial statements, which for 2015 corresponded with the major areas of judgement identified by the Committee discussed above, and the scope of their work. At the conclusion of the audit, the Committee discussed with the auditors the findings of the audit, including key accounting and audit judgements, the level of errors identified during the audit, the recommendations made to management by the auditors and management's response. The Committee met privately with the auditors twice in 2015 and in February 2016 at the conclusion of the 2015 audit.

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

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

Auditor independence and objectivity

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

The Committee believes that certain non-audit work may be carried out by the auditors without compromising their independence and objectivity. The allocation of non-audit work is considered by reference to the Company's policy on the provision of non-audit services by the auditors, which can be found on the Company's website. The use of the auditors for services relating to accounting systems or the preparation of financial statements is not permitted, and neither are various other services, such as valuation work, which could give rise to conflicts of interest or other threats to the auditors' objectivity that cannot be reduced to an acceptable level by applying safeguards. The Committee believes that certain non-audit assurance and advisory services may be best performed by the auditors as a result of their unique knowledge of the Company. Any material non-audit work of this nature requires approval by the Committee.

The Committee approves the fees for the audit and half-yearly review after reviewing the scope of work to be performed, and reviews the scope and fees for non-audit assignments awarded to the auditors to satisfy itself that the assignments concerned do not give rise to threats to the auditors' independence and objectivity. Details of audit and non-audit fees in the current year are provided in note 3 to the financial statements on page 139.

Deloitte are required to confirm to the Committee that they have both the appropriate independence and objectivity to allow them to continue to serve the members of the Company. The Committee also requires the auditors to confirm that in providing non-audit services, they comply with the Ethical Standards for Auditors issued by the UK Auditing Practices Board. This confirmation was received for 2015.

In accordance with the Ethical Standards for Auditors, the audit engagement partner rotates at least every five years. The current audit engagement partner has been in the role for four years.

Audit appointment

The Committee considers the reappointment of the auditors each year. Based on its review of the effectiveness of the 2015 audit and of the independence and objectivity of the auditors, the Committee concluded that the auditors' effectiveness and independence has not been impaired in any way. The Committee has reported accordingly to the Board and recommended that the reappointment of Deloitte LLP be proposed to shareholders for the year ending 31 December 2016.

Deloitte were initially appointed auditors of the Company in 2004 and the audit has not been put out to tender since that date. The UK Corporate Governance Code 2012 introduced a provision requiring FTSE 350 companies to put the external audit contract out to tender at least every 10 years, or to explain why they have not done so, although with transitional provisions that allow the Company to defer a tender for a number of years. The Competition and Markets Authority has subsequently made it mandatory from 2016 onwards to put the external audit contract out to tender at least every 10 years and the associated transitional provisions require us to conduct an audit tender process no later than for the year ending 31 December 2017. The Audit and Risk Committee is currently planning to conduct an audit tender process later in 2016 with a view to making a recommendation to shareholders at the 2017 AGM that the firm selected as a result of the tender be appointed to audit the 2017 financial statements.

Committee evaluation

The performance and effectiveness of the Committee was reviewed as part of the Board performance evaluation process and the Committee also carried out a detailed self-assessment. The Committee was considered to be operating effectively and in accordance with the Financial Reporting Council's Guidance on Audit Committees.

On behalf of the Audit and Risk Committee

David Lindsell

Chairman of the Audit and Risk Committee

24 February 2016



Mike Welton

Chairman of the
Nomination Committee

Membership and meetings held

Members	Meetings attended (meetings held)
Mike Welton	3(3)
David Bamford	3(3)
Anne Marie Cannon ¹	2(3)
Joe Darby	3(3)
Tony Durrant	3(3)
Jane Hinkley	3(3)
David Lindsell	3(3)
Michel Romieu	3(3)

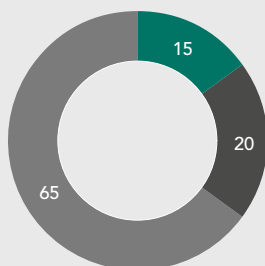
¹ Anne Marie Cannon was not able to attend the July meeting due to a pre-existing commitment prior to joining Premier's Board.

Role of the Committee

- To plan Board member succession and oversee plans for senior management succession, taking into account skills, knowledge, diversity and experience in so doing
- To regularly review the structure, size and composition of the Board and Committees
- To identify and recommend for Board approval suitable candidates to be appointed to the Board

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

- Governance
- Non-Executive Director succession
- Executive Director succession and development



Dear shareholder,

It has been a busy year for the Committee, with much of the Committee's time focused on succession planning and development, both at Board and senior management levels.

Executive succession planning and leadership development

As I reported last year, following the appointment of Tony Durrant as Chief Executive Officer during 2014, a proposal was agreed to refresh all succession planning exercises to ensure stability and continuity of experience, capability and performance within management. This initiative has been ongoing throughout the year, with the Committee reviewing succession plans and targeted learning and development initiatives – whether internal or external – for all Executive Committee members as well as business unit and country managers. The initial phase of this exercise is now complete and is being extended further throughout the next cadre of senior management with refreshed development plans being drawn up for all of those identified as potential successors. The Committee has been briefed in detail throughout the process by the Group HR Director, with sessions held to provide the Committee with insight into the learning and development programmes being used to support the development of succession candidates and how those programmes are being integrated with our performance management system on an ongoing basis.

Non-Executive Director succession planning

At the Board level, all Directors have provided input into a skills and diversity matrix, to assist in mapping the range and strength of skills and experience of current members as well as the Board's diversity in terms of age, ethnicity, nationality and gender. The output of this exercise was then mapped against the desired balance in view of the strategic objectives of the Company and anticipated skills required. We expect to use the output of this exercise in drawing up any role specification for Non-Executive Director recruitment, alongside other governance requirements to be considered for any particular role.

Board and Committee composition

The Committee reviewed the composition of the Board and its Committees during the year, taking into account the need for continuity of membership to maintain the knowledge and insight of Committees while at the same time refreshing their membership. This will be kept under review as work commences on Non-Executive Director succession to ensure that Committee composition, as well as that of the Board, is carefully considered and membership refreshed.

Executive Director succession

Andrew Lodge, Exploration Director, stood down from the Board with effect from 30 June 2015. Prior to his leaving date the Board agreed, on the recommendation of the Chief Executive Officer, that Andrew's successor would be a member of the Executive Committee but not a Board Director in view of the strategic outlook of the Company and emerging practice in terms of Board size and balance. The recruitment process was led by our HR team which resulted in the appointment of an internal candidate as our new Head of Exploration, Dean Griffin, who had been identified in earlier succession planning reviews.

Diversity

The Board fully embraces a culture based upon equal opportunities in the workplace. Further information regarding our commitment to fair and competitive terms of employment and safe working conditions is included in the Corporate Responsibility Review on page 56.

At the Board level, we are committed to ensuring that the process for all Board appointments is conducted, and appointments made, on merit, against objective criteria and with due regard to the benefits of diversity on the Board, including gender.

When preparing for a new Board appointment, an external search company is selected and requested to prepare a short list which takes into account the capabilities, skills and experience required for the role, as well as diversity of the Board in its widest sense, including gender diversity. The Board considers the proportion of women on the Board as part of its assessment when selecting a candidate for a Board position. We currently have two female Non-Executive Directors, Jane Hinkley and Anne Marie Cannon, on a Board of 11 which equates to 18 per cent. The Committee reviewed its approach to gender diversity on the Board during the year and chose to maintain its practice of embracing diversity in all its forms without setting any measurable objectives relating to gender diversity.

Committee terms of reference review

The Committee reviewed its terms of reference in 2015 and amendments were proposed to the Board for adoption. The terms of reference for the Nomination Committee are available at www.premier-oil.com.

Outlook for 2016

As we look forward to the year ahead, the Committee will continue to focus its efforts on succession planning and the active engagement and development of our employees, making sure that our workforce is best positioned to take the Company forward and deliver the Company's strategic objectives. We will also continue our work on Non-Executive Director succession planning as outlined above.

On behalf of the Nomination Committee

Mike Welton

Chairman of the Nomination Committee

24 February 2016

Chairman's statement



Jane Hinkley

Chairman of the
Remuneration Committee

Membership and meetings held

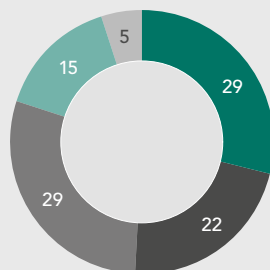
	Scheduled	Ad-hoc
	Meetings attended (meetings held)	Meetings attended (meetings held)
Members		
Jane Hinkley	4(4)	4(4)
David Bamford	4(4)	4(4)
Joe Darby	4(4)	4(4)
David Lindsell	4(4)	4(4)

Role of the Committee

- Develop and maintain a remuneration policy to attract, retain and motivate employees to enable the Company to meet its objectives, taking into account the long-term interests of employees, shareholders and other long-term stakeholders
- Consider and approve the remuneration arrangements for the Chairman, the Executive Directors and other senior executives as determined by the Committee
- Exercise oversight of the pay and performance conditions across the Group

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

- Setting Executive remuneration
- Reward policy for Executive Directors
- Incentive arrangements for all employees
- Corporate governance matters
- Other



Dear fellow shareholder,

On behalf of the Remuneration Committee I am pleased to present the Directors' Remuneration Report (the 'DRR') for 2015.

Our Remuneration Policy, as approved at the 2014 AGM, is geared towards performance-related pay to support direct alignment with shareholders. The Policy remains unchanged for 2016 and therefore will not be put to a vote at the 2016 AGM. It is, however, included in this year's DRR in full for ease of reference and to provide context to the work of the Committee during the year. The Annual Report on Remuneration, which is subject to an advisory vote at our 2016 AGM, details how this Policy was applied in 2015 and how it will be applied in 2016.

There has been no respite in the macroeconomic challenges facing the Company in 2015, with the oil price continuing to fall. However, in the face of these strong headwinds, the Company delivered strong operational performance with healthy production levels, high levels of operating efficiency, good HSES performance and reduced costs. Steps have also been taken in light of the low oil price environment to reposition the Company for the future.

Against this background, the Committee reviewed executive remuneration arrangements as well as remuneration arrangements for the broader employee population. In particular, as indicated last year, the Committee spent a considerable amount of time reviewing the structure of our current Long Term Incentive Plan ('LTIP').

All aspects have come under close scrutiny, not least being performance conditions, period and quantum with a view to ensuring that our reward structure better aligns with our organisational profile and delivery of our objectives. The outcome of this review has been to move away from our current 'one size fits all' reward philosophy and agree a new and much simpler long-term incentive plan (the 'PVSP') for our employees below Executive Director and senior management levels.

The Committee concluded that the falling oil and gas price environment and divergent opinion on oil price projection made the case for changing executive remuneration less compelling. The Committee is also conscious that management's focus must be on realigning the Company's business to cope with the prevailing low oil price environment, and considered that introducing a new remuneration structure for senior management might cause distraction from this priority. We are, therefore, not proposing to make any changes now

to our remuneration packages for Executive Directors and senior management and as a result our LTIP will continue to operate for our Executive Directors and senior management and we will not be proposing changes to our Remuneration Policy at the Company's 2016 AGM.

We will consult with shareholders on proposals for our Executive Directors and senior management with a view to submitting any new long-term incentive scheme for approval at the 2017 AGM. This also aligns with the timing for the renewal of shareholder approval of our Remuneration Policy, which will be submitted to shareholders for a binding vote at the 2017 AGM.

Our current LTIP is based on absolute and relative total shareholder return ('TSR') over a period of up to six years, with any vesting subject to the Committee's assessment of various financial and non-financial underpins. For the LTIP awards granted in 2013, the initial three-year performance period ended in December 2015; with the fall in our share price and the Company's performance relative to our peer group, none of the 2013 awards vested, demonstrating the link between Directors' remuneration and share price performance.

The performance targets for the 2015 bonus and achievement against these targets are set out on page 102. These reflect good operational performance, with on target production and outperformance of Group HSES statistics particularly of note, demonstrating our unwavering commitment to the safety and integrity of our operations irrespective of the prevailing challenges and cost constraints. In aggregate, the target performance achievement reflects the strong underlying operations and delivery of results, with the formulaic total bonus outcome for Directors ranging from 55.8 per cent to 58.1 per cent. However, in view of the harsh economic environment prevailing in the upstream oil sector following the collapse in oil prices and the consequent fall in our share price, the Committee decided to award a bonus of 10 per cent of salary to the Executive Directors. The Committee feels that this decision recognises the strong operational performance, and, in particular, the drive for efficiency and cost constraint by the executive leadership team, whilst acknowledging the impact of low oil prices on shareholders. The bonus award for all staff was also set at 10 per cent of salary for those who 'met expectations' and above in their annual performance review. The Executive Directors had a proportionately higher reduction to their award than other staff, given their higher level of bonus quantum opportunity.

The Committee considers that the incentive outcomes for 2015 outlined above are fair given the performance delivered by the executive leadership team.

The Committee continues to consider updates to corporate governance guidelines in its decision-making and will continue to monitor best practice guidelines and take account of these and the views of its shareholders in the decision-making process. In particular, the Committee will consider any proposed revisions from the Investment Association's Executive Remuneration Working Group, anticipated in Spring 2016.

During the course of 2015 the Committee considered remuneration arrangements, in line with the Remuneration Policy, for Andrew Lodge who stepped down as Exploration Director on 30 June 2015. The Committee determined that

Andrew Lodge's 2015 annual bonus opportunity and outstanding LTIP awards would remain, subject to satisfaction of performance conditions, and be pro-rated to reflect the period worked. Further details are contained on page 101.

In consideration of the challenges posed by the changed market conditions, the Committee determined that there would again be no salary increases for the Executive Directors for 2016. In addition, the Committee has agreed that the awards that would usually be made under the LTIP (and PVSP for the wider employee base) following the announcement of the 2015 Full-Year results will be postponed. This position will be kept under review and revisited later in the year; the Committee will determine whether to make these awards following the Half-Year results in August 2016 in view of prevailing market conditions. The Committee will adopt the same approach as for FY2015 with respect to bonuses for FY2016. A full bonus scorecard has been set, but the Committee will continue to consider carefully the oil market outlook, the Company's position and the outcome for 2016 in deciding whether and at what level to award bonuses for 2016.

The 2016 performance targets are set out in general terms on page 107. For reasons of commercial sensitivity detailed figures are not given. Our intention is to publish these, together with the bonus outcome, in the Annual Report on Remuneration for 2016. As referred to above, we have disclosed the performance targets and achievement against these targets for the 2015 annual bonus on page 102.

The biennial review of the Chairman's and Non-Executive Directors' fees has been postponed for a further year; hence there are also no increases in fees for the Chairman and Non-Executive Directors.

The Committee encourages dialogue with its major shareholders and remains keen to hear shareholders' views on remuneration matters.

On behalf of the Committee, I would like to thank shareholders for their continuing support.

Jane Hinkley
Chairman of the Remuneration Committee

24 February 2016

Compliance statement

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in the auditor's opinion, those parts of the report have been properly prepared in accordance with the above regulations. The Chairman's Annual Statement and the Policy Report are not subject to audit. The sections of the Annual Report on Remuneration that are subject to audit are indicated accordingly.

Policy report

This section of the Remuneration Report sets out the Remuneration Policy which was approved by shareholders at the Annual General Meeting held on 14 May 2014 and has been effective since that date.

The Policy remains unchanged and will therefore not be put to a shareholder vote at the 2016 Annual General Meeting ('AGM'). Shareholder approval will next be sought no later than at the AGM to be held in 2017. The Remuneration Policy has been included in this Annual Report in full (using updated data in the scenario charts) to provide the context within which the Committee has conducted its work during the year and has been updated for:

- consideration of shareholder views; this section has been updated to reflect activity since the last report to shareholders;
- Non-Executive Director remuneration; this section has been updated to reflect the date of Mike Welton's current appointment letter which was renewed during the year;
- the introduction of a new long-term incentive plan for the wider employee population (excluding Executive Directors and senior management).

The Annual Report on Remuneration on pages 99 to 114 sets out how the Policy has been applied during 2015 and how it will be applied throughout the remainder of 2016 and will be put to an advisory vote at the 2016 AGM.

The Committee regularly reviews the Policy to ensure it supports shareholder interests and closely reflects business strategy. Remuneration packages are intended to be sufficiently competitive to attract, retain and motivate individuals of the quality required to achieve the Group's objectives and thereby enhance shareholder value. The Committee aims to ensure that pay rewards all employees fairly and responsibly for their contributions. In addition, the Committee aims to ensure that the Policy does not raise environmental, operational, social or governance risks by inadvertently motivating irresponsible behaviours.

Specifically, remuneration packages are designed with the following objectives in mind:

- to gear remuneration significantly towards performance-related pay to support direct alignment with shareholders and a highly performance-oriented culture;
- to provide annual incentives that reward achievement of short-term objectives key to delivering the long-term strategy, encompassing financial, operational and strategic measures;
- to ensure a particular emphasis on long-term performance, to encourage direct alignment with shareholders, retention and long-term motivation;
- to incorporate significant deferral requirements to support staff retention and lengthen the incentive time horizon; and
- to ensure incentive payments are commensurate with the Company's underlying performance.

Executive Director Policy

A summary of the Policy for Executive Directors is set out below:

Salary

Purpose and link to strategy	<ul style="list-style-type: none"> To provide an appropriate level of salary to support recruitment and retention, and with due regard to the role and the individual's responsibilities and experience
Operation	<ul style="list-style-type: none"> Typically reviewed annually with reference to Company and individual performance, each executive's responsibilities and experience, the external market for talent, and salary increases across the Group Salaries are benchmarked against three relevant comparator groups, comprising: <ol style="list-style-type: none"> international oil & gas sector companies, (ii) the constituents of the LTIP TSR comparator group, and UK-listed companies of a similar market capitalisation and revenue to Premier Adjustments are normally effective 1 January Salaries are paid monthly in arrears
Opportunity	<ul style="list-style-type: none"> Salary increases are awarded taking into account the outcome of the review and also broader circumstances (including, but not limited to, a material increase in job complexity and inflation) Salary increases will normally be in line with increases awarded to other employees. However, the Committee may make additional adjustments in certain circumstances to reflect, for example, an increase in scope or responsibility, to address a gap in market positioning and/or to reward performance of an individual The Executive Director salaries for the financial year under review are disclosed in the Annual Report on Remuneration
Performance metrics	<ul style="list-style-type: none"> Not applicable

Pension

Purpose and link to strategy	<ul style="list-style-type: none"> To help provide a competitive pension provision
Operation	<ul style="list-style-type: none"> Executive Directors who join Premier on or after 20 August 2013 are eligible to participate in the Company's defined contribution personal pension plan and/or receive an equivalent cash supplement For Executive Directors who joined prior to 20 August 2013, the Company provides a pension substantially as if they are contributing members of the Company's final salary Retirement and Death Benefits Plan (the 'Scheme'), which was closed to new members in 1997 The only pensionable element of pay is salary
Opportunity	<ul style="list-style-type: none"> Executive Directors who join Premier on or after 20 August 2013 receive pension contributions and/or an equivalent cash supplement equal to 20 per cent of salary For Executive Directors who joined prior to 20 August 2013 the Scheme provides a payment on broadly a fiftieths accrual basis up to two-thirds of salary at age 60, with benefits actuarially reduced on early retirement and pensions in payment increased in line with the lower of inflation, or five per cent per annum. The Scheme is subject to an internal earnings cap which is reviewed annually but for Executive Directors, the Company provides for pension benefits above the earnings cap through a 'pension promise', based on the cash equivalent transfer value of benefits accrued within the defined benefit scheme for earnings above the earnings cap. The way that this promise is currently administered is as follows: <ol style="list-style-type: none"> Executive Directors are given a pension allowance equal to 20 per cent of uncapped salary. This may either be paid into a pension scheme and/or as a salary supplement Executive Directors accrue notional defined benefits entitlement within the defined benefits scheme To the extent that payments made under '1.' above are not paid into the Scheme, they are deemed to have been invested into a life fund At the point that a Director departs or retires, a comparison is undertaken between the value of the notional defined contribution pot outlined in '3.' above and the cash equivalent transfer value of the notional defined benefits. Subject to appropriate deductions, the differential is available either as a contribution into their pension plan or a cash payment Regular reviews are carried out to assess the extent to which the payments already made to each Director are projected to be sufficient to provide the accrued component of their target pension; where such reviews indicate a shortfall, the Company may provide an additional payment
Performance metrics	<ul style="list-style-type: none"> Not applicable

Policy report continued**Executive Director Policy continued****Benefits**

Purpose and link to strategy	<ul style="list-style-type: none"> To provide a benefits package competitive in the market for talent
Operation	<ul style="list-style-type: none"> Executive Directors receive a competitive benefits package, which may include medical and dental insurance, car allowance, life assurance and critical illness cover, expatriate benefits, relocation allowance, health checks and a subsidised gym membership Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual Director
Opportunity	<ul style="list-style-type: none"> Set at a level which the Committee considers appropriate for the role and individual circumstances The benefits payable to the Executive Directors during the financial year under review are disclosed in the Annual Report on Remuneration
Performance metrics	<ul style="list-style-type: none"> Not applicable

Share Incentive Plan ('SIP')

Purpose and link to strategy	<ul style="list-style-type: none"> To encourage share ownership in Premier
Operation	<ul style="list-style-type: none"> An HMRC approved scheme under which employees (including Executive Directors) are invited to make contributions to buy partnership shares using gross pay. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares with 'matching shares' which are subject to continued employment for a minimum of three years Dividends accrue on both partnership shares and matching shares, and any historical free shares (no longer awarded), and are automatically reinvested
Opportunity	<ul style="list-style-type: none"> Employees may spend up to the HMRC permitted allowance to buy partnership shares Matching shares are granted based on investment in partnership shares and up to the HMRC permitted match
Performance metrics	<ul style="list-style-type: none"> Not applicable

Save As You Earn ('SAYE')

Purpose and link to strategy	<ul style="list-style-type: none"> To encourage share ownership in Premier
Operation	<ul style="list-style-type: none"> An HMRC approved scheme under which employees (including Executive Directors) are invited to make regular monthly contributions over three or five years to purchase shares through options which are granted at a 20 per cent discount to the mid-market closing price on the day prior to the date of grant
Opportunity	<ul style="list-style-type: none"> Employees may save up to the HMRC permitted allowance
Performance metrics	<ul style="list-style-type: none"> Not applicable

Annual bonus
Purpose and link to strategy

- To reinforce the delivery of key short-term financial and operational objectives and, through the deferred share element, help ensure alignment with shareholders and support retention

Operation

- Performance is measured on an annual basis for each financial year measured against stretching but achievable financial and non-financial targets, comprising Key Performance Indicators ('KPIs'), other corporate objectives and personal performance
- Performance measures, weightings and targets are set at the beginning of the year and weighted to reflect business priorities
- Each performance measure has Threshold and Stretch targets. The final bonus outcome is determined by the Committee, having assessed achievement against corporate as well as personal targets, taking into account the Committee's broader assessment of overall Company performance
- Annual bonus awards up to 50 per cent of salary are paid in cash. Any annual bonus earned above 50 per cent of salary is deferred in shares for three years
- Dividend equivalents accrue on deferred share awards and are paid on vesting, in accordance with the rules of the bonus plan
- Annual bonus payouts and deferred shares are also subject to malus and clawback in the event of material misstatement of the Company's financial results, gross misconduct, or material error in the calculation of performance conditions
- The Committee may exercise malus and clawback until the later of: (i) one year from the payment of the bonus or the vesting of the shares, or (ii) the completion of the next audit after payment/vesting

Opportunity

- The annual bonus provides for awards of between 0 per cent and 100 per cent of salary for Executive Directors

Performance metrics

- Performance is assessed against a scorecard encompassing several performance categories, which may include some or all of: production; exploration; Health, Safety, Environment and Security; finance; business development; and personal and strategic objectives
 - Normally, the Committee would not expect the weighting for any performance category to be higher than 50 per cent. However, it retains discretion to adjust weightings to align with the business plan for each year
 - The Committee uses its judgement to determine the overall scorecard outcome based on the achievement of the targets and the Committee's broad assessment of Company performance
 - Further details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration on page 102
-

Policy report continued

Executive Director Policy continued

Long Term Incentive Plan ('LTIP')

Purpose and link to strategy	<ul style="list-style-type: none"> To support alignment with shareholders by reinforcing the delivery of absolute and relative returns to shareholders, through the delivery of strong share price growth and relative stock market out-performance over the long term, and with due regard for the underlying financial and operational performance of the Company
Operation	<ul style="list-style-type: none"> The LTIP comprises three elements: Equity Pool Awards, Performance Share Awards and Matching Share Awards Equity Pool Awards are based on an allocation of units in the Equity Pool. The Equity Pool is funded by a percentage share of the growth in the Company's equity value per share over a performance period, if growth above the threshold level has been achieved. At the end of a performance period, Equity Pool Awards are awarded as shares calculated on the mid-market closing share price on the day prior to the date of award Performance Share Awards are conditional share awards granted annually, with the grant value defined as a percentage of salary at the date of grant Equity Pool Awards and Performance Share Awards are measured over three years. 50 per cent of the shares vesting from the Equity Pool and Performance Shares are subject to compulsory deferral for a further three years and are eligible for a discretionary Matching Share Award, which is granted as shares and is subject to a further three-year performance period For Performance Share Awards and Matching Share Awards, dividend equivalents may accrue and be paid on vesting in proportion to performance achieved, in accordance with the rules of the Plan Award levels are reviewed before each award cycle to ensure they remain appropriate All LTIP awards are subject to malus and clawback in the event of a material misstatement of the Company's financial results, gross misconduct, or material error in the calculation of performance conditions The Committee may exercise malus and clawback until the later of: (i) one year from vesting, or (ii) the completion of the next audit after vesting
Opportunity	<ul style="list-style-type: none"> Executive Directors may be awarded a share of the Equity Pool. The Committee intends to continue with the existing approach of awarding not more than 6 per cent of the Equity Pool to any one individual, though it retains the discretion under the Plan to award more than 6 per cent in exceptional circumstances, such as recruitment but not in relation to the retention of an existing Executive Director. In any other exceptional circumstances where the Committee decides to exercise its discretion to make an Equity Pool award, it shall not exceed 10 per cent of the Equity Pool The value of vested awards is subject to a limit of 100 per cent of salary, but which may be exceeded, at the discretion of the Committee, up to the full value warranted by the size of the Equity Pool provided the Committee is satisfied with the underlying performance of the Company. The Committee also has discretion to reduce the size of the Equity Pool if the formulaic outcome is not reflective of the Company's underlying performance Performance Share Awards may be granted up to 150 per cent of salary Matching Share Awards may be granted up to 2.5 times the number of shares deferred
Performance metrics	<ul style="list-style-type: none"> The funding of the Equity Pool is based on three-year annualised compound growth in the Company's equity value per share. Threshold performance requires compound growth in the Company's equity value per share of at least 10 per cent per annum at which 1 per cent of the compound growth is credited to the Equity Pool. A maximum of 2.5 per cent of the compound growth is credited to the Equity Pool when growth in equity value per share is 20 per cent per annum. The funding rate is based on straight-line interpolation between these points Performance Share Awards vest on three-year TSR relative to a comparator group of international oil and gas sector peers. 25 per cent vests for median performance, with full vesting for upper quartile performance and straight-line vesting in between Matching Share Awards vest on three-year TSR relative to a comparator group of international oil and gas sector peers. 25 per cent vests for median performance, with full vesting for upper decile performance and straight-line vesting in between Before finalising long-term incentive payouts, the Committee assesses the underlying financial and operational performance of the Company, and if appropriate, may reduce the level of vesting. In assessing the underlying performance of the Company, the Committee may consider Net Asset Value per share, finding and development costs per barrel, delivery of the strategy, relative TSR, returns on invested capital, reserves replacement, operating cash flow, earnings per share ('EPS') growth, health and safety record, and other measures as the Committee deems appropriate Ahead of each performance cycle, the Committee may review and adjust the TSR comparator group for future cycles to ensure relevance to Premier. The Committee may adjust the TSR comparator group of outstanding cycles in the event that a TSR comparator ceases to exist, de-lists or is acquired or the Committee deems it to be no longer a suitable comparator

Further details on the Policy

Performance measure selection

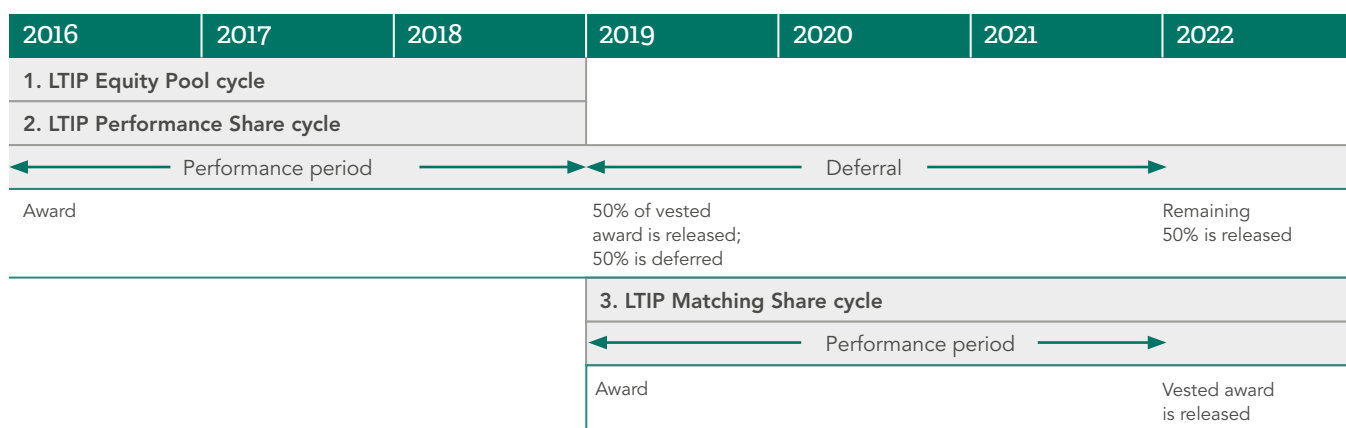
Annual bonus

The annual bonus is based on a corporate scorecard capturing financial, operational and strategic objectives that are key to achieving our long-term strategy. Performance measures, weightings and targets are set at the beginning of the year to reflect KPIs, business priorities and other corporate objectives, and encompassing both financial and non-financial criteria.

Performance targets are set at such a level as to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given performance period.

Long Term Incentive Plan

The LTIP ensures alignment with shareholders, being based on both absolute and relative TSR. The diagram below illustrates how the three elements of the LTIP operate. A single cycle of the LTIP covers a total of six years:



The Committee believes TSR appropriately rewards the delivery of the Company's strategy and also aligns management's interests with those of shareholders. Absolute TSR captures the absolute return delivered to shareholders and relative TSR measures performance on a relative basis, thereby helping to negate the impact of uncontrollable forces such as oil price movements on the reward delivered through the LTIP. The review of the Company's underlying performance before LTIP payouts are finalised ensures the impact of external factors are taken into account where appropriate. The performance measures applied to LTIP awards are reviewed periodically to ensure they continue to support shareholders' interests and are appropriately aligned to Premier's long-term strategy.

Targets are geared to provide the opportunity to achieve above market levels of pay only through exceptional sustained relative TSR performance over six years.

Remuneration policy for other employees

The Company's policy for all employees is to provide remuneration packages which reward them fairly and responsibly for their contributions.

All employees participate in the Company's incentive structures and, like the remuneration package for Executive Directors, remuneration is structured such that a proportion of total remuneration is potentially delivered through long-term share-based incentives to ensure maximum alignment with shareholders. In 2015, the Committee approved the introduction of a new share incentive plan (the 'Performance Value Share Plan' or 'PVSP') for the broader employee population. This moves away from the 'one size fits all' reward philosophy of the 2009 Long Term Incentive Plan which was broadly operated in the same way for executives, senior management and the wider employee population. The PVSP is a much simpler long-term incentive scheme which we believe better reflects the evolution of the Company and will better serve to motivate employees within the wider Group, and continues to incorporate performance measures based on both relative and absolute total shareholder return to help ensure continued alignment with our shareholders. For clarity, Executive Directors may not participate in the PVSP.

Similarly, all employees are eligible to receive an annual bonus, with measures and targets tailored to individual business units and responsibilities as appropriate. The specific bonus framework varies by job level and scope to ensure annual incentives support motivation and retention accordingly. These schemes provide a clear link between pay and performance, ensuring that superior remuneration is paid only if superior performance is delivered.

Share ownership requirements

The Committee aims to ensure that our Remuneration Policy serves shareholder interests and closely reflects the Group's business strategy. Further, the Company recognises the importance of aligning the interests of Executive Directors with shareholders through the building up of a significant shareholding in the Company. Accordingly, the Company requires the Executive Directors to retain no less than 50 per cent of the net value of shares vesting under the Company's long-term incentive plans until such a time that they have reached a holding worth 100 per cent of salary (200 per cent for the Chief Executive Officer).

Details of the current shareholdings of the Executive Directors are in the Annual Report on Remuneration on page 108.

Policy report continued

Payments from existing awards

Any commitment made prior to, but due to be fulfilled after, 14 May 2014 (being the date on which the current Policy was approved by shareholders) will be honoured. The only outstanding commitment is as follows:

Robin Allan was employed by the Company between September 1986 and November 1999 and is entitled to a deferred pension under the Scheme in respect of this period of employment. The pension he had accrued as at November 1999 was £25,409. Further information on Robin Allan's pension arrangements is provided in the Annual Report on Remuneration on page 104.

Illustration of application of the Executive Director Remuneration Policy

Remuneration is significantly geared towards performance-orientated pay, with particular emphasis on long-term performance. For example, at 'on-target' performance, approximately 49 per cent of the CEO's remuneration package is delivered through variable components, rising to approximately 85 per cent at 'maximum' performance. The maximum value is delivered only if upper quartile TSR is delivered against sector peers over six years, with a requirement for upper decile performance in the last three years.

The performance scenario charts opposite show the estimated remuneration that could be received by the current Executive Directors for 2016, both in absolute terms and as a proportion of the total package under different performance scenarios. The assumptions underlying each performance scenario are detailed in the table below:

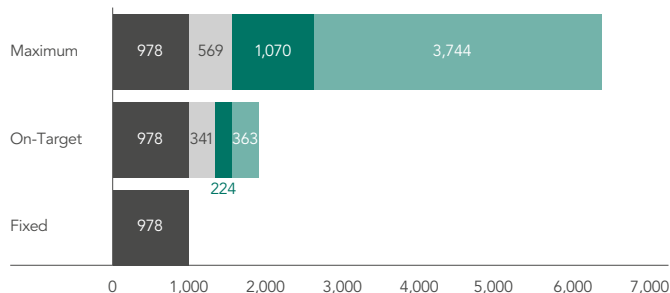
Remuneration receivable for different performance scenarios			
Fixed pay	<ul style="list-style-type: none"> • 2016 salary, as disclosed in the Annual Report on Remuneration on page 106 • 2016 estimated taxable benefits • Pension contribution of 20 per cent of salary for the Finance Director and 2015 pension benefits for other Executive Directors as provided in the single figure table in the Annual Report on Remuneration on page 100 		
	Minimum	On-Target	Maximum
Annual bonus	Nil payout	Payout of 60 per cent of salary	Payout of 100 per cent of salary
LTIP	Nil payout	<ul style="list-style-type: none"> • Equity Pool based on 1 per cent of the change in market value and equity value per share appreciation of 10 per cent per annum compound growth • Performance Shares vesting at 25 per cent of award • Matching Share Awards (matched over deferred Equity Pool Awards and Performance Share Awards) vesting at 25 per cent of award 	<ul style="list-style-type: none"> • Equity Pool equity value per share growth based on 2.5 per cent of the change in market value and equity value per share appreciation of 20 per cent per annum compound growth • All Performance Shares vest in full • All Matching Share Awards (matched over deferred Equity Pool Awards and Performance Share Awards) vest in full

Illustration of application of the Executive Director Remuneration Policy continued

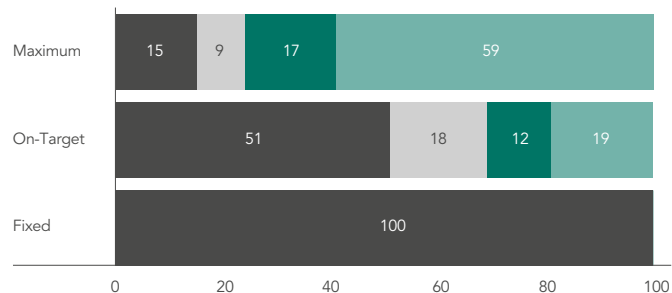
The charts below illustrate the potential reward opportunities for each of the current Executive Directors for the three performance scenarios.

Tony Durrant, Chief Executive Officer

(£'000s)

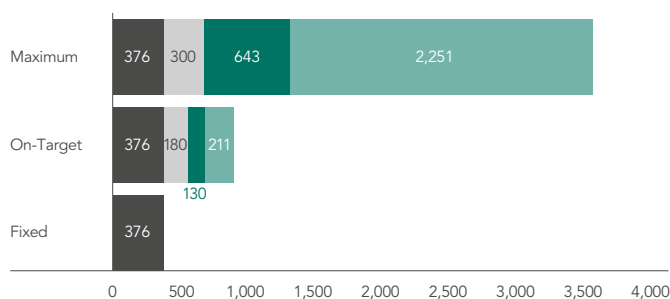


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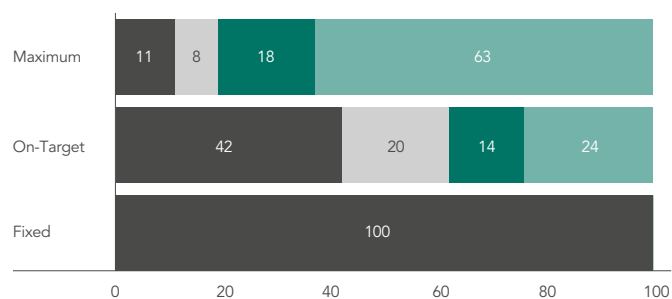


Richard Rose, Finance Director¹

(£'000s)



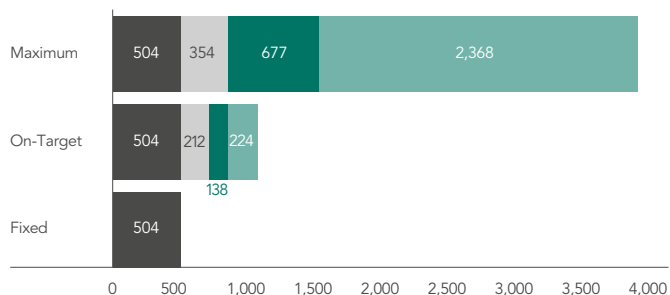
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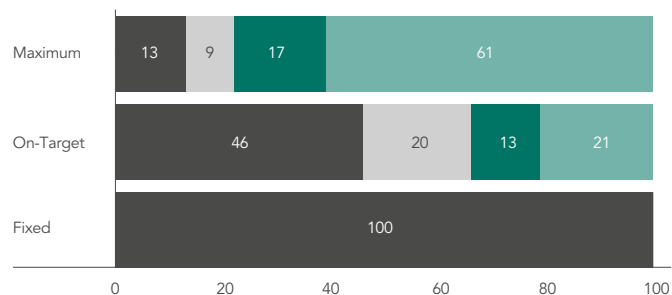
¹ Charts for Richard Rose do not include the Conditional Share Award made to him in 2014 to "buy-out" the share awards forfeited on resignation from his former employer.

Robin Allan, Director, North Sea and Exploration

(£'000s)

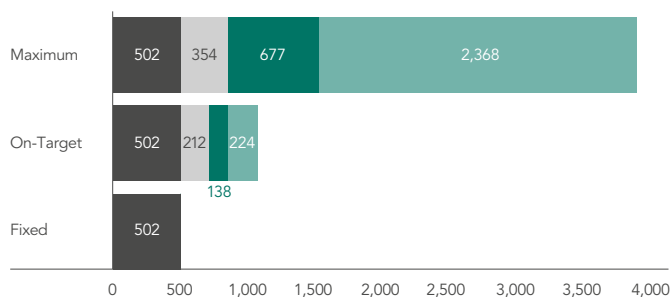


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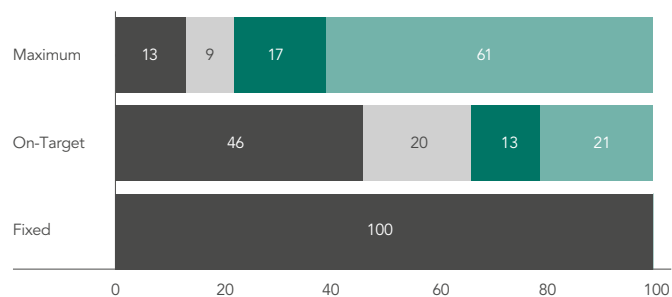


Neil Hawking, Director, South East Asia and Falkland Islands

(£'000s)



(%)



■ Fixed ■ Annual bonus ■ LTIP earned after 3 years ■ LTIP earned after 6 years

Note:

The valuation of Deferred Bonus Shares, Performance Share Awards ('PSA') and Matching Share Awards ('MSA') excludes share price appreciation. However, Equity Pool Awards ('EPA') assume equity value per share compound growth of 10 per cent per annum at on-target performance and equity value per share growth of 20 per cent per annum at maximum performance. It should also be noted that the LTIP is subject to a performance period of up to six years: EPA and PSA awards are assessed on three-year performance and MSA awards, which are based on the number of EPA and PSA shares deferred, are subject to a further three-year performance period.

Policy report continued

Approach to remuneration of Executive Directors on recruitment

In the cases of hiring or appointing a new Executive Director, the Committee may make use of all the existing components of remuneration.

The salaries of new appointees will be determined by reference to the experience and skills of the individual, relevant market data, internal relativities and their current salary. New appointees will be eligible to receive a personal pension, benefits and to participate in the Company's HMRC approved all-employee share schemes, in line with the Policy. The approach to variable pay on recruitment is summarised in the table below:

Component	Approach	Maximum annual opportunity
Annual bonus	The annual bonus described in the Policy Table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored towards the executive	100 per cent of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other Executive Directors, as described in the Policy Table	Equity Pool Awards: up to 6 per cent of the Equity Pool, which may be exceeded in exceptional circumstances (in which case awards shall not exceed 10 per cent of the Equity Pool) Performance Share Awards: up to 150 per cent of salary Matching Share Awards: up to 2.5 times the number of deferred Equity Pool Awards and deferred Performance Shares

When determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that the pay arrangements are in the best interests of both Premier and its shareholders. The Committee may consider it appropriate to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will use the existing Policy where possible or, in exceptional circumstances, the Committee may exercise the discretion available under Listing Rule 9.4.2R. The value of any such award will not be higher than the expected value of the outstanding equity awards and, in determining the expected value, the Committee will use a Black-Scholes, or equivalent, valuation and, where applicable, discount for any performance conditions attached to these awards.

In cases of appointing a new Executive Director by way of internal promotion, the Committee will apply the Policy for external appointees detailed above. However, the Committee will not use its discretion to award in excess of 6 per cent of the Equity Pool in relation to the retention of an existing Executive Director. Where an individual has contractual commitments that vary from our Policy for Executive Directors, but made prior to his or her promotion to Executive Director level, the Company will continue to honour these arrangements.

Service contracts and exit payments and change of control provisions

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate directors of the quality required to manage the Company. The service contract of each Executive Director may be terminated on 12 months' notice in writing by either party. Executive Directors' contracts are available to view at the Company's registered office.

Details of the service contracts of the current Executive Directors are as follows:

Director	Contract date	Unexpired term of contract
Robin Allan	09.12.03	Rolling contract
Tony Durrant	01.07.05	Rolling contract
Neil Hawkings	23.03.06	Rolling contract
Richard Rose	25.07.14	Rolling contract

The Company will consider termination payments in light of the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. In such an event, the remuneration commitments in respect of the Executive Director contracts could amount to one year's remuneration based on salary and benefits in kind and pension rights during the notice period, together with payment in lieu of any accrued but untaken holiday leave, if applicable. There are provisions for termination with less than 12 months' notice by the Company in certain circumstances.

Service contracts and exit payments and change of control provisions continued

If such circumstances were to arise, the Executive Director concerned would have no claim against the Company for damages or any other remedy in respect of the termination. The Committee would apply general principles of mitigation to any payment made to a departing Executive Director and will honour previous commitments as appropriate, considering each case on an individual basis.

The table below summarises how the awards under the annual bonus and LTIP are typically treated in different leaver scenarios and on a change of control. Whilst the Committee retains overall discretion on determining 'good leaver' status, it typically defines a 'good leaver' in circumstances such as retirement with agreement of the Company, ill health, disability, death, redundancy, or part of the business in which the individual is employed or engaged ceasing to be a member of the Group. Final treatment is subject to the Committee's discretion.

Event	Timing of vesting/award	Calculation of vesting/payment
Annual bonus		
'Good leaver'	<ul style="list-style-type: none"> Annual bonuses are paid at the same time as to continuing employees Unvested deferred share awards vest on cessation of employment 	<ul style="list-style-type: none"> Annual bonus is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked before cessation of employment
'Bad leaver'	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Individuals lose the right to their annual bonus and unvested deferred share awards
Change of control ¹	<ul style="list-style-type: none"> Annual bonuses are paid and unvested deferred share awards vest on effective date of change of control 	<ul style="list-style-type: none"> Annual bonus is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked to the effective date of change of control
LTIP		
'Good leaver'	<ul style="list-style-type: none"> On normal vesting date (or earlier at the Committee's discretion) 	<ul style="list-style-type: none"> Unvested awards vest to the extent that any performance conditions have been satisfied and a pro-rata reduction applies to the value of the awards to take into account the proportion of vesting period not served Deferred shares vest in full
'Bad leaver'	<ul style="list-style-type: none"> Unvested awards lapse 	<ul style="list-style-type: none"> Unvested awards lapse on cessation of employment Outstanding deferred shares vest on cessation of employment
Change of control ¹	<ul style="list-style-type: none"> On the date of the event 	<ul style="list-style-type: none"> Unvested awards vest to the extent that any performance conditions have been satisfied and a pro-rata reduction applies for the proportion of the vesting period not served Outstanding deferred shares vest in full

Note:

¹ In certain circumstances, the Committee may determine that deferred share awards under the annual bonus and both unvested and deferred awards under the LTIP will not vest on a change of control and instead be replaced by an equivalent grant of a new award, as determined by the Committee, in the new company.

Upon exit or change of control, SAYE and SIP awards will be treated in line with the approved plan rules.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee retains discretion to settle other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement (as provided for below) and, in which case, the individual is required to seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

External appointments

Executive Directors are entitled to accept non-executive director appointments outside the Company and retain any fees received providing that the Board's prior approval is obtained. Details of external directorships held by Executive Directors along with fees retained are provided in the Annual Report on Remuneration on page 109.

Policy report continued

Consideration of employment conditions elsewhere in the Company

The Committee does not specifically consult with employees over the effectiveness and appropriateness of the Policy. However, the Committee does consider the pay and conditions elsewhere in the Company, including how Company-wide pay tracks against the market. When awarding salary increases to Executive Directors, the Committee takes account of salary increases across the Group, particularly for those employees based in the UK. Further, the Company seeks to promote and maintain good relationships with employee representative bodies – including trade unions – as part of its employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates.

Consideration of shareholder views

The Committee aims to ensure that the Policy serves shareholder interests and is aligned with the Group's business strategy, market practice and evolving best practice. The Committee Chairman consults major shareholders and proxy advisers from time-to-time to discuss the Remuneration Policy. The Committee considers all feedback received from such consultations, as well as guidance from shareholder representative bodies more generally, to help to ensure the Policy is aligned with shareholder views. In December 2015, the Committee Chairman contacted Premier's major shareholders offering to discuss remuneration matters and providing an update on the Company's deliberations with respect to the Company's executive remuneration arrangements and, in particular, its LTIP arrangements. A formal consultation process will commence in 2016 prior to the next Policy renewal in 2017. Premier is mindful of the views it receives in its consultations.

Non-Executive Director Remuneration Policy

Non-Executive Directors have letters of appointment effective for a period of three years, subject to annual re-election by shareholders at each Annual General Meeting in accordance with the UK Corporate Governance Code. All letters of appointment have a notice period of three months and provide for no arrangements under which any Non-Executive Director is entitled to receive remuneration upon the early termination of his or her appointment. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Director	Year appointed director	Date of current appointment letter
Mike Welton	2009	16.10.2015
David Bamford	2014	07.04.2014
Anne Marie Cannon	2014	24.01.2014
Joe Darby	2007	17.10.2013
Jane Hinkley	2010	17.10.2013
David Lindsell	2008	16.01.2014
Michel Romieu	2008	16.01.2014

The Company's Articles of Association provide that the remuneration paid to Non-Executive Directors is to be determined by the Board within limits set by the shareholders. The Policy for the Chairman and Non-Executive Directors is as follows:

Fees	
Purpose and link to strategy	<ul style="list-style-type: none"> To provide fees that allow Premier to attract and retain Non-Executive Directors of the highest calibre
Operation	<ul style="list-style-type: none"> Fees for Non-Executive Directors are reviewed at least every two years Fees are set with reference to three relevant comparator groups, comprising: (i) international oil & gas sector companies, (ii) the constituents of the LTIP TSR comparator group, and (iii) UK-listed companies of a similar market cap and revenue to Premier. The fees also take into account the time commitments of the Non-Executive Directors Fees paid to the Chairman are determined by the Committee, while the fees of the other Non-Executive Directors are determined by the Board Additional fees are payable for acting as Senior Independent Director, and as Chairman of any of the Board's Committees Adjustments are normally effective 1 January The Non-Executive Director fees for the financial year under review are disclosed in the Annual Report on Remuneration
Opportunity	<ul style="list-style-type: none"> Non-Executive Director fees are set at a level that is considered appropriate in the light of relevant market practice and the size/complexity of the role
Performance metrics	<ul style="list-style-type: none"> Not applicable

Approach to Non-Executive Director recruitment remuneration

In the case of hiring or appointing a new Non-Executive Director, the Committee will follow the Policy as set out in the table above.

Annual Report on Remuneration

Remuneration Committee membership and considerations during 2015

Jane Hinkley is Chairman of the Remuneration Committee and there are three other members who are also independent Non-Executive Directors. David Bamford, Joe Darby and David Lindsell served as members throughout the year. Members of the Committee meet without any executives present for part of each meeting. The Chief Executive Officer attended meetings of the Committee by invitation but absented himself when the Committee discussed matters relating to the Chief Executive Officer's remuneration. Mike Fleming, Group HR Director, and Nigel Wilson, Corporate Services Director, attended meetings as appropriate. Stephen Huddle acted as Secretary to the Committee until his resignation as Company Secretary on 29 May 2015. Rachel Rickard acted as Secretary to the Committee from the date of her appointment as Company Secretary on 29 May 2015. Members of the Board and any other employees attending Committee meetings leave the meeting where their own remuneration is being discussed.

The Committee acts within its agreed written terms of reference, which are reviewed regularly and published on the Company's website www.premier-oil.com. The main responsibilities of the Committee include:

- determining the Remuneration Policy for Executive Directors and senior management;
- determining the individual remuneration packages for each Executive Director and any changes thereto;
- considering the design of, and determining targets for, the annual bonus plan;
- determining the quantum and performance conditions for long-term incentive awards;
- reviewing pension arrangements, service agreements and termination payments for Executive Directors;
- approving the Directors' Remuneration Report, ensuring compliance with related governance provisions and legislation;
- reviewing bonus outcomes; and
- considering the remuneration policies and practices across the organisation.

During 2015, the Committee met eight times (four scheduled meetings and four ad-hoc meetings). Key activities of the Committee during the year included:

- determining the remuneration for Executive Directors;
- reviewing pension arrangements for Executive Directors;
- determining the termination arrangements for Andrew Lodge who stepped down from the Board on 30 June 2015;
- reviewing the current Long Term Incentive Plan and discussion of alternative arrangements;
- considering remuneration policies and practices across the organisation, in particular, the design of a new long-term incentive plan for the broader employee population (excluding Directors and certain members of senior management);
- determining the 2014 bonus outcome and bonus targets for 2015;
- making awards under the 2009 Long Term Incentive Plan, including setting performance conditions;
- monitoring performance of outstanding awards under the 2009 Long Term Incentive Plan;
- reviewing the Committee's terms of reference; and
- reviewing the Committee's performance.

Advisers

Kepler Associates, a brand of Mercer Limited which is part of the MMC group of companies ('Kepler'), is the independent adviser to the Committee. Kepler was appointed by the Committee in 2011 through a competitive tender process and was retained during the year. The Committee is of the view that Kepler provides independent remuneration advice to the Committee and does not have any connections with Premier that may impair its independence. Kepler is a founding member and signatory to the UK Remuneration Consultants' Code of Conduct which governs standards in the areas of transparency, integrity, objectivity, confidentiality, competence and due care, details of which can be found at www.remunerationconsultantsgroup.com. In 2015 Kepler provided advice on remuneration for executives and, in particular, on the Company's long-term incentive arrangements, reviewed the Directors' Remuneration Report, provided advice on market and best practice guidance, and attended Committee meetings. Kepler reports directly to the Committee and provides no other services to the Company. Its total fee for the provision of remuneration services in 2015 was £109,737 on the basis of time and materials.

During the year the Committee also took advice from PwC to provide performance updates on outstanding LTIP awards, including the vesting of the 2013 Equity Pool, Performance Share Awards and Matching Share Awards. Total fees for PwC for the provision of remuneration services in 2015 were £35,000 on a fixed fee basis. The Committee also sought advice from Berwin, Leighton & Paisner LLP in relation to service and settlement agreements as well as a review of Executive Director pension arrangements. Total fees for Berwin, Leighton & Paisner LLP were £85,379 on the basis of time and materials.

The Committee evaluates the support provided by its advisers annually and is satisfied that the advice it received in 2015 was objective and independent.

Annual Report on Remuneration continued

Voting on remuneration matters

Section 439A of the Companies Act 2006 (the 'Act') requires the Remuneration Policy to be submitted to shareholders for a binding vote every three years or where there is a change in the Remuneration Policy. The Remuneration Policy was last approved by shareholders at the Company's 2014 AGM by way of a binding vote and the votes received are detailed in the table below. As there were no changes proposed to the Remuneration Policy for 2015, it was not submitted to shareholders for approval at the 2015 AGM. The resolution put to shareholders at the 2015 AGM relating to Directors' remuneration was a resolution to approve the Directors' Annual Report on Remuneration and, in accordance with the Act, the resolution was subject to an advisory vote. The votes received are also set out in the table below.

Resolution	Votes FOR and % of votes cast		Votes AGAINST and % of votes cast		Votes WITHHELD
Directors' Remuneration Policy (2014 AGM)	289,525,378	86.12%	46,648,769	13.88%	2,542,395
Directors' Annual Report on Remuneration (2015 AGM)	334,885,868	99.06%	3,180,473	0.94%	124,306

No changes are proposed to the Remuneration Policy for 2016 and therefore a resolution to approve the Remuneration Policy will not be put forward to shareholders at the 2016 AGM. In accordance with the Act, a resolution to approve the Remuneration Policy will next be submitted to shareholders for a binding vote at the 2017 AGM.

At the 2016 AGM, the Directors' Annual Report on Remuneration will be put to shareholders for approval by way of an advisory vote.

Single total figure of remuneration for Executive and Non-Executive Directors (audited)

Single total figure of remuneration for Executive Directors

The table below reports total remuneration for the year ended 31 December 2015 for each Executive Director who served as a Director at any time during the year. The information contained in the table is as prescribed by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and contains a single total figure of remuneration for each Executive Director.

Director	Salary ¹ £'000s		Taxable benefits ² £'000s		Annual bonus ³ £'000s		Long-term incentives ⁴ £'000s		Pension ⁵ £'000s		Other Payments ⁶ £'000s		Total £'000s	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Robin Allan	353.8	353.8	21.8	20.6	35.4	123.8	0	0	128.1	132.1	9.0	5.3	548.1	635.6
Tony Durrant⁷	569.0	480.6	23.3	21.4	56.9	192.3	0	0	385.2	140.1	6.0	3.7	1,040.4	838.1
Neil Hawkings	353.8	353.8	22.2	20.5	35.4	134.4	0	0	126.1	128.1	6.3	3.8	543.8	640.6
Richard Rose⁸	300.0	94.3	19.8	6.2	30.0	34.0	0	0	54.1	19.6	9.3	89.6	413.2	243.7
Former Director														
Andrew Lodge⁹	184.4	353.8	34.1	23.0	17.7	127.4	0	0	66.1	120.1	1.0	3.9	303.3	628.2

Notes to 2015 figures (unless stated):

- Salary is shown on a gross basis.
- Taxable benefits include medical and dental insurance, car allowance, life assurance and critical illness cover, health insurance and a subsidised gym membership. In particular, in 2015, all Executive Directors received a car allowance of £15,000.
- Annual bonus awarded for performance in the relevant financial year. See page 102 of the Annual Report on Remuneration for further details of the 2015 annual bonus awards to each Executive Director, including performance criteria, achievement and resulting awards.
- Long-term incentives include awards granted under Premier's 2009 Long Term Incentive Plan ('LTIP') subject to a performance period ending in the relevant financial year. In 2014 and 2015 the relevant performance targets for such awards were not achieved and the awards lapsed. Further details of performance conditions for the LTIP are contained on page 92.
- Richard Rose's pension figure includes a combination of pension contributions to the defined contribution scheme and a salary supplement. For other Executive Directors, pension figures are accrued pension entitlements under the Company's final salary scheme and exclude Director contributions. See page 104 of the Annual Report on Remuneration for further details on total pension entitlements for each Executive Director.
- Other payments include SIP awards and SAYE options granted in line with the Policy on page 90. Each Executive Director was awarded SIP Matching Awards during the year as detailed on page 114; SIP awards are valued as the number of Matching Awards granted multiplied by the share price at date of award. Tony Durrant and Neil Hawkings were each awarded a three-year SAYE option over 14,920 shares and Robin Allan and Richard Rose were each awarded a five-year SAYE option over 24,867 shares on 7 May 2015. The value of SAYE options is the embedded value at grant (20 per cent discount multiplied by the number of options granted). Full details of Executive Director SAYE options and SIP share awards are available on page 114 of the Annual Report on Remuneration. The 'other payments' figure for Richard Rose for 2014 also includes the value of his Conditional Share Award to "buy-out" the share awards he forfeited on resignation from his former employer.
- Tony Durrant was appointed to the position of Chief Executive Officer with effect from 25 June 2014. The figures for 2014 reflect the resulting increase in his salary and related bonus and pension payments for the period 25 June 2014 to 31 December 2014. The figures for 2015 reflect a full year's salary in relation to his position as Chief Executive Officer with no underlying increase taking place in 2015.
- Richard Rose joined the Company on 8 September 2014. Details shown for 2014 are for the period 8 September to 31 December 2014.
- Andrew Lodge left the Company on 30 June 2015. Details shown above are for the period 1 January to 30 June 2015. For further detail regarding Andrew Lodge's leaving arrangements, please see page 101. For the purpose of comparability with other Directors, the 2015 pension figure for Andrew Lodge was recalculated at 31 December 2015 using a statutory factor of 20. The amount he received as at his date of leaving was £338,200.

Single total figure of remuneration for Non-Executive Directors

Director	Base fee £'000s		Additional fees ¹ £'000s		Expenses ² £'000s		Total ³ £'000s	
	2015	2014	2015	2014	2015	2014	2015	2014
Mike Welton (Chairman)	169.6	169.6	–	–	–	–	169.6	169.6
David Bamford	53.0	35.3 ⁴	–	–	0.2	2.7	53.2	38.0 ⁴
Anne Marie Cannon	53.0	48.6 ⁵	–	–	–	–	53.0	48.6 ⁵
Joe Darby	53.0	53.0	10.6	10.6	1.6	1.8	65.2	65.4
Jane Hinkley	53.0	53.0	10.6	10.6	–	0.3	63.6	63.9
David Lindsell	53.0	53.0	10.6	10.6	–	–	63.6	63.6
Michel Romieu	53.0	53.0	–	–	1.4	4.8	54.4	57.8

Notes:

- 1 During the year, Joe Darby acted as Senior Independent Director, David Lindsell was Chairman of the Audit and Risk Committee, Jane Hinkley was Chairman of the Remuneration Committee and Mike Welton was the Company Chairman and was also Chairman of the Nomination Committee.
- 2 Amounts disclosed relate to travel and accommodation expenses paid to Non-Executive Directors in respect of qualifying services during the year.
- 3 The 2014 figures have been restated to include travel and accommodation expenses where applicable.
- 4 David Bamford joined the Company on 1 May 2014. His annual fee for 2014 was £53,000 per annum in line with the other Non-Executive Directors. The total figure shown for 2014 reflects the fee paid to him for service from 1 May to 31 December 2014.
- 5 Anne Marie Cannon joined the Company on 1 February 2014. Her annual fee for 2014 was £53,000 per annum in line with the other Non-Executive Directors. The total figure for 2014 shown reflects the fee paid to her for service from 1 February to 31 December 2014.

No fees were paid to Non-Executive Directors for membership of a Committee or for attending Committee meetings. Additional fees were payable of £10,600 (2014: £10,600) for acting as Senior Independent Director, as Chairman of the Audit and Risk Committee or as Chairman of the Remuneration Committee. The Company Chairman is also the Chairman of the Nomination Committee and currently waives any fee for this role. Fees for the Chairman and the Non-Executive Directors were last increased effective from 1 January 2013 following a review in 2012. Fees for the Chairman and Non-Executive Directors were originally scheduled to be reviewed in December 2014; the biennial review has been postponed for a further year. In view of the current market environment it was agreed that any increase in fee would be inappropriate at this point in time. The next review of fees for the Chairman and Non-Executive Directors is scheduled for the end of 2016 with any change proposed to take effect from 1 January 2017.

Executive Director changes (audited)

Andrew Lodge stepped down as an Executive Director and from his position as Exploration Director on 30 June 2015. The Committee determined Andrew Lodge's exit arrangements in accordance with his service agreement and the Remuneration Policy. The Committee determined Andrew Lodge would receive good leaver status in relation to outstanding incentive awards. The following arrangements were agreed:

A payment of 12 months' salary and benefits of £436,120 gross calculated as (a) base salary of £353,750 and (b) payment in lieu of benefits of £82,370 comprising car allowance, subsidised gym membership and pension. The Company will continue to provide life assurance cover (plus up to £3,000 for tax payable by Andrew Lodge on this cover) and private medical insurance for 12 months on the same basis as previously provided.

2015 Annual Bonus Payment

Under the terms of his contract, Andrew Lodge was entitled to receive his annual bonus payment for 2015 which has been reduced on a time worked basis to reflect his departure date of 30 June 2015. Full details are set out on pages 102 and 103.

Long Term Incentive Plan Awards

Andrew Lodge's existing LTIP awards will vest, subject to performance, having been pro-rated on a time worked basis, at their normal vesting date, in accordance with the good leaver provisions in the Company's LTIP rules.

Pension related benefits

In relation to the Company's contractual obligations to Andrew Lodge to provide a pension substantially as if he was a member of the defined benefit pension scheme without the earnings cap, the Company's obligations were settled by a lump sum payment of £338,200 gross.

Legal fees

Andrew Lodge received a contribution of £5,000 plus VAT towards legal fees incurred in connection with his departure.

The annual bonus payment and pension related benefits are included within the single total figure of remuneration table on page 100.

Annual Report on Remuneration continued

Annual bonus in respect of 2015 performance (audited)

In line with the Policy, during 2015 Executive Directors participated in non-pensionable annual bonus arrangements. The 2015 annual bonus provided for awards of between 0 per cent and 100 per cent of salary for Executive Directors. Annual performance was assessed against a performance scorecard encompassing health, safety, environment and security ('HSES'), production, development, exploration, finance, business development and organisation as well as personal performance.

In assessing the 2015 bonus payout, the Committee reviewed performance against each measure and applied judgement to determine the overall bonus level, taking into account other aspects of performance including overall Company performance and the oil sector environment.

The 2015 annual bonus scorecard was based 80 per cent on financial and operational targets and 20 per cent on personal objectives. The table below details the financial and operational performance categories, their relative weightings and achievement against specific targets. Each Executive Director's achievement against the personal targets is also summarised below.

KPI category	Subcategory	Measure	2015 Targets		Actual Performance	Weighting	Formulaic outcome for the year (% of total bonus opportunity)
			Performance target ranges				
			Threshold	Stretch			
Operating Safely	HSES	Group TRIR (frequency)	1.75	1.60	1.27	5%	5%
Building the strong production base	Production	Annual average rate of production (kboepd)	55.0	57.0	57.6	10%	10%
		Solan	Reach plateau rate of 20–25 kboepd (gross) by 31 December 2015	Reach plateau rate of 20–25 kboepd (gross) by 31 October 2015	Below threshold	12.5%	0%
	Development	Sea Lion	Complete Field Development Plan for Sea Lion (subject to final costs)	Complete Field Development Plan for Sea Lion (including final costs)	Above threshold	5%	2.5%
		Catcher	Project cost and schedule forecasts at year-end in line with Field Development Plan	Project specific savings of >5% identified in either Capex or Lease Rate	Above threshold	5%	2.5%
Delivering growth	Exploration	Resource estimate for single discovery (mbbls net)	>50	>100	14	10%	0%
Maintaining financial strength	Finance	Covenant headroom at 30 June and 31 December (US\$ million)	>100	>300	>900	10%	10%
Delivering Group strategy	Business Development	Deliver proceeds or Capex savings from Asset disposal programme (US\$ million)	250	500	120 ¹	10%	0%
	Organisation	Operating Expenditure Budget delivery (US\$ million)	Operating Expenditure of <361 and gross G&A (pre-LTIP) of <233	Operating Expenditure of <343 and gross G&A (pre-LTIP) of <221	Operating Expenditure: above stretch Gross G&A: above stretch	12.5%	12.5%
Sub-total: Corporate KPIs						80%	42.5%
Personal	Tony Durrant	A selection of targets relating to strategic planning, shareholder engagement, leadership and senior management succession planning.					15.6%
	Robin Allan	A combination of production and development targets supporting the corporate KPIs as well as succession planning for key reporting roles.					13.3%
	Neil Hawkings	A selection of targets supporting execution of Sea Lion including financing, HSES and systems.				20%	15.3%
	Richard Rose	A combination of targets supporting the corporate KPIs and including maintaining financial strength, cost controls, systems and maximising income.					15.6%
Total:						100%	Between 55.8% and 58.1%
Total (following exercise of Committee discretion):						100%	10%

Note:

¹ This figure relates to the disposal of Premier Oil Norge AS (Premier's Norwegian business) to Det norske oljeselskap ASA for a net cash consideration of US\$120 million.

The formulaic total bonus outcome ranged between 55.8 per cent and 58.1 per cent. However, in view of the harsh economic environment prevailing in the upstream oil sector following the collapse in oil prices and the consequent fall in Premier's share price, the Committee decided to award a bonus of 10 per cent of salary to the Executive Directors. The Committee feels that this decision recognises the strong operational performance, and, in particular, the drive for efficiency and cost constraint by the executive leadership team, whilst acknowledging the impact of low oil prices on shareholders. The bonus award for all staff was also set at 10 per cent of salary for those who 'met expectations' and above in their annual performance review. The Executive Directors had a proportionately higher reduction to their award than other staff, given their higher level of bonus opportunity.

Bonus award in respect of 2015 performance (audited)

Annual bonuses were paid as cash and are summarised in the table below:

Director	Bonus as % of salary	Cash £'000
Robin Allan	10%	35.4
Tony Durrant	10%	56.9
Neil Hawkings	10%	35.4
Richard Rose	10%	30.0
Former Director		
Andrew Lodge ¹	10% (and pro-rated)	17.7

Note:

1 Andrew Lodge left the Company on 30 June 2015. The Committee determined that the bonus would be 10 per cent of Andrew Lodge's annual salary as at 30 June 2015 pro-rated to his term of service during 2015.

LTIP vesting outcomes in 2015 (audited)

LTIP awards were granted in 2013 as Equity Pool Awards, Performance Share Awards and Matching Share Awards (matched over deferred awards under the LTIP 2010 award (see page 92 for further detail on the LTIP)). The 2013 LTIP award cycles completed their three-year performance periods on 31 December 2015. The vesting conditions of these awards are the same as described in the Policy Table on page 92.

The constituents of the comparator group for the 2013 Performance Share Award and 2013 Matching Share Award cycles are detailed on page 113 of the Annual Report on Remuneration.

The outcomes of the 2013 LTIP awards are as follows:

- Equity Pool Awards: over the performance period, the threshold of 10 per cent compound annual growth was not met, and, as a result, awards under the 2013 Equity Pool will not vest.
- Performance Share Awards: over the performance period, the Company's TSR was below the median of the comparator group. As a result, the 2013 Performance Share Awards will not vest as the threshold was not met.
- Matching Share Awards: over the performance period, the Company's TSR was below the median of the comparator group. As a result, 2013 Matching Share Awards will not vest as the threshold was not met.

LTIP awards granted in 2015 (audited)

The table below summarises the LTIP awards granted to Executive Directors in 2015 under the 2015–2017 cycle, in line with the Policy detailed on page 92. Performance for these awards is measured between 1 January 2015 and 31 December 2017, and is based on equity value per share and relative TSR as detailed in the Policy Table. As the 2012 LTIP awards did not vest in 2015, no corresponding Matching Share Awards were granted during 2015.

2015–2017 cycle

Director	Award date	Equity Pool Award ¹			Performance Share Award ^{2,3}	
		% of Pool	Number of Equity Pool Award points	Face value ⁴ £'000s	Shares awarded	Face value ⁵ £'000s
Robin Allan	27.02.15	4.25%	637.50	911.0	264,308	442.2
Tony Durrant	27.02.15	6.00%	900.00	1,286.1	510,161	853.5
Neil Hawkings	27.02.15	4.25%	637.50	911.0	264,308	442.2
Richard Rose	27.02.15	4.25%	637.50	911.0	224,148	375.0
Former Director						
Andrew Lodge ⁶	27.02.15	4.25%	637.50	911.0	264,308	442.2

Notes:

- 1 For Equity Pool Awards, the percentage of maximum received for achieving threshold performance is 18.2 per cent. This has been calculated as the payout for achieving growth in equity value of 10 per cent per annum divided by the face value of the Awards.
- 2 For Performance Share Awards, 25 per cent of the shares awarded would be received for threshold performance, which is TSR equal to the median of the comparator group.
- 3 Any dividends paid accrue on Performance Share Awards and will be paid on vesting as cash or shares, in proportion to performance achieved.
- 4 For Equity Pool Awards, the face value represents the full vesting value (at growth in equity value per share of 20 per cent per annum) assuming the Committee exercises its discretion to allow vesting at higher than 100 per cent of salary.
- 5 For Performance Share Awards, face value is calculated as the maximum number of shares that would vest if targets were met in full, multiplied by the closing mid-market price on the dealing day immediately preceding the date of award: £1.673 on 26 February 2015.
- 6 Andrew Lodge left the Company on 30 June 2015. His LTIP awards will be treated in accordance with the good leaver provisions in the LTIP rules such that the awards will be pro-rated on a time worked basis and any remaining awards will vest at their normal vesting date subject to performance. The award shown above represents the total amount awarded on 27.02.15 prior to any pro-rata adjustment.

The constituents of the comparator group for outstanding Performance Share Award and Matching Share Award cycles are detailed on page 113 of the Annual Report on Remuneration.

Annual Report on Remuneration continued

Total pension entitlements (audited)

In line with the Policy, as Directors who joined the Company prior to 20 August 2013, Robin Allan, Tony Durrant and Neil Hawkings receive a pension substantially as if they were contributing members of the Company's final salary Retirement and Death Benefits Plan (the 'Scheme') and, in regard to service completed subsequent to their appointment as Directors, not subject to the Scheme's cap on pensionable earnings (£149,400 for 2016).

As a Director who joined the Company after 20 August 2013, Richard Rose is entitled to receive a pension contribution and/or cash supplement equal to 20 per cent of his salary.

The accrued pension entitlements of the Directors who were members (or deemed members) of the Scheme during 2015 are as follows:

Director	(a) Accrued pension as at 31 December 2014 £'000s pa	(b) Accrued pension in (a) after allowing for inflation £'000s pa	(c) Accrued pension as at 31 December 2015 £'000s pa	(d) Value of growth in accrued pension above inflation £'000s	(e) Deduction for deemed contributions by Director £'000s	(f) Value of growth in accrued pension above inflation less deemed contributions by Director £'000s
Robin Allan ⁵	71.4	72.3	79.7	148.0	19.9	128.1
Tony Durrant	67.7	68.5	89.4	418.0	32.8	385.2
Neil Hawkings	56.8	57.5	64.8	146.0	19.9	126.1
Former Director						
Andrew Lodge ⁶	36.8	37.2	41.0	76.0	9.9	66.1

Notes:

- The amounts of accrued pension under (a) and (c) represent the accrued pension entitlements of the Director as at the stated dates.
- The values under (d) have been calculated by applying a capitalisation factor of 20 to the difference between amounts shown in (c) and (b) and are principally due to the additional pension accrued over the year.
- The values stated above correspond with the target level of final salary pension provision; in practice, the pension benefits for these Directors are principally established through individual money purchase arrangements and salary supplements.
- Members of the Scheme have the option to pay additional voluntary contributions; none of the Directors have elected to do so.
- In addition to the current provision noted above, Robin Allan is entitled to a deferred pension under the Scheme in respect of service with the Company between September 1986 and November 1999.
- Andrew Lodge left service on 30 June 2015; the accrued pension under (c) relates to service completed up to that date. The value of growth in accrued pension under (f) was calculated at 31 December 2015 using a capitalisation factor of 20.

In respect of 2015, Tony Durrant and Neil Hawkings elected to receive a salary supplement, whilst Robin Allan and Andrew Lodge elected to receive a combination of pension contributions and a salary supplement. During the year a review was carried out for the Directors who were members (or deemed members) of the Scheme to assess the extent to which the payments already made to each Director are projected to be sufficient to provide the accrued component of their target pension. In January 2015, the Committee decided not to make the target funding payments for the prior year and following the review in December 2015, the Committee approved target funding payments for Robin Allan, Tony Durrant and Neil Hawkings, as detailed in the table below, reflecting the level of increase required to meet 90 per cent of the accrued target pension values. These payments were approved for payment in four instalments during the course of 2016, the first of which was made in January 2016.

Richard Rose receives a combination of pension contributions (to the defined contribution scheme) and a salary supplement totalling 20 per cent of salary.

Payments made by the Company in respect of pension benefits in relation to 2015 are also summarised below:

Director	Salary supplements £'000s	Pension contributions £'000s	Target funding payments £'000s	Total pension benefits paid by Company £'000s
Robin Allan	27.0	40.0	480.8 ¹	547.8
Tony Durrant	100.0	–	579.1 ¹	679.1
Neil Hawkings	62.2	–	342.3 ¹	404.5
Richard Rose	18.1	36.0	N/A	54.1
Former Director				
Andrew Lodge	80.5 ²	20.0	338.2 ³	438.7

Notes:

- The target funding payments for Robin Allan, Tony Durrant and Neil Hawkings relate to pension top-up payments approved by the Committee in December 2015 to be made in four instalments during 2016.
- The salary supplement figure for Andrew Lodge includes pension payments in lieu of notice totalling £67,020.
- In relation to the Company's contractual obligations to Andrew Lodge to provide a pension substantially as if he was a member of the defined benefit pension scheme without the earnings cap, the Company's obligations were settled by a lump sum payment of £338,200.

Percentage change in CEO remuneration

The table below shows the percentage change in CEO remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of all UK-based employees within the Company. The figures for 2014 reflect a combination of remuneration for Simon Lockett, Chief Executive Officer from 1 January to 24 June 2014, and Tony Durrant who was appointed Chief Executive Officer on 25 June 2014. The Company has chosen UK-based employees as the comparator group for the Company as a whole, due to countries outside the UK having significantly different inflation rates.

	CEO		UK-based employees ¹ (average per capita)	
	2015 £000s	2014 £000s	% change	% change
Salary	569.0	569.0	0%	3.5%
Taxable benefits	23.3	25.4	-8.27%	4.2%
Annual bonus	56.9	163.1	-65.1%	-51.3%
Total	649.2	757.5	-14.3%	-5.8%

Note:

1 UK-based employees who were employed for the full year in both 2014 and 2015.

Relative importance of spend on pay

The table below shows the Company's actual expenditure on shareholder distributions and total employee pay expenditure for the financial years ending 31 December 2014 and ending 31 December 2015. Total shareholder distribution expenditure is comprised of dividends and share buybacks. In December 2014, a decision was taken by the Board to postpone the share buyback programme pending a recovery in the oil price and as a result, no shares were re-purchased during 2015. The Company did not pay a dividend in the financial year ending 31 December 2015.

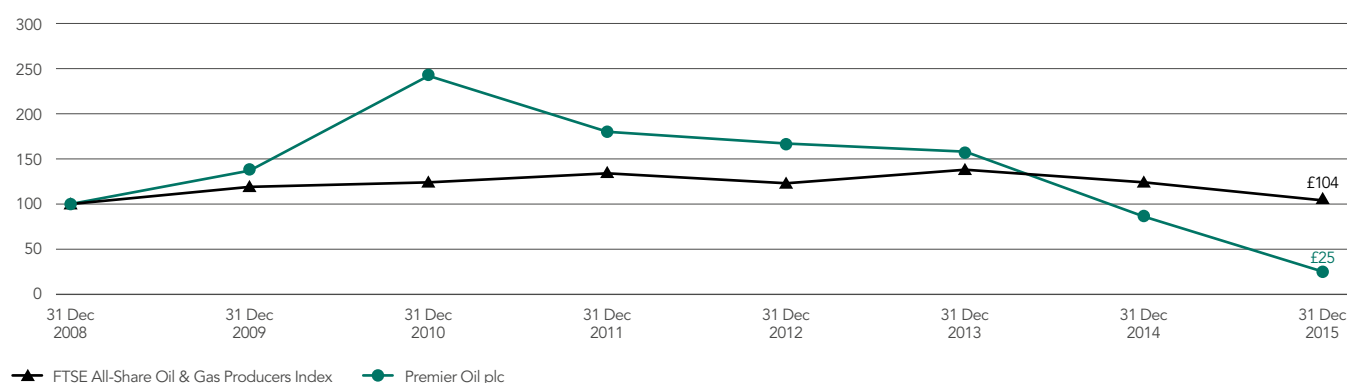
	2015 US\$ million	2014 US\$ million
Remuneration paid to or receivable by all employees of the Group	132.4	171.6
Distributions to shareholders by way of dividend	0	43.3
Distributions to shareholders by way of share buyback	0	93.0

Comparison of Company performance

The chart below compares the value of £100 invested in Premier shares, including re-invested dividends, on 31 December 2008 compared to the equivalent investment in the FTSE All Share Oil & Gas Producers Index, over the last seven financial years. The FTSE All-Share Oil & Gas Producers Index has been chosen as it comprises companies who are exposed to broadly similar risks and opportunities as Premier.

7-year TSR performance

Value of £100 invested on 31 December 2008



Annual Report on Remuneration continued

Comparison of Company performance continued

The table below shows the CEO single figure of remuneration for the past seven years and corresponding performance under the annual and long-term incentives, as a percentage of maximum.

		CEO single figure of remuneration £'000s	Annual bonus payout as % of maximum	Equity Pool funding rate as % of maximum	Asset Pool funding rate as % of maximum ¹	Performance Share Award vesting as % of maximum	Matching Share Award vesting as % of maximum
2009	Simon Lockett	2,884.6	85%	0%	100%	N/A	63%
2010	Simon Lockett	4,041.4	60%	100%	55%	N/A	100%
2011	Simon Lockett	3,827.3	55%	100%	N/A	100%	100%
2012	Simon Lockett	2,728.2	45%	0%	N/A	90%	66%
2013	Simon Lockett	1,002.7	24%	0%	N/A	0%	0%
2014 ²	Simon Lockett	680.3	39% (and pro-rated)	0%	N/A	0%	0%
	Tony Durrant	428.7	40%	0%	N/A	0%	0%
2015	Tony Durrant	1,040.4	10%	0%	N/A	0%	0%

Notes:

- Following the introduction of the LTIP in 2009, the Asset Pool was replaced by Performance Share Awards. The last award under the Asset Pool had a performance period of 1 January 2008 to 31 December 2010. The introduction of the LTIP was disclosed in the Remuneration Report of the 2009 Annual Report and Financial Statements.
- Figures shown for 2014 for Tony Durrant relate to the period during 2014 that he served as Chief Executive Officer: 25 June to 31 December 2014; and for Simon Lockett relate to the period during 2014 that he served as Chief Executive Officer: 1 January to 25 June 2014.

Implementation of Executive Director Remuneration Policy for 2016

Remuneration in 2016 will be consistent with the Policy described on pages 88 to 98.

Salary

The salaries of the Executive Directors are reviewed annually to ensure they remain appropriate. In consideration of the challenges posed by market conditions, no salary increases have been awarded to Executive Directors for 2016. The average salary increase across the Group's UK operations is 0.6 per cent.

Director	Position	Salary from 1 January 2015 £	Salary from 1 January 2016 £	Percentage increase £
Robin Allan	Director, North Sea and Exploration	353,750	353,750	0%
Tony Durrant	Chief Executive Officer	569,000	569,000	0%
Neil Hawkings	Director, South East Asia and Falkland Islands	353,750	353,750	0%
Richard Rose	Finance Director	300,000	300,000	0%

Pension, benefits and all-employee share plans

The Company will offer Executive Directors pension, taxable benefits and tax-advantaged all-employee share plans for 2016 in line with the Policy on pages 88 to 98.

Annual bonus

For 2016, the Executive Director annual bonus opportunity is up to 100 per cent of salary. Annual performance will be assessed against a performance scorecard of which 80 per cent will be based on financial and operational measures (see table below) and 20 per cent on personal objectives. The 2016 corporate and personal objectives, along with threshold and stretch target values, will be disclosed, to the extent that they are not commercially sensitive, in the 2016 Directors' Remuneration Report. In the current climate the Committee will consider carefully the oil market outlook, the Company's position and the outcome for 2016 in deciding whether and at what level to award bonuses for that year. Any bonus paid will be assessed against the achievement of the 2016 performance targets. The table below also summarises the criteria used to assess each measure and the relative weighting of each:

KPI	Subcategory	Target	Weighting	
Operating safely	HSES	% weighted HSE Index	5%	
Building the strong production base	Production	Daily average kboepd	10%	
	Development	Near-term project milestones	Catcher	10%
			Solan	5%
Delivering growth	Exploration	Reduce near-term net cost exposure in specific area	5%	
Maintaining financial strength	Finance	Covenant headroom	10%	
		Absolute level of debt	5%	
Delivering Group strategy	Organisation	Further cost reductions in G&A and Operating Expenditure against budget	10%	
	Business development	Achievement of specified strategic objectives	20%	
Sub-total Corporate KPIs			80%	
Personal targets			20%	
Total			100%	

Long-term incentive plan

As referenced previously, the Committee has reviewed the effectiveness of the LTIP both for the wider employee population as well as for the Executive Directors and has agreed to move to a much simpler structure for the employee population below the Executive Director and senior management levels. Although it was the Committee's intent to commence early consultation with shareholders on the detail of its proposal in relation to Executive Directors and senior management, the Committee determined that the current market volatility and divergent opinion on oil price projection made the case for changing executive remuneration less compelling, with management's focus being on realigning the Company's business to cope with the prevailing low price environment. Should any changes be proposed which impact the LTIP structure for Executive Directors, shareholders will be consulted and approval sought, as appropriate. Due to the unprecedented market conditions, the Committee has decided to defer a decision on granting LTIP awards to Executive Directors, as well as a decision on granting awards to the broader employee population under the new long-term incentive plan (the 'PVSP'), in 2016 until later in the year, after the Half-Year results are released.

Implementation of Non-Executive Director Remuneration Policy for 2016

Non-Executive Director fees were last increased with effect from 1 January 2013. The next review of fees for Non-Executive Directors is scheduled for the end of 2016 with any change proposed to take effect from 1 January 2017. Non-Executive Director fees for 2016 are as follows:

Role	Fee type	From 1 January 2015 £	From 1 January 2016 £	Percentage increase
Chairman	Total fee	169,600	169,600	0%
Other Non-Executive Directors	Basic fee	53,000	53,000	0%
	Committee Chairmanship	10,600	10,600	0%
	Senior Independent Director	10,600	10,600	0%

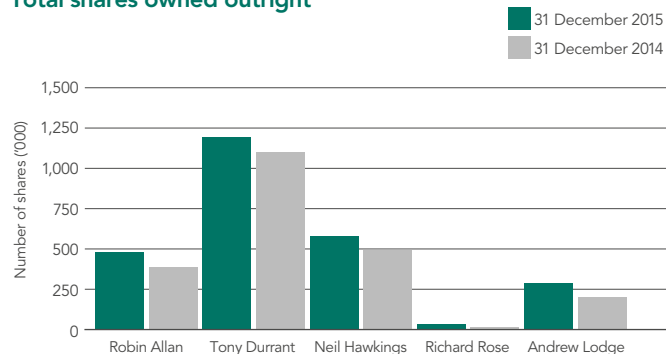
Annual Report on Remuneration continued

Statement of Directors' shareholding and scheme interests (audited)

Formal shareholding guidelines exist which require the Executive Directors to retain no less than 50 per cent of the net value of shares vesting under the Company's long-term incentive arrangements until such time as they have achieved a holding worth 100 per cent of salary (200 per cent for the CEO).

The graphs below show the number and value of Executive Directors' shareholding and scheme interests as at 31 December 2014 and 31 December 2015 respectively. Despite no shares being sold during the year and an increase in shares owned outright by Executive Directors, the value of holdings fell significantly during the year due to the fall in share price. This resulted in a corresponding reduction in the level of percentage shareholding against salary.

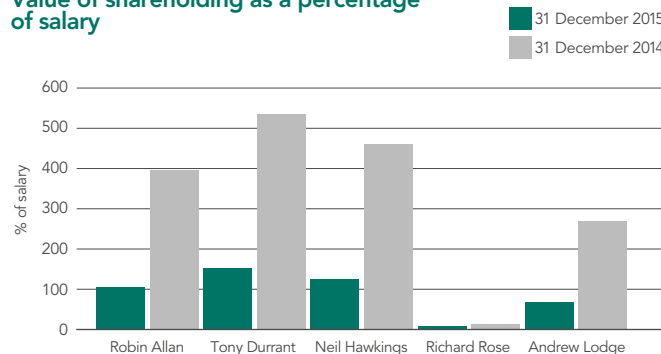
Total shares owned outright



Note:

- Owned outright includes shares held by the Director and/or connected persons. This figure also includes shares held in the tax-advantaged Share Incentive Plan ('SIP') which may be subject to forfeiture on leaving the Company, dependent upon the time for which they have been held.

Value of shareholding as a percentage of salary



Notes:

- In addition to total shares owned outright, the above shareholdings include deferred awards under the LTIP (where performance conditions have been achieved and awards are subject to a holding period).
- The valuation of shareholdings has been calculated using an average of the mid-market closing price between 1 October and 31 December 2015 (£0.691).

The table below summarises the Directors' interests in shares, including those held under outstanding LTIP, SAYE and SIP awards, as at 31 December 2015. Further details of all outstanding awards are disclosed on pages 110 to 114.

Director	Owned outright at 31 December 2015 ¹	Deferred shares subject to continued employment at 31 December 2015 ² (or date of leaving)	Deferred shares at 31 December 2015 ³ (or date of leaving)	Unvested shares subject to performance at 31 December 2015 ⁴ (or date of leaving)	Unvested SAYE options at 31 December 2015 (or date of leaving)	Total share interests at 31 December 2015 (or date of leaving)
Robin Allan	482,406	0	59,878	669,623	24,867	1,236,774
David Bamford	1,514	–	–	–	–	1,514
Anne Marie Cannon	0	–	–	–	–	0
Joe Darby	23,108	–	–	–	–	23,108
Tony Durrant	1,193,805	0	63,870	1,055,119	14,920	2,327,714
Neil Hawkings	581,755	0	59,878	669,623	14,920	1,326,176
Jane Hinkley	13,234	–	–	–	–	13,234
David Lindsay	17,332	–	–	–	–	17,332
Michel Romieu	20,000	–	–	–	–	20,000
Richard Rose	34,524	26,135	0	329,202	24,867	414,728
Mike Welton	22,531	–	–	–	–	22,531
Former Director						
Andrew Lodge ⁵	287,682	0	59,878	669,623	6,525	1,023,708

Notes:

- Owned outright includes shares held by the Director and/or connected persons. This figure also includes shares held in the tax-advantaged Share Incentive Plan ('SIP') which may be subject to forfeiture on leaving the Company, dependent upon the time for which they have been held.
- Deferred shares subject to continued employment for Richard Rose comprise his Conditional Share Award ('CSA') received on joining the Company to "buy-out" the share awards he forfeited on resignation from his former employer. The CSA reflects the expected value of his forfeited awards and consists of 26,135 shares valued using the mid-market closing share price on 8 September 2014 of £3.413. The CSA will vest only if Richard Rose remains employed by the Company on 31 December 2016.
- Deferred shares under the Long Term Incentive Plan subject to a three-year holding period but which would vest in full on cessation of employment in all circumstances save for summary dismissal.
- Unvested shares subject to performance include 2013 Performance Share Awards and 2013 Matching Share Awards, for which the performance period completed on 31 December 2015 and no awards vested. See page 103 of the Annual Report on Remuneration for further details on performance criteria and achievement.
- Interests reported as at 30 June 2015, the date on which Andrew Lodge's directorship ceased. The figures exclude 101 Partnership Shares and 101 Matching Shares purchased on 1 July 2015 under the terms of the Share Incentive Plan with contributions taken from Mr Lodge's June salary.

Sourcing of shares and dilution limits

Awards under all the Company's share schemes may be met using a combination of market purchases, financed by the Company through the Premier Oil plc Employee Benefit Trust, and newly issued shares. The Company complies with the Investment Association's recommended guidelines on shareholder dilution through employee share schemes: awards under the Group's discretionary schemes which may be satisfied with new issue shares must not exceed 5 per cent of the Company's issued share capital in any rolling 10-year period, and the total of all awards satisfied with new issue shares under all plans must not exceed 10 per cent of the Company's issued share capital in any rolling 10-year period.

As of 31 December 2015, 1,777,454 shares were held by the Employee Benefit Trust (2014: 2,690,319) and the commitments to issue new shares are summarised below:

Shares issued or committed to be issued in the 10-year period to 31 December 2015	Number of shares	Percentage of issued share capital	Dilution limit	Percentage of dilution limit used
New issue shares under AEP, LTIP and historical Executive Share Option Schemes within 5 per cent limit	5,877,716	1.15%	25,540,553	23.01%
As above plus SAYE within 10 per cent limit	13,645,683	2.67%	51,081,106	26.71%

Share price movements during 2015

The mid-market closing price of the Company's shares on 31 December 2015 was £0.485 (31 December 2014: £1.672). The intra-day trading price of the Company's shares during 2015 was between £0.410 and £1.914.

Executive Director external appointments

Executive Directors are permitted to accept non-executive appointments outside the Company providing that the Board's approval is sought. During the year, Tony Durrant received a fee of £46,666 (2014: £40,000) in relation to his role as a Non-Executive Director of Greenergy Fuels Holdings Limited. Tony Durrant also served as an Advisory Committee Member of FlowStream Commodities Ltd for which he received an annual fee of US\$20,000 (2014: US\$20,000). Robin Allan is Chairman of the Association of British Independent Oil Exploration Companies ('BRINDEX') and receives no fee for this role.

As a result of the acquisition of EnCore, the Company has a 17.71 per cent interest in Egdon Resources plc ('Egdon') and is entitled to board representation. Andrew Lodge was appointed to the board of Egdon as a Non-Executive Director on 9 March 2012 and, up until 30 June 2015, elected to donate his fees to several charities (2015: £10,000; 2014: £20,000). He continues to serve as the Company's representative on the Egdon Board. External directorship fees have not been included in the single total figure of remuneration for Executive Directors, on page 100.

Annual Report on Remuneration continued

Outstanding share awards under the annual bonus, LTIP and share option schemes

Annual bonus scheme

Details of outstanding share awards held in respect of the deferred element of previous annual bonus awards for Directors are shown below. Shares awarded in 2013 and 2014 are dividend equivalent share awards made in accordance with the rules of the Deferred Bonus Share Plan.

Director	Date of grant	Number of shares held at 1 January 2015	Number of shares made subject to award during 2015	Number of shares vesting during 2015 ¹	Market price of shares on date of award	Number of shares outstanding at 31 December 2015 (or at date of leaving ²)
Robin Allan	19.01.12	3,643	–	(3,643) ³	425.40p	0
	14.06.13	47	–	(47) ⁴	348.10p	0
	21.05.14	59	–	(59) ⁴	307.00p	0
		3,749	–	(3,749)		0
Tony Durrant	19.01.12	3,996	–	(3,996) ³	425.40p	0
	14.06.13	52	–	(52) ⁴	348.10p	0
	21.05.14	65	–	(65) ⁴	307.00p	0
		4,113	–	(4,113)		0
Neil Hawkings	19.01.12	3,643	–	(3,643) ³	425.40p	0
	14.06.13	47	–	(47) ⁴	348.10p	0
	21.05.14	59	–	(59) ⁴	307.00p	0
		3,749	–	(3,749)		0
Former Director						
Andrew Lodge	19.01.12	3,643	–	(3,643) ³	425.40p	0
	14.06.13	47	–	(47) ⁴	348.10p	0
	21.05.14	59	–	(59) ⁴	307.00p	0
		3,749	–	(3,749)		0

Notes:

- 1 The 2012 awards and dividend equivalent share awards vested on 26 February 2015. The mid-market closing share price on 26 February 2015 was £1.673.
- 2 Andrew Lodge left the Company on 30 June 2015.
- 3 Deferred Bonus share awards.
- 4 Dividend equivalent share awards.

LTIP Equity Pool Awards

As at 31 December 2015, three Equity Pools were outstanding, as follows:

Cycle	Performance period	Starting market capitalisation	Outstanding Equity Pool allocation (% of Pool)			
			Tony Durrant ²	Robin Allan	Neil Hawkings	Richard Rose ³
2013 ¹	01.01.13 – 31.12.15	£1,823m	6.00% (pro-rated)	4.25%	4.25%	4.25% (pro-rated)
2014	01.01.14 – 31.12.16	£1,660m	6.00% (pro-rated)	4.25%	4.25%	4.25% (pro-rated)
2015	01.01.15 – 31.12.17	£1,178m	6.00%	4.25%	4.25%	4.25%

Notes:

- 1 The Committee determined in February 2016 that the 2013 Equity Pool Awards will not vest. For further details see page 103.
- 2 Tony Durrant was awarded 4.25 per cent of each Equity Pool cycle when serving as Finance Director. Additional Equity Pool points were awarded on 22 August 2014 in recognition of his appointment as Chief Executive Officer, bringing his share of the Equity Pool to 6 per cent per cycle but with the additional 1.75 per cent pro-rated to reflect the period for which he served as Chief Executive Officer during each cycle.
- 3 Richard Rose joined as Finance Director on 8 September 2014. On 9 September 2014 he was awarded an equivalent of 4.25 per cent of each of the three Equity Pools pro-rated to reflect the time served by him on the Board within each cycle.

LTIP Performance Shares

In each of 2013, 2014 and 2015, the Executive Directors were granted LTIP Performance Share Awards over shares with a value of 150 per cent of salary for the CEO and 125 per cent of salary for the other Executive Directors, with adjustments made for Tony Durrant and Richard Rose during 2015 as detailed in notes 3 and 4 below. As at 31 December 2015, the Executive Directors had the following outstanding Performance Share Awards:

Director	Date of grant	Awards held at 1 January 2015	Granted	Lapsed	Vested	Awards held at 31 December 2015 or at date of leaving if earlier	Market price of shares on date of award	Performance period	Earliest vesting date
Robin Allan	22.03.12	96,785	–	(96,785)	–	0	426.20p	01.01.12 – 31.12.14	N/A
	14.05.13	109,732	–	–	–	109,732 ¹	393.30p	01.01.13 – 31.12.15	01.01.16
	28.02.14	145,888	–	–	–	145,888	303.10p	01.01.14 – 31.12.16	01.01.17
	27.02.15	–	264,308 ²	–	–	264,308	167.30p	01.01.15 – 31.12.17	01.01.18
		352,405	264,308	(96,785)	–	519,928			
Tony Durrant	22.03.12	105,584	–	(105,584)	–	0	426.20p	01.01.12 – 31.12.14	N/A
	22.08.14	4,679 ³	–	(4,679)	–	0	334.70p	01.01.12 – 31.12.14	N/A
	14.05.13	119,910	–	–	–	119,910 ¹	393.30p	01.01.13 – 31.12.15	01.01.16
	22.08.14	13,005 ³	–	–	–	13,005 ¹	334.70p	01.01.13 – 31.12.15	01.01.16
	28.02.14	159,394	–	–	–	159,394	303.10p	01.01.14 – 31.12.16	01.01.17
	22.08.14	92,974 ³	–	–	–	92,974	334.70p	01.01.14 – 31.12.16	01.01.17
	27.02.15	–	510,161 ²	–	–	510,161	167.30p	01.01.15 – 31.12.17	01.01.18
	495,546	510,161	(110,263)	–	895,444				
Neil Hawkings	22.03.12	96,785	–	(96,785)	–	0	426.20p	01.01.12 – 31.12.14	N/A
	14.05.13	109,732	–	–	–	109,732 ¹	393.30p	01.01.13 – 31.12.15	01.01.16
	28.02.14	145,888	–	–	–	145,888	303.10p	01.01.14 – 31.12.16	01.01.17
	27.02.15	–	264,308 ²	–	–	264,308	167.30p	01.01.15 – 31.12.17	01.01.18
		352,405	264,308	(96,785)	–	519,928			
Richard Rose	09.09.14	4,818 ⁴	–	(4,818)	–	0	341.30p	01.01.12 – 31.12.14	N/A
	09.09.14	20,266 ⁴	–	–	–	20,266 ¹	341.30p	01.01.13 – 31.12.15	01.01.16
	09.09.14	84,788 ⁴	–	–	–	84,788	341.30p	01.01.14 – 31.12.16	01.01.17
	27.02.15	–	224,148 ²	–	–	224,148	167.30p	01.01.15 – 31.12.17	01.01.18
		109,872	224,148	(4,818)	–	329,202			
Former Director									
Andrew Lodge ⁵	22.03.12	96,785	–	(96,785)	–	0	426.20p	01.01.12 – 31.12.14	N/A
	14.05.13	109,732	–	–	–	109,732 ¹	393.30p	01.01.13 – 31.12.15	01.01.16
	28.02.14	145,888	–	–	–	145,888	303.10p	01.01.14 – 31.12.16	01.01.17
	27.02.15	–	264,308 ²	–	–	264,308	167.30p	01.01.15 – 31.12.17	01.01.18
		352,405	264,308	(96,785)	–	519,928			

Notes:

- The Committee determined in February 2016 that the 2013 Performance Share Awards will not vest. For further details see page 103.
- Performance Share Awards were granted on 27 February 2015 using the closing mid-market price on 26 February 2015 (167.30p) to calculate the number of shares under award.
- Additional Performance Share Awards were granted to Tony Durrant on 22 August 2014 using the closing mid-market price on 21 August 2014 (334.70p) to calculate the number of shares under award.
- Performance Share Awards were granted to Richard Rose on joining the Company on 9 September 2014 using the closing mid-market price on 8 September 2014 (341.30p) to calculate the number of shares under award.
- Andrew Lodge left the Company on 30 June 2015; awards in the above table reflect activity between 1 January 2015 and 30 June 2015. Following his departure, outstanding awards were pro-rated to reflect his leaving date and will vest at the same time as other awards subject to performance conditions being met.

Annual Report on Remuneration continued

LTIP Deferred Shares and Matching Shares

At 31 December 2015, the Executive Directors held outstanding awards of Deferred Shares and Matching Awards granted under the LTIP as set out below. No awards were made during 2015.

Director	Date of grant	Type of award	Awards held at 1 January 2015	Number of shares made subject to award during 2015	Number of Matching Awards granted during 2015	Number of shares lapsed during 2015	Number of shares released during 2015	Number of shares held at 31 December 2015	Market price of shares on date of award	Performance period	Earliest vesting date
Robin Allan	20.01.12	Deferred Share	158,987	–	–	–	(158,987)	0	430.10p	–	N/A
	22.03.12	Matching Award	397,467	–	–	(397,467)	–	0	426.20p	01.01.12 – 31.12.14	N/A
	14.05.13	Deferred Share	59,878	–	–	–	–	59,878	393.30p	–	01.01.16
	24.06.13	Matching Award	149,695	–	–	–	–	149,695	336.80p	01.01.13 – 31.12.15	01.01.16
			766,027			(397,467)	(158,987)	209,573			
Tony Durrant	20.01.12	Deferred Share	162,913	–	–	–	(162,913)	0	430.10p	–	N/A
	22.03.12	Matching Award	407,282	–	–	(407,282)	–	0	426.20p	01.01.12 – 31.12.14	N/A
	14.05.13	Deferred Share	63,870	–	–	–	–	63,870	393.30p	–	01.01.16
	24.06.13	Matching Award	159,675	–	–	–	–	159,675	336.80p	01.01.13 – 31.12.15	01.01.16
			793,740			(407,282)	(162,913)	223,545			
Neil Hawkings	20.01.12	Deferred Share	158,987	–	–	–	(158,987)	0	430.10p	–	N/A
	22.03.12	Matching Award	397,467	–	–	(397,467)	–	0	426.20p	01.01.12 – 31.12.14	N/A
	14.05.13	Deferred Share	59,878	–	–	–	–	59,878	393.30p	–	01.01.16
	24.06.13	Matching Award	149,695	–	–	–	–	149,695	336.80p	01.01.13 – 31.12.15	01.01.16
			766,027			(397,467)	(158,987)	209,573			
Former Director											
Andrew Lodge	20.01.12	Deferred Share	154,081	–	–	–	(154,081)	0	430.10p	–	N/A
	22.03.12	Matching Award	385,202	–	–	(385,202)	–	0	426.20p	01.01.12 – 31.12.14	N/A
	14.05.13	Deferred Share	59,878	–	–	–	–	59,878	393.30p	–	01.01.16
	24.06.13	Matching Award	149,695	–	–	–	–	149,695	336.80p	01.01.13 – 31.12.15	01.01.16
			748,856			(385,202)	(154,081)	209,573			

Notes:

- There are no performance criteria for the Deferred Shares.
- Matching Awards granted are the maximum award possible under the Matching Award scheme, subject to performance criteria based on TSR against a comparator group of listed companies in the oil and gas sector (see table opposite for constituents). Full vesting requires upper decile performance.
- The Committee determined in February 2016 that the 2013 Matching Awards will not vest. For further details see page 103.

TSR comparator group constituents, by Performance Share Award/Matching Share Award cycle.

Company	2013	2014	2015	Company	2013	2014	2015
Afren ¹	✓	✓	✓	Indus Gas	✓	✓	✓
Africa Oil	✓	✓	✓	Ithaca Energy		✓	✓
Anadarko Petroleum	✓			Lundin Petroleum	✓	✓	✓
Apache	✓			Marathon Oil			✓
Bankers Petroleum	✓	✓	✓	Newfield Exploration	✓		
Beach Energy	✓	✓	✓	Noble Energy	✓	✓	✓
Cairn Energy	✓	✓	✓	Oil Search	✓	✓	✓
Cairn India	✓	✓	✓	Ophir Energy	✓	✓	✓
Carrizo Oil & Gas	✓			Origin Energy	✓	✓	✓
Coastal Energy ¹	✓			Oryx Petroleum		✓	✓
Det norske oljeselskap	✓	✓	✓	PTT EP	✓	✓	✓
Devon Energy	✓	✓	✓	Rockhopper Exploration	✓	✓	✓
DNO International	✓	✓	✓	Salamander Energy ¹	✓	✓	✓
Dragon Oil ¹	✓	✓	✓	Santos	✓	✓	✓
Energen	✓			Slavneft-Megioneftegaz		✓	
Energi Maga Persada			✓	SOCO International	✓	✓	✓
EnQuest	✓	✓	✓	Talisman Energy ¹	✓	✓	✓
Etab. Maurel et Prom	✓	✓	✓	TransGlobe Energy	✓	✓	
Gas Malaysia		✓	✓	Tullow Oil	✓	✓	✓
Genel Energy	✓	✓	✓	Woodside Petroleum	✓	✓	✓
Gulf Keystone	✓	✓	✓				
Gulfport Energy	✓						
Heritage Oil ¹	✓						

Note:

- 1 The following companies delisted during the performance period for the 2013 Awards and were removed from the 2013 comparator group by the Remuneration Committee during its final performance assessment:
- Afren (delisted in August 2015)
 - Coastal Energy (delisted in January 2014)
 - Dragon Oil (delisted in September 2015)
 - Heritage Oil (delisted in July 2014)
 - Salamander Energy (delisted in March 2015)
 - Talisman Energy (delisted in May 2015)

Annual Report on Remuneration continued

Share Options and Share Incentive Plan

The Executive Directors may also participate, on the same terms as all other eligible employees, in a Share Incentive Plan ('SIP') and a Savings related Share Option Scheme (Save As You Earn ('SAYE')) scheme.

SAYE 2009

Directors' interests under this scheme are shown below:

Director	Date of grant	Exercisable dates	Acquisition price per share (£)	Options held at 1 January 2015	Granted	Exercised	Lapsed	Options held at 31 December 2015 (or date of leaving ¹)
Robin	03.05.12	01.06.17 – 30.11.17	3.1344	4,785	–	–	(4,785)	0
Allan	07.05.14	01.06.19 – 30.11.19	2.4584	6,101	–	–	(6,101)	0
	07.05.15	01.06.20 – 30.11.20	1.2064	–	24,867	–	–	24,867
								24,867
Tony	03.05.12	01.06.17 – 30.11.17	3.1344	4,785	–	–	(4,785)	0
Durrant	07.05.14	01.06.17 – 30.11.17	2.4584	3,660	–	–	(3,660)	0
	07.05.15	01.06.18 – 30.11.18	1.2064	–	14,920	–	–	14,920
								14,920
Neil	03.05.12	01.06.15 – 30.11.15	3.1344	2,871	–	–	(2,871)	0
Hawkings	07.05.14	01.06.17 – 30.11.17	2.4584	3,660	–	–	(3,660)	0
	07.05.15	01.06.18 – 30.11.18	1.2064	–	14,920	–	–	14,920
								14,920
Richard	07.05.15	01.06.20 – 30.11.20	1.2064	–	24,867	–	–	24,867
Rose								24,867
Former Director								
Andrew	10.05.13	01.06.16 – 30.11.16	3.1408	2,865	–	–	–	2,865
Lodge ¹	07.05.14	01.06.17 – 30.11.17	2.4584	3,660	–	–	–	3,660
								6,525

Note:

¹ Andrew Lodge left the Company on 30 June 2015.

Share Incentive Plan

Shares held beneficially in this plan by the Directors during the financial year were as follows:

Director	Shares held on 1 January 2015	Total Partnership Shares purchased in 2015 at prices between £0.674 and £1.802	Total Matching Shares awarded in 2015 at prices between £0.674 and £1.802	Shares held on 31 December 2015	Partnership and Matching Shares acquired between 1 January and 24 February 2016
Robin Allan	20,180	1,317	1,317	22,814	1,184
Tony Durrant	9,729	1,317	1,317	12,363	1,184
Neil Hawkings	9,805	1,580	1,580	12,965	1,422
Richard Rose	364	1,580	1,580	3,524	1,422
Former Director					
Andrew Lodge ¹	5,085	673	673	6,431	–

Note:

¹ Andrew Lodge participated in the plan until his leaving date of 30 June 2015. The final purchase of Partnership and Matching Shares was made on his behalf on 1 July 2015 with contributions deducted from his June 2015 salary. Shares purchased on 1 July 2015 are included in the above table. Partnership and Matching Share Award prices ranged between £1.305 and £1.802 per share during the period from 1 January 2015 to 1 July 2015.

For and on behalf of the Remuneration Committee

Jane Hinkley

Chairman of the Remuneration Committee

24 February 2016

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Group, together with the audited Group financial statements and Auditor's Report for the year ended 31 December 2015. There are certain disclosure requirements which form part of the Directors' Report and are included elsewhere in this Annual Report. Detail regarding the location of information incorporated by reference into this Directors' Report is set out on page 117.

Dividend

No dividend is proposed in respect of the year ended 31 December 2015 (2014: nil).

Annual General Meeting

It is anticipated that the Company's next AGM will be held on Wednesday 11 May 2016 at 11.00am. The Notice of the AGM, together with details of all resolutions which will be placed before the meeting, accompanies this report and is also available online at www.premier-oil.com.

Directors

The Directors of the Company as at 24 February 2016 are shown on pages 68 and 69. Andrew Lodge retired from the Board on 30 June 2015.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a General Meeting of shareholders. The Company's Articles of Association contain provisions regarding the appointment, retirement and removal of Directors. A Director may be appointed by an ordinary resolution of shareholders in a General Meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. The Directors may appoint a Director during any year provided that the individual stands for election by shareholders at the next AGM. Further detail regarding the appointment and replacement of Directors is included in the Corporate Governance Report.

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company. Details of the matters reserved for the Board are set out on the Company's website and summarised in the Corporate Governance Report on page 71.

Indemnification of Directors and insurance

The Company has granted an indemnity to each of its Directors under which the Company will, to the fullest extent permitted by law and to the extent provided by the Articles of Association, indemnify them against all costs, charges, losses and liabilities incurred by them in the execution of their duties. The Company also has Directors' and Officers' liability insurance in place and details of the policy are given to new Directors on appointment.

Share capital

Details of the Company's issued share capital, together with details of any movement in the issued share capital during the year, are shown in note 20 to the consolidated financial statements on page 156. The Company has one class of Ordinary Shares which carry no right to fixed income. Each share carries the right to one vote at General Meetings of the Company.

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares, subject to an appropriate authority being given to the Directors by shareholders in a General Meeting and any conditions attaching to such authority. The current authority, approved at the 2015 AGM, for the allotment of relevant securities is for a nominal amount of up to (i) £21,283,794 and (ii) equity securities up to a nominal amount of £42,567,588 less the nominal amount of any shares issued under part (i) of the authority.

Furthermore, at the 2015 AGM, shareholders authorised the Directors to make market purchases up to a maximum of approximately 15 per cent of the Company's issued share capital (being £9,577,707 in nominal value) excluding treasury shares. Any shares purchased under this authority may either be cancelled or may be held as treasury shares provided that the number of shares held does not exceed 10 per cent of issued share capital. No shares were bought back during the year.

There are no specific restrictions on the size of a holding nor on the transfer of shares, both of which are governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of employee share schemes are set out in note 20 to the consolidated financial statements on page 156. The voting rights in relation to the shares held within the Employee Benefit Trust are exercisable by the Trustee but it has no obligation to do so. Details of the number of shares held by the Employee Benefit Trust are set out in the Annual Report on Remuneration on page 109. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

American Depositary Receipt programme

Premier Oil plc has a sponsored Level 1 American Depositary Receipt ('ADR') programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one Ordinary Share of the Company. The ADRs trade on the US over-the-counter market under the symbol PMOY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders. Contact details for BNY Mellon are set out in the Shareholder Information section of this report on page 175.

Significant shareholdings

As at 24 February 2016 the Company had received notification from the institutions below, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of their significant holdings of voting rights (3 per cent or more) in its Ordinary Shares:

Name of shareholder	Date of notification to the stock exchange	Notified number of voting rights	Notified percentage of voting rights ¹	Nature of holding
AXA Investment Managers SA ¹	24.10.2011	40,173,814	8.58%	Indirect
Schroders plc	30.11.2015	38,338,530	7.51%	Indirect
Artemis Investment Management LLP	13.05.2015	25,451,951	4.98%	Direct & indirect
Aviva plc and its subsidiaries ¹	27.04.2009	3,933,529	4.95%	Direct & indirect
Ameriprise Financial Inc	20.01.2012	24,666,346	4.66%	Direct & indirect
Norges Bank	05.02.2016	20,403,872	3.99%	Direct

Note:

¹ Interests shown for AXA Investment Managers SA pre-date the EnCore transaction and related share issue in 2012; interests shown for Aviva plc and its subsidiaries pre-date the Share Split in 2011.

Hedging and risk management

Details of the Group's hedging and risk management are provided in the Financial Review. A further disclosure has been made in note 18 to the consolidated financial statements on page 148, related to various financial instruments and exposure of the Group to price, credit, liquidity and cash flow risk.

Significant agreements

The following significant agreements will, in the event of a change of control of the Company, be affected as follows:

- US\$2,500 million revolving credit facility agreement between, among others, the Company, certain subsidiaries of the Company and a syndicate of 25 financial institutions, pursuant to which, upon becoming aware of a change of control, the Company and the lenders will enter into negotiations regarding the continuation of facilities. In the event that no such agreement is reached within 30 days of the change of control having occurred, the facility agent shall cancel all commitments under the agreement and declare all amounts due and payable within three business days.
- £100 million and US\$150 million term loan facilities between, among others, the Company, certain subsidiaries of the Company and Lloyds Bank plc and Royal Bank of Scotland plc as lenders pursuant to which, upon becoming aware of a change of control, the Company and the lenders will enter into negotiations regarding the continuation of facilities. In the event that no such agreement is reached within 30 days of the change of control having occurred, the facility agent shall cancel all commitments under the agreement and declare all amounts due and payable within three business days.
- The Group has outstanding guaranteed convertible bonds ('GCB') with a principal amount of US\$245.3 million. In the event of a change of control, the exchange price for the GCB will be adjusted downwards for a specified period (as described in the articles of the issuer). In addition, the holders of the GCB have the option to redeem the GCB at their principal amount, together with accrued interest.
- The Group has outstanding retail bonds with a principal amount of £150 million which were issued under a £500 million Euro Medium Term Notes programme. If, following a change of control, the issuer cannot obtain an "investment grade" rating for the bonds or any other unsecured and unsubordinated debt of the issuer (as described in the prospectus for the retail bonds), the bonds are redeemable at the option of the noteholders. If 80 per cent in nominal value of the bonds are so redeemed, the Company may redeem the outstanding bonds.
- The Group has outstanding senior loan notes totalling €60 million and US\$298 million, which were issued to insurance companies and funds predominantly based in the US. On a change of control, the Company must make an offer to prepay the entire unpaid principal amount of the notes, together with accrued interest, to the noteholders.
- The Company has outstanding German-law governed assignable loan notes ('Schuldschein') totalling US\$130 million. On a change of control, the notes are repayable at the option of the noteholders, together with accrued interest.

Political donations

No political donations were made during the year (2014: US\$nil).

Significant events since 31 December 2015

Details of significant events since the balance sheet date are contained in note 26 to the financial statements on page 162.

Information set out in the Strategic Report

The Strategic Report set out on pages 1 to 65 provides a comprehensive review of the performance of the Company's operations for the year ended 31 December 2015 and the potential future developments of those operations. The Strategic Report also includes details of the Company's principal risks and uncertainties and research and development activities during the year. Information regarding the Company's policy applied during the year relating to the recruitment, employment, training, career development and promotion of staff including employment of disabled persons is included within the Corporate Responsibility Review in the Strategic Report on page 63. In addition, information regarding the Company's greenhouse gas emissions is also included in the Corporate Responsibility Review in the Strategic Report on page 62. In accordance with s414C(11) of the Companies Act 2006, the Directors have chosen to set out the information outlined above, required to be included in the Directors' Report, in the Strategic Report.

The Strategic Report and the Directors' Report together include the 'management report' for the purposes of the FCA's Disclosure & Transparency Rules (DTR 4.1.8R).

Information set out elsewhere in this Annual Report

Information regarding the Company's governance arrangements is included in the Corporate Governance Report and related Board Committee reports on pages 66 to 114. These sections of the report are incorporated into this report by reference.

For the purposes of Listing Rule 9.8.4C R, the information required to be disclosed by Listing Rule 9.8.4 R can be found in the following locations:

Listing Rule sub-section	Item	Location
9.8.4 (1)	Interest capitalised	Financial statements, note 5, page 140
9.8.4 (5)	Waiver of emoluments by a director	Directors' Remuneration Report, page 101

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report and Financial Statements confirms that:

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

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

On the recommendation of the Audit and Risk Committee, resolutions to reappoint Deloitte LLP as the Company's auditor and to authorise the Directors to determine the auditor's remuneration will be put to shareholders at the forthcoming AGM.

By order of the Board

Rachel Rickard
Company Secretary

24 February 2016

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Group financial statements

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and Article 4 of the International Accounting Standards ('IAS') Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 *Reduced Disclosure Framework* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 – 'Presentation of Financial Statements' – requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are 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
- make an assessment of the Company's and Group's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.premier-oil.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm to the best of our knowledge:

1. the Group financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. 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
3. 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 Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 24 February 2016 and is signed on its behalf by:

Tony Durrant
Chief Executive Officer

24 February 2016

Richard Rose
Finance Director

24 February 2016

For the year ended 31 December 2015

Opinion on financial statements of Premier Oil plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss 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 United Kingdom Generally Accepted Accounting Practice, ("UK GAAP"), including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Parent Company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity, the Parent Company statement of comprehensive income, the accounting policies and the related notes 1 to 27 in respect of the Group financial statements and 1 to 11 in respect of the Parent Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (UK GAAP) including FRS 101 "Reduced Disclosure Framework".

Emphasis of matter – Going concern

As disclosed within the basis of preparation section of the accounting policies, there is a risk of a covenant breach in respect of the testing period ending 30 June 2016. If a covenant breach occurs then the Group's debt holders on all of the Group's facilities will have the right to request repayment of the outstanding debt from October 2016 onwards and to cancel the relevant facilities.

In order to address the risk of a covenant breach, the Group will seek to modify or temporarily waive the existing covenants, ahead of the testing period ending 30 June 2016.

Whilst we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate, these conditions together with the other matters set out or referred to in the basis of preparation section of the accounting policies indicate the existence of a material uncertainty which may give rise to significant doubt over the Company's and the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or Parent Company were unable to continue as a going concern.

We describe below how the scope of our audit has responded to this risk. Our opinion is not modified in respect of this matter.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within the basis of preparation section of the accounting policies and the Directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 37.

Aside from the matters disclosed in the emphasis of matter paragraphs above, we have nothing else material to add or draw attention to in relation to:

- the Directors' confirmation on page 30 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 32 to 35 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the basis of preparation section of the accounting policies about whether they consider it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Director's explanation on page 37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

For the year ended 31 December 2015

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Going concern

Risk description	How the scope of our audit responded to the risk
<p>We consider the application of the going concern basis of accounting and the related disclosures to be a key risk due to the significant and prolonged fall in oil prices and ongoing oil price volatility. In particular, we considered that it was likely that there would be a high degree of judgement as to the Group's ability to comply with certain of the covenants within its loan agreements throughout the going concern assessment period.</p> <p>As referenced on page 124 in the financial statements, management has highlighted the material uncertainty regarding the Group's ability to comply with certain of the covenants throughout the going concern assessment period.</p> <p>We have highlighted the level of uncertainty identified by the Directors in respect of going concern in the "Emphasis of matter – Going concern" paragraphs on the previous page.</p>	<p>To assess the appropriateness of the going concern assumption we:</p> <ul style="list-style-type: none"> obtained management's going concern base case forecast which was approved by the Board, and the accompanying cash flow and financial covenant forecasts for the next 12 months (the going concern period); compared the cash flow forecasts for 2016 with the Board approved budget for that period, and obtained explanations for any significant differences; compared the cash flow forecasts used in the going concern model with those used in the asset value-in-use calculations for impairment purposes and obtained explanations for any significant differences; assessed the historical accuracy of forecasts prepared by management; compared the oil price assumptions used in these forecasts to third party forecasts and publicly available forward curves; tested the mechanical accuracy of the cash flow model and the related financial covenant forecasts; agreed the Group's committed debt facilities, including financial covenant terms and the timing of early repayment in the event there is a breach, to supporting documentation; performed stress tests for a range of reasonably possible downside scenarios (including oil price, production and expenditure) and considered their impact on both forecast covenant compliance and the ability of the Group to remain within the monetary caps specified in its debt facilities during the going concern period; considered the Group's available funding and planned activities to address the identified forecast covenant breach, which includes renegotiation of the covenants in its borrowing facilities; and considered whether the disclosures in the basis of preparation section of the accounting policies relating to going concern are fair, balanced and understandable. <p>As a result of these procedures, we concluded that there was a material uncertainty which may cast significant doubt on the Company's and Group's ability to continue as a going concern.</p>

Recoverability of intangible exploration and evaluation (E&E) assets

Risk description	How the scope of our audit responded to the risk
<p>In accordance with the relevant accounting standards, E&E costs are written off unless commercial reserves have been established or the appraisal process is not completed. This was considered a key risk due to the significant judgements and estimates that are required to be assessed, these include but are not limited to the significant and prolonged fall in oil price and the judgement regarding estimated reserves and resources in place.</p> <p>As referenced on page 131 of the financial statements the carrying value of intangible exploration and evaluation assets is considered by management as a critical accounting judgement and key source of estimate uncertainty.</p> <p>Note 9 of the financial statements includes details of the Group's E&E assets and the impairments of US\$95.4 million (2014: US\$58.5 million) which arose during the year.</p>	<p>We challenged the outcome of management's review of their E&E assets to assess if there were any indicators of impairments for any of the Group's material field interests by:</p> <ul style="list-style-type: none"> participating in meetings with key operational and finance staff to understand the current status and future intention for each asset; confirming that all assets which remain capitalised are included in future budgets and are considered to contain potentially commercial volumes of hydrocarbons, notwithstanding the current low oil price environment; where the E&E asset is more progressed and economic assessments are available, for example the Sea Lion prospect in the Falkland Islands, obtaining management's economic assessment and understanding the basis on which the asset is considered to be potentially commercial; identifying any fields where the Group's right to explore is either at, or close to, expiry and assessing the appropriateness of retaining the associated costs as an asset; and where an asset has been impaired obtaining supporting evidence for the events that led to the impairment.

Capitalisation and impairment of oil and gas properties within property, plant and equipment

Risk description	How the scope of our audit responded to the risk
<p>These are considered key risks due to the significant judgements and estimates that need to be made in assessing both whether costs initially qualify for capitalisation and whether any impairments have arisen at year-end.</p> <p>Due to the high levels of volatility experienced by commodity markets during 2015 and the extended time periods over which the Group's key producing and development assets are expected to operate, the risk of impairment was considered likely to be highly sensitive to assumptions in respect of, in particular, future oil and gas prices and discount rates.</p> <p>Management has performed a review of the producing and development asset portfolio for indicators of impairment. Management has undertaken a full impairment review, based on key assumptions which include:</p> <ul style="list-style-type: none"> • Oil and gas prices; • Reserves/production; • Discount rate; • Operating costs; and • Capital costs. <p>As referenced on page 131 of the financial statements the carrying value of property, plant and equipment is considered by management as a critical accounting judgement and key source of estimate uncertainty.</p> <p>During the year a total impairment charge of US\$1,023.7 million (2014: US\$784.4 million) was recorded, which primarily related to the Solan and Huntington fields in the UK, and the remaining carrying value of oil and gas properties on the balance sheet as at 31 December 2015 was US\$2,594.8 million (2014: US\$2,407.3 million). Further details, including related sensitivity analysis in respect of oil and gas prices and discount rate, are provided in note 10 to the financial statements.</p>	<p>We challenged the assumptions made by management by comparing them with publicly available information, third party information, our knowledge of the Group and industry as well as budgeted and forecast performance. This included:</p> <ul style="list-style-type: none"> • comparing oil and gas price assumptions with third party forecasts and publicly available forward curves; • using our internal valuation specialists to perform an independent recalculation of the discount rate used for each significant country of operation; and • completing a scenario analysis, through which we computed what we believed to be a reasonable range of impairment charges by cash generating unit and comparing management's impairment charges against this range. <p>We have also tested capitalised expenditure during the year on a sample basis to assess whether the related costs qualify for capitalisation under the relevant accounting standards.</p>

Decommissioning provisions

Risk description	How the scope of our audit responded to the risk
<p>Provisions for decommissioning are a judgemental area as they include assumptions around estimated decommissioning costs, timing of the decommissioning, inflation, discount rates and the economic life of a field, which in turn will depend on factors such as oil price and operating costs.</p> <p>As referenced on page 131 of the financial statements decommissioning is considered by management as a critical accounting judgement and key source of estimate uncertainty.</p> <p>The total provision at the end of 2015 was US\$1,062.6 million (2014: US\$871.3 million) and further details are provided in note 17 to the financial statements.</p>	<p>We have assessed for appropriateness the key assumptions underlying the decommissioning calculation through:</p> <ul style="list-style-type: none"> • agreeing gross estimates to third party support or internal engineer estimates; • obtaining supporting evidence for any material revisions in cost estimates during the year; • confirming the decommissioning dates are consistent with the Group's latest internal economic models; • comparing the discount rate with available market information; • testing the mechanical accuracy of management's decommissioning provision calculation; and • understanding the levels of development and production activity by field and challenging management as to the completeness of provisions that have been recorded.

Accounting for taxation

Risk description	How the scope of our audit responded to the risk
<p>This is considered a key risk due to the diverse geographical nature of the Group, the different tax legislation in place in the jurisdictions in which the Group operates and the judgements applied in recognition of deferred tax assets.</p> <p>As referenced on page 131 of the financial statements tax and recognition of deferred tax assets is considered by management as a critical accounting judgement and key source of estimate uncertainty.</p> <p>At the year end, the Group has recorded a deferred tax asset of US\$871.6 million (2014: US\$971.8 million), which primarily arises in the UK. The Group has not recognised a deferred tax asset on US\$1,129 million (US\$96.0 million) of the Group's UK ring fence corporate tax losses based on future profitability, in particular because of the significant and prolonged fall in oil prices during the year. Further details of the Group's deferred tax position are provided in note 19 to the financial statements.</p>	<p>We worked with tax specialists in the relevant locations to understand the tax legislation governing the Group's operations in each of the jurisdictions in which the Group operated during the year. We obtained the Group's taxation computations in respect of current and deferred tax and assessed the computations for compliance with local tax legislation and IAS 12 Income Taxes. We also evaluated the position taken by management in respect of the recoverability of the Group's deferred tax assets, considering whether the supporting calculations are in accordance with enacted tax legislation and are consistent with the models used for the Group's IAS 36 impairment tests.</p>

For the year ended 31 December 2015

The risks included in our audit report for 2015 are consistent with those as reported in our audit report for the year ended 31 December 2014, with the exception that the risk on going concern is now also an emphasis of matter.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on pages 80 to 82.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be US\$15 million (2014: US\$23 million), which represents 4 per cent of the average normalised pre-tax profit for the last three years, and a reduction on prior year materiality of 35 per cent. In 2014, materiality was below 5 per cent of normalised pre-tax profit.

Pre-tax profit has been normalised using the same method as prior year, by adjusting for significant impairments which would significantly distort the materiality calculation year-on-year. However, given the significant volatility in oil prices in 2015 and the difficulty in predicting the future direction of oil prices, we do not believe that focusing solely on 2015 normalised pre-tax profit would represent a stable basis for materiality or be representative of the underlying scale of the Group. Accordingly, we have adapted our approach in determining materiality by using the average normalised pre-tax profit for the last three years. In addition, although not our primary metric, due to the importance to the Group of its extensive development portfolio not yet in production, we have also considered the Group's net assets base, noting that US\$15 million represents 2 per cent of this figure at 31 December 2015.

In order to ensure that we gain sufficient assurance and oversight of misstatements throughout the Group, materiality for each of the reporting components has been set at between US\$7.5 million and US\$10 million (2014: US\$12 million and US\$15 million), depending on the relative size of the component.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of US\$0.3 million (2014: US\$0.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at six key locations: UK – London, UK – Aberdeen, Vietnam, Indonesia, Pakistan and the Falkland Islands. These were subject to a full audit, whilst a further two locations, including Norway which was sold during the year, were subject to an audit of specified account balances, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. The key locations identified above represent the principal business units and account for materially all of the Group's revenue, profit before tax and net assets.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team performs the Group audit work in respect of UK – London, UK – Aberdeen and the Falklands Islands and continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or senior members of the Group audit team visit other key locations and review the work performed on significant risks by the component auditors. In the year, all but one of the six key locations was either directly audited or visited by either the Senior Statutory Auditor or a senior member of his team. For the location not visited we included the component audit team in our team briefings, discussed their risk assessment, participated in a number of telephone meetings with the component auditor and reviewed documentation of the findings from their work, including their audit clearance and supporting materials.

Opinion on other matters prescribed by the Companies Act 2006

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Paterson ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

24 February 2016

For the year ended 31 December 2015

General information

Premier Oil plc is a limited company incorporated in Scotland and listed on the London Stock Exchange. The address of the registered office is Premier Oil plc, 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN. The principal activities of the Company and its subsidiaries (the 'Group') are oil and gas exploration and production in the Falkland Islands, Indonesia, Norway, Pakistan, the United Kingdom, Vietnam and Rest of the World.

These financial statements are presented in US dollars since that is the currency in which the majority of the Group's transactions are denominated.

Adoption of new and revised standards

In the current year the following new and revised Standards and Interpretations have been adopted, none of which have a material impact on the Group's annual results.

- IAS 19 (amendments) Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs: 2010–2012 Amendments to: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets
- Annual Improvements to IFRSs: 2011–2013 Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the European Union):

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 11 (amendments) Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 and IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 16 and IAS 41 (amendments) Agriculture: Bearer Plants
- IAS 27 (amendments) Equity Method in Separate Financial Statements
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs: 2012–2014 Cycle Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 is likely to require a number of potentially significant changes to the treatment of our lease arrangements. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

The financial statements are prepared under the historical cost convention except for the revaluation of financial instruments and certain oil and gas properties at the transition date to IFRS.

The financial statements have been prepared on the going concern basis. Further information relating to the use of the going concern assumption, including details of a related material uncertainty due to the risk of a covenant in breach in respect of the testing period as at 30 June 2016, is provided in the "Going Concern" section of the Financial Review as set out on page 54.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when a company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 share-based payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the year ended 31 December 2015

Interest in joint arrangements

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

Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group reports its interests in joint operations using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of the joint operation are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

A joint venture, which normally involves the establishment of a separate legal entity, is a contractual arrangement whereby the parties that have joint control of the arrangement have the rights to the arrangement's net assets. The results, assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. During 2015, the Group did not have any material interests in joint ventures.

Where the Group transacts with its joint operations, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

Interests in associates

An associate is an entity over which the Group has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement. The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting.

Assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Sales revenue and other income

Sales of petroleum production are recognised when goods are delivered or the title has passed to the customer.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Oil and gas assets

The Company applies the successful efforts method of accounting for exploration and evaluation ('E&E') costs, having regard to the requirements of IFRS 6 – 'Exploration for and Evaluation of Mineral Resources'.

(a) Exploration and evaluation assets

Under the successful efforts method of accounting, all licence acquisition, exploration and appraisal costs are initially capitalised in well, field or specific exploration cost centres as appropriate, pending determination. Expenditure incurred during the various exploration and appraisal phases is then written off unless commercial reserves have been established or the determination process has not been completed.

Pre-licence costs

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation costs

Costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Tangible assets used in E&E activities (such as the Group's vehicles, drilling rigs, seismic equipment and other property, plant and equipment used by the Company's exploration function) are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overhead, including the depreciation of property, plant and equipment utilised in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

E&E costs are not amortised prior to the conclusion of appraisal activities.

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration licence/prospect are carried forward, until the existence (or otherwise) of commercial reserves has been determined subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value, after any impairment loss, of the relevant E&E assets, is then reclassified as development and production assets, once a field development plan has been approved or a gas sales agreement has been signed. If, however, commercial reserves have not been found, the capitalised costs are charged to expense after conclusion of appraisal activities.

(b) Development and production assets

Development and production assets are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets, as outlined in accounting policy (a) on the previous page.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provisions for future restoration and decommissioning.

Depreciation of producing assets

The net book values of producing assets are depreciated generally on a field-by-field basis using the unit-of-production method by reference to the ratio of production in the year and the related commercial (proved and probable) reserves of the field, taking into account future development expenditures necessary to bring those reserves into production.

Producing assets are generally grouped with other assets that are dedicated to serving the same reserves for depreciation purposes, but are depreciated separately from producing assets that serve other reserves.

Pipelines are depreciated on a unit-of-throughput basis.

(c) Impairment of development and production assets

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash-generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single cash-generating unit where the cash inflows of each field are interdependent.

Any impairment identified is charged to the income statement. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

(d) Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the acquisition method when the assets acquired and liabilities assumed constitute a business.

Transactions involving the purchase of an individual field interest, or a group of field interests, that do not constitute a business, are treated as asset purchases irrespective of whether the specific transactions involve the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed of and any surplus is recorded as a gain on disposal in the income statement.

(e) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. The amount recognised is the present value of the estimated future expenditure. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas property. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is dealt with from the start of the financial year as an adjustment to the opening provision and the oil and gas property. The unwinding of the discount is included as a finance cost.

For the year ended 31 December 2015

Inventories

Inventories, except for petroleum products, are valued at the lower of cost and net realisable value. Petroleum products and under and over lifts of crude oil are recorded at net realisable value, under inventories and other debtors or creditors respectively.

Tax

The tax expense/credit represents the sum of the tax currently payable/recoverable and deferred tax movements during the year.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill/excess of fair value over cost or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Group reassesses its unrecognised deferred tax asset each year taking into account changes in oil and gas prices, the Group's proven and probable reserve profile and forecast capital and operating expenditures.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Translation of foreign currencies

In the accounts of individual companies, transactions denominated in foreign currencies, being currencies other than the functional currency, are recorded in the local currency at actual exchange rates as of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Any gain or loss arising from a change in exchange rate subsequent to the dates of the transactions is included as an exchange gain or loss in the income statement. Non-monetary assets held at historic cost are translated at the date of purchase and are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are generally translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Group retirement benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

The Group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Past service cost is also recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Royalties

Royalties are charged as production costs to the income statement in the year in which the related production is recognised as income.

Leasing

Rentals payable for assets under operating leases are charged to the income statement on a straight-line basis over the lease term.

Financial instruments

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

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Bank borrowings

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

Borrowing costs

Borrowing costs directly relating to the construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the assets are substantially ready for their intended use, i.e. when they are capable of commercial production. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Trade payables

Trade payables are stated at their nominal value.

For the year ended 31 December 2015

Derivative financial instruments

The Group uses derivative financial instruments (derivatives) to manage its exposure to changes in foreign currency exchange rates, interest rates and oil price fluctuations.

All derivative financial instruments are initially recorded at cost, including transaction costs. Derivatives are subsequently carried at fair value. Apart from those derivatives designated as qualifying cash flow hedging instruments, all changes in fair value are recorded as financial income or expense in the year in which they arise.

For the purposes of hedge accounting, hedging relationships may be of three types: fair value hedges are hedges of particular risks that may change the fair value of a recognised asset or liability; cash flow hedges are hedges of particular risks that may change the amount or timing of future cash flows; and hedges of net investment in a foreign entity are hedges of particular risks that may change the carrying value of the net assets of a foreign entity. Currently the Group only has cash flow hedge relationships.

To qualify for hedge accounting the hedging relationship must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting. In this case the hedging instrument and the hedged item are reported independently as if there were no hedging relationship. In particular any derivatives are reported at fair value, with changes in fair value included in financial income or expense.

For qualifying cash flow hedges, the hedging instrument is recorded at fair value. The portion of any change in fair value that is an effective hedge is included in equity, and any remaining ineffective portion is reported in financial income. If the hedging relationship is the hedge of a firm commitment or highly probable forecasted transaction, the cumulative changes of fair value of the hedging instrument that have been recorded in equity are included in the initial carrying value of the asset or liability at the time it is recognised. For all other qualifying cash flow hedges, the cumulative changes of fair value of the hedging instrument that have been recorded in equity are included in financial income at the time when the forecasted transaction affects net income.

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement. Embedded derivatives which are closely related to host contracts, including in particular price caps and floors within the Group's oil sales contracts, are not separated and are not carried at fair value.

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

Cash and cash equivalents

Cash comprises cash in hand and short-term deposits, less overdrafts.

Cash equivalents comprise funds held in term deposit accounts with an original maturity not exceeding three months.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of a Monte Carlo simulation. The main assumptions are provided in note 20 on page 156.

Convertible bonds

The net proceeds received from the issue of convertible bonds are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity and is not re-measured. The liability component is carried at amortised cost.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

Critical accounting judgements and key sources of estimation uncertainty

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and are considered to be:

- the application of the going concern basis of accounting (basis of preparation section above)
- carrying value of intangible exploration and evaluation assets (note 9 on page 143);
- carrying value of property, plant and equipment (note 10 on page 144);
- proved and probable reserves estimates (note 10 on page 144);
- decommissioning costs (note 17 on page 148); and
- tax and recognition of deferred tax assets (note 19 on page 155).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 US\$ million	2014 US\$ million restated ¹
Sales revenues	1	1,067.2	1,629.4
Other operating income	17	31.9	–
Cost of sales	2	(661.0)	(986.2)
Impairment charge on oil and gas properties	10	(1,023.7)	(784.4)
Exploration expense	9	(95.4)	(51.2)
Pre-licence exploration costs		(13.6)	(20.3)
Profit on disposal of non-current assets	9,10	1.2	12.4
General and administration costs		(14.4)	(25.4)
Operating loss		(707.8)	(225.7)
Share of (loss)/profit in associate	27	(1.9)	1.9
Interest revenue, finance and other gains	5	40.7	57.1
Finance costs, other finance expenses and losses	5	(160.6)	(195.8)
Loss before tax		(829.6)	(362.5)
Tax	6	(241.1)	136.5
Loss for the year from continuing operations		(1,070.7)	(226.0)
Discontinued operations			
(Loss)/gain for the year from discontinued operations	7	(33.1)	15.7
Loss after tax		(1,103.8)	(210.3)
Loss per share (cents):			
From continuing operations			
Basic	8	(209.6)	(43.3)
Diluted	8	(209.6)	(43.3)
From continuing and discontinued operations			
Basic	8	(216.1)	(40.3)
Diluted	8	(216.1)	(40.3)

Note:

1 For discontinued operations, see note 7.

For the year ended 31 December 2015

	Note	2015 US\$ million	2014 US\$ million
Loss for the year		(1,103.8)	(210.3)
Cash flow hedges on commodity swaps:			
Gains arising during the year		164.4	296.1
Less: reclassification adjustments for gains in the year		(278.9)	(46.0)
Tax relating to components of other comprehensive income	18	(114.5)	250.1
Cash flow hedges on interest rate and foreign exchange swaps		19.8	15.5
Exchange differences on translation of foreign operations		(37.0)	(48.3)
Losses on long-term employee benefit plans ¹	24	(0.1)	(0.2)
Other comprehensive (expense)/income		(55.8)	78.1
Total comprehensive expense for the year		(1,159.6)	(132.2)

Note:

1 Not expected to be reclassified subsequently to profit and loss account.

All comprehensive income is attributable to the equity holders of the parent.

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 US\$ million	2014 US\$ million
Non-current assets:			
Intangible exploration and evaluation assets	9	749.7	825.7
Property, plant and equipment	10	2,611.7	2,430.0
Goodwill	10	240.8	240.8
Investment in associate	27	5.3	7.6
Long-term employee benefit plan surplus	24	0.5	0.8
Long-term receivables	11	11.5	494.1
Deferred tax assets	19	871.6	971.7
		4,491.1	4,970.7
Current assets:			
Inventories		20.8	26.1
Trade and other receivables	11	240.8	411.0
Tax recoverable		33.6	57.9
Derivative financial instruments	18	118.3	273.4
Cash and cash equivalents	12	401.3	291.8
Asset held for sale	10	–	56.7
		814.8	1,116.9
Total assets		5,305.9	6,087.6
Current liabilities:			
Trade and other payables	13	(407.4)	(544.5)
Current tax payable		(64.6)	(84.2)
Provisions	17	(24.8)	(14.1)
Derivative financial instruments	18	(76.5)	(48.1)
Short-term debt	15	–	(300.0)
Deferred income	14	(20.9)	–
Liabilities directly associated with asset held for sale	10	–	(1.8)
		(594.2)	(992.7)
Net current assets		220.6	124.2
Non-current liabilities:			
Convertible bonds	15	(232.6)	(228.1)
Other long-term debt	15	(2,382.5)	(1,858.1)
Deferred tax liabilities	19	(193.3)	(254.2)
Deferred income	14	(87.6)	–
Long-term provisions	17	(1,065.7)	(864.0)
Long-term employee benefit plan deficit	24	(15.2)	(18.3)
		(3,976.9)	(3,222.7)
Total liabilities		(4,571.1)	(4,215.4)
Net assets		734.8	1,872.2
Equity and reserves:			
Share capital	20	106.7	106.7
Share premium account		275.4	275.4
Merger reserve		374.3	374.3
Retained earnings		46.3	1,142.3
Other reserves		(67.9)	(26.5)
		734.8	1,872.2

The financial statements were approved by the Board of Directors and authorised for issue on 24 February 2016.

They were signed on its behalf by:

Tony Durrant
Chief Executive Officer

Richard Rose
Finance Director

For the year ended 31 December 2015

	Attributable to the equity holders of the parent								Total US\$ million
	Note	Share capital US\$ million	Share premium account US\$ million	Retained earnings US\$ million	Merger reserve US\$ million	Other reserves			
						Capital redemption reserve US\$ million	Translation reserves US\$ million	Equity reserve US\$ million	
At 1 January 2014		110.5	275.3	1,342.1	374.3	4.3	(0.4)	18.3	2,124.4
Issue of Ordinary Shares		–	0.1	–	–	–	–	–	0.1
Purchase and cancellation of own shares		(3.8)	–	(93.0)	–	3.8	–	–	(93.0)
Purchase of ESOP Trust shares		–	–	(6.4)	–	–	–	–	(6.4)
Provision for share-based payments	20	–	–	23.3	–	–	–	–	23.3
Transfer between reserves ¹		–	–	4.2	–	–	–	(4.2)	–
Dividends paid		–	–	(44.0)	–	–	–	–	(44.0)
Total comprehensive expense		–	–	(83.9)	–	–	(48.3)	–	(132.2)
At 1 January 2015		106.7	275.4	1,142.3	374.3	8.1	(48.7)	14.1	1,872.2
Purchase of ESOP Trust shares		–	–	(0.9)	–	–	–	–	(0.9)
Provision for share-based payments	20	–	–	23.0	–	–	–	–	23.0
Transfer between reserves ¹		–	–	4.5	–	–	–	(4.5)	–
Total comprehensive expense		–	–	(1,122.6)	–	–	(37.0)	–	(1,159.6)
At 31 December 2015		106.7	275.4	46.3	374.3	8.1	(85.7)	9.6	734.8

Note:

1 The transfer between reserves relates to the non-cash interest on the convertible bonds, less the amortisation of the issue costs that were charged directly against equity.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	2015 US\$ million	2014 US\$ million
Net cash from operating activities	22	809.5	924.3
Investing activities:			
Capital expenditure		(992.2)	(1,195.5)
Disposal of oil and gas properties		219.6	130.7
Loan to joint venture partner		(77.9)	(318.4)
Net cash used in investing activities		(850.5)	(1,383.2)
Financing activities:			
Proceeds from issuance of Ordinary Shares		–	0.1
Purchase and cancellation of own shares		–	(93.0)
Purchase of ESOP Trust shares		(0.9)	(6.4)
Proceeds from drawdown of bank loans		775.0	655.0
Debt arrangement fees		(9.6)	(22.1)
Repayment of long-term bank loans		(300.0)	(100.0)
Repayment of senior loan notes		(209.4)	–
Dividends paid		–	(44.0)
Interest paid		(91.6)	(98.1)
Net cash from financing activities		163.5	291.5
Currency translation differences relating to cash and cash equivalents		(13.0)	10.3
Net increase/(decrease) in cash and cash equivalents		109.5	(157.1)
Cash and cash equivalents at the beginning of the year		291.8	448.9
Cash and cash equivalents at the end of the year	22	401.3	291.8

For the year ended 31 December 2015

1. Operating segments

The Group's operations are located and managed in six business units; namely the Falkland Islands, Indonesia, Pakistan (including Mauritania), the United Kingdom, Vietnam and the Rest of the World. The results for Norway, which was sold during the year, are reported as a discontinued operation for both periods (see note 7 on page 142).

Some of the business units currently do not generate revenue or have any material operating income.

The Group is engaged in one business of upstream oil and gas exploration and production.

	2015 US\$ million	2014 US\$ million restated
Revenue:		
Indonesia	215.4	325.7
Pakistan (including Mauritania)	88.9	141.6
Vietnam	227.8	473.3
United Kingdom	535.1	688.8
Total Group sales revenue	1,067.2	1,629.4
Other operating income – United Kingdom	31.9	–
Interest and other finance revenue	29.3	39.4
Total Group revenue from continuing operations	1,128.4	1,668.8
Group operating loss:		
Indonesia	62.0	104.5
Pakistan (including Mauritania)	12.2	32.4
Vietnam	27.0	153.5
United Kingdom	(721.9)	(446.6)
Rest of the World	(59.1)	(23.6)
Unallocated ¹	(28.0)	(45.9)
Group operating loss	(707.8)	(225.7)
Share of (loss)/profit in associate	(1.9)	1.9
Interest revenue, finance and other gains	40.7	57.1
Finance costs and other finance expenses	(160.6)	(195.8)
Loss before tax from continuing operations	(829.6)	(362.5)
Tax	(241.1)	136.5
Loss after tax from continuing operations	(1,070.7)	(226.0)
(Loss)/gain from discontinued operations	(33.1)	15.7
Balance sheet		
Segment assets:		
Falkland Islands	591.4	430.6
Indonesia	560.3	702.0
Norway	–	197.9
Pakistan (including Mauritania)	59.3	101.7
Vietnam	388.2	569.9
United Kingdom	3,122.5	3,428.2
Rest of the World	64.6	92.1
Unallocated ¹	519.6	565.2
Total assets	5,305.9	6,087.6

Note:

- 1 Unallocated expenditure, assets and liabilities include amounts of a corporate nature and not specifically attributable to a geographical segment. These items include corporate general and administration costs, pre-licence exploration costs, cash and cash equivalents, mark-to-market valuations of commodity contracts and interest rate swaps, convertible bonds and other short-term and long-term debt.

For the year ended 31 December 2015

1. Operating segments continued

	2015 US\$ million	2014 US\$ million
Liabilities:		
Falkland Islands	(69.1)	(28.5)
Indonesia	(261.0)	(326.4)
Norway	–	(60.3)
Pakistan (including Mauritania)	(95.8)	(103.0)
Vietnam	(218.4)	(322.7)
United Kingdom	(1,137.2)	(913.9)
Rest of the World	(10.5)	(26.2)
Unallocated ¹	(2,779.1)	(2,434.4)
Total liabilities	(4,571.1)	(4,215.4)
Other information		
Capital additions and acquisitions:		
Falkland Islands	149.9	112.9
Indonesia	39.6	149.2
Norway	17.0	68.1
Pakistan (including Mauritania)	24.0	33.4
Vietnam	(23.9)	156.7
United Kingdom	1,505.5	654.3
Rest of the World	38.8	36.8
Total capital additions and acquisitions	1,750.9	1,211.4
Depreciation, depletion, amortisation and impairment:		
Indonesia	92.6	73.7
Pakistan (including Mauritania)	42.9	41.8
Vietnam	106.2	185.6
United Kingdom	1,107.1	938.2
Rest of the World	1.6	1.5
Total depreciation, depletion, amortisation and impairment	1,350.4	1,240.8

Note:

¹ Unallocated expenditure, assets and liabilities include amounts of a corporate nature and not specifically attributable to a geographical segment. These items include corporate general and administration costs, pre-licence exploration costs, cash and cash equivalents, mark-to-market valuations of commodity contracts and interest rate swaps, convertible bonds and other short-term and long-term debt.

Out of the total Group worldwide sales revenues of US\$1,067.2 million (2014: US\$1,629.4 million), revenues of US\$535.1 million (2014: US\$688.8 million) arose from sales of oil and gas to customers located in the UK.

Included in assets arising from the United Kingdom segment are non-current assets (excluding deferred tax assets) of US\$2,137.5 million (2014: US\$2,246.7 million) located in the UK. Included in depreciation, depletion, amortisation and impairment are impairment charges in relation to the UK (US\$998.4 million), Pakistan (including Mauritania) (US\$7.8 million) and Indonesia (US\$17.5 million).

Revenue from two customers (2014: four customers) each exceeded 10 per cent of the Group's consolidated revenue and amounted to US\$132.5 million, arising from sales of crude oil (2014: US\$436.1 million, US\$157.2 million and US\$204.5 million), and US\$166.7 million arising from sales of gas (2014: US\$284.3 million) across all operating segments.

2. Cost of sales

	Note	2015 US\$ million	2014 US\$ million restated
Operating costs		323.6	436.1
Stock overlift/underlift movement		(11.4)	48.5
Royalties		22.1	45.6
Amortisation and depreciation of property, plant and equipment:			
Oil and gas properties	10	315.9	446.1
Other fixed assets	10	10.8	9.9
		661.0	986.2

3. Auditor's remuneration

	2015 US\$ million	2014 US\$ million
Audit fees:		
Fees payable to the Company's auditor for the Company's annual report	0.8	0.8
Audit of the Company's subsidiaries pursuant to legislation	0.3	0.2
	1.1	1.0
Non-audit fees:		
Other services pursuant to legislation – interim review	0.2	0.1
Tax services	0.1	0.3
Information technology subscription fees for upstream data	–	0.2
Other services ¹	0.1	0.1
	0.4	0.7

Note:

1 Other services relate to fees payable to the Company's auditors for the audit of Company's joint operations and other assurance services.

The Company has a policy on the provision of non-audit services by the auditor which is aimed at ensuring their continued independence. This policy is available on the Group's website. The use of the external auditor for services relating to accounting systems or financial statement preparations is not permitted, as are various other services that could give rise to conflicts of interest or other threats to the auditor's objectivity that cannot be reduced to an acceptable level by applying safeguards.

For the year ended 31 December 2015

4. Staff costs

	2015 US\$ million	2014 US\$ million
Staff costs, including Executive Directors:		
Wages and salaries	113.4	148.9
Social security costs	8.9	10.8
Pension costs:		
Defined contribution	9.8	9.6
Defined benefit	0.3	2.3
	132.4	171.6

Staff costs above are recharged to joint venture partners or capitalised to the extent that they are directly attributable to capital projects. The above costs include share-based payments to employees as disclosed in note 20 on page 156.

	2015	2014
Average number of employees during the year¹:		
Technical and operations	608	657
Management and administration	263	283
	871	940

Note:

1 Staff numbers include Executive Directors.

5. Interest revenue and finance costs

	Notes	2015 US\$ million	2014 US\$ million restated
Interest revenue, finance and other gains:			
Short-term deposits		0.8	1.7
Gain on forward contracts		3.8	–
Gain on extinguishment of debt		3.8	–
Loan to joint venture partner	11	27.9	36.8
Exchange differences and others		4.4	18.6
		40.7	57.1
Finance costs:			
Bank loans, overdrafts and bonds		(68.1)	(62.1)
Payable in respect of convertible bonds		(10.7)	(10.5)
Payable in respect of senior loan notes		(23.4)	(31.3)
Long-term debt arrangement fees		(8.8)	(7.0)
Loss on forward contracts		(20.6)	(18.9)
Exchange differences and others		–	(0.1)
		(131.6)	(129.9)
Other finance expenses:			
Unwinding of discount on decommissioning provision	17	(46.1)	(46.9)
Provision for doubtful loan to joint venture partner	11	(33.2)	(61.2)
Finance expense on deferred income	14	(8.5)	–
		(87.8)	(108.1)
Gross finance costs and other finance expenses		(219.4)	(238.0)
Finance costs capitalised during the year	10	58.8	42.2
		(160.6)	(195.8)

The amount of finance costs capitalised was determined by applying the weighted average rate of finance costs applicable to the borrowings of the Group of 4.4 per cent (2014: 4.4 per cent) to the expenditures on the qualifying assets.

During the year a currency exchange gain of US\$3.5 million was credited to income (2014: US\$18.6 million restated). This excluded exchange gains and losses arising on financial instruments measured at fair value through profit or loss.

6. Tax

	Note	2015 US\$ million	2014 US\$ million ¹
Current tax:			
UK corporation tax on profits ²		(2.3)	(1.5)
UK petroleum revenue tax		19.4	65.4
Overseas tax		80.1	154.1
Adjustments in respect of prior years		1.4	1.9
Total current tax		98.6	219.9
Deferred tax:			
UK corporation tax		187.4	(382.2)
UK petroleum revenue tax		(10.6)	33.7
Overseas tax		(34.3)	(45.1)
Total deferred tax	19	142.5	(393.6)
Tax charge/(credit) on profit on ordinary activities		241.1	(173.7)

Notes:

- The 2014 column is presented as reported in the 2014 Annual Report and is not restated for the Norway discontinued operation, the tax impact of which is shown in note 7 overleaf.
- The UK corporation tax current tax credit of US\$2.3 million consists of a UK tax refund relating to decommissioning costs incurred in 2015 and carried back to prior periods.

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2015 US\$ million	2014 US\$ million ¹
Group loss on ordinary activities before tax	(829.6)	(384.0)
Group profit on ordinary activities before tax at 47.4% weighted average rate (2014: 64.0%)	(393.2)	(245.7)
Tax effects of:		
Income/expenses that are not taxable/deductible in determining taxable profit	99.1	21.1
Tax and tax credits not related to profit before tax	(144.3)	(50.4)
Unrecognised tax losses	406.2	23.8
Utilisation and recognition of tax losses not previously recognised	(2.5)	(11.2)
Adjustments in respect of prior years	10.6	1.9
Effect of change in tax rates	168.1	–
Write down of deferred tax asset previously recognised	97.1	86.8
Tax charge/(credit) for the year	241.1	(173.7)
Effective tax rate for the year	(29.0%)	45.2%

Note:

- The 2014 column is presented as reported in the 2014 Annual Report and is not restated for the Norway discontinued operation, the tax impact of which is shown in note 7 overleaf.

The weighted average rate is calculated based on the tax rates weighted according to the profit or loss before tax earned by the Group in each jurisdiction. The change in the weighted average rate year-on-year relates to the mix of profit and loss in each jurisdiction including a reduction in the standard tax rate on UK ring fence profits to 50 per cent (2014: 62 per cent).

Tax not related to profit before tax includes the impact of a UK ring fence expenditure supplement claim in the UK (US\$150.8 million), partially offset by the impact of the UK PRT charge. Further details in respect of the adjustments for unrecognised tax losses, the effect of change in tax rates and the de-recognition of the UK deferred tax asset are provided in note 19 on page 155.

For the year ended 31 December 2015

7. Discontinued operations

On 16 November 2015, the Group entered into a sale agreement to dispose of Premier Oil Norge AS ('PONAS'), which held all of the Group's licence interests in Norway, to Det norske oljeselskap ASA. The disposal was completed on 22 December 2015 on which date control of PONAS passed to the acquiror.

As Norway was a separate operating segment, the results of this operating segment have been classified as a discontinued operation and prior year comparatives have been restated accordingly. The results included in the consolidated income statement were as follows:

	Period ended 22 December 2015 US\$ million	Year ended 2014 US\$ million
Revenue	–	–
Loss before tax	(35.7)	(21.4)
Attributable tax income	31.8	37.1
Loss on disposal of discontinued operations	(29.2)	–
Net (loss)/profit attributable to discontinued operations	(33.1)	15.7

During the year, PONAS paid US\$17.0 million (2014: US\$68.1 million) in respect of investing activities.

The loss of US\$29.2 million on the disposal of PONAS is the amount by which the cash consideration of US\$120.0 million received exceeded the carrying amount of PONAS' net assets.

8. Loss per share

The calculation of basic loss per share is based on the loss after tax and on the weighted average number of Ordinary Shares in issue during the year. Basic and diluted loss per share are calculated as follows:

	2015 US\$ million	2014 US\$ million
Loss		
Loss from continuing operations	(1,070.7)	(226.0)
Effect of dilutive potential Ordinary Shares:		
Interest on convertible bonds – anti-dilutive	–	–
Loss for the purposes of diluted earnings per share on continuing operations	(1,070.7)	(226.0)
(Loss)/profit from discontinued operations	(33.1)	15.7
Loss for the purposes of diluted earnings per share on continuing and discontinued operations	(1,103.8)	(210.3)
Number of shares (millions)		
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	510.8	521.9
Effects of dilutive potential Ordinary Shares:		
Contingently issuable shares – anti-dilutive	–	–
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	510.8	521.9
Loss per share from continuing operations (cents)		
Basic	(209.6)	(43.3)
Diluted	(209.6)	(43.3)
(Loss)/earnings per share from discontinued operations (cents)		
Basic	(6.5)	3.0
Diluted	(6.5)	3.0

There were 40.7 million anti-dilutive potential Ordinary Shares in 2015 (2014: 37.1 million) mainly comprising shares to be issued on conversion of convertible bonds.

9. Intangible exploration and evaluation ('E&E') assets

	Total US\$ million
Cost:	
At 1 January 2014	701.0
Exchange movements	(37.1)
Additions during the year	294.0
Disposals ¹	(46.5)
Transfer to property, plant and equipment	(1.7)
Exploration expense ²	(58.5)
Transfer to asset held for sale	(25.5)
At 31 December 2014	825.7
Exchange movements	(37.2)
Additions during the year	217.9
Disposals	(161.3)
Exploration expense	(95.4)
At 31 December 2015	749.7

Notes:

- Disposals in the prior year were for the Group's interest in the PL359 licence in Norway.
- The 2014 exploration expense has been restated in the income statement to US\$51.2 million for the effect of the Norway discontinued operation.

The amounts for intangible E&E assets represent costs incurred on active exploration projects. These amounts are written off to the income statement as exploration expense unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. Assets written off in the year include costs previously capitalised for the Bonneville prospect in the UK (US\$21.0 million), Block 2B in Kenya (US\$30.9 million) and Iraq (US\$20.8 million). The outcome of ongoing exploration, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain.

The disposal in 2015 is for E&E costs that were held in relation to the Group's Norway business unit (see note 7 on the previous page).

For the year ended 31 December 2015

10. Property, plant and equipment

	Oil and gas properties US\$ million	Other fixed assets US\$ million	Total US\$ million
Cost:			
At 1 January 2014	4,929.3	48.0	4,977.3
Exchange movements	–	(2.0)	(2.0)
Additions during the year	903.5	13.9	917.4
Disposals	(211.4)	–	(211.4)
Transfer to asset held for sale	(124.5)	–	(124.5)
Transfer from intangible E&E assets	1.7	–	1.7
At 31 December 2014	5,498.6	59.9	5,558.5
Exchange movements	–	(2.0)	(2.0)
Asset acquisition	614.8	–	614.8
Additions during the year	912.3	5.9	918.2
Disposals	–	(2.4)	(2.4)
At 31 December 2015	7,025.7	61.4	7,087.1
Amortisation and depreciation:			
At 1 January 2014	2,062.7	28.7	2,091.4
Exchange movements	–	(1.8)	(1.8)
Charge for the year	446.1	10.3	456.4
Impairment charge	784.4	–	784.4
Disposals	(179.9)	–	(179.9)
Transfer to asset held for sale	(22.0)	–	(22.0)
At 31 December 2014	3,091.3	37.2	3,128.5
Exchange movements	–	(1.3)	(1.3)
Charge for the year	315.9	10.8	326.7
Impairment charge	1,023.7	–	1,023.7
Disposals	–	(2.2)	(2.2)
At 31 December 2015	4,430.9	44.5	4,475.4
Net book value:			
At 31 December 2014	2,407.3	22.7	2,430.0
At 31 December 2015	2,594.8	16.9	2,611.7

Notes:

Finance costs that have been capitalised within oil and gas properties during the year total US\$58.8million (2014: US\$42.2 million), at a weighted average interest rate of 4.4 per cent (2014: 4.4 per cent). Other fixed assets include items such as leasehold improvements, motor vehicles and office equipment.

The 2014 charge for the year has been restated in the income statement for the Norway discontinued operations.

During the year Premier acquired a further 40 per cent interest in the Solan field for nil upfront cash consideration to increase the Group's total interest to 100 per cent. Under the terms of the transaction, the Group has agreed to make three types of contingent consideration (royalty) payments to Chrysaor which depend on the future profits that would arise from a 40 per cent interest in the Solan field. The terms of each royalty differ and in certain cases include a fixed monetary cap and in other cases allow for deductions designed to allow Premier to recover the loan previously advanced to Chrysaor and/or a 40 per cent share of the total project capex.

The consideration for the acquisition was US\$614.8 million, representing the fair value at the transaction date of the outstanding loan balance due from Chrysaor which was waived (US\$549.0 million), the fair value of the above contingent consideration due to Chrysaor using Premier's long-term planning assumptions at the date of the transaction (US\$56.0 million) and other working capital adjustments (US\$10.0 million). This contingent consideration is included in long-term provisions at its fair value at 31 December 2015. The fair value of the contingent consideration has been determined using our long-term corporate modelling assumptions consistent with those used for impairment testing purposes, as set out opposite, and has been reduced to US\$24.1 million at year end (see note 17 on page 148).

During the year the Group completed the disposal of its interests in Block A Aceh in Indonesia and the Scott area in the UK, receiving total cash of US\$82.7 million.

Amortisation and depreciation of oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves on an entitlement basis at the end of the period plus production in the period, on a field-by-field basis. Proved and probable reserve estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Management uses established industry techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

Impairment

The impairment charge in the current year relates to the Balmoral area (US\$5.3 million), Huntington (US\$80.5 million), Kyle (US\$21.6 million) and Solan (US\$891.0 million) fields in the UK, the Kadanwari field in Pakistan (US\$7.8 million) and the Kakap field in Indonesia (US\$17.5 million). The impairment charge of US\$1,023.7 million was calculated by comparing the future discounted pre-tax cash flows expected to be derived from production of commercial reserves (the value-in-use) with the carrying value of the asset. The future cash flows were estimated using an oil price assumption equal to the Dated Brent forward curve in 2016 and 2017, US\$65/bbl in 2018 and US\$80/bbl in 'real' terms thereafter and were discounted using a pre-tax discount rate of 8 per cent for the UK assets (2014: 10 per cent) and 12.5 per cent for the non-UK assets (2014: 12.5 per cent). Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain. The principal cause of the impairment charge recognised in the year is a reduction in the short to medium-term oil price assumption being used when determining the future discounted cash flows for each field. In addition to the impact of the reduced oil price assumption, an increase in the expected decommissioning costs for the Solan field in the first half of 2015 has also driven part of the impairment charge, together with an increase in the expected costs to complete the project.

The recoverable amounts of the assets that have been impaired in the year, based on the value-in-use assumptions set out above, are: Balmoral area US\$10.5 million, Solan US\$1,106.9 million, Huntington US\$12.4 million, Kyle US\$15.0 million, Kadanwari US\$6.2 million and Kakap US\$5.8 million.

Goodwill

Goodwill of US\$240.8 million has been specifically assigned to the Catcher field in the UK, which is considered the cash-generating unit for the purposes of any impairment testing of this goodwill. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts are determined from value-in-use calculations with the same key assumptions as noted for the impairment calculations above. The discount rate used is 8 per cent (2014: 10 per cent). The value-in-use forecast, which is formally approved by management, takes into consideration cash flows which are expected to arise during the life of the Catcher field as a whole, currently expected to be around 2030. This period exceeds five years but is believed to be appropriate as it is underpinned by estimates of commercial reserves provided by our in-house reservoir engineers using industry standard reservoir estimation techniques. The headroom between the recoverable amount and the carrying amount, including the goodwill, is US\$3.5 million. If the long-term oil price assumption used to determine the value-in-use of the Catcher field is reduced from 2017 onwards, the recoverable amount of the Catcher field would be below its carrying value, including the goodwill, and would give rise to an impairment loss.

Sensitivity

A 1 per cent increase in the discount rates used when determining the value-in-use for each asset would result in a further impairment charge of approximately US\$60 million and a US\$1/bbl reduction to the oil price for the life of field for each asset would trigger an increase in the impairment charge of approximately US\$80 million.

11. Receivables

Trade and other receivables

	2015 US\$ million	2014 US\$ million
Trade receivables	132.0	274.9
Other receivables	93.2	121.0
Prepayments	15.6	15.1
	240.8	411.0

The carrying values of the trade and other receivables are equal to their fair value as at the balance sheet date.

Long-term receivables

	2015 US\$ million	2014 US\$ million
Other long-term receivables	11.5	7.9
Loan to joint venture partner	–	486.2
	11.5	494.1

The loan to joint venture partner, which comprised a loan facility extended to a non-operating partner for the purpose of financing development costs of the Solan project, was reclassified to property, plant and equipment cost during the year as part of the consideration for the asset acquisition of Chrysaor's 40 per cent working interest in the Solan development project (see note 10 on the previous page).

For the year ended 31 December 2015

12. Cash and cash equivalents

	Note	2015 US\$ million	2014 US\$ million
Cash at bank and in hand		127.9	85.0
Short-term deposits		273.4	206.8
	22	401.3	291.8

13. Trade and other payables

		2015 US\$ million	2014 US\$ million
Trade payables		65.2	93.7
Accrued expenses		332.8	426.7
Other payables		9.4	24.1
		407.4	544.5

The carrying values of the trade and other payables approximate to their fair value as at the balance sheet date.

14. Deferred income

In June 2015, Premier received US\$100.0 million from FlowStream in return for granting them 15 per cent of production from the Solan field until sufficient barrels have been delivered to achieve the rate of return within the agreement. As this is a contract to deliver a non-financial item, this has been recognised as deferred income in the balance sheet and will be released to the income statement as barrels are delivered to FlowStream following first oil from Solan. Although no barrels have been delivered to date, under the terms of the deal, the balance had increased to US\$108.5 million by year end, with the resulting charge being recorded within finance costs.

The portion of the deferred income that is expected to be delivered to FlowStream within the next 12 months has been classified as a current liability.

15. Borrowings

	Note	2015 US\$ million	2014 US\$ million
Convertible bonds ¹		232.9	228.5
Other long-term debt – bank loans ¹	18	1,697.0	931.0
Other short-term debt – bank loans ¹	18	–	300.0
Other long-term debt – senior loan notes ¹	18	493.1	720.5
Other long-term debt – retail bonds ¹	18	220.5	234.0
Total borrowings		2,643.5	2,414.0

Note:

¹ The carrying values of the convertible bonds and the other long-term debt on the balance sheet are stated net of the unamortised portion of the issue costs of US\$0.3 million (2014: US\$0.4 million) and debt arrangement fees of US\$28.1 million (2014: US\$27.4 million) respectively.

A maturity analysis showing the ageing profile of the total borrowings is shown in note 18 on page 149.

At the year-end, the Group's principal credit facilities comprised:

- US\$2.5 billion revolving and letters of credit facility maturing in 2019;
- US\$150.0 million and £100.0 million term loans maturing in 2017;
- US\$428.0 million and €60.0 million senior loan notes maturing from 2018 to 2024;
- £150.0 million of retail bonds maturing in 2020; and
- US\$245.3 million of convertible bonds maturing in 2018.

Financial covenants

Financial covenants are the same across all the Group's borrowings except for £150.0 million retail bonds and US\$245.3 million convertible bonds which have no financial covenants. These financial covenants are tested on half-year (annualised) and full-year bases.

In August 2015, Premier agreed with its lending group to modify its financial covenants until mid-2017. Under this agreement our financial covenants have been modified as follows:

- Net debt/EBITDAX cover ratio increased to 4.75 times until the period ending 31 December 2016 and to 4.5 times for the period ending 30 June 2017, before returning to its pre-modified level of 3.0 times for the period ending 31 December 2017.
- Interest cover ratio (EBITDAX to Consolidated Net Interest Payable) reduced to 3.0 times until the period ending 30 June 2017, before returning to its pre-modified level of 4.0 times for the period ending 31 December 2017.

Under the terms of the agreement with our lending group, we are restricted from proposing a dividend to the extent that our projections indicate that our financial covenants will be above their pre-modified levels.

The Company has financing in US\$, £ and €. The £ and € loans have been swapped into US\$ at the transaction dates. In total, £250.0 million and €60.0 million have been swapped into US\$ using cross currency swap markets at an average exchange rate of US\$1.64:£1 and US\$1.37:€1 respectively. However, all liabilities in currencies other than US\$ have been translated at the exchange rate prevailing at the year-end.

Convertible bonds

The bonds were issued on 1 November 2012, with a par value of US\$245.3 million, exchange price of £4.34 (US\$7.00 at fixed exchange rate) per share and a coupon of 2.5 per cent. These are convertible into Ordinary Shares of the Company at any time from 11 August 2016 until six days before their maturity date of 27 July 2018. Under the terms, the exchange price is to be adjusted on the occurrence of certain events, including any payment of dividends by the Company. The current exchange price is £4.21 (US\$6.79) per share. The total number of Ordinary Shares to be issued, if all bonds are converted at this adjusted exchange price, is 36,117,351. If the bonds have not been previously purchased and cancelled, redeemed or converted, they will be redeemed at par value on 27 July 2018. Interest of 2.50 per cent per annum will be paid semi-annually in arrears up to that date.

	2015 US\$ million
Bonds – net	
Total liability component at 1 January 2014	223.8
Interest charged	10.5
Interest paid	(6.2)
Total liability component at 1 January 2015	228.1
Interest charged	10.6
Interest paid	(6.1)
Total liability component at 31 December 2015	232.6

The total interest charged on the new bonds has been calculated by applying an effective annual interest rate of 4.55 per cent to the liability component for the period. The non-cash accrual of interest will increase the liability component (as the cash interest is only paid at 2.5 per cent) to US\$245.3 million to maturity.

Retail bonds

In December 2013, the Company put in place a £500.0 million Retail eligible Euro Medium Term Notes ('EMTN') programme under which it has issued £150.0 million UK retail bonds (the bonds). The bonds have been listed on the Official List of the UK Listings Authority and admitted to trading on the London Stock Exchange's regulated market and the electronic Order Book of Retail Bonds ('ORB'). The bonds have a fixed coupon of 5 per cent and maturity of seven years.

Capital management

The primary objective of the Group's capital management policy is to ensure that it maintains healthy capital ratios in order to support its business and increase shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

For the year ended 31 December 2015

15. Borrowings continued

The Group monitors capital using a gearing ratio, which is net debt divided by net assets plus net debt. The Group's policy is to keep the long-term gearing ratio below 50 per cent. Net debt comprises interest-bearing bank loans, senior loan notes, retail bonds and convertible bonds, less cash and short-term deposits.

	Note	2015	2014
Net debt (US\$ million)	22	(2,242.2)	(2,122.2)
Net assets (US\$ million)		734.8	1,872.2
Net assets plus net debt (US\$ million)		2,977.0	3,994.4
Gearing ratio (%)		75.3	53.1

16. Obligations under leases

	2015 US\$ million	2014 US\$ million
Minimum lease payments under operating leases recognised as an expense in the year	93.5	87.1
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
Within one year	48.1	50.3
In two to five years	151.8	233.8
Over five years	721.0	721.8
	920.9	1,005.9

Operating lease payments represent the Group's share of lease costs payable by the Group for FPSOs and for certain rentals of its office properties, office equipment and motor vehicles.

17. Provisions

	2015 US\$ million	2014 US\$ million
Decommissioning	1,062.6	871.3
Onerous contract	3.8	6.8
Contingent consideration	24.1	–
	1,090.5	878.1

	Note	2015 US\$ million	2014 US\$ million
Decommissioning costs:			
Total provisions at 1 January		871.3	837.7
Revision arising from:			
New provisions and changes in estimates		200.0	225.3
Payments		(6.3)	(4.3)
Disposals		(0.4)	(181.1)
Exchange differences		(48.1)	(53.2)
Unwinding of discount on decommissioning provision	5	46.1	46.9
Total provisions at 31 December		1,062.6	871.3
Reclassification of short-term provisions to current liabilities		(21.1)	(11.4)
Long-term provisions at 31 December		1,041.5	859.9

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas interests in the UK, Indonesia, Vietnam, Pakistan and Mauritania which are expected to be incurred up to 2038. These provisions have been created based on Premier's internal estimates and, where available, operator estimates. Based on the current economic environment, assumptions have been made which are believed to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

New provisions and changes in estimates result largely from an increase in decommissioning estimates for the Solan field in the UK, including an uplift for the additional 40 per cent share acquired in the year, and the Chinguetti field in Mauritania, partially offset by a decrease in Vietnam.

	2015 US\$ million	2014 US\$ million
Onerous contract	3.8	6.8
Total provisions at 31 December	3.8	6.8
Reclassification of short-term provisions to current liabilities	(3.7)	(2.7)
Long-term provisions at 31 December	0.1	4.1

The onerous contract relates to the ongoing FPSO lease commitments for the Group's interest in the Chinguetti field in Mauritania, following the decision to fully impair the related field interest in the prior year.

The contingent consideration is the closing year end fair value of the royalty stream payable to Chrysaor for the acquisition of 40 per cent of the Solan asset in May 2015 (see note 10 on page 144). The initial fair value recognised on acquisition was US\$56.0 million. The change in fair value since the date of acquisition has been recognised as other operating income in the year.

18. Financial instruments

Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivative financial instruments (derivatives), comprise accounts payable, bank loans, convertible bonds, retail bonds and senior loan notes. The main purpose of these financial instruments is to manage short-term cash flow and to raise finance for the Group's capital expenditure programme. The Group has various financial assets such as accounts receivable, and cash and short-term deposits, which arise directly from its operations.

It is Group policy that all transactions involving derivatives must be directly related to the underlying business of the Group. The Group does not use derivative financial instruments for speculative exposures.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are commodity price risk, cash flow interest rate risk, foreign currency exchange risk, credit risk and liquidity risk. The Group uses derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies, and approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments

The Group uses derivatives to manage its exposure to oil and gas price fluctuations and to changes in interest rates and foreign currency.

Oil and gas hedging is undertaken with swaps, collar options, reverse collars and hedges embedded in long-term crude offtake agreements. Oil is hedged using Dated Brent oil price options. Indonesian gas is hedged using HSFO Singapore 180cst which is the variable component of the gas price.

The Group's exposure to interest rates is managed by maintaining an appropriate mix of both fixed and floating interest rate borrowings within its debt portfolio. However, given the very low level of fixed interest rates available relative to historical rates, a substantial portion of the current drawings have been converted to fixed interest rates using the interest rate swap markets.

The Group has £ and € currency exposure as a result of the financial instruments. These are managed through cross currency swap arrangements.

As the Group reports in US dollars, since that is the currency in which the majority of the Group's transactions are denominated, significant exchange rate exposures currently relate only to certain local currency (such as Pound Sterling, Norwegian Kroner) receipts and expenditures within individual business units. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Fair value hierarchy

In line with IAS 39 – 'Financial Instruments: Recognition and Measurement' the Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded value that are not based on observable market data.

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18. Financial instruments continued

As at 31 December 2015, the Group held the following financial instruments measured at fair value (excluding any primary financial instruments such as cash and bank loans):

Assets measured at fair value

Financial assets at fair value through profit and loss:

	At 31 December 2015 US\$ million	At 31 December 2014 US\$ million
Interest rate swaps	4.1	–
Oil forward sale contracts	98.2	241.0
Gas forward sale contracts	16.0	32.4
Total	118.3	273.4

All financial assets above are level 2 in the IAS 39 hierarchy.

The above includes US\$1.0 million in respect of gas forward sales contracts (2014: US\$45.8 million) which had expired by 31 December but had not yet cash settled.

Liabilities measured at fair value

Financial liabilities at fair value through profit and loss:

	At 31 December 2015 US\$ million	At 31 December 2014 US\$ million
Cross currency swaps	74.3	38.6
Forward foreign exchange contracts	2.2	5.9
Interest rate swaps	–	3.6
Total	76.5	48.1

The above hedging instruments are all level 2 in the IAS 39 hierarchy. In addition to this the contingent royalty consideration payable to Chrysaor, outlined in note 17 on page 148, is also held at fair value through profit and loss, and is level 3 in the IAS 39 hierarchy.

Commodity price risk

Oil

At 31 December 2015, the Group had 3.7 million barrels of Dated Brent oil hedged through forward sales for 2016 at an average floor price of US\$68.3/bbl. The forward sales have been designated as cash flow hedges and were assessed to be effective, with a fair value movement of US\$103.5 million charge (2014: US\$224.1 million credit) in retained earnings.

During the year, forward oil sales contracts for 5.6 million barrels matured generating an income of US\$252.1 million (2014: US\$30.8 million). This income is an addition to sales revenues.

Indonesian gas

At the year-end date, 72,000 mt of HSFO, which drives the Group's gas pricing in Singapore, is subject to monthly forward sales contracts for 2016 at an average price of US\$400.0/mt.

During the year, Singapore 180 HSFO contracts for 120,000 mt expired, generating an income of US\$26.8 million (2014: income of US\$15.2 million) which has been included in the sales revenue. All contracts have been designated as cash flow hedges and were assessed to be effective. In the current and prior year no movement in the fair value of these contracts was credited to the income statement relating to the time-value portion of hedges under IAS 39. The remaining movement, being a charge of US\$11.0 million (2014: credit US\$26.0 million), related to the intrinsic value of such instruments and was recognised directly in retained earnings.

Movement in commodity collar and swap contracts

Asset/(liability)	Oil US\$ million	Gas US\$ million	Total US\$ million
At 1 January 2014	(25.2)	0.5	(24.7)
Cash settlement for swaps	11.2	(9.2)	2.0
Addition to sales revenues	30.8	15.2	46.0
Credit to retained earnings for the year	224.1	26.0	250.1
At 31 December 2014	240.9	32.5	273.4
Cash settlement for swaps	(291.3)	(32.3)	(323.6)
Addition to sales revenues	252.1	26.8	278.9
Charge to retained earnings for the year	(103.5)	(11.0)	(114.5)
At 31 December 2015	98.2	16.0	114.2

Commodity contract sensitivity analysis

The key variable which affects the fair value of the Group's hedging instruments is market expectations about future commodity prices. The following illustrates the sensitivity of net income and equity to a 10 per cent increase and a 10 per cent decrease in this variable:

Increase/(decrease) in mark-to-market value	Oil US\$ million	Gas US\$ million	Total US\$ million
10 per cent increase	(9.8)	(1.5)	(11.3)
10 per cent decrease	9.8	1.5	11.3

Interest rate risk

At 31 December 2015 US\$800 million (2014: US\$300 million and €20.0 million) of the Group's long-term bank borrowings have been swapped from floating rate to fixed rate. Under these interest rate swap contracts, the Group has agreed to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates and the cash flow exposure on the issued variable rate debt held.

These contracts have been designated as cash flow hedges and are assessed as effective. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the forward curves at this date. The movement in fair values is shown in the table below:

Asset/(liability)	Total US\$ million
At 1 January 2014	(10.4)
Cash settlement for swaps	7.3
Charge to income statement for the year recorded within finance costs and other finance expenses	(7.3)
Credit to retained earnings for the year	6.8
At 31 December 2014	(3.6)
Cash settlement for swaps	3.6
Charge to income statement for the year recorded within finance costs and other finance expenses	(3.6)
Credit to retained earnings for the year	7.7
At 31 December 2015	4.1

Interest rate swaps sensitivity analysis

The key variable which affects the fair value of the Group's hedging instruments is market expectations about future interest rates.

An increase of 50 basis points in this variable would increase the mark-to-market value, and hence other comprehensive income, by US\$12.1 million.

For the year ended 31 December 2015

18. Financial instruments continued

A decrease of 50 basis points in this variable is not considered appropriate due to the current very low level of floating interest rates.

Foreign currency exchange risk

The Group has issued £150.0 million retail bonds and £100.0 million term loan at a fixed exchange rate of US\$1.64: £1, €25.0 million at a fixed rate of US\$1.328: €1 and €35.0 million at a fixed rate of US\$1.423: €1.

All of the above have been hedged under cross currency swaps into US dollars.

The fair value of these cross currency swaps at the reporting date is shown below:

Asset/(liability)	Total US\$ million
At 1 January 2014	(0.2)
Charge to retained earnings for the year	(38.4)
At 31 December 2014	(38.6)
Charge to the income statement for the year	(20.6)
Charge to retained earnings for the year	(15.1)
At 31 December 2015	(74.3)

To cover sterling exposures an amount of £546.3 million was purchased and matured with spot and forward contracts during the year (2014: £777.2 million) to cater for its North Sea developments and operations. The Group's activities are largely conducted in US dollars. The majority of borrowings at year-end were denominated in US dollars to match the currency of the assets.

The impact of any reasonably possible variation in foreign exchange rates on the Group's results would be immaterial.

Other financial instruments

Credit risk

The Group's credit risk is attributable to its trade receivables and its bank deposits. The amount of receivables presented in the balance sheet is net of allowances for doubtful receivables, which were immaterial in 2015 and 2014, with the exception of a US\$61.2 million joint venture loan allowance in 2014 (note 11 on page 145). The Group does not require collateral or other security to support receivables from customers or related parties.

An indication of the concentration of credit risk is shown in note 1 on page 137, whereby the revenue from two customers each exceeded 10 per cent of the Group's consolidated revenue in 2015 (2014: four).

The ageing profile of the Group's trade and other receivables and trade and other payables as at 31 December, including the related undiscounted interest amounts, was:

	Less than 1 month US\$ million	2 to 3 months US\$ million	3 months to 1 year US\$ million	1 to 5 years US\$ million	Over 5 years US\$ million	Total US\$ million
2015:						
Long-term receivables	–	–	–	8.7	2.8	11.5
Trade and other receivables	188.3	9.0	25.5	2.4	–	225.2
Trade and other payables	(63.6)	(5.3)	(4.8)	(0.9)	–	(74.6)
Bank loans	(9.2)	–	(47.9)	(1,865.6)	–	(1,922.7)
Convertible bonds	–	–	(6.1)	(255.1)	–	(261.2)
Senior loan notes	(0.1)	(8.2)	(26.7)	(515.2)	(308.7)	(858.9)
Retail bonds	–	–	(12.6)	(296.6)	–	(309.2)
Total	115.4	(4.5)	(72.6)	(2,922.3)	(305.9)	(3,189.9)
2014:						
Long-term receivables	–	–	–	486.2	7.9	494.1
Trade and other receivables	298.6	48.9	48.4	–	–	395.9
Trade and other payables	(50.4)	(42.6)	(24.8)	–	–	(117.8)
Bank loans	(1.1)	(1.9)	(319.7)	(993.6)	–	(1,316.3)
Convertible bonds	–	–	(6.1)	(261.3)	–	(267.4)
Senior loan notes	(0.1)	(7.5)	(28.5)	(577.9)	(323.3)	(937.3)
Retail bonds	–	–	(12.6)	(309.2)	–	(321.8)
Total	247.0	(3.1)	(343.3)	(1,655.8)	(315.4)	(2,070.6)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments.

Borrowing facilities

The Group has committed borrowing facilities of US\$2,347.3 million (2014: US\$2,655.8 million) and letter of credit facilities of US\$450.0 million (2014: US\$450.0 million), in addition to the convertible bonds, retail bonds and senior loan notes. The undrawn cash balance from the committed borrowing facilities as at 31 December was:

	2015 US\$ million	2014 US\$ million
Expiring in more than one year, but not more than two years	–	–
Expiring in more than two years, but not more than five years	650	1,425.0

The undrawn balance on the letter of credit facilities as at 31 December 2015 was US\$215.2 million (2014: US\$242.0 million), which expires between one to five years.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 December (excluding trade and other payables which are interest free) was:

	Fixed rate US\$ million	Floating rate US\$ million	Total US\$ million	Fixed rate weighted average interest rate Per cent
2015:				
Bank loans ¹	800.0	897.0	1,697.0	3.10
Convertible bonds	245.3	–	245.3	2.50
Senior loan notes	363.1	130.0	493.1	6.15
Retail bond	220.5	–	220.5	5.14
Total	1,628.9	1,027.0	2,655.9	–
2014:				
Bank loans ¹	300.0	931.0	1,231.0	5.20
Convertible bonds	245.3	–	245.3	2.50
Senior loan notes	590.5	130.0	720.5	5.40
Retail bonds	234.0	–	234.0	5.14
Total	1,369.8	1,061.0	2,430.8	–

Note:

1 At 31 December 2015 US\$800.0 million of the Group's short-term bank borrowings and senior loan notes have been swapped from floating interest rates to fixed interest rates and are therefore included as a fixed rate liability in the table above (2014: US\$300.0 million and €20.0 million).

The carrying values on the balance sheet of the bank loans and the convertible bonds, which are stated net of debt arrangement fees and issue costs, are as follows:

	2015 US\$ million	2014 US\$ million
Bank loans	1,675.8	1,209.0
Senior loan notes	488.4	717.7
Retail bonds	218.4	231.4
Convertible bonds:		
Liability component	232.6	228.1
Equity component	12.4	16.9

The floating rate financial liabilities at 31 December 2015 comprised bank borrowings bearing interest at rates set by reference to US\$ and £ LIBOR, exposing the Group to a cash flow interest rate risk.

For the year ended 31 December 2015

18. Financial instruments continued

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31 December (excluding trade and other receivables which are interest free) was:

	Floating rate US\$ million	Interest free US\$ million	Total US\$ million
2015:			
Cash and short-term deposits:			
Sterling	0.1	33.3	33.4
US dollar	273.5	85.9	359.4
Other	–	8.5	8.5
Total	273.6	127.7	401.3
2014:			
Cash and short-term deposits:			
Sterling	0.1	3.9	4.0
US dollar	186.7	64.5	251.2
Other	19.9	16.7	36.6
Total	206.7	85.1	291.8

The floating rate cash and short-term deposits consist of cash held in interest-bearing current accounts and deposits placed on the money markets for periods ranging from overnight to three months.

Fair value of financial assets and financial liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are as at the balance sheet date, and will not necessarily be realised. Non-interest bearing financial instruments, which include amounts receivable from customers and accounts payable, are also recorded materially at fair value reflecting their short-term maturity.

The carrying values and fair values of the Group's non derivative financial assets and financial liabilities (excluding current assets and current liabilities for which carrying values approximate to fair values due to their short-term nature):

	2015 Fair value amount US\$ million	2015 Carrying amount US\$ million	2014 Fair value amount US\$ million	2014 Carrying amount US\$ million
Primary financial instruments held or issued to finance the Group's operations:				
Joint venture partner loan	N/A	N/A	486.2	486.2
Bank loans	1,697.0	1,697.0	1,231.0	1,231.0
Senior loan notes	493.1	493.1	720.5	720.5
Retail bonds	108.8	220.5	204.7	234.0
Convertible bonds	191.1	232.9	224.4	228.5

19. Deferred tax

	2015 US\$ million	2014 US\$ million
Deferred tax assets	871.6	971.7
Deferred tax liabilities	(193.3)	(254.2)
	678.3	717.5

	At 1 January 2015 US\$ million	Exchange movements US\$ million	Disposal of asset US\$ million	(Charged)/ credited to income statement US\$ million	Credited to retained earnings US\$ million	At 31 December 2015 US\$ million
UK deferred corporation tax:						
Fixed assets and allowances	(756.0)	–	–	175.0	–	(581.0)
Decommissioning	329.8	–	–	49.0	–	378.8
Deferred petroleum revenue tax	15.5	–	–	(8.3)	–	7.2
Tax losses and allowances	1,375.3	–	–	(245.9)	–	1,129.4
Investment allowance	157.2	–	–	(157.2)	–	–
Derivative financial instruments	(125.1)	–	–	–	76.0	(49.1)
Total UK deferred corporation tax	996.7	–	–	(187.4)	76.0	885.3
UK deferred petroleum revenue tax¹	(25.0)	–	–	10.6	–	(14.4)
Overseas deferred tax²	(254.2)	4.3	23.0	34.3	–	(192.6)
Total	717.5	4.3	23.0	(142.5)	76.0	678.3

	At 1 January 2014 US\$ million	Exchange movements US\$ million	Disposal of asset US\$ million	(Charged)/ credited to income statement US\$ million	Charged to retained earnings US\$ million	At 31 December 2014 US\$ million
UK deferred corporation tax:						
Fixed assets and allowances	(828.2)	–	–	72.2	–	(756.0)
Decommissioning	321.7	–	–	8.1	–	329.8
Deferred petroleum revenue tax	(5.4)	–	–	20.9	–	15.5
Tax losses and allowances	1,203.8	–	–	171.6	–	1,375.3
Small field allowance	47.8	–	–	109.4	–	157.2
Derivative financial instruments	13.9	–	–	–	(139.0)	(125.1)
Total UK deferred corporation tax	753.6	–	–	382.2	(139.0)	996.7
UK deferred petroleum revenue tax¹	8.7	–	–	(33.7)	–	(25.0)
Overseas deferred tax²	(306.7)	7.4	22.2	22.9	–	(254.2)
Total	455.6	7.4	22.2	371.4	(139.0)	717.5

Notes:

1 The UK deferred petroleum revenue tax relates mainly to temporary differences associated with fixed assets.

2 The overseas deferred tax relates mainly to temporary differences associated with fixed asset balances.

The Group's deferred tax assets at 31 December 2015 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 paragraph 37 of IAS 12 – 'Income Taxes', the Group re-assessed its deferred tax assets at 31 December 2015 with respect to ring fence tax losses and allowances. The corporate model used to assess the extent to which it is appropriate to recognise the Group's UK tax losses as deferred assets was re-run, using an oil price assumption of Dated Brent forward curve in 2016 and 2017, US\$65/bbl in 2018 followed by US\$80/bbl 'real' terms thereafter. The results of the corporate model demonstrated that it was appropriate not to recognise a deferred tax asset on US\$1.1 billion (2014: US\$96.0 million) of the Group's UK ring fence corporate tax losses at 31 December 2015 based on expected future profitability. The increase in the unrecognised loss amount results in a deferred tax charge of US\$95.4 million for the year in respect of losses and allowances that were previously recognised as a deferred tax asset.

For the year ended 31 December 2015

19. Deferred tax continued

In addition to the above, there are carried forward non-ring fence UK tax losses of approximately US\$303.5 million (2014: US\$263.1 million) and current year non-UK tax losses of approximately US\$18.4 million (2014: US\$40.8 million) for which a deferred tax asset has not been recognised.

None of the UK tax losses (ring fence and non-ring fence) have a fixed expiry date for tax purposes.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, following a change in UK tax legislation in 2009 which exempted foreign dividends from the scope of UK corporation tax, where certain conditions are satisfied.

During the period the rate of supplementary tax charge on UK ring fence profits was reduced from 32 per cent to 20 per cent with effect from 1 January 2015. Deferred tax balances at 31 December 2015 have been recognised at the reduced rate and a deferred tax charge of US\$167.1 million has been recognised in the income statement to reflect the decrease in the opening deferred tax assets at 1 January 2015. Legislation was also enacted in the period that will reduce the rate of petroleum revenue tax from 50 per cent to 35 per cent from 1 January 2016, and a credit of US\$3.3 million has been recognised in the income statement as a result of the reduction in the deferred petroleum revenue tax liability recognised at 31 December 2015.

20. Share capital

	2015 12.5p shares	2015 £	2014 12.5p shares	2014 £
Ordinary Shares:				
Called-up, issued and fully paid	510,811,061	63,851,383	510,811,061	63,851,383

	2015 12.5p shares	2014 £
At 1 January	106.7	110.5
Purchase and cancellation of own shares	–	(3.8)
At 31 December	106.7	106.7

Ordinary Shares

The rights and restrictions attached to the Ordinary Shares are as follows:

Dividend rights: the rights of the holders of Ordinary Shares shall rank pari passu in all respects with each other in relation to dividends.

Winding up or reduction of capital: on a return of capital on a winding up or otherwise (other than on conversion, redemption or purchase of shares) the rights of the holders of Ordinary Shares to participate in the distribution of the assets of the Company available for distribution shall rank pari passu in all respects with each other.

Voting rights: the holders of Ordinary Shares shall be entitled to receive notice of, attend, vote and speak at any General Meeting of the Company.

Purchase and cancellation of own shares

During 2015, none of the Company's Ordinary Shares were re-purchased or cancelled.

Share-based payments and share incentive plans

The Group currently operates a Long Term Incentive Plan ('LTIP') for all employees and a Share Incentive Plan and a Save As You Earn Scheme for UK-based and expatriate employees only.

For the year ended 31 December 2015, the total cost recognised by the Company for equity-settled share-based payment transactions is US\$23.0 million (2014: US\$23.3 million). A credit of US\$23.0 million has been recorded in retained earnings (2014: US\$23.3 million) for all equity-settled payments of the Group. Like other elements of remuneration, this charge is processed through the time-writing system which allocates cost, based on time spent by individuals, to various entities within the Group. Part of this cost is therefore recharged to the relevant subsidiary undertaking where it is capitalised as directly attributable to capital projects, or is charged to the income statement as operating costs, pre-licence exploration costs or general and administration costs.

Details of the different share incentive plans currently in operation are set out below:

(i) **Long Term Incentive Plan**

The Long Term Incentive Plan ('LTIP') was introduced in 2009 to provide a long-term all employee scheme which motivates all employees and provides a longer-term perspective to the total remuneration package. Awards under the LTIP comprise three elements: Equity Pool Awards and Performance Share Awards that vest after the expiry of a three-year performance period, and a potential Matching Award that vests at the expiry of a further three-year performance period, commencing at the end of the three-year performance period for Equity Pool and Performance Share Awards.

Full details about this plan have been provided in the Remuneration Report.

The Company uses a Monte Carlo simulation model to calculate the value of the Equity bonus pool of the plan and of the Performance Share Awards. The main assumptions used for the calculations are as follows:

Volatility:	34% to 41%
Risk free rate of interest:	1.0% to 2.6%
Correlation factor with comparator group:	0.30 to 0.35

(ii) **Share Incentive Plan**

Under the Share Incentive Plan employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one basis.

(iii) **Savings Related Share Option Scheme**

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

	2015		2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at the beginning of the year	965,089	£2.62	483,932	£3.06
Granted during the year	2,194,257	£1.21	748,465	£2.46
Lapsed during the year	(1,036,795)	£2.30	(221,963)	£3.18
Exercised during the year	-	-	(45,345)	£3.55
Outstanding at the end of the year (exercisable nil)	2,122,551	£1.31	965,089	£2.62

The options outstanding at 31 December 2015 had a weighted average exercise price of £1.31 and a weighted average remaining contractual life of 3.63 years.

The fair value of the options granted during the year was determined using the Black-Scholes valuation model and is not material.

For the year ended 31 December 2015

21. Own shares

	Total US\$ million
At 1 January 2014	17.8
Purchase of ESOP Trust shares	6.4
Release of shares for long-term incentive arrangements	(8.5)
At 31 December 2014	15.7
Purchase of ESOP Trust shares	1.7
Release of shares for long-term incentive arrangements	(11.2)
At 31 December 2015	6.2

The own shares reserve represents the net cost of shares in Premier Oil plc purchased in the market or issued by the Company into the Premier Oil plc Employee Benefit Trust. This ESOP Trust holds shares to satisfy awards under the Group's share incentive plans. At 31 December 2015 the number of Ordinary Shares of 12.5 pence each held by the Trust was 1,777,454 (2014: 2,690,319).

22. Notes to the cash flow statement

	2015 US\$ million	2014 US\$ million restated
Loss before tax for the year	(829.6)	(362.5)
Adjustments for:		
Depreciation, depletion, amortisation and impairment	1,350.4	1,240.8
Other operating income	(31.9)	–
Exploration expense	95.4	51.2
Provision for share-based payments	7.2	6.9
Share of loss/(gain) in associate	1.9	(1.9)
Interest revenue and finance gains	(40.7)	(57.1)
Finance costs and other finance expenses	160.6	195.8
Other gains and losses	(1.2)	(12.4)
Deferred income received	100.0	–
Operating cash flows before movements in working capital	812.1	1,060.8
Decrease in inventories	5.3	23.0
Decrease in receivables	382.1	105.3
Decrease in payables	(297.6)	(53.6)
Cash generated by operations	901.9	1,135.5
Income taxes paid	(94.0)	(208.5)
Interest income received	1.6	2.7
Net cash from continuing operating activities	809.5	929.7
Net cash from discontinued operating activities	–	(5.4)
Total net cash from operating activities	809.5	924.3

Analysis of changes in net debt:

	Note	2015 US\$ million	2014 US\$ million
a) Reconciliation of net cash flow to movement in net debt:			
Movement in cash and cash equivalents		109.5	(157.1)
Proceeds from drawdown of long-term bank loans		(775.0)	(655.0)
Repayment of long-term bank loans		300.0	100.0
Repayment of senior loan noted		209.4	–
Non-cash movements on debt and cash balances		36.1	42.8
Increase in net debt in the year		(120.0)	(669.3)
Opening net debt		(2,122.2)	(1,452.9)
Closing net debt		(2,242.2)	(2,122.2)
b) Analysis of net debt:			
Cash and cash equivalents		401.3	291.8
Borrowings ¹	15	(2,643.5)	(2,414.0)
Total net debt		(2,242.2)	(2,122.2)

Note:

1 Borrowings consist of the short-term borrowings, the convertible bonds and the other long-term debt. The carrying values of the convertible bonds and the other long-term debt on the balance sheet are stated net of the unamortised portion of the issue costs of US\$0.3 million (2014: US\$0.4 million) and debt arrangement fees of US\$28.1 million (2014: US\$27.4 million) respectively.

23. Capital commitments and guarantees

At 31 December 2015, the Group had capital commitments on exploration and development licences totalling US\$443.9 million (2014: US\$608.9 million) and no performance guarantees (2014: US\$2.9 million). In addition, the Group had issued letters of credit for future decommissioning liabilities totalling £163.4 million (US\$240.3 million) (2014: £169.8 million (US\$264.4 million)).

24. Group pension schemes

Balance sheet

	2015 US\$ million	2014 US\$ million
UK funded pension scheme	0.5	0.8
Total surplus in balance sheet	0.5	0.8

	2015 US\$ million	2014 US\$ million
UK unfunded pension scheme	0.7	0.9
Indonesia unfunded termination benefit scheme	14.5	17.4
Total liability in balance sheet	15.2	18.3

Funded pensions

The Group operates a defined benefit pension scheme in the UK – The Premier Oil plc Retirement and Death Benefits Plan (the 'Scheme'). The Scheme was closed to new members (aside from the provision of insured death in service benefits) in 1997 and a new scheme, providing benefits on a defined contribution basis, was started. Both schemes are funded by the payment of contributions to separately administered trust funds.

The disclosures set out below are based on calculations carried out as at 31 December 2015 by a qualified independent actuary. The figures have been prepared in compliance with IAS 19 – 'Employee Benefits'.

The Scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustee of the Scheme is required to act in the best interest of the Scheme's beneficiaries. The appointment of members of the Trustee Board is determined by the trust documentation.

The liabilities of the defined benefit Scheme are measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit credit method. This amount is reflected in the surplus or the deficit in the balance sheet. The projected unit credit method is an accrued benefits valuation method in which the Scheme liabilities make allowance for projected earnings.

For the year ended 31 December 2015

24. Group pension schemes continued

The liabilities set out in this note have been calculated using membership data current as at 31 December 2015. The results of the calculations and the assumptions adopted are shown below.

As at 31 December 2015, contributions are payable to the Scheme by the Group at the rates set out in the schedule of contributions dated 24 July 2012. Under this schedule, the Company contributes on a monthly basis at the rate of 30 per cent of the aggregate of members' pensionable salaries.

Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	At 31 December 2015	At 31 December 2014
Discount rate	3.7% pa	3.5% pa
RPI inflation	3.2% pa	3.1% pa
CPI inflation	2.2% pa	2.3% pa
Rate of increase in salaries	5.2% pa	5.1% pa
Rate of increase in pensions in payment: LPI (max 5.0%)	3.1% pa	3.0% pa
Pre and post-retirement mortality	S2PA Light CMI_2015 1% Long Term	S2PA Light CMI_2014 1% Long Term
Withdrawals	No allowance	No allowance
Cash commutation	75% of maximum tax free cash pension	2.0 x pre-commutation pension
Life expectancy of male aged 65 now	22.1	22.3
Life expectancy of male aged 65 in 20 years	23.3	23.5
Life expectancy of female aged 65 now	23.1	23.4
Life expectancy of female aged 65 in 20 years	24.6	24.8

Asset breakdown

The major categories of Scheme assets as a percentage of total Scheme assets are:

	At 31 December 2015	At 31 December 2014
Equities	50.5%	50.2%
Gilts	24.7%	24.2%
Corporate bonds	24.8%	25.6%
Cash	0.0%	0.0%
Total	100.0%	100.0%

Reconciliation of funded status and amount recognised in balance sheet:

	At 31 December 2015 US\$ million	At 31 December 2014 US\$ million
Fair value of Scheme assets	41.4	46.6
Present value of defined benefit obligation	(32.5)	(39.1)
Unrecognised amount due to effect of IFRC14	(8.4)	(6.7)
Surplus	0.5	0.8

Components of pension expense for year:

	2015 US\$ million	2014 US\$ million
Current service cost	0.2	0.2
Interest cost	1.3	1.4
Expected return on Scheme assets	(1.6)	(1.7)
Net actuarial gain recognised	(1.7)	(2.2)
Total credit for the year	(1.8)	(2.3)

Changes in the present value of the defined benefit obligation:

	2015 US\$ million	2014 US\$ million
Present value of defined benefit obligation at 1 January	39.1	38.9
Service cost	0.2	0.2
Interest cost	1.3	1.7
Actuarial (gains)/losses	(3.3)	1.7
Benefits paid	(2.7)	(1.0)
Currency translation effects	(2.1)	(2.4)
Present value of defined benefit obligation at 31 December	32.5	39.1

Changes in the fair value of Scheme assets:

	2015 US\$ million	2014 US\$ million
Fair value of Scheme assets at 1 January	46.6	44.5
Return on assets less interest income	(1.6)	3.9
Interest income	1.6	1.9
Contributions by employer	0.1	0.2
Benefits paid	(2.7)	(1.0)
Currency translation effects	(2.6)	(2.9)
Fair value of Scheme assets at 31 December	41.4	46.6
Actual return on Scheme assets	-	5.8

Statement of amount recognised in other comprehensive income

	2015 US\$ million	2014 US\$ million
Gain/loss from changes in the financial assumptions for value of Scheme liabilities	(0.7)	3.4
(Gain)/loss from changes in the demographic assumptions for value of Scheme liabilities	(2.0)	(0.8)
Changes due to experience adjustments	(0.6)	(0.9)
Return on assets less interest income	1.6	(3.9)
Change in the effect of the asset ceiling excluding amounts included in net interest on the net defined liability	1.4	1.9
Prior year adjustment	-	-
Currency translation effects	0.5	0.5
At 31 December	0.2	0.2

Projected components of pension expense for year to 31 December 2016

The significant volatility in investment markets means that it is difficult to project forward the IAS 19 figures for the next year with confidence. The following projections should therefore be treated with caution. Assumptions implicit in the following projections are:

- the return on assets from 31 December 2015 is 3.7 per cent per annum;
- contributions to the Scheme will continue throughout 2016 in accordance with the current schedule of contributions in place at the date of signing this report; and
- there will be no changes to the terms of the Scheme.

The amounts recognised in the components of pension expense are:

	2016 US\$ million
Current service cost	0.2
Interest cost	-
Expected return on Scheme assets	-
Total	0.2

For the year ended 31 December 2015

24. Group pension schemes continued

Unfunded pensions

In Indonesia, the Group operates a Service, Severance and Compensation pay scheme under a Collective Labour Agreement with the local workforce. This is an unfunded post-employment defined benefit scheme in nature.

In addition, the Group is paying an unfunded pension to a former director in the UK in regard to which annual increases and a reversionary spouse's pension apply on the same basis as to pensions paid under the Scheme. On the same actuarial basis as used to assess the Scheme's pension costs, the present value as at 31 December 2015 of the future payments projected to be made in respect of UK unfunded pensions is US\$0.7 million (2014: US\$0.9 million).

Defined contribution benefit scheme

The Group operates a defined contribution retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions. Payments to the defined contribution scheme are charged as an expense as they fall due. The total cost charged to income of US\$9.8 million (2014: US\$9.6 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the scheme.

25. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Directors and executive remuneration

The remuneration of Directors and other key members of management during the year is set out below.

Further information regarding the remuneration of individual Directors is provided in the audited part of the Remuneration Report.

	2015 US\$ million	2014 US\$ million
Short-term employee benefits	4.4	9.1
Post-employment benefits	3.3	0.3
Other long-term benefits: share-based payments	1.7	2.2
	9.4	11.6

During early 2014, Egdon Resources plc, an associate company, repaid its outstanding loan of £1.0 million payable to the Company.

26. Subsequent events

In January 2016, the Group announced it had reached agreement to purchase the E.ON E&P UK assets for US\$120.0 million. The transaction is subject to shareholder approval, lender consent and regulatory approvals and is expected to complete in the first half of 2016.

27. Investments

Joint ventures

The Group has a 49 per cent interest in Premco Energy Projects Company LLC, a company registered in the United Arab Emirates. The result of this jointly controlled entity, which is indirectly held through subsidiary undertakings and which is involved in business development opportunities across the Middle East and North Africa region, was immaterial to the Group in 2015 and 2014. The Group's 50 per cent interest in Premco Energy Projects BV was liquidated in September 2015.

Associate company

The Group has a 17.71 per cent interest in Egdon Resources plc, a company registered in the United Kingdom, acquired as part of the acquisition of Encore. In 2015, a loss of US\$1.9 million (2014: profit of US\$1.9 million) was included in the Group's income statement to reflect a reduction in the share price of Egdon Resources at 31 December 2015.

Subsidiary undertakings

At 31 December 2015, the Group had investments in the following 100 per cent owned subsidiaries.

Name of company	Business and area of operation	Registered office address
Principal Subsidiaries		
Premier Oil Group Ltd ¹	Intermediate holding company, UK	4 th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
Premier Oil Finance (Jersey) Ltd ¹	Convertible bond issuing company, Jersey	13 Castle Street, St Helier, Jersey, JE2 3RT
Premier Oil Holdings Ltd	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Overseas BV	Intermediate holding company, Netherlands	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil UK Limited	Exploration, production and development, UK	4 th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
Premier Oil Natuna Sea BV	Exploration, production and development, Indonesia	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil Kakap BV	Exploration, production and development, Indonesia	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil Pakistan Holdings BV	Intermediate holding company, Netherlands	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil Pakistan Exploration Ltd	Exploration, production and development, Pakistan	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Pakistan Kadanwari Ltd	Exploration, production and development, Pakistan	190 Elgin Avenue, George Town, Grand Cayman, KY1-9005
Premier Oil Pakistan Kirthar BV	Exploration, production and development, Pakistan	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil Vietnam Offshore BV	Exploration, production and development, Vietnam	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil (Vietnam) Ltd	Exploration, production and development, Vietnam	Commerce House, Wickhams Cay 1, Road Town, Tortola, VG1110
Premier Oil Exploration and Production Ltd	Exploration, production and development, Falkland Islands	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil do Brasil Petróleo e Gás Ltda	Exploration, production and development, Brazil	Praia de Botafogo, 501 Bloco II, sala 201, Botafogo, Rio de Janeiro, 22.250-040
Other Subsidiaries		
EnCore (NNS) Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
EnCore (VOG) Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore CCS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Gas Storage Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Natural Resources Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore North Sea Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil and Gas Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
EnCore Oil Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
FP Mauritania A BV	Exploration, production and development, Mauritania	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
FP Mauritania B BV	Exploration, production and development, Mauritania	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Exploration Services Private Limited	Dormant	507 Bhikaiji Cama Bhawan, Bhikaiji Cama Place, New Delhi, 110 066
Premier Oil (EnCore Exploration UK) Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil (EnCore Petroleum) Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil (SADR) Limited	Exploration, production and development, SADR	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil A Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Aberdeen Services Limited	Service company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil and Gas Services Limited	Service company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil B Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Bukit Barat Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Buton BV	Exploration, production and development, Indonesia	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil CCS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Congo (Marine IX) Limited	Dormant	13 Castle Street, St Helier, Jersey, JE2 3RT
Premier Oil Exploration (Mauritania) Limited	Exploration, production and development, Mauritania	13 Castle Street, St Helier, Jersey, JE2 3RT
Premier Oil Exploration and Production (Iraq) Limited	Exploration, production and development, Iraq	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Exploration and Production Mexico S.A	Exploration, production and development, Mexico	Paseo de la Reforma 265, Mexico City, 06500
Premier Oil Exploration Limited	Dormant	4 th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, Scotland
Premier Oil Exploration ONS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Far East Limited	Service company, Singapore	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil International Holding BV	Intermediate holding company, Netherlands	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil Investments Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR

Note:

1 Held directly by Premier Oil plc. All other companies are held through subsidiary undertakings.

For the year ended 31 December 2015

27. Investments continued

Name of company	Business and area of operation	Registered office address
Premier Oil Mauritania B Limited	Exploration, production and development, Mauritania	13 Castle Street, St Helier, Jersey, JE2 3RT
Premier Oil Mexico Holdings Limited	Intermediate holding company, UK	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil ONS Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Pacific Limited	Dormant	36/F, Tower Two, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong
Premier Oil Pakistan Offshore BV	Dormant	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil Philippines BV	Dormant	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil Red Sea Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Tuna BV	Exploration, production and development, Indonesia	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil Ventures Limited	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Vietnam 121 Limited	Exploration, production and development, Vietnam	23 Lower Belgrave Street, London, SW1W 0NR
Premier Oil Vietnam North BV	Exploration, production and development, Vietnam	Schiphol Boulevard 231, 1118BH Schiphol, Amsterdam
Premier Oil West Tuna Limited	Exploration, production and development, Indonesia	23 Lower Belgrave Street, London, SW1W 0NR
Premier Overseas Holdings Ltd	Dormant	23 Lower Belgrave Street, London, SW1W 0NR
XEO Exploration plc	Dormant	23 Lower Belgrave Street, London, SW1W 0NR

As at 31 December 2015

	Note	2015 US\$ million	2014 US\$ million restated
Non-current assets:			
Investments in subsidiaries	3	563.4	563.4
Long-term employee benefit plan surplus	7	0.5	0.8
Long-term receivables	4	822.2	779.9
		1,386.1	1,344.1
Total assets		1,386.1	1,344.1
Current liabilities:			
Trade and other payables	5	(28.4)	(13.2)
		(28.4)	(13.2)
Net current liabilities		(28.4)	(13.2)
Non-current liabilities:			
Borrowings	6	(218.4)	(231.4)
Long-term employee benefit plan deficit	7	(0.7)	(0.9)
		(219.1)	(232.3)
Net assets		1,138.6	1,098.6
Equity and reserves:			
Share capital	9	106.7	106.7
Share premium account		275.4	275.4
Retained earnings		312.0	272.0
Other reserves		444.5	444.5
		1,138.6	1,098.6

The financial statements of Premier Oil plc (registered number SC234781) were approved by the Board of Directors and authorised for issue on 24 February 2016.

They were signed on its behalf by:

Tony Durrant
Chief Executive Officer

Richard Rose
Finance Director

As at 31 December 2015

	Note	Share capital US\$ million	Share premium account US\$ million	Profit and loss account US\$ million	Merger reserve US\$ million	Capital redemption reserve US\$ million	Equity reserve US\$ million	Total US\$ million
At 1 January 2014 (restated)		110.5	275.3	371.5	374.3	4.3	62.1	1,198.0
Issue of Ordinary Shares		–	0.1	–	–	–	–	0.1
Purchase and cancellation of own shares		(3.8)	–	(93.0)	–	3.8	–	(93.0)
Net purchase of ESOP Trust shares		–	–	(6.4)	–	–	–	(6.4)
Profit for the financial year	2	–	–	14.6	–	–	–	14.6
Provision for share-based payments		–	–	23.3	–	–	–	23.3
Dividends paid		–	–	(44.0)	–	–	–	(44.0)
Movement in cash flow hedges		–	–	6.4	–	–	–	6.4
Pension costs – actuarial losses (restated)	11	–	–	(0.4)	–	–	–	(0.4)
At 1 January 2015 (restated)		106.7	275.4	272.0	374.3	8.1	62.1	1,098.6
Net purchase of ESOP Trust shares		–	–	(0.9)	–	–	–	(0.9)
Profit for the financial year	2	–	–	20.5	–	–	–	20.5
Provision for share-based payments		–	–	23.0	–	–	–	23.0
Movement in cash flow hedges		–	–	(2.5)	–	–	–	(2.5)
Pension costs – actuarial losses	11	–	–	(0.1)	–	–	–	(0.1)
At 31 December 2015		106.7	275.4	312.0	374.3	8.1	62.1	1,138.6

As at 31 December 2015

1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ('FRS 100') issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6 – 33 and related appendices. These financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'. The prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see note 11 on page 169.

In addition, the Company has chosen to early adopt the new Accounting Regulations effected into UK Company law in April 2015 via the implementation of the EU Accounting Directive.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to accounting standards issued but not yet effective or implemented, share-based payment information, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

The financial statements have been prepared on a going concern basis. Further information relating to the going concern assumption is provided in the Financial Review on page 54.

Where required, the equivalent disclosures are given in the Group's consolidated financial statements. Key sources of estimation uncertainty disclosure are provided in the Accounting Policies and in relevant notes to the Group consolidated financial statements as applicable. Details of the Company's share-based payment schemes are provided in note 20 of the Group consolidated financial statements on page 156.

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out on pages 124 to 131 to the Group consolidated financial statements except as noted below:

- Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2. Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2015 of US\$20.5 million (2014: US\$14.6 million).

Other comprehensive expense for the year was US\$2.6 million (2014: US\$6.0 million income).

The auditor's remuneration for audit and other services is disclosed in note 3 to the Group consolidated financial statements on page 139.

3. Fixed asset investments

	2015 US\$ million
Cost and net book value:	
At 1 January 2015	563.4
Movement in year	–
At 31 December 2015	563.4

A list of all investments in subsidiaries held at 31 December 2015, including the name and type of business, the country of operation and the country of incorporation or registration, is given in note 27 to the Group consolidated financial statements on page 162.

As at 31 December 2015

4. Long-term receivables

	2015 US\$ million	2014 US\$ million
Amounts owed by subsidiary undertakings	822.2	779.9

The amounts owed by subsidiary undertakings comprise a loan which bears interest based on LIBOR and which is not secured. This loan is denominated in US dollars and falls due for repayment in 2020.

All receivables balances fall due after more than one year.

The carrying values of the Company's debtors approximate to their fair value.

5. Trade and other payables

	2015 US\$ million	2014 US\$ million
Accruals and other creditors	28.4	13.2

The carrying values of the Company's creditors approximate their fair value.

6. Borrowings

	2015 Fair value amount US\$ million	2015 Carrying amount US\$ million	2014 Fair value amount US\$ million	2014 Carrying amount US\$ million
Retail bonds	108.8	220.5	204.7	234.0

In December 2013, the Company put in place a £500.0 million Euro Medium Term Notes ('EMTN') programme under which it has issued £150.0 million UK retail bonds (the bonds). The bonds are listed on the Official List of the UK Listings Authority and have been admitted to trading on the London Stock Exchange's regulated market and the electronic Order Book of Retail Bonds ('ORB'). The bonds have a fixed coupon of 5.00 per cent and maturity of seven years.

The carrying value of the retail bonds is stated net of the unamortised portion of the debt arrangement fees of US\$2.1 million (2014: US\$2.6 million) and the liability is translated at the exchange rate prevailing at the year end.

7. Long-term employee benefit plan

Defined benefit schemes

The Company operates a defined benefit scheme in the UK – The Premier Oil plc Retirement and Death Benefits Plan (the 'Scheme'). Further details of the Scheme are disclosed in note 24 to the Group consolidated financial statements on page 159.

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme. Further details of this scheme are provided in note 24 to the Group consolidated financial statements on page 159.

8. Commitments and guarantees

At the year-end date the Company, together with certain subsidiary undertakings, had jointly guaranteed the Group's borrowing facilities. These consist of the following:

- Medium-term loans of US\$150.0 million and £100.0 million maturing in 2017;
- Principal credit facility of US\$2.5 billion maturing in 2019;
- Senior notes of US\$428.0 million and €60.0 million maturing from 2018 to 2024;
- Convertible bonds of US\$245.3 million maturing in 2018; and
- Retail bonds of £150.0 million maturing in 2020.

9. Share capital and share premium

Further details of these items are disclosed in note 20 to the Group consolidated financial statements on page 156.

10. Dividends

No dividend is proposed for the year ended 31 December 2015 (2014: nil).

11. Explanation of the transition to FRS 101

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 101 ('FRS 101') issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP ('UK GAAP') were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

	At 1 January 2014 US\$ million	At 31 December 2014 US\$ million
Reconciliation of equity		
Equity reported under UK GAAP	1,200.7	1,099.9
Adjustments to equity on transition to FRS 101		
Long-term employee benefit plans	(2.7)	(1.3)
Equity reported under FRS 101	1,198.0	1,098.6

	2014 US\$ million
Reconciliation of total comprehensive income for the year ended 31 December 2014	
Total comprehensive income under UK GAAP	19.2
Adjustments to equity on transition to FRS 101	
Long-term employee benefit plans	1.4
Total comprehensive income under FRS 101	20.6

EUAD – Basis of preparation

The Reports on Payments to Governments Regulations ('UK Regulations') came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The aim of the regulations is to enhance the transparency of the payments made by companies in the extractive sector to host governments in the form of taxes, bonuses, royalties, fees and support for infrastructure improvements. The regulations implement Chapter 10 of EU Accounting Directive (2013/34/EU) ('EU Directive').

The UK Regulations have an effective date of 1 January 2015, and this section of the Annual Report is in line with the EU Directive and the UK Regulations. This basis of preparation provides an explanation of the payments that we are disclosing.

The payments disclosed are based on where the obligation for the payment arose: Payments levied at a project level have been disclosed at a project level and payments levied at a corporate level have been disclosed on that basis.

Within the UK Regulations, a project is defined as being the operational activities which are governed by a single contract, licence, lease, concession or a similar legal agreement. Premier undertakes extractive activities in different types of fiscal petroleum regimes and therefore the types of payments disclosed vary from country to country. For the purposes of our reporting, for the UK and Pakistan we have classified each individual concession/licence as a project, whereas for Indonesia and Vietnam each PSC arrangement has been classified as a project.

All of the payments disclosed in accordance with the EU Directive have been made to National Governments, either directly or through a Ministry or Department, or to a national oil company, who have a working interest in a particular licence. For projects where we are the operator we have disclosed the full payment made on behalf of the project; where we have a non-operated interest we have not disclosed payments made on our behalf by another party.

In line with the UK Regulations, where a payment or a series of related payments do not exceed US\$134,160 (£86,000), they have not been disclosed. Where the aggregate payments made in the period for a project or country are less than US\$134,160 we have not disclosed the payments made for this project or country.

Our total economic contribution to all stakeholders can be found on page 65 of the Annual Report.

Reporting currency – Payments disclosed in this report have been disclosed in US Dollars, consistent with the rest of the 2015 Annual Report. Where actual payments have been made in a currency other than US Dollars, they have been translated using the prevailing exchange rate when the payment was made.

Production entitlements in barrels – includes non-cash royalties and state non-participating interest paid in barrels of oil or gas out of the Group's working interest share of production in a licence. The figures disclosed are on a cash paid liftings basis.

Income taxes – This represents cash tax calculated on the basis of profits including income or capital gains and taxes on production such as Petroleum Revenue Tax ('PRT'). Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebate received from the government or revenue authority during the year. Income taxes do not include fines and penalties. In accordance with the UK Regulations, payments made in relation to sales, employee, environmental or withholding taxes have not been disclosed.

Dividends – This includes dividends that are paid in lieu of a production entitlement or royalty. It does not include any dividends paid to a government as an ordinary shareholder.

Royalties – This represents cash royalties paid to governments during the year for the extraction of oil or gas. The terms of the royalties are described within our PSCs and can vary from project to project within one country. Export duties paid in kind have been recognised within the royalties category. The cash payment of royalties occurs in the year in which the tax has arisen.

Bonus payments – This represents any bonus paid to governments during the year, usually as a result of achieving certain milestones, such as a signature, discovery or production bonuses.

Licence fees – This represents licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

Infrastructure improvement payments – This represents payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a PSC or a discretionary payment for building/improving local infrastructure such as roads, bridges and ports.

2015 European Transparency Directive disclosure

Country	Licence/ company level	Production entitlements bbls ('000)	Production entitlements US\$ ('000)	Income taxes US\$ ('000)	Royalties (cash only) US\$ ('000)	Dividends US\$ ('000)	Bonus payments US\$ ('000)	Licence fees US\$ ('000)	Infrastructure improvement payments US\$ ('000)	Total US\$ ('000)
Brazil	CE-M-665-R11	-	-	-	-	-	-	135	-	135
	Total Brazil	-	-	-	-	-	-	135	-	135
Falkland Islands	Sea Lion	-	-	-	-	-	-	390	-	390
	Total Falkland Islands	-	-	-	-	-	-	390	-	390
Indonesia	Natuna Sea Block A	1,321	55,589	-	-	-	-	-	-	56,910
	Corporate	-	-	34,616	-	-	-	-	-	34,616
	Total Indonesia	1,321	55,589	34,616	-	-	-	-	-	91,526
Norway	Corporate	-	-	(7,047)	-	-	-	-	-	(7,047)
	Total Norway	-	-	(7,047)	-	-	-	-	-	(7,047)
Pakistan	Bhit/Badhra	-	-	-	2,637	-	-	-	-	2,637
	Zarghun South	-	-	-	195	-	-	-	-	195
	Kadanwari	-	-	-	2,997	-	-	-	-	2,997
	Zamzama	-	-	-	1,438	-	-	-	-	1,438
	Qadipur	-	-	-	1,834	-	-	-	-	1,834
	Corporate	-	-	12,266	-	-	-	-	-	12,266
	Total Pakistan	-	-	12,266	9,101	-	-	-	-	21,367
United Kingdom	Wytch Farm	-	-	17,363	-	-	-	-	-	17,363
	Nelson	-	-	(740)	-	-	-	-	-	(740)
	Scott	-	-	(1,078)	-	-	-	-	-	(1,078)
	P354	-	-	-	-	-	-	140	-	140
	Brenda	-	-	-	-	-	-	236	-	236
	Catcher	-	-	-	-	-	-	655	-	655
	Corporate	-	-	(11,594)	-	-	-	-	-	(11,594)
	Total UK	-	-	3,951	-	-	-	1,031	-	4,982
Vietnam	Chim Sao	504	31,437	-	-	-	450	-	-	32,391
	Corporate	-	-	36,685	10,955	-	-	-	-	47,640
	Total Vietnam	504	31,437	36,685	10,955	-	450	-	-	80,031
Total Group	1,825	87,026	80,471	20,056	-	450	1,556	-	191,384	

2015 European Transparency Directive disclosure

Country	Government	Production entitlements bbls ('000)	Production entitlements US\$ ('000)	Income taxes US\$ ('000)	Royalties (cash only) US\$ ('000)	Dividends US\$ ('000)	Bonus payments US\$ ('000)	Licence fees US\$ ('000)	Infrastructure improvement payments US\$ ('000)	Total US\$ ('000)
Brazil	National Petroleum Agency	-	-	-	-	-	-	135	-	135
	Total Brazil	-	-	-	-	-	-	135	-	135
Falkland Islands	Department of Mineral Resources	-	-	-	-	-	-	390	-	390
	Total Falkland Islands	-	-	-	-	-	-	390	-	390
Indonesia	SKK Migas	1,321	55,589	-	-	-	-	-	-	56,910
	Directorate General of Taxes	-	-	34,616	-	-	-	-	-	34,616
	Total Indonesia	1,321	55,589	34,616	-	-	-	-	-	91,526
Norway	Petroleum Tax Office	-	-	(7,047)	-	-	-	-	-	(7,047)
	Total Norway	-	-	(7,047)	-	-	-	-	-	(7,047)
Pakistan	Federal Board of Revenue	-	-	12,266	-	-	-	-	-	12,266
	Directorate General of Petroleum Concession	-	-	-	9,101	-	-	-	-	9,101
	Total Pakistan	-	-	12,266	9,101	-	-	-	-	21,367
United Kingdom	HM Revenue & Customs	-	-	3,951	-	-	-	-	-	3,951
	Department of Energy and Climate Change	-	-	-	-	-	-	1,031	-	1,031
	Total UK	-	-	3,951	-	-	-	1,031	-	4,982
Vietnam	Petro Vietnam	504	31,437	-	-	-	450	-	-	32,391
	HCM Tax Department	-	-	36,685	7,355	-	-	-	-	44,040
	Vung Tau Customs office	-	-	-	3,600	-	-	-	-	3,600
	Total Vietnam	504	31,437	36,685	10,956	-	450	-	-	80,031
Total Group	1,825	87,026	80,471	20,056	-	450	1,556	-	191,384	

Financials		2015	2014	2013	2012	2011
Sales revenues	(US\$ million)	1,067.2	1,629.4	1,501.0	1,408.7	826.8
(Loss)/Profit before tax	(US\$ million)	(829.4)	(384.0)	285.4	359.9	141.5
Net (Loss)/Profit for the year after tax	(US\$ million)	(1,103.8)	(210.3)	234.0	252.0	171.2
Cash flow from operating activities	(US\$ million)	809.5	924.3	802.5	779.0 ²	462.9 ²
Shareholders' funds	(US\$ million)	734.8	1,872.2	2,124.4	1,953.5	1,323.6
Net debt	(US\$ million)	(2,242.2)	(2,122.2)	(1,452.9)	(1,110.4)	(744.0)
Per share statistics:						
Revenue per share	(cents/share)	208.9	312.2	283.6	267.6	176.9
(Loss)/Earnings per share – basic	(cents/share)	(216.1)	(40.3)	44.2	47.9	36.6
(Loss)/Earnings per share – diluted	(cents/share)	(216.1)	(40.3)	43.2	46.9	31.5
Cash flow from operating activities per share	(cents/share)	158.5	177.1	151.6	148.0 ²	99.0 ²
Reserves per share – year-end	(boe/share)	0.65	0.47	0.49	0.55	0.63 ¹
Issued Ordinary Shares – average	(million)	510.8	521.9	529.2	526.4	467.4
Operations:						
Production (working interest basis)	(kboepd)	57.6	63.6	58.2	57.7	40.4
Proved and probable reserves (working interest basis)	(mmbobe)	331.9	243.3	259.4	291.9	296.3
Employees (average)						
– UK	(number)	263	242	248	181	136
– Overseas	(number)	608	698	634	551	502
Key indices:						
Realised average oil price	(US\$/bbl)	52.6	98.20	109.00	111.40	111.90
Average exchange rates	(US\$/£)	1.53	1.65	1.56	1.59	1.60
Closing exchange rates	(US\$/£)	1.47	1.56	1.66	1.63	1.55

Notes:

- 1 The working interest reserves for 2011 are proforma reserves which include the reserves acquired from the acquisition of EnCore, excluding Cladhan. This acquisition was completed in January 2012.
- 2 Prior year comparatives have been restated to classify pre-licence exploration costs within net cash from operating activities.

Working interest reserves as at 31 December 2015

Working interest basis															
	Falkland Islands		Indonesia		Pakistan/ Mauritania		Norway		UK		Vietnam		Total		
	Oil and NGLs mmbbls	Gas bcf	Oil and NGLs mmbbls	Gas bcf	Oil and NGLs mmbbls	Gas bcf	Oil and NGLs mmbbls	Gas bcf	Oil and NGLs mmbbls	Gas bcf	Oil and NGLs mmbbls	Gas bcf	Oil and NGLs mmbbls	Gas ⁴ bcf	Oil, NGLs and gas mmboe
Group proved plus probable reserves:															
At 1 January 2015	–	–	4.9	397.6	0.6	102.2	22.6	3.3	96.5	34.6	20.3	34.2	144.9	571.9	243.3
Revisions ¹	128.0	43.8	0.2	16.7	(0.1)	(0.3)	0.6	1.1	(2.4)	0.5	2.3	2.4	128.6	64.2	140.4
Discoveries and extensions ²	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Acquisitions and divestments ³	–	–	(2.6)	(138.9)	–	–	(23.2)	(4.4)	15.6	1.1	–	–	(10.2)	(142.2)	(30.6)
Production	–	–	(0.4)	(25.1)	(0.2)	(22.0)	–	–	(5.6)	(2.7)	(4.7)	(7.2)	(10.9)	(57.0)	(21.1)
At 31 December 2015	128.0	43.8	2.1	250.3	0.3	79.9	–	–	104.1	33.5	17.9	29.4	252.4	436.9	331.9
Total Group developed and undeveloped reserves:															
Proved on production	–	–	1.3	163.1	0.2	52.9	–	–	13.2	4.0	13.5	17.7	28.2	237.7	71.4
Proved approved/ justified for development	102.5	28.5	0.4	44.0	–	–	–	–	45.9	20.0	0.1	0.1	148.9	92.6	166.3
Probable on production	–	–	0.2	17.3	0.1	27.0	–	–	8.3	3.1	4.3	11.5	12.9	58.9	23.2
Probable approved/ justified for development	25.5	15.3	0.2	25.9	–	–	–	–	36.7	6.4	–	0.1	62.4	47.7	71.1
At 31 December 2015	128.0	43.8	2.1	250.3	0.3	79.9	–	–	104.1	33.5	17.9	29.4	252.4	436.9	331.9

Notes:

- Includes revisions to reserves based on re-evaluation of production performance and drilling results in Chim Sáo & Dua (Vietnam); Anoa, Gajah Baru, Pelikan & Naga (Indonesia); Wytch Farm & Huntington (UK); Bhit, Badhra, Kadanwari, Qadipur & Zamzama (Pakistan). Includes downward revisions on Balmoral, Brenda, Nicol and Stirling associated with earlier assumed Cessation of Production. Sea Lion Phase 1 development has been reclassified from Contingent Resource to Reserves ('Justified for Development').
- Discoveries at Zebedee and Isobel Deep (Falkland Islands) are classified as contingent resources and do not appear in this table.
- Divestment of Vette (Norway) and Block A Aceh assets (Indonesia), and the acquisition of the additional 40 per cent equity interest in Solan (UK).
- Proved plus Probable gas includes 99bcf of fuel gas reserves.

Premier Oil plc categorises petroleum resources in accordance with the 2007 SPE/WPC/AAPG/SPEE Petroleum Resource Management System ('SPE PRMS').

Proved and probable reserves are based on operator, third party reports and internal estimates and are defined in accordance with the Statement of Recommended Practice ('SORP') issued by the Oil Industry Accounting Committee ('OIAC'), dated July 2001.

The Group provides for amortisation of costs relating to evaluated properties based on direct interests on an entitlement basis, which incorporates the terms of the PSCs in Indonesia, Vietnam and Mauritania. On an entitlement basis reserves were 315.5 mmboe as at 31 December 2015 (2014: 218.1 mmboe). This was calculated at year-end 2015 using an oil price assumption equal to US\$42/bbl in 2016, US\$48.5/bbl in 2017, US\$65/bbl in 2018 and US\$80/bbl in 'real' terms thereafter (2014: Dated Brent, 2015: US\$61.5/bbl, 2016: US\$69/bbl and US\$85/bbl in 'real' terms thereafter).

SIGNIFICANT WORLDWIDE LICENCE INTERESTS

As at 18 January 2016

	Licence	Blocks	Operator	PO Equity %	Field/Discovery	
Brazil	CE-M-661	CE-M-661	Total	30.00	Pecem	
	CE-M-665_R11	CE-M-665	Premier	50.00		
	CE-M-717_R11	CE-M-717	Premier	50.00		
	FZA-M-90_R11	FZA-M-90	QGEF	35.00		
Falkland Islands	PL003a	14/14 (part) & 14/19 (part)	Desire	4.50	Isobel Deep Beverley; Casper South; Zebedee Casper North; Sea Lion	
	PL003b	14/14 (part) & 14/19 (part)	Desire	4.50		
	PL004a	14/15 (part), 14/20, 15/11 (part) & 15/16 (part)	Premier	36.00 36.00		
	PL004b	14/15 (part)	Premier	36.00		
	PL004c	14/15 (part)	Premier	36.00		
	PL032 PL033	14/15, 14/10 15/1 (part) & 15/6 (part)	Premier Premier	60.00 60.00		
Indonesia	Kakap Block	Kakap Block	Star Energy	18.75	Kakap Anoa; Gajah Baru; Naga; Pelikan Kuda Laut; Singa Laut	
	Natuna Sea Block A	Natuna Sea Block A	Premier	28.67		
	Tuna Block	Tuna Block	Premier	65.00		
Iraq	Iraq Block 12	Block 12	Bashneft	30.00		
Mauritania	PSC B	Chinguetti EEA	Petronas	8.12	Chinguetti	
Mexico	Block 2	2	Talos	10.00		
	Block 7	7	Talos	10.00		
Pakistan	D&PL No.140/PAK/2000	Kithar	ENI	6.00	Bhit	
	D&PL No.150/PAK/2002	2667-1 (Dadu)	Orient Petroleum Pty Limited ('OPPL')	9.38	Zamzama	
	D&PL No.160/PAK/2003	Kirthar	ENI	6.00	Badhra	
	D&PL No.161/PAK/2003	Bolan	Mari Petroleum	3.75	Zarghun South	
	D&PL No.84/PAK/92 D&PL No.85/PAK/93	Tajjal Qadirpur	ENI OGDCL	15.79 4.75	Kadanwari Qadirpur	
Saharawi Arab Democratic Republic	SADR Daora	Daora	Havoc	50.00		
	SADR Haouza	Haouza	Havoc	50.00		
	SADR Mahbes	Mahbes	Havoc	50.00		
	SADR Mijek SADR Offshore Laguera	Mijek Offshore Laguera	Havoc Premier	50.00 100.00		
United Kingdom	PL089	SY87b, SY88b, SY89b, SY97b, SY98a, SZ17 & SZ/8a	Perence	30.39	Wytch Farm (Onshore) ³	
	P077	22/12a	Shell	50.00	Nelson ⁵	
	P087	22/7a	Premier	46.50	Nelson ⁶	
	P110	22/14a (rest of block shallow)	Premier	25.04	Huntington	
	P119	15/29a (area p)	Premier	100.00	Ptamigan	
	P164	205/26a	Premier	100.00	Solan	
	P185	15/22 (rest of block, non-Palaeocene formation)	Nexen	50.00	Blackhorse	
	P201	16/21a	Premier	85.00	Balmoral; Glamis; Stirling ¹	
	P201	16/21a (Brenda field area)	Premier	100.00	Brenda	
	P213	16/26a (area P)	Premier	100.00	Caledonia	
	P233	15/25a	Premier	70.00	Nicol	
	P344	16/21b & 16/21c	Premier	44.20	Balmoral; Stirling ²	
	P344	16/21b (Northern Area)	Premier	55.00		
	P354	22/2a (non-Chestnut field area)	Premier	30.00		
	P534	98/6a & 98/7a	Perenco	30.39	Wytch Farm ⁴	
	P640	15/24b (area b)	ConocoPhillips	50.00		
	P748	29/2c	CNR	40.00	Kyle	
	P1042	15/25b	Premier	100.00	Brenda	
	P1114	22/14b	E.ON	40.00	Huntington	
	P1430	28/9a	Premier	50.00	Burgman; Carnaby; Catcher; Varadero	
		P1812	28/5, 28/10a & 29/1d	Premier	100.00	
		P1943	13/24c and 13/25	Premier	40.10	
	P2070	28/4a	Premier	54.00		
	P2077	28/8	Premier	54.00		
	P2229	13/23c	Encounter	40.10		
Vietnam	Block 12W	12W	Premier	53.13	Chim Sáo; Dua	

A full list of Premier's global licence interests is available in the Operations section of the Company website: www.premier-oil.com.

Notes:

- 1 Unitised share of 78.11542% (Balmoral), Unitised share of 68.68% (Stirling).
- 2 Unitised share of 78.11542% (Balmoral), Unitised share of 68.68% (Stirling).
- 3 Unitised share of 30.09625%.
- 4 Unitised share of 30.09625%.
- 5 Unitised share of 1.31404%.
- 6 Unitised share of 0.348750%.

SHAREHOLDER INFORMATION

Registrar

All enquiries concerning your shareholding should be directed to Capita Asset Services:

Capita Asset Services

The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
United Kingdom

Telephone:
UK: 0871 664 0300
(calls cost 12p per minute plus your phone company's access charge).

If you are outside the United Kingdom, please call +44 (0)371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate.

Lines are open 9.00am – 5.30pm Monday to Friday, excluding public holidays in England and Wales.

Email: shareholderenquiries@capita.co.uk

Share portal

As a shareholder you have direct access to an online share portal operated by Capita Asset Services at www.premier-oil-shares.com. You can access the share portal with your Investor Code ('IVC') which can be found on your share certificate. The portal provides a range of services, free of charge, to help you to administer your shareholding quickly and efficiently by allowing you to:

- check your share balance;
- change your address details;
- choose to receive electronic shareholder communications;
- set up or amend a dividend mandate so dividends can be paid directly to your bank account; and
- buy and sell Premier Oil plc shares using the dealing service operated by Capita Deal.

Dividends

Dividend history

Details of dividend payments made are included within the shareholder information section of the Investors area of the Premier website: www.premier-oil.com.

Tax on dividends up to April 2016

For any dividends paid up to April 2016, shareholders would have received a tax voucher showing a 10 per cent 'tax credit' representing the tax that has already been paid by the Company on profits generated. This 10 per cent tax credit can be offset against any UK income tax due on dividend income. For more information on the UK dividend tax credit, please visit the HMRC website: www.gov.uk/tax-on-dividends.

Tax on dividends from April 2016

From 6 April 2016 the dividend 'tax credit' will be replaced by a new 'dividend allowance' in the form of a 0 per cent tax rate on the first £5,000 of dividend income per year.

UK residents will pay tax on any dividends received over the £5,000 allowance at the following rates:

- 7.5 per cent on dividend income within the basic rate band;
- 32.5 per cent on dividend income within the higher rate band;
- 38.1 per cent on dividend income within the additional rate band.

Dividends received on shares held in an Individual Savings Account ('ISA') will continue to be tax free.

E-communications

Shareholders have the option to receive communications including annual reports and notices of meetings electronically. For every shareholder that actively registers their email address online, Premier Oil plc has pledged to donate £1 to Pure Leapfrog's carbon offsetting programme which supports carbon reduction projects in Africa, India and other developing countries (www.pureleapfrog.org). To register for this service, please visit the share portal: www.premier-oil-shares.com. You will need your Investor Code ('IVC') which can be found on your share certificate. Once registered, Premier Oil plc will communicate with you via email rather than post.

Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice, including offers to buy Premier shares at inflated prices, or offers of free reports about Premier. More information can be found at www.fca.org.uk/consumers/scams and in the Shareholder Information section of the Investors area of the Company website: www.premier-oil.com.

American Depositary Receipt programme

Premier Oil plc has a sponsored Level 1 American Depositary Receipt ('ADR') programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents one Ordinary Share of the Company. The ADRs trade on the US over-the-counter market under the symbol PMOY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders.

Registered Depositary Receipt holders can trade, access account balances and transaction history, find answers to frequently asked questions and download commonly needed forms online at www.adrbnymellon.com. To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the United States, please call 001-201-680-6825. You may also send an email inquiry to shrelations@cpushareownerservices.com or visit the website at www.computershare-na.com/bnym_adr.

AEP	Asset and Equity Plan
AGM	Annual General Meeting
APA	Awards in Predefined Areas (Norway)
bbl	barrel
BBtud	billion British thermal units per day
bcf	billion cubic feet
BMS	Business Management System
boe	barrels of oil equivalent
bopd	barrel(s) of oil per day
DECC	Department of Energy and Climate Change
DSA	Domestic Swap Agreement
EBITDAX	Earnings before interest, taxes, depreciation, amortisation and exploration expenses
ExCo	Executive Committee
FDP	field development plan
FEED	front end engineering and design
FPSO	floating production, storage and offtake vessel
GHG	Greenhouse gases
GRI	Global Reporting Initiative
GSA	Gas Sales Agreement
HiPos	high potential incidents
HSE	health, safety and environment
HSES	health, safety, environment and security
HSFO	High Sulphur Fuel Oil
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
IPIECA	International Petroleum Industry Environmental Conservation Association
kbopd	thousand barrels of oil per day
kboepd	thousand barrels of oil equivalent per day
KPI	key performance indicator
LOPC	loss of primary containment
LTIP	Long Term Incentive Plan
mmbbls	million barrels
mmboe	million barrels of oil equivalent
mmscfd	million standard cubic feet per day
mscf	thousand standard cubic feet
mt	metric tonne
NAV	net asset value
PDO	Plan for Development and Operation
PSA	Performance Share Awards
PSC	production sharing contract
PSR	Project Safety Reviews
TLP	Tension Leg Platform
ToP	Take or Pay
TRIR	total recordable injury rate
TSR	total shareholder return

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