



30 September 2019

DNO North Sea plc

Unaudited Interim Results for the Six Months Ended 30 June 2019

DNO North Sea plc (the “Company”) is engaged in oil and gas exploration, development and production activities in Norway and the United Kingdom (the “UK”). The Company announces its consolidated unaudited Interim Results for the six months ended 30 June 2019. When used herein, “DNO North Sea” refers to the Company together with its subsidiaries.

Activity Overview

Change of control

On 11 January 2019, DNO ASA (“DNO”) obtained control of Faroe Petroleum plc (“Faroe”) and subsequently delisted the company from the London Stock Exchange Alternative Investment Market (AIM) on 14 February 2019. New directors were appointed on 28 January 2019. Further, as a result of the acquisition, Faroe changed its name to DNO North Sea plc. DNO has undertaken a process of integrating the DNO North Sea organization into DNO and aligning the strategies of the companies.

Equinor swap

On 30 April 2019, the Company completed the asset swap agreement with Equinor Energy AS, a wholly-owned subsidiary of Equinor ASA (“Equinor swap”), following approval by Norwegian authorities. The transaction has an effective date of 1 January 2019. As part of the transaction, DNO North Sea’s interests in the non-producing Njord and Hyme redevelopment and Bauge development assets were exchanged for interests in four Equinor-held producing assets, including interests in the Alve, Marulk, Ringhorne East and Vilje fields.

Production

Company Working Interest (“CWI”) production averaged 17,820 barrels of oil equivalent per day (“boepd”) in Norway and the UK during H1 2019 (including net production from assets acquired through the Equinor swap as from the effective date), of which 16,920 boepd was in Norway and 900 boepd was in the UK.

DNO North Sea has production across 13 fields, of which nine are in Norway and four in the UK.

Exploration and development license portfolio

In June 2019, DNO North Sea was awarded two exploration licenses as operator in the UK by the Oil and Gas Authority under the UK’s 31st licensing round. DNO North Sea now holds 51 licenses in Norway and 11 licenses in the UK.

Financial review

Revenues, operating profit and cash

Revenues in H1 2019 were GBP 88.7 million compared to GBP 67.8 million in H1 2018. The increase was primarily driven by a large oil lifting at the Ringhorne East field and the additional revenues from the assets acquired through the Equinor swap.

The Company reported an operating profit of GBP 85.7 million in H1 2019 compared to GBP 49.3 million in H1 2018. This is primarily due to the gain on disposal of GBP 80.1 million arising from the completion of the Equinor swap, compared to a gain on disposal of GBP 24.5 million in H1 2018 relating to the partial divestment of the Fenja asset. In addition, exploration expenses were lower: GBP 9.6 million in H1 2019 compared to GBP 16.0 million in H1 2018. These improvements were partially offset by a reduction in other income/expense, with GBP 0.3 million of expense in H1 2019 compared to GBP 18.7 million of income in H1 2018. Other income in H1 2018 of GBP 18.7 million mainly consisted of a one-off compensation payment which was paid to the Oselvar license by the Oda license for the use of the Oselvar's pipeline.

The Company ended the period with a cash balance of GBP 55.1 million compared to GBP 158.6 million at the end of the previous half year. The decrease is primarily due to significant investments in capital projects and payments for liabilities related to change of control.

Cost of goods sold

In H1 2019 the cost of goods sold, including lifting costs and depreciation, depletion and amortization ("DD&A"), was GBP 63.9 million, compared to GBP 40.5 million in H1 2018. The increase is primarily caused by movement in underlift.

Lifting costs were GBP 36.6 million in H1 2019 compared to GBP 36.1 million in H1 2018.

DD&A for assets in operation was GBP 18.6 million in H1 2019 compared to GBP 14.5 million in H1 2018.

Exploration expenses

Exploration expenses of GBP 9.6 million in H1 2019 were mainly related to seismic purchase and other exploration expenditure, compared to GBP 16.0 million in H1 2018.

Acquisition and development costs

Capital expenditure was GBP 59.7 million in H1 2019, mainly relating to exploration, development and production drilling. This compares to GBP 98.6 million in H1 2018.

Risks and uncertainty

The North Sea group is subject to a range of risks and uncertainties which may affect its business operations and financial condition. The description of key risks and uncertainties in the DNO Group annual accounts for 2018 and DNO North Sea group's annual accounts for 2018 gives a fair description of key risks and uncertainties that may affect the Company and the DNO North Sea group in the second half of 2019 and we are not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described herein.

Responsibility Statement

We confirm to the best of our knowledge that the North Sea group's interim financial statements for the period 1 January to 30 June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and gives a fair view of the North Sea group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report includes a fair review of any significant events that arose during the six-month period and their effect on the half-year financial report, any significant related-party transactions, and a descriptions of the significant risks and uncertainties for the remaining six months of the year.

Oslo, 30 September 2019

Bjørn Dale
Director

Ørjan Gjerde
Director

Christopher Spencer
General Manager North Sea Business Unit

Consolidated statements of comprehensive income

(unaudited, in GBP thousand)	Note	First Half-Year		Full-Year
		2019	Restated 2018	Restated 2018
Revenues	2	88,658	67,840	218,519
Cost of goods sold	3	-63,916	-40,488	-113,013
Gross profit		24,742	27,352	105,506
Other income/-expense	4	-285	18,735	19,242
Administrative expenses		-9,235	-5,274	-30,284
Gain on disposal of asset	11	80,092	24,520	23,798
Impairment charges	6	-	-	-41,560
Exploration expenses		-9,601	-16,039	-50,366
Profit from operating activities		85,713	49,294	26,336
Financial income		5,317	2,421	1,198
Financial expenses		-12,337	-11,955	-24,637
Profit before income tax		78,693	39,760	2,897
Tax income/-expense	5	2,841	-4,593	2,310
Net profit		81,534	35,167	5,207
Other comprehensive income				
Reclassified to profit and loss on partial disposal		-	1,915	-
Currency translation differences		-5,644	5,321	2,022
Items that may be reclassified to profit or loss in later periods		-5,644	7,236	2,022
Total comprehensive income		75,890	42,403	7,229

Consolidated statement of financial position

ASSETS		At 30 Jun		At 31 Dec
(unaudited, in GBP thousand)		Note	2019	Restated 2018
Non-current assets				
Goodwill	6, 11	92,944	9,635	7,445
Deferred tax assets	5	58,048	126,587	171,174
Other intangible assets	6	51,510	40,674	26,310
Property, plant and equipment	6	409,331	265,340	270,245
Right-of-use assets	6	1,340	-	-
Non-current tax receivable	5	13,257	37,782	-
Total non-current assets		626,430	480,018	475,174
Current assets				
Inventories		11,575	11,015	12,612
Trade and other receivables	7	81,923	136,845	90,406
Current tax receivable	5	25,291	24,735	25,291
Cash and cash equivalents		55,107	158,596	114,509
Total current assets		173,896	331,191	242,818
Assets held for sale		-	-	70,991
TOTAL ASSETS		800,326	811,209	788,983
EQUITY AND LIABILITIES		At 30 Jun		At 31 Dec
(unaudited, in GBP thousand)		Note	2019	Restated 2018
Equity				
Share capital		37,289	37,284	37,289
Other reserves		345,315	345,070	348,350
Retained earnings		-78,070	-128,366	-158,725
Total equity		304,534	253,988	226,914
Non-current liabilities				
Interest-bearing liabilities	9	66,262	74,726	77,579
Provisions for other liabilities and charges	10	279,385	263,558	283,556
Lease liabilities	10	943	-	-
Total non-current liabilities		346,590	338,284	361,135
Current liabilities				
Trade and other payables	8	86,689	151,263	139,930
Income tax payable	5	-	1,286	930
Current interest-bearing liabilities	9	28,532	54,115	14,057
Current lease liabilities	10	422	-	-
Provisions for other liabilities and charges	10	33,559	12,273	15,123
Total current liabilities		149,202	218,937	170,040
Liabilities directly associated with assets held for sale		-	-	30,894
TOTAL EQUITY AND LIABILITIES		800,326	811,209	788,983

Consolidated cash flow statement

(unaudited, in GBP thousand)	First Half-Year		Full-Year
	2019	Restated 2018	Restated 2018
Operating activities			
Profit/-loss before income tax	78,693	39,760	2,897
Adjustments to add/-deduct non-cash items:			
Depreciation, depletion and amortization	3	18,555	14,540
Impairment charges	6	-	-
Gain on sale	11	-80,092	-24,520
Other*		2,916	43,938
Change in working capital items:			
- Inventories		2,642	-370
- Trade and other receivables		19,616	-50,727
- Trade and other payables		-56,182	33,710
Cash generated from in operations		-13,852	56,331
Tax refund received		-	64
Net interests paid		-5,442	-4,317
Net cash from/-used in operating activities		-19,295	52,078
Investing activities			
Purchases of intangible assets		-21,195	-38,542
Purchases of tangible assets		-38,465	-60,094
Proceeds from sale of tangible assets		-	40,430
Payments for decommissioning		-6,385	-3,997
Cash gain on Equinor swap	11	23,473	-
Proceeds from license transactions		-	-
Net cash used in investing activities		-42,572	-62,203
Financing activities			
Proceeds from borrowings net of issue costs		13,421	19,637
Repayment of borrowings		-10,956	-
Net cash from/-used in financing activities		2,465	19,637
Net increase/-decrease in cash and cash equivalents		-59,402	9,512
Cash and cash equivalents at beginning of the period		114,509	149,084
Cash and cash equivalents at the end of the period		55,107	158,596

* Includes net interest income/-expense, exploration write offs, and currency translation adjustments

Consolidated statement of changes in equity

(unaudited, in GBP thousand)	Share capital	Other reserves	Retained earnings	Reserves held for sale	Total equity
Total equity as of 31 December 2018	37,289	351,034	-158,725	-2,684	226,914
Change in accounting principles – Note 1	-	-	1,805	-	1,805
Total equity as at 1 January 2019	37,289	351,034	-156,920	-2,684	228,719
Currency translation differences	-	-5,644	-	-	-5,644
Other comprehensive loss	-	-5,644	-	-	-5,644
Profit for the period	-	-	81,534	-	81,534
Total comprehensive income	-	-5,644	81,534	-	75,890
Completion of asset sale	-	-	-2,684	2,684	-
Share based payment transactions	-	-75	-	-	-75
Other changes in equity	-	-75	-2,684	2,684	-75
Total equity as of 30 June 2019	37,289	345,315	-78,070	-	304,534

(unaudited, in GBP thousand)	Share capital	Other reserves	Retained earnings	Reserves held for sale	Total equity
Total equity as at 31 December 2017	36,664	343,623	-152,370	-1,915	226,002
Changes in accounting principles – Note 1	-	-	-11,163	-	-11,163
Total equity as of 1 January 2018	36,664	343,623	-163,533	-1,915	214,839
Reclassified to profit and loss on partial disposal	-	-	-	1,915	1,915
Currency translation differences	-	5,321	-	-	5,321
Other comprehensive income	-	5,321	-	1,915	7,236
Profit for the period	-	-	35,167	-	35,167
Total comprehensive income	-	5,321	35,167	1,915	42,403
Issue of share capital	620	-620	-	-	-
Share based payment transactions	-	-3,254	-	-	-3,254
Other changes in equity	620	-3,874	-	-	-3,254
Total equity as of 30 June 2018	37,284	345,070	-128,366	-	253,988

Notes to the consolidated interim financial statements

Note 1 | Basis of preparation and accounting policies

Principal activities and company information

DNO North Sea plc (the "Company") is engaged in oil and gas exploration, development and production activities in Norway and the UK.

Basis of preparation

The Company's consolidated (the "DNO North Sea group's") unaudited interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and IFRS standards issued and effective at date of reporting as adopted by the EU.

On 11 January 2019, DNO obtained control of Faroe Petroleum plc ("Faroe") and subsequently de-listed the company from AIM on 14 February 2019. New directors were appointed on 28 January 2019 and as a result of the acquisition, Faroe changed its name to DNO North Sea plc. DNO has undertaken a process of integrating the DNO North Sea organization into DNO and aligning the strategies of the companies. Further, as a result of the acquisition, effective 1 January 2019 DNO North Sea group's accounting policies and principles are aligned to DNO's accounting policies and principles. This resulted in a change to the principle for valuation and presentation of overlift/underlift and a change in the principle for capitalizing exploration and evaluation ("E&E") costs. In addition, the Company has made certain reclassifications in the financial statements to align with DNO's classification policy. A detailed description of the accounting policies and principles applied is included in the DNO Group annual accounts for 2018. DNO North Sea group is consolidated in DNO's accounts effective 1 January 2019. The restatement adjustments are summarised in the table below.

The interim financial statements have been prepared on a historical cost basis, with the exception of derivative financial instruments and equity instruments which are recognized at fair value.

The interim financial information for 2019 and 2018 is unaudited.

Subtotals and totals in some of the tables included in these interim financial statements may not equal the sum of the amounts shown due to rounding.

Changes in accounting policies

Effective 1 January 2019, the DNO North Sea group made the following changes affecting the significant accounting policies:

- Implementation of IFRS 16 *Leases*. As described in the DNO Group annual accounts for 2018, IFRS 16 is effective from 1 January 2019. IFRS 16 replaces IAS 17 *Leases* and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The accounting principles applied are in line with the description provided in the DNO Group annual accounts for 2018, Note 1. The impact on the balance sheet is presented on separate balance sheet items, and further details are provided in the notes. The modified retrospective approach with no restatement of comparative figures has been applied.
- Change in principle for valuation and presentation of overlift/underlift. Revenues are recognized on the basis of volumes lifted and sold to customers during the period (the "sales method"). Overlift/underlift balances, previously valued at net realizable value, are now valued at production cost including depreciation and movements in overlift/underlift are presented as an adjustment to cost of goods sold, previously presented as an adjustment to revenues. This change was made due to the discussion in the IFRS Interpretations Committee (IFRIC) on the topic "Sale of output by a joint operator (IFRS 11 *Joint Arrangements*)", which was concluded in March 2019. H1 2018 and full-year 2018 comparative figures have been restated and the effects of the principle change have been booked to equity (details in the table below).
- Change in principle for capitalizing E&E costs ("Successful efforts method"). IFRS 6 *Exploration for and Evaluation of Mineral Resources* provides the companies some latitude to the accounting of E&E costs (policy choice). The Company's accounting policy differed from DNO's accounting policy with regards to initial recognition of E&E costs costs. While the Company's accounting policy was to capitalize most of the E&E costs including geological and geophysical surveys, administrative costs and seismic acquisition, the E&E initial costs are now expensed as they incur with the exception of capitalization of expenses relating to drilling of exploratory wells as intangible assets pending evaluation of potential oil and gas discoveries. H1 2018 and full-year 2018 comparative figures have been restated and the effects of the principle change have been booked to equity (details in the table below).

Restatement adjustments	First Half-Year	Full Year
GBP thousand	2018	2018
<i>Balance Sheet</i>		
Other intangible assets	-64,731	-76,431
Deferred tax assets	65,473	65,764
Trade and other receivables/payables	-19,208	-8,220
Retained Earnings	11,163	14,247
<i>Income statement</i>		
Cost of goods sold	-19,208	5,795
Exploration expenses	-13,990	-25,690
Tax income/-expense	25,895	15,255

Except for the changes described above, the accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the DNO Group's annual accounts for 2018 and DNO North Sea group's annual accounts for 2018.

Note 2 | Revenues

GBP thousand	First Half-Year		Full-Year
	2019	Restated 2018	Restated 2018
Oil sales	73,489	39,028	162,953
Gas sales	12,586	24,702	48,632
Natural gas liquids sales	1,258	1,472	3,571
Tariff income	1,325	2,638	3,363
Total revenues	88,658	67,840	218,519

Note 3 | Cost of goods sold

GBP thousand	First Half-Year		Full-Year
	2019	Restated 2018	Restated 2018
Lifting costs	-36,606	-36,105	-67,978
Tariff and transportation expenses	-9,266	-10,242	-21,866
Production cost based on produced volumes	-45,873	-46,347	-89,844
Movement in overlift/underlift	1,485	18,118	-8,491
Production cost based on sold volumes	-44,388	-28,229	-98,335
Depreciation, depletion and amortization	-18,555	-14,540	-25,461
Change in abandonment estimate	-974	2,281	10,783
Total cost of goods sold	-63,916	-40,488	-113,013

Note 4 | Other income/-expense

GBP thousand	First Half-Year		Full-Year
	2019	Restated 2018	Restated 2018
Compensation income	251	21,310	21,710
Realised hedging losses	-578	-2,919	-5,947
Unrealised hedging gains	42	344	3,479
Total other income/-expense	-285	18,735	19,242

Note 5 | Income taxes

GBP thousand	First Half-Year		Full-Year
	2019	Restated 2018	Restated 2018
Tax income/-expense			
Change in deferred taxes	30,854	24,311	24,227
Income tax payable	-28,014	-28,904	-21,917
Total tax income/-expense	2,841	-4,593	2,310

Note 5 | Income taxes (continued)

GBP thousand	At 30 Jun		At 31 Dec
	2019	Restated 2018	Restated 2018
Income tax receivable/-payable			
Tax receivable (current)	25,291	24,735	25,291
Tax receivable (non-current)	13,257	37,782	-
Income tax payable	-	-1,286	-930
Net tax receivable/-payable	38,548	61,231	24,360

GBP thousand	At 30 Jun		At 31 Dec
	2019	Restated 2018	Restated 2018
Deferred tax assets/-liabilities			
Deferred tax assets	59,857	126,587	171,174
Deferred tax liabilities	-1,808	-	-
Total deferred tax assets/-liabilities	58,048	126,587	171,174

Note 6 | Other intangible assets/Property, plant and equipment (“PP&E”)/Right-of-use (“RoU”) assets

Impairment tests of individual cash-generating units are performed when impairment triggers are identified. During H1 2019, no impairment charges were recognized, as was also the case in H1 2018.

GBP thousand	First Half-Year		Full-Year
	2019	Restated 2018	Restated 2018
Additions of Other intangible assets	21,195	38,542	67,021
Transfer of intangible assets due to accounting policy change		-64,731	-76,431
Additions of PP&E	38,465	60,094	132,075
Additions through swap/acquisition*	119,465	2,717	372
Additions of RoU assets	1,340	-	-
Impairment charges**	-	-	41,560

GBP thousand	At 30 Jun		At 31 Dec
	2019	Restated 2018	Restated 2018
Goodwill	92,944	9,635	7,445
Other intangible assets	51,510	40,674	26,310
PP&E	409,331	265,340	270,245
Right of Use assets	1,340	-	-

* See Note 11 for additions through business combination.

** Included here in 2018 is GBP 1,975 thousand of impairment of goodwill

Additions of Other intangible assets are related to capitalized exploration costs, license interests and administrative software. Additions of PP&E are related to development assets, assets in operation including estimate change on asset retirement obligations, and other PP&E.

Note 7 | Trade and other receivables

GBP thousand	At June 30		At Dec 31
	2019	Restated 2018	Restated 2018
Trade receivables	6,559	25,302	9,440
Other receivables	58,292	100,378	64,438
Prepayments and accrued income	9,092	3,527	8,537
Restricted cash deposits	7,980	7,638	7,991
Total trade and other receivables	81,923	136,845	90,406

Note 8 | Trade and other payables

GBP thousand	At Jun 30		At Dec 31
	2019	Restated 2018	Restated 2018
Trade creditors	21,992	18,302	36,722
Deferred income	-2,099	55,020	14,244
Other payables	1,061	6,413	4,339
Accruals	64,476	70,443	80,524
Derivatives	1,259	1,085	4,101
Total trade and other payables	86,689	151,263	139,930

Note 9 | Interest-bearing liabilities

Interest-bearing liabilities

GBP thousand	Ticker	Facility currency	Facility amount	Interest	Maturity	At 30 Jun		At 31 Dec
						2019	2018	2018
Non-current								
Bond loan (ISIN NO0010811268)	FAPE01	USD	85,800	8.00%	28/04/23	66,262	74,726	77,579
Total non-current interest-bearing liabilities						66,262	74,726	77,579
Current								
Exploration financing facilities		NOK	700,000	see below	see below	28,532	54,115	14,057
Total current interest-bearing liabilities						28,532	54,115	14,057
Total interest-bearing liabilities						94,794	128,841	91,636

Security and pledges

GBP thousand	At 30 Jun		At 31 Dec
	2019	2018	2018
Exploration tax refund	38,548	62,517	25,291
Total book value of assets pledged	38,548	62,517	25,291

On 21 November 2017, the Company issued a USD 100 million senior unsecured bond in the Nordic bond market, with a fixed coupon of 8.00 percent payable semi-annually. The final maturity is on 28 April 2023. The senior notes are listed on the Nordic ABM. In February 2019, due to the change of control, some bond holders exercised their put rights leading to a repayment of USD 14.2 million.

The Company has available revolving exploration financing facilities in an aggregate amount of NOK 700 million (equivalent to GBP 64.7 million as of 30 June 2019). Utilization requests need to be delivered for each proposed loan under this financing facility. The facilities are secured against the Norwegian tax refunds and are repaid when the refunds have been received which is approximately eleven months after the end of the financial year. The interest rate equals NIBOR plus a margin of 1.30 percent. Amount utilized as of 30 June 2019 is disclosed in the table above.

The Company has a reserve-based lending ("RBL") facility in relation to its Norway and UK licenses with a total facility amount of USD 245 million which is available for both debt and issuance of letters of credit. As of 30 June 2019, the facility is undrawn and USD 86.3 million was utilized in respect of letters of credit. Interest charged on utilizations is based on the LIBOR, NIBOR or EURIBOR rate (depending on the currency of the drawdown) plus a margin ranging from 3.0 to 3.5 percent. The facility will amortize over the loan life with a final maturity date of 31 December 2025.

Note 10 | Provisions

GBP thousand	At 30 Jun		At 31 Dec
	2019	2018	2018
Non-current			
Asset retirement obligations	279,385	263,558	283,556
Lease liabilities	943	-	-
Total non-current provisions for other liabilities and charges and lease liabilities	280,328	263,558	283,556
Current			
Asset retirement obligations	33,559	7,562	15,123
Other provisions and charges	-	4,711	-
Lease liabilities	422	-	-
Total current provisions for other liabilities and charges and lease liabilities	33,981	12,273	15,123
Total provisions for other liabilities and charges and lease liabilities	314,309	275,831	298,679

Decommissioning

The total decommissioning provision of GBP 312.9 million (H1 2018: GBP 271.1 million) relates primarily to DNO North Sea group's production and development facilities. The decommissioning provision is recorded as the Company's share of the decommissioning cost expected to be incurred. These costs are expected to be incurred at various intervals over the next 18 years. The economic life and the timing of the decommissioning liabilities are dependent on government legislation, commodity prices and the future production profiles of the production and development facilities. In addition, the costs of decommissioning are subject to inflationary changes in the service costs of third parties.

Other provisions

The provision for employee benefits relates to cash settled synthetic shares which were awarded as part of the Faroe incentive plan scheme, and is shown as a current liability in H1 2018. This scheme was closed on completion of the acquisition of the Company by DNO.

Note 11 | Business combinations

Swap agreement with Equinor

On 30 April 2019, the swap agreement with Equinor Energy AS, a wholly owned subsidiary of Equinor ASA ("Equinor") was completed following approval by Norwegian authorities. The swap agreement was signed on 4 December 2018 and represents a balanced swap with no cash consideration. The effective date of the transaction is 1 January 2019.

As part of the transaction, DNO North Sea's interests in the non-producing Njord and Hyme redevelopment and Bauge development assets ("divested assets") were exchanged for interests in four Equinor-held producing assets on a cashless basis, including interests in the Alve, Marulk, Ringhorne East and Vilje fields ("acquired assets"). The Company received a GBP 33 million payment from Equinor reflecting net income from the acquired assets, reimbursement of investments related to the divested assets and working capital adjustments from 1 January 2019 to transaction completion on 30 April 2019.

Purchase price allocation ("PPA")

The transaction is regarded as a business combination and is accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations*. The general principle in IFRS 3 is that the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Each identifiable asset and liability is measured at its acquisition date fair value based on guidance in IFRS 3 and IFRS 13 *Fair Value Measurement*. The standard defines fair value 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. This definition emphasizes that the fair value is a market-based measurement, not an entity-specific measurement. When measuring the fair value, the Company uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Acquired producing and development assets (i.e. PP&E) as well as discovery assets (i.e. intangible assets) have been valued using the income-based approach.

The acquisition date is determined to be 30 April 2019, which is the date of completion of the agreement. A PPA has been performed as of this acquisition date to allocate the consideration to provisional fair values of acquired assets and assumed liabilities of the acquired assets. Provisional fair values of the acquired assets and liabilities assumed as of the acquisition date were as shown in the table below:

Note 11 | Business combinations (continued)

GBP thousand	Fair value at acquisition date
Property, plant and equipment	119,465
Tax receivables (non-current)	-18,009
Trade and other receivables	1,753
Cash and cash equivalents	23,473
Total assets	126,682
Deferred tax liabilities	76,791
Provisions for other liabilities and charges (non-current)	11,163
Total liabilities	87,954
Total identifiable net assets at fair value	38,728
Fair value of acquired assets	124,226
Goodwill	85,498

The goodwill recognized in the transaction relates to technical goodwill due to the requirement to recognize deferred tax assets and liabilities for the temporary difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination. Licenses under development and licenses in production can only be sold on a post-tax value pursuant to the Norwegian Petroleum Taxation Act, section 10. The assessment of fair value of such licenses is therefore based on cash flows after tax. Nevertheless, in accordance with IAS 12, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the acquisition cost and the tax base. The offsetting entry to this deferred tax is technical goodwill. This goodwill will not be deductible for tax purposes.

The valuations are based on currently available information about fair values as of the acquisition dates. If new information becomes available within 12 months from the acquisition dates, the Company may change the fair value assessment in the PPAs in accordance with guidance in IFRS 3. Eventual changes in fair values will be recorded retrospectively from the acquisition dates.

For comparison purposes, assuming that the acquisition had taken place effective 1 January 2019, it is estimated that H1 2019 revenues would have increased by GBP 35 million while net profit (after tax) would have increased by GBP 4 million.

Gain calculation

The divested assets have been derecognized resulting in an accounting gain of GBP 80.1 million being recognized on the difference between the carrying amount of the divested assets and estimated fair value recognised for the acquired assets, as shown below.

GBP million	First Half-Year 2019
Carrying amount of divested assets	44.1
Fair value of acquired assets	124.2
Accounting gain on disposal of asset	80.1

Glossary

boepd	barrels of oil equivalent per day
CWI	Company working interest
DD&A	depletion, depreciation and amortization
mmboe	million barrels of oil equivalent
PP&E	Property, plant and equipment
RoU	Right-of-use
Acquisition and development costs	Acquisition and development costs comprise the purchase of intangible and tangible assets irrespective of whether paid in the period
Lifting costs	Lifting costs comprise of expenses related to the production of oil and gas, including operation and maintenance of installations, well intervention activities and insurances.