THE POWER TO BE DIFFERENT

Our vision is to become a leading full cycle exploration and production player, running assets to the highest standard and achieving great commercial deals.

The Directors present their consolidated strategic report for Spirit Energy Limited (the 'Company') and its subsidiaries (together, the 'Group' or 'Spirit Energy') for the year ended 31 December 2019.

Principal activities and strategy

Spirit Energy is a leading independent oil and gas operator in Europe, with 2019 production of 45.8 million (2018: 46.8 million) barrels oil equivalent ('mmboe'), and at the end of 2019, had proven and probable ('2P') reserves of 284mmboe (2018: 270mmboe). We have operated and non-operated interests across the UK, Norway, the Netherlands and Denmark, with 33 producing fields and 136 exploration licences.

Spirit Energy's strategy is to add value as a lean, agile and sustainable company with a focus on growth in North-West Europe.

Our strategy is to:

Create a winning Spirit platform

To challenge the way we work, always seeking streamlined and efficient delivery, to be a lean and agile business with distinctive core capabilities.

Deliver the potential

The need for constant and relentless performance, focus on everything we do to achieve industry-leading safety standards, deliver every possible barrel of production, and keep control of our costs to generate superior returns and be resilient to fluctuations in oil and gas prices.

Grow the reserves pipeline

To continuously replenish production with new resource acquisition and deliver the project pipeline.

Spirit Energy made good progress against the strategy in 2019. We made several significant new discoveries in particular in the Greater Warwick Area, grew our reserves base by net 14mmboe after accounting for production, delivered cost savings particularly in the mature Morecambe asset, extended the life of most of our mature assets most notably in Statfjord, demonstrated strong performance in our operated assets and delivered better than industry-average safety performance with a TRIF (total recordable incident frequency) rate of 0.18 compared to 0.30 industry average. However, production performance was below target for the year and lower than 2018 but this was still better than the P50 estimate for the year. Overall, in a year where gas prices were 29% lower than 2018 and where we continued to spend £470 million to grow the business, it was a tremendous achievement to deliver positive Free Cash Flow.

Section 172(1) Directors' Duty

As a result of being responsible for overseeing our Strategy described above, the Directors remain conscious of the impact their decisions can have on employees, communities and the environment.

Proactive engagement remains a central focus for the Board, which ensures the Directors have regard to the matters set out in S.172(1) (a) to (f) of the Companies Act. They receive regular stakeholder insights and feedback, which enables them to place stakeholder considerations at the very heart of the Board's decisions as follows:

Section	Reference	Page
Decisions for the long-term success of the Company	Strategic report – Our strategy	10
	Directors' report – Going concern review	17
	Strategic report – Future developments in business	13
	Directors' report – Governance framework	18
	Note 22 – Sources of finance	55
How the Board engages with stakeholders and how the Directors have regard to the need to foster the Company's business relationships with all of its stakeholders, and the effect of that regard	Strategic report – Business relationship	16
	Directors' report – Employment policies	17
	Directors' report – Governance framework	18
Risks	Strategic report – Principal risks and uncertainties	14
	Note S2 – Financial risk management	67
Training and information	Strategic report – Employee engagement and culture	15
	Directors' report – Employment policies	17
Policies and procedures	Directors' report – Governance framework	18
Capital allocation and dividend policy	Directors' report – Governance framework	18
	Note 10 – Dividends	45
Culture and workforce	Strategic report – Employee engagement and culture	15
	Directors' report – Employment policies	17

Key performance indicators (KPIs)

In order to monitor the delivery of our strategy, we have identified KPIs which are used across the business to manage the assets and identify opportunities to improve performance and adapt operating plans to changing circumstances. Performance against KPIs is tracked and reviewed at monthly meetings of the Executive Committee and is reported to the Board of Directors. The Directors believe that these financial KPIs provide additional useful information on business performance and underlying trends. These measures are used for internal performance purposes. The adjusted measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies. Please refer to page 88 for definitions and reconciliation of adjusted performance measures to the statutory results. The following tables discuss the financial and non-financial KPIs for the current year with prior year comparatives.

Financial KPIs

KPI	Description	Relevance to Group strategy	**2019 Performance for year**	2018 Performance for year
Adjusted operating profit	Operating profit before exceptional items and unrealised re-measurements of energy contracts(i)	Reflects company profitability performance	£207m	£426m
Adjusted profit after tax	Profit for the year after tax before exceptional items and unrealised re-measurements of energy contracts and related taxation(i)	Reflects company profitability performance	£37m	£89m
Adjusted operating cash flow	Net cash flow from operating activities before payments relating to exceptional charges	Reflects cash flow available for capital expenditure	£548m	£913m
Free cash flow	Adjusted operating cash flow less purchases of PP&E and intangibles and proceeds from sales of PP&E and intangibles	Reflects cash flow available for Shareholder dividends and servicing finance	£117m	£444m
Lifting cost per barrel	All field operating costs and tariffs (net of costs incurred for running a third-party terminal at Barrow)	Reflects competitive cost structure and ability to generate cash flow in a low-price environment	£12.2/boe	£13.7/boe

(i) A description of exceptional items and re-measurements of energy contracts is provided in note 2 within the notes to the Financial Statements.

Non-financial KPIs

KPI	Description	Relevance to Group strategy	**2019 Performance for year**	2018 Performance for year
Total recordable incident frequency ('TRIF') rate	Total recordable incidents per 200,000 hours for operated assets	Reflects safety performance which is a core foundation of a sustainable company	0.18	0.20
Process safety incident rate ('PSIR')	Number of Tier 1 and Tier 2 process safety incidents per 200,000 hours for operated assets	Reflects safety performance which is a core foundation of a sustainable company	0.07	0.11
Production	Production of gas, oil and liquids	Core driver of revenue generation and long-term sustainability of production	45.8 mmboe	46.8 mmboe
Reserves/production	2P reserves/current year production	Reflects long-term sustainability of production	6.2	5.8

Operating review

Annual production was down 2% compared to 2018 to 45.8mmboe, but within the target range of 45mmboe to 55mmboe for 2019, with a slight increase in gas production volumes offset by lower liquids production. We saw improved operational performance from the operated Morecambe field which largely offset natural decline across the portfolio and lower availability at Statfjord. Our 2P reserves were 14mmboe higher at the end of 2019 than at the end of 2018, with 64mmboe of positive revisions more than offsetting the impact of production and the Valemon and Sindre divestments in the year. The Statfjord life extension resulted in 31mmboe of the revision, with positive revisions also recognised at Kvitebjorn, Cygnus and South Morecambe. Overall this represented a reserves/production ratio of 6.2 times (2018: 5.8 times).

Lifting costs decreased from £13.7/boe in 2018 to £12.2/boe in 2019, the decrease principally reflecting improvements in underlying costs and reflecting favourable foreign exchange. The main contributors were the delivery of Morecambe asset efficiency savings, lower Trees asset intervention, lower maintenance costs on GMA, and lower tariff costs driven by lower production.

We continued to achieve a substantial cost saving across our operated decommissioning portfolio. Focussed project execution delivered first oil on Oda ahead of schedule and under budget. In 2019, three wells were drilled in the Greater Warwick Area, in which Spirit Energy owns a 50% interest. The Lincoln Crestal well confirmed the presence of light oil and produced at potentially commercial rates. The Warwick area yielded mixed results. Warwick Deep proved unsuccessful with water production and minor oil encountered. Warwick West was a discovery and confirmed the presence of light oil which was produced to surface during well testing. Further technical analysis is required to understand reservoir quality in this area. A further eight exploration and appraisal wells were drilled in 2019, and the last of which (the Wintershall Dea operated Bergknapp prospect) was a discovery.

Future developments in business

Our objective remains to deliver production in the range of 45–55mmboe per annum and to reduce average unit lifting costs through production efficiency and cost efficiency programmes to below £12/boe.

We plan to continue to reinvest up to 80% of our operating cash flow on capital projects across our operated portfolio in Chestnut and Chiswick, and non-operated portfolio on Statfjord life extension, GWA, and the Nova development in Norway which is proceeding as planned, with production due to begin in the fourth quarter of 2021. The field has an estimated 77mmboe of 2P reserves and Spirit Energy owns 20%.

Furthermore, we expect to participate in up to four exploration wells in 2020 in our Norway operations.

The Group continues to execute decommissioning projects and in 2020 will be focussing primarily on Morecambe.

In February 2020, we signed a deal for the sale of the Danish assets Hejre and Solsort to Ineos, which we expect to complete later this year.

Financial review

Group revenue decreased by £547 million, or 28%, to £1,431 million (2018: £1,978 million) principally due to lower commodity prices and adverse foreign exchange movements.

Cost of sales were £1,192 million, 3% lower than 2018. The decrease in costs principally represents lower lifting costs.

Operating costs of £180 million were £22 million lower than £202 million in 2018 reflecting improvements in underlying general and administrative costs.

The statutory operating loss was £115 million in 2019 compared to profit of £512 million in 2018. Operating loss included exceptional costs of £516 million (2018: exceptional income of £91 million). This comprised net impairments of £548 million (post-tax £408 million) on certain fields, predominantly due to decreases in price forecasts and portfolio rationalisations, and a reversal in unused decommissioning provisions of £32 million (post-tax £20 million) relating to assets previously impaired through exceptional items. Loss after taxation for the year is £271 million (2018: profit £191 million).

Alternative performance measures

Adjusted operating profit was down £219 million or 51% to £207 million principally due to lower commodity price, lower production, and higher depreciation charges following 2018 asset write-backs, offset by favourable lifting costs and operating costs.

Adjusted profit after tax was down £52 million, or 58%, to £37 million (2018: £89 million). This reflects the overall decline in adjusted operating profit and higher net financing costs.

Adjusted operating cash flow was down 40% to £548 million, driven primarily by lower commodity prices, higher tax payments relating to 2018 tax liabilities, and adverse working capital movements. After capital expenditure of £470 million, the Group generated free cash flow of £117 million in 2019 compared to £444 million in 2018.

Principal risks and uncertainties

Spirit Energy is exposed to risks arising from compliance, environmental, strategic, operational and financial factors. Accordingly, our management system includes a risk, assurance and control framework to ensure that consistent methods and processes are applied across the business to manage risks and opportunities arising in delivering our strategy. The risks associated with Brexit and our mitigating actions are discussed within the exit from the European Union section.

Key risks include significant operational risks, particularly relating to the safe and reliable operation of the business, retention and succession of key people and effective and available information systems and security. Spirit Energy invests heavily in its resource capability and management systems including standards, policies, procedures and controls to minimise the severity of the impact and probability of such risks arising. We also maintain a comprehensive insurance programme against losses incurred in the operation of our assets and executing exploration drilling, capital developments and decommissioning projects.

Risks associated with Spirit Energy's ambitious strategic objectives such as the transformation of operational performance and achieving long-term sustainability are managed through a number of initiatives under the governance of the Executive Committee, supported by relevant project management discipline and specialist functional expertise.

Spirit Energy monitors and ensures compliance with regulatory requirements. The risks associated with compliance include market conduct, financial crime, data protection, competition and various reporting obligations such as the Modern Slavery Act.

We manage liquidity risks through an agreed financial framework to build sustainable long-term cash flow underpinning the Group's liquidity requirements and capital investments. Spirit Energy has significant cash and cash equivalents of £361 million, and a £250 million revolving unsecured credit facility provided by its Shareholders (refer to note 22b), which together are expected to cover its liquidity requirements for the foreseeable future. Investments and dividends will be managed to ensure that we maintain a working capital liquidity buffer. In the event of a potential liquidity shortfall, Spirit Energy can access external borrowings and request funding from Shareholders. In addition, exposures to commodity prices, foreign exchange rate movements and credit risk are managed through agreed hedging and treasury policies.

The recent global outbreak of COVID-19 together with the significant drop in commodity prices has presented greater challenges to the business particularly in relation to operational risks and liquidity risks noted above. On the former, Spirit Energy has measures in place to respond to the operational impact of COVID-19. More recently on 4 April 2020 a crewmember was evacuated from the floating production, storage and offloading vessel at the Chestnut field after presenting with flu like symptoms. Operations were temporarily suspended on the unit and following a deep clean of the vessel, and a crew change, production was restarted on 13 April 2020. With respect to the latter, Spirit Energy continues to operate within its Financial Framework which aims to adapt to the lower price environment through measures to reduce operating costs, capital expenditure and decommissioning spend. The impact of the current prices on the impairments booked in 2019 is set out in note 7(c).

Spirit Energy is also exposed to high inherent risks such as IT security, data protection and fraud which are mitigated through a framework of relevant controls. The energy transition section within this report describes the principal environmental risks Spirit Energy faces in the current climate.

Energy Transition

How to provide the energy needed for a growing and more prosperous global population that does not damage our environment beyond repair is one of the greatest challenges of our time. Our energy systems need to become cleaner to support long-term prosperity because the world runs on energy, opportunities are fostered by energy and lives are supported by energy.

Decarbonising the energy systems that support families and economies across our planet is a highly complex issue. For the foreseeable future, natural gas and oil will continue to be a vital part of global and domestic energy demand. Spirit Energy is proud to be part of an industry that accounts for a significant share of the energy mix.

We are equally proud that our expert workforce, supply chains, research activity, technology development and deployment and dynamic system of infrastructure has a fundamental role in the transition to a net-zero carbon future.

Our ambition is to be a top-quartile operator in terms of carbon intensity amongst our peers. Our immediate focus is on building solid baseline measurements and prioritising the most cost-effective interventions with an aim to make further progress in decarbonising our operated assets; minimising our primary production emissions through improved operational efficiency, reduced flaring and fugitive leak detection and repair programmes; reviewing the feasibility of low-carbon electricity to supply our operations, and determining appropriate emission reduction targets and setting related management incentives.

Employee engagement and culture

In 2019, we conducted a number of employee engagement and health and wellbeing surveys, and the feedback from our teams has been reviewed to make Spirit Energy an even better place to work.

Some of the comments focused on leadership capability and, more specifically, inconsistency of experience from one manager to another. This is only natural, as people are unique, and a lot of benefit is seen in the diversity that exists across the organisation. However, that can also lead to different approaches, behaviours and expectations, and so the Spirit Leadership Expectations were introduced to guide behaviours that are expected from all managers across Spirit Energy. Members of the Executive Committee have completed their leadership assessments and development conversations, and these are being rolled out across Spirit Energy at all levels.

The “Free Spirits” employee network of engagement champions was successfully launched during the year to find and implement changes, big and small, to improve and embed the culture of Spirit Energy. Leaning on the strength and numbers of our diversity and inclusion organisation, The Network, the Free Spirits have been instrumental in supporting strategic initiatives across the organisation.

Spirit Energy published its first gender pay gap report in Q2 2019. In support of gender balance, Spirit Energy also signed the AXIS Network pledge; was active in promoting STEM careers for women; and sponsored POWERful Women, with Executive Committee members taking on Ambassador roles.

A new Learning and Development programme is being launched in 2020. Employees will be able to find out about learning opportunities, online training, external courses and further education.

Business relationships

Spirit Energy aims to build enduring relationships with suppliers driven by our core values of care, agility, courage, delivery and collaboration. We measure ourselves by these values and work closely with our suppliers in encouraging them to do the same, seeing them as an extension of our teams. During our annual supplier conference, we had over 120 suppliers in attendance and for the first-time recognised suppliers with the Spirit Energy Supply Chain Awards for operating in line with our values.

In 2019 we awarded major contracts in the Operations & Maintenance categories, which have helped us reduce complexity and build stronger, deeper relationships with the selected suppliers. In preparation for our operational separation from our Shareholder Centrica plc, we set up our own indirect contracts. For those categories, this meant setting up a new Spirit Energy Supply Chain; building new relationships and accessing new suppliers.

In addition, as licence operator, Spirit Energy works closely with the Oil and Gas Authority ("OGA") and holds regular check-ins regarding business development and ongoing operations.

Exit from the European Union

The UK left the EU on 31 January 2020. The UK has now entered into the transition period which means EU law will continue to apply to, and within, the UK until the end of December 2020 (unless extended), and existing arrangements largely continue to apply. Therefore, the immediate impact on the Company of the UK leaving the EU is limited in the short term. Extricating from the European Union treaties is a task of immense complexity, but the Company is keeping the possible impacts on the business stemming from this under review, and also from the possibility of a no-deal Brexit at the end of the transition period in the event that a trade agreement is not reached so that appropriate action can be taken. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

Approval

This report was approved by the Board of Directors on 27 May 2020 and signed on its behalf by:

Chris Cox
Director and Chief Executive Officer

DIRECTORS' REPORT

The Directors submit their report on the affairs of the Group, together with the Consolidated Financial Statements and auditor's report for the year ended 31 December 2019.

Results and dividends

The Group's results and performance summary for the year are set out in the Group strategic report on pages 10 to 16. The Board has not recommended a payment of final dividend for the year ended 31 December 2019.

Events after the balance sheet date

Significant events since the balance sheet date are contained in note 26 to the Consolidated Financial Statements on page 58.

Future developments

A description of future developments can be found in the Group strategic report on page 13. A description of the Group's exposure and management of risks is provided in the Group strategic report on page 14.

Going concern

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis. The Group has considered its funding position and financial projections, including stress test sensitivities, and the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors' considerations for the going concern assessment is summarised in note 22(b) on page 55.

Financial instruments

Full details of the Group's financial instruments can be found in notes 17, S2 and S3 to the Consolidated Financial Statements on pages 50, 67 and 71.

Directors

The Directors who served throughout the year and to the date of this report, except as noted, were as follows:

V.M. Hanafin (Chairman)
Dr. T.C. Meerpohl (Deputy Chairman)
J.A. Bell (resigned 30 April 2020)
J.S. Bessell (appointed 1 May 2020)
C.M. Cox
T. Holm
D.A. Isenegger
K.M. Robertson (resigned 31 December 2019)
G.C. McKenna (appointed 31 December 2019)

Directors' indemnities and insurance

In accordance with the Company's articles of association, the Company has granted an indemnity, to the extent permitted by law, to Directors and members of the Group's Executive Committee. Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 December 2019 and remain in force. The Company maintains Directors' and officers' liability insurance in respect of its Directors and members of the Group's Executive Committee and those Directors of its subsidiary companies.

Employment policies

Employee involvement

Spirit Energy remains committed to employee involvement throughout the business. Employees are kept well informed of the performance and strategy of the Group through town halls, personal briefings, regular meetings, email and broadcasts by Executive Committee members during the year.

In addition to employee involvement and communication related to business updates and performance, the Group actively encourages employee engagement in various initiatives across the organisation.

Equal opportunities

Spirit Energy is committed to an active equal opportunities policy from recruitment and selection, through training, development, performance reviews and promotion, until retirement. The Group's policy is to promote equality of opportunity, diversity, respect and inclusion in the workplace and to eliminate unfair or unlawful discrimination.

Employment policies and practices reflect a culture where decisions are made solely on the basis of individual capability and potential in relation to the needs of the business. Protected characteristics covered by legislation are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including ethnic origins, nationality and colour), religion or belief, sex and sexual orientation. In addition, the Group ensures it does not treat anyone less favourably because of factors such as working part-time and or on a fixed-term contract.

Employees with disabilities

The Group's policy is committed to the fair treatment of people with disabilities in relation to job applications and they should have full and fair consideration for all vacancies. During the year, the Group continued to demonstrate its commitment to interviewing those people with disabilities who fulfil the minimum criteria and endeavoured to retain employees in the workforce if they became disabled during employment. In addition, the Group offers opportunities to disabled employees for training, career development and promotion. In the event of an existing employee becoming disabled during their employment, the Group's policy is to provide continuing employment wherever practicable and to provide suitable training where required.

Human rights

The Group recognises its responsibility to respect human rights across its business, supply chain and communities and is committed to uphold and protect the human rights of individuals working in the communities and societies in which the Group operates. The Group supports and embeds the standards set out in the Universal Declaration of Human Rights; the Group will support and respect the protection of internationally proclaimed human rights and make sure that it is not complicit in human rights abuses. The Group also recognises the opportunity it must contribute positively to global efforts to ensure human rights are understood and observed.

Governance framework

Spirit Energy's relationship with its Shareholders ((GB Gas Holdings Limited (GBGH), SWM Bayerische E&P Beteilingungsgesellschaft MBH (SWM) and SWM Gasbeteiligungs GMBH (BE/PB)) is governed by the Articles of Association and the Shareholder Agreements. Together these documents stipulate the mutual obligations between Spirit Energy and its Shareholders. The Shareholder Agreements also lay out the agreed strategy, objective and purpose of the Company, as well as defining the Financial Framework, which governs how investment and distribution of profits are balanced to achieve the Company's objective of sustainable long-term cash flow. The Company aims to reinvest approximately 80% of its free cash flow back into the Company as inorganic or organic capital expenditure. Subject to maintaining a working capital buffer, all remaining free cash flow is intended to be distributed to the Shareholders, first by way of an annual dividend to the preference Shareholders with any amount remaining distributed by way of an annual dividend to the ordinary Shareholders.

Principal risks to free cash flow include; commodity prices and foreign exchange rates, production outages, the working capital cycle, emergency costs or investments and capital project delays or overruns. The Company undertakes hedging activity to protect against commodity and foreign exchange volatility. In the instance that the Company is reasonably expected to suffer an adverse cashflow position, it shall seek to: manage and reduce its capital expenditure; consider divestment of assets; request a waiver or deferral of dividend payment to Preference Shareholders; and/or seek third party debt. Spirit Energy monitors its adherence to the Financial Framework through appropriate metrics such as cash flow generation, dividend pay-out rate and debt capacity. Investment decisions are made with reference to appropriate criteria, and in all cases seek to create value for the Company.

The Shareholder Agreements also stipulate the Board composition, governance and decision approval requirements. Our Board of Directors is composed of seven non-independent directors: four non-executive directors (including the Chairman) appointed by GBGH; two non-executive directors (including the deputy-chairman) appointed by BE/PB; and our executive director, the CEO of the Company. Quorum is met when at least one representative director from each Shareholder is present and decisions are approved on a simple majority basis, with each director allocated one vote. The Board has established an Audit Committee and a Remuneration Committee to act on an advisory basis. The Board is responsible for: implementing the Company's objective and purpose; determining and implementing the Company's strategy; management and operational oversight of the Company; and taking decisions in respect of certain matters. This includes the approval of the annual budget, which allocates capital to a scope of work that the Company anticipates undertaking in the forthcoming calendar year.

There exist some matters and decisions, as specified by the Shareholder Agreements, which are reserved for approval by the Shareholders. These include (but are not exclusive to): activities that are misaligned with the Company's stated objective and purpose, entry and amendment of related party agreements, raising of debt or entry into obligations with third parties; mergers and material acquisitions; and the remuneration and performance targets set for executive senior management.

The Board has conferred levels of authority for decision making to the CEO of Spirit Energy. The CEO is assisted by the Executive Committee, a team of eight executive senior managers (including the CFO and General Counsel), who convene on a regular basis to consult on material business matters and make informed approval decisions.

As per the Shareholder Agreements and subject to confidentiality provisions therein, Spirit Energy provides regular and routine performance reporting to its Shareholders, as well as providing ad hoc information when it is reasonably requested.

Political donations

The Group operates on a politically-neutral basis. No political donations were made, or political expenditure incurred by the Group for political purposes during the current or prior year.

Financial risk management

Details of the Group's financial risk management can be found in note S2 to the Consolidated Financial Statements on pages 67 to 70.

Related-party transactions

Full details of the Group's related-party transactions can be found in note S5 to the Consolidated Financial Statements on pages 74 to 75.

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 23. The Company has two classes of ordinary shares; each share carries a full voting, dividend, and capital distribution right. The preference shares have attached to them voting, dividend, and capital distribution rights. The deferred share does not have any right to a dividend, vote or distribution of profits of the Company on winding up. During the year, the Company reduced its share premium account by £1,500 million and transferred the resulting distributable reserves to retained losses.

Disclosure of information to the Company's auditor

Each of the Directors who held office at the date of approval of this Directors' report confirms that so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and that he has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Reappointment of auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as the Company's auditor in the absence of an Annual General Meeting.

Approval

This report was approved by the Board of Directors on 27 May 2020 and signed on its behalf by:

Chris Cox
Director and Chief Executive Officer

DIRECTORS' RESPONSIBILITY STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have 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 year.

In preparing the Group financial statements, International Accounting Standard 1 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 ability to continue as a going concern.

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.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. 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 that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, 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;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 27 May 2020 and signed on its behalf by:

By order of the Board

Chris Cox
Director and Chief Executive Officer