FOR IMMEDIATE RELEASE **8 March 2022**

CAPRICORN ENERGY PLC ("Capricorn" or "the Company")

Full Year Results Announcement for the year ended 31 December 2021

Simon Thomson, Chief Executive, Capricorn Energy PLC said:

"2021 was a transformational year for Capricorn; we continued to successfully reshape our portfolio and achieved a positive resolution of our Indian tax dispute.

From the proceeds of asset sales and the Indian tax refund we have committed to nearly US$1 billion of capital returns to shareholders in 2021 and 2022. We acquired an attractive portfolio of low breakeven oil and gas production in Egypt, where we are already delivering production growth and emission reductions, and which has significant further opportunities for value creation. We also retain the balance sheet capacity to further expand the production base through value-accretive acquisitions.

We look forward to continuing to deliver our strategic aims in 2022 with a strong commitment to safety, social responsibility and our pathway to net zero carbon emissions by 2040."

Strategic delivery:

- Acquisition of Shell's Western Desert production and exploration portfolio in Egypt with significant potential for production growth, operating efficiencies, exploration resources and decarbonisation
- Retained balance sheet strength to enable further expansion of the producing asset base through investment and acquisition
- Contingent payments receivable from recent asset sales:
    - US$76m additional consideration due in H1 2022 from UK sale;
    - further UK payments in subsequent four years dependent on oil price and production performance;
    - up to further US$100m receivable in 2023 or 2024 for Senegal sale dependent on oil price and first production timing
- High-graded exploration portfolio now focused on shorter capital cycle, infrastructure-led opportunities
- Portfolio resilience to energy transition scenarios: carbon reduction initiatives underway with a pathway to net zero by 2040 at the latest; portfolio value resilient under the IEA's STEPS, SDS and NZE scenarios
- Resolution of the Indian tax dispute, resulting in receipt of a tax refund of US$1.06bn

- Almost US$1bn committed to shareholder capital returns: US$257m special dividend in Q1 2021 following completion of Senegal asset sale; following the Indian tax refund, US$500m tender offer to close in April 2022 and ongoing share buyback programme of up to US$200m

2021 Financial Highlights

- Year-end Group cash of US$314m; net cash of US$133m after debt drawn to fund the Egypt acquisition of US$181m
- Working interest Egypt oil and gas production of ~36,500 boepd, within guidance of 33,000-38,000 boepd; net entitlement production of 1.5mmboe
- Revenues from Egypt production of US$56m: average realised oil price of US$77.8/bbl and gas price of US$2.9/mcf (average production cost US$6.0/boe)
- Net cash generated from oil and gas production of US$185m
- Net Group capital expenditure of US$66m
- Operating loss of US$131m (2020 Restated: US$130m operating loss) from continuing operations
- Profit after tax of US$895m (2020: Loss of US$394m), including India tax refund

2022 Outlook

- Capital return of US$500m expected in Q2 2022 by way of tender offer to close in April, alongside ongoing share repurchase programme of up to US$200m, both subject to shareholder approval
- Capricorn WI production to average 37,000-43,000 boepd with 2022 exit rates forecast to exceed top end of guidance range
    - Oil and condensate expected to comprise 35%-40% of production mix
- Production costs forecast to be US$4.5 – US$5.5 boe
- Current estimates of 2022 capital expenditure total approximately US$200m, including:
    - Egypt production and development expenditure of US$90-110m targeted at delivering substantial production growth during 2022
    - Egypt exploration expenditure of US$30-35m to sustain the resource base
    - UK infrastructure-led exploration expenditure of ~US$40m, predominantly on the Jaws and Diadem wells, with no further well commitments beyond 2022
    - Other international exploration of US$30-35m, principally in Mexico, with no further commitments beyond 2022 and any further investment contingent on farm-downs

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Webcast

There will be a live audio webcast of the results presentation with Q&A available to view on the website (www.capricornenergy.com) at 9am GMT. This can be viewed on PC, Mac, iPad, iPhone, and Android mobile devices. An 'on demand' version of the webcast will be available on the website as soon as possible after the event. This can be viewed on PC, Mac, iPad, iPhone, and Android mobile devices.

Presentation

The results presentation slides will be available on the website from 7:00am GMT.

Conference call and dial-in details

You can listen to the results presentation by dialling in to a listen only conference call at 9am GMT using the below dial-in details.

UK, local:	+44 (0)330 336 9601
Code:	6968559

Transcript

A transcript of the results presentation will be available on the website as soon as possible after the event.

Operational review

Strategic progress

In 2021, Capricorn actively managed its asset portfolio to refocus on cashflow generation from sustainable production with shorter capital cycles and resilience to volatile hydrocarbon prices supported by infrastructure-led exploration. We retain the balance sheet strength to further build out this strategy in 2022.

In Q1 2021, we announced the acquisition of Shell's Western Desert assets in Egypt, which completed in Q3 2021. These assets provide low-cost production, owned infrastructure, near-term production growth, exploration potential and an attractive combination of fixed price gas into growth markets with oil price exposure. In a country with strong and growing domestic demand and a supportive regulatory and fiscal environment, production performance since completion has been very encouraging.

Also in Q1 2021, we announced the disposal of our UK North Sea producing interests as they began to enter long term decline. The terms of the sale to Waldorf Production provide Capricorn with continued exposure to oil price and production performance through contingent payments due to the Group over the next four years.

We continued the high-grading of our exploration portfolio during the year, reinforcing our focus on shorter cycle, lower-cost infrastructure-led opportunities, whilst limiting our capital allocation to the remaining more frontier positions.

Capricorn continued its track record of returning value to shareholders, with commitments made during 2021 to return nearly US$1bn of cash to shareholders. In Q1 2021 we paid a special dividend of US$257m following completion of the sale of our Senegal interests to Woodside. Following resolution of the Indian tax dispute we committed to return US$500m by way of a tender offer to close in April 2022, and up to a further US$200m by way of an ongoing share buyback programme. In total the company will have returned to shareholders more than US$5.5bn in the last 15 years.

To ensure portfolio resilience and relevance through a changing energy mix, in Q3 2021 we accelerated our net zero target for Scope 1 and 2 equity emissions to 2040, at the latest. Capricorn has invested in its internal capability to progress its transition strategy, making key senior appointments, and the business has concluded agreements for an initial investment in high-quality, verified carbon credits as part of our offsetting strategy. Capricorn has tested the resilience of its producing assets against the IEA's STEPS, SDS and NZE scenarios. Based on the economic assumptions we apply, these tests show that our production portfolio is capable of generating value in a climate scenario aligned with 1.5 degree warming. We apply a conservative set of assumptions to screen new opportunities, including a range of internal carbon prices, to support the ongoing relevance of our portfolio as we build our future platform for sustainable cashflow and growth.

Details of decarbonisation activities underway across the Egyptian assets are provided in the production section of this announcement.

India tax refund and return of capital

Following the resolution in 2021 of the India tax dispute, Capricorn received a tax refund of US$1.06 billion from the Government of India in Q1 2022. A circular issued in early March details the shareholder resolutions required in connection with the proposed shareholder return of up to US$700 million, comprising a US$500m tender offer and US$200m ongoing share repurchase programme.

The Tender Offer is open to all eligible shareholders and will allow shareholders to tender their shares for purchase by the Company at a range of prices which will be calculated relative to the weighted average market price at which the shares trade in the five days leading up to the Tender Offer closing date. At the end of the Tender Offer period, the Company will determine a tender strike price that will allow for the most efficient purchase of US$500m of shares. Shareholders who have tendered at or below that strike price will sell their shares into the tender at the strike price. Shareholders who have tendered their shares above that strike price will not participate in the tender.

As an alternative to tendering shares at specific prices within the range, shareholders may also offer to tender their shares at whatever the Company determines to be the strike price, which will guarantee them participation in the tender.

If the Tender Offer is oversubscribed, then the number of shares purchased by the Company from participating shareholders may be scaled back proportionately from the total number they have tendered.

If the Tender Offer is undersubscribed, the Company plans to return any material balance of the US$500m to shareholders as a special dividend.

Board changes

Capricorn announced in Q1 2022 the appointment of Luis Araujo as an independent non-executive director with effect from 11 May 2022.

Reserves

The Group 2P reserves increased during the year by 4.5 mmboe from 32.9 mmboe at Year End 2020 to 37.4 mmboe at Year End 2021 (on an Entitlement Interest basis). This was principally as a result of the sale of the UK North Sea assets (-27.2 mmboe on divestment completion) plus the acquisition of the Western Desert Assets in Egypt (39.0 mmboe added on EI basis on acquisition completion; or 94.6 mmboe on a Working Interest equivalent basis), and after accounting for Capricorn production in the calendar year.

Production

Capricorn's assets in Egypt's Western Desert offer sustained production and reserves growth in an attractive, lower cost operating environment.

Egypt

Working interest production across the four main concession areas of Obaiyed (Capricorn 50% WI), Badr El Din (Capricorn 50% WI), North-East Abu Gharadig (Capricorn 26% WI) and Alam El Shawish West (Capricorn 20% WI) averaged ~36,500 boepd during the period from acquisition completion on 23 September to year end 2021, with ~38% of the production mix being oil and condensate. Oil sales averaged US$77.8/bbl and gas sales averaged US$2.9/mcf.

Before acquisition completion, two drilling rigs operated, completing exploration commitment wells and principally oil, gas, and water injection development wells with a total of 15 wells drilled in 2021. Between completion of the acquisition and 31 December 2021, production rates grew by 8%. A third drilling rig is now operating, with an additional two drilling rigs to be contracted in H1 2022 to further support increasing production and focusing on liquids-rich opportunities. A programme of up to 40 new production or injection wells is scheduled for 2022, with a number of field extension drilling opportunities also identified.

Two facilities development projects are progressing: the initial development of the Teen discovery and the enhancement of Obaiyed compression facilities to improve recovery rates. An improved baseline survey of greenhouse gas emissions is anticipated to be completed in 2022 with decarbonisation activities underway including gas replacement for diesel, centralisation of power and electrification. In-field renewables application is under evaluation and a suite of opportunities for flare reduction in support of our commitment to the World Bank's zero routine flaring by 2030 initiative have been identified.

Capricorn's working interest Egypt production for 2022 is anticipated to be 37,000-43,000 boepd with production growth through the year meaning that 2022 exit rates are expected to exceed the top end of guidance, benefiting from investment in increased production. With a focus on liquids-rich opportunities, oil and condensate are expected to comprise 35-40% of the production mix.

North Sea

Working interest production from Capricorn's interests in the UK Catcher and Kraken fields was approximately 18,300 bopd. The Company completed its sale of these interests to Waldorf Production in Q4 2021. Under contingent payment provisions in the sale terms, based on 2021 production levels and average oil prices, a payment of ~US$76m is due to be made by Waldorf to Capricorn in Q2 2022.

Uncapped further contingent consideration will be payable in respect of calendar years 2022 to 2025, based on average oil prices and production volumes (subject to minimum thresholds).

Exploration

Exploration is core to Capricorn’s value strategy. Our focus is on advantaged resources that can be rapidly commercialised and that remain competitive during the energy transition.

Egypt

Capricorn’s Western Desert exploration interests hold significant short-cycle exploration potential, with nine firm commitment wells and three seismic acquisition programmes across four exploration concessions planned in the next three years.

Since completion, the prospect portfolio has been matured with drilling targets identified. Capricorn will initiate its operated exploration programme in Egypt with two wells (Capricorn 50% WI) in our South Abu Sennan concession, planned for H2 2022. This is anticipated to be the start of a continuous drilling campaign across all three operated concessions, which will extend through to the end of 2023. The non-operated NUMB W1 exploration well (Capricorn 50% WI) was safely drilled in North Um Baraka in Q4 2021 by the operator Cheiron, with the well being temporarily plugged.

3D seismic acquisition will begin in Q1 2022 in the non-operated North Um Baraka concession (Capricorn 50% WI), with further 3D acquisition expected over the Capricorn-operated concessions from Q3 2022. These new, high-resolution seismic surveys will provide significantly improved imaging in prospective areas and will be particularly beneficial in imaging the deeper and under-explored Jurassic and Palaeozoic sections.

Mexico

Capricorn has interests in four blocks in the Gulf of Mexico, two as Operator: Blocks 9 (Capricorn 50% WI) and 15 (Capricorn 50% WI), and two as non-Operator: Blocks 7 (Capricorn 30% WI) and 10 (Capricorn 15% WI).

Two wells were drilled on Block 10 in 2021:

- The second commitment exploration well Sayulita-1EXP resulted in the second oil find on the licence
- The Saasken-2DEL appraisal well, an aggressive step-out on the first oil discovery on Block 10, Saasken, made in 2020

The Joint Venture is working to incorporate the well results into the evaluation plan for the Saasken discovery and Block 10 with the commercial potential of a cluster development being assessed. Drilling of the Yatzil prospect on Block 7, Capricorn’s final commitment exploration well in Mexico, is due to spud in H2 2022.

UK

In H2 2021, Capricorn farmed into and became operator of five Southern North Sea licences: P2428 and P2567 (Capricorn 60% WI) and P2560, P2561 and P2562 (Capricorn 70% WI) with partner Deltic Energy. We completed the acquisition of nearly 700km^2 of broadband 3D seismic data over the P2428 licence and surrounding area in November 2021, which fulfils the work programme commitments for the current and next licence phases and will inform a drilling decision in the coming year.

The Jaws exploration well on licence P2380 (Capricorn 50% WI) spudded in November 2021. The well reached total depth in late January 2022, after encountering 31m of fair to good quality Jurassic reservoir sandstones, but these were water-bearing. The well will be permanently plugged and abandoned. Preparations continue to drill on the Diadem prospect in the neighbouring P2379 licence area (Capricorn 50% WI, Operator), with an expected spud in Q2 2022.

On licence P2468 (Capricorn 50% WI, Operator) in the East Orkney Basin, two seabed cores were obtained to help inform a decision on the acquisition of 3D seismic data in this undrilled basin.

Suriname

Capricorn operates Block 61 (100% WI), situated in the Guyana-Suriname basin, where significant discoveries continue to be made in 2021-2022. Acquisition of 3D seismic is being evaluated, which is the work commitment for the next exploration phase. Capricorn is seeking partners to participate in this next phase.

Israel

Capricorn has a 33.34% WI as Operator in eight licences offshore Israel. Evaluation of all reprocessed seismic data has been finalised with an assessment of prospectivity being undertaken ahead of a Joint Venture drill or drop decision on the licences in Q3 2022.

Mauritania

Capricorn has a 90% WI as Operator in Block C7 offshore Mauritania effective from May 2021. The licence has a two-year first exploration period. In Q4 2021, seismic reprocessing data was received and is being interpreted over the Dauphin prospect, an amplitude-supported target updip from a discovery in the same stratigraphic interval. Dauphin could contain as much as one billion barrels of recoverable oil. An environmental baseline and drilling site survey was mobilised in Q1 2022 with data gathered to inform a drilling decision ahead of the next license phase.

Outlook

As we look to further build out our resilient platform for sustainable cashflow and growth, Capricorn will use its balance sheet strength to pursue value accretive acquisition opportunities where these meet our strict criteria for capital allocation, value and energy transition relevance. Following strong initial performance in Egypt, our focus there during 2022 will be on delivering continued production growth and prioritising near term liquids rich opportunities to maximise value from these assets. Exploration drilling this year will take place in the UK, Mexico and Egypt and focus primarily on shorter capital cycle, infrastructure-led opportunities, with limited capital allocation to more frontier locations. Capricorn will continue to make progress on the decarbonisation of its assets in support of our net zero by 2040 target.

Principal risks and uncertainties

Managing the Group's key risks, and associated opportunities is essential to Capricorn's long-term success and sustainability. The Group endeavours to pursue investment opportunities which offer an appropriate level of return whilst ensuring the levels of associated political, commercial, and technical risk remain within the defined risk appetite of the Group.

The Group's risk management framework provides a systematic process for the identification and management of the key risks and opportunities which may affect the delivery of the Group's strategic objectives. Key Performance Indicators are set annually to determine the level of risk the Group is willing to accept in the pursuit of these objectives and form a fundamental component of the Group's risk management framework.

Overall responsibility for the system of risk management and internal control and reviewing the effectiveness of such systems rests with the Board. Principal risks, as well as progress against key risk projects, are reviewed at each Board meeting, and at least once a year the Board undertakes a dedicated risk workshop to review the Group's principal risks. This integrated approach to risk management has been and continues to be critical to the delivery of our strategic objectives.

Responding to Changing Risks during 2021

Capricorn has assessed the principal risks and uncertainties at the end of 2021 and concluded that the majority of principal risks identified at H1 2021 remain relevant. The principal risks are:

- Volatile oil and gas prices
- Inability to promptly and fully secure or repatriate value from India
- Reserves downgrade or impairment
- Future challenges and costs to achieving pathway to net zero by 2040
- Lack of adherence to health, safety, environment, and security policies
- Lack of exploration success
- Failure to secure business development opportunities
- Misalignments with JV operators
- Fraud, bribery, and corruption
- Political and fiscal uncertainties
- Diminished access to capital markets

As part of the embedded risk management process, the Group actively considers emerging risks and threats which could impact on the business. The ESG agenda is an increasing area of focus globally and the Group completed a risk assessment workshop to identify emerging risks in this space. As oil majors gradually reduce investment in exploration activities, the Group identified the emerging risk of not being able to partner with companies who have the same values and ESG priorities as Capricorn. The Group also recognised that sourcing funding from traditional providers of capital may be more challenging because of ESG pressures.

In addition, as the Group has moved to remote working in response to the pandemic, new and evolving cyber threats were identified as an emerging risk to the Group. The Group has moved away from the traditional office working model to a hybrid working model which presents both risks and opportunities.

Financial Review

India Tax Dispute Resolution

In November 2021, the Group entered into statutory undertakings with the Government of India in respect of new legislation enabling the refund of retrospective taxes collected from Capricorn in India by way of asset seizures since 2014. Under the new legislation Capricorn was required to withdraw its rights under the international arbitration award and cease enforcement action. Capricorn undertook all necessary steps under the legislation and the refund of taxes of INR 79 billion (approximately US$1.06 billion) was received in February 2022. The Group has therefore recorded the tax refund as exceptional income in the results for the year ending 31 December 2021, at the year-end exchange rate.

On settlement of the INR refund, Capricorn immediately converted the amounts received into US$, recording exchange losses of US$15m. This loss is a non-adjusting post balance sheet event and will be recorded in the 2022 Income Statement.

Capricorn intends to return US$500m of the tax refund received to shareholders immediately via a tender offer and up to a further US$200m via an ongoing share buyback programme.

Business Combination: Acquisition of Egypt Western Desert Concessions

In September 2021, Capricorn, together with its consortium partner Cheiron, completed the acquisition of 11 concessions in Egypt's Western desert from Shell. There are eight exploration, development and producing concessions, across four areas, which are now operated by Cheiron, and three new exploration concessions operated by Capricorn.

The acquisition of the concessions was determined to form a business combination under IFRS 3. Assets and their related liabilities acquired are recorded at fair value. Deferred tax liabilities have been recorded on the temporary difference existing between the tax base of the non-current assets acquired and their tax base values, Goodwill has been recognised on the excess of the purchase price over the combined fair value of the assets and the subsequent deferred tax liability recognised.

	US$m
Consideration	**378.0**
Net book value on acquisition:	
Fair value of non-current assets acquired	390.2
Current assets and liabilities acquired	8.2
Deferred tax liabilities	(45.8)
	352.6
Goodwill arising	**25.4**

The purchase price includes initial consideration of US$310.1m; deferred consideration in respect of future oil price upside through to 2025, with a fair value at acquisition of US$61.1m; US$1.8m being the fair value of amounts due of future, short-term exploration success which are capped at a maximum US$40.0m; and US$5.0m being proposed final adjustments currently under negotiation with Shell. Costs of the acquisition are charged directly to the Income Statement and included within administration charges.

The current assets and liabilities recognised through the acquisition include trade receivables of US$27.8m, inventory balances relating to production activities of US$9.6m offset by net joint operation payables of US$29.2m. Development inventory balances are included within the fair value of non-current assets in line with the Group's accounting policy.

The acquisition was part funded through debt drawn of US$181.4m through two new borrowing facilities secured over the Egypt assets with the balance of US$133.7m from corporate cash balances held.

Discontinued Operations: Disposal of UK Producing assets

Capricorn completed the sale of its UK producing assets, Catcher and Kraken, in November 2021. Assets and liabilities relating to the operations to be sold were re-classified as held-for-sale with effect from the date of the transaction agreement of 8th March 2021, and results from operations and the ultimate loss on disposal presented as discontinued operations, with comparatives restated. A profit of US$25.0m was recorded on discontinued operations for the year.

This profit on discontinued operations includes profit for the year from operations of US$198.8m offset by the loss on disposal of US$173.8m. The economic effective date for the transaction was 1 January 2020, therefore the post-economic date profit recorded by Capricorn reduces proceeds due on completion and drives the ultimate loss on disposal.

Consideration at completion included cash of US$63.9m, purchaser bonds of US$30m (subsequently sold by the Group at par), and future earn-out consideration being a share of future revenues generated by oil prices in excess of US$52/bbl, subject to minimum production levels being met. At the date of completion, the fair value of this earn-out consideration was US$197.4m and the post completion fair value decrease of US$8.1m to 31 December 2021 is included in the profit from discontinued operations above. As the earn-out relates to the disposal of a business, rather than an asset disposal, proceeds receivable are outwith the scope of IFRS 15 allowing for recognition on the balance sheet at the year end.

The impairment charge at the date of transfer to held-for-sale resulted from changes in the tax base of the assets, from continued use to disposal, eliminating deferred tax liabilities included in the asset carrying amounts previously tested for impairment. Those deferred tax liabilities were previously offset by a deferred tax asset relating to non-asset specific tax losses, which also reverses.

Discontinued Operations: Contingent consideration on Senegal asset sale

Capricorn disposed of its interests in Senegal in 2020. Under the sale agreement, Capricorn is due further consideration of up to US$100m based on the first oil date and the prevailing oil price. At the year end, the risk-weighted fair value of this receivable was US$51.4m, however, being an asset sale, this is not held on the balance sheet given the lack of certainty over the additional revenue to be recognised.

Net cash outflow for the Year

	US$m
Opening cash as at 1 January 2021	569.6
Return of cash to shareholders and share re-purchase	(265.0)
Net cash inflow from operations – UK discontinued operations	189.6
Proceeds on disposal of producing assets – UK[1]	93.9
Loan drawdowns	181.4
Consideration for acquisition of Egypt business	(310.1)
Net cash outflow from operations – Egypt	(4.2)
Exploration expenditure (net of disposal proceeds)	(38.9)
Development expenditure	(24.0)
Oil and gas asset acquisition and disposal costs [2]	(12.2)
Pre-award costs and new venture activities [3]	(27.3)
Administration expenses, office leases and corporate assets [4]	(22.3)
Net finance costs, equity and other movements	(16.4)
Closing cash as at 31 December 2021	**314.1**

[1] Consideration on disposal of US$63.9m and purchaser bonds of US$30.0m, subsequently sold

[2] Costs of disposal of UK producing assets (US$1.3m), Senegal assets (US$6.0m) and acquisition costs of Egypt business (US$4.9m)

[3] Cash outflows on new venture activities of US$18.6m not relating to pre-award activities are reallocated from administration costs

[4] Office lease cash outflows were US$2.2m and corporate asset cash outflows were US$2.9m

Reconciliation of statutory cash flow to cash outflow from operations:

	US$m
Operating cash flow per statutory cash flow statement	**179.9**
Non-GAAP Adjustments:	
Cash flows relating to discontinued operations	**(233.5)**
Pre-award and new venture costs reallocated	**27.3**
Administrative costs reallocated	17.2
Acquisition costs of Egypt business reallocated	4.9
Net cash outflow from operations	**(4.2)**

Capricorn held cash balances of US$314.1m at 31 December 2021, representing a net cash outflow of US$255.5m over the year. Net cash inflows excluding the shareholder returns were US$9.5m. The acquisition of the Egypt business and subsequent development and production cash flows led to a cash net outflow of US$147.4m after offsetting debt drawn down. Cashflows from the UK producing assets up to the completion of the sale, together with the disposal proceeds, resulted in cash inflows of US$283.5m. Third-party transaction costs incurred in the year were US$12.2m, including US$6.0m in respect of the Senegal asset sale.

Exploration expenditure in the year of US$62.5m was offset by cash inflows of US$23.6m, resulting from working capital adjustments received on completion of the farm-down of Block 10 in Mexico.

Continuing Operations

Exploration assets

Eastern

During the year, the Group relinquished its two operated licences and remaining non-operated licence in Côte d'Ivoire, with costs of US$15.6m charged to the Income Statement.

In Israel, costs of US$2.6m are charged as unsuccessful exploration costs.

Costs in Mauritania of US$28.9m remain capitalised as exploration activities continue.

Western

In Mexico, the farm-down of a 15% interest in Block 9 and farm-in to an equivalent 15% interest in Block 10 completed in July 2021. Capricorn paid back costs and interim period adjustments on Block 10 and together with drilling costs, total spend on this block was US$26.7m. In return, the group received back costs and interim period adjustments of US$23.6m from ENI for Block 9, which were credited against capitalised costs carried on the balance sheet.

The Saasken-2DEL appraisal well on Block 10 did not encounter hydrocarbons. Costs associated with the well were charged as unsuccessful and contingent resources were reduced. A possible Saasken discovery extension into neighbouring Block 9 was reclassified as prospective resources. Remaining capitalised costs on Block 9 have been impaired in full. Together with historic costs incurred on Block 15, which is to be relinquished, this results in a total impairment charge and unsuccessful cost write off of US$26.7m. Contingent resources booked for the successful Sayulita-1 oil discovery well on Block 10 partly offset the contingent resource reduction for Saasken.

In the UK, the Shell operated Jaws exploration well completed in January 2022 and was unsuccessful. Costs incurred on the licence of US$17.4m to 31 December, together with costs of US$5.0m on neighbouring licences now to be relinquished, have been charged to the Income Statement.

Egypt

The first exploration well drilled since completion of the acquisition on the North Um Baraka concession was unsuccessful and costs of US$2.9m expensed.

Results for the period

Post-acquisition gross profit from Egypt concessions

Key statistics

	Year ended 31 December 2021
Production – net WI share (boepd)	36,459
Sales volumes – net EI oil (bblpd)	5,360
Sales volume – net EI gas (mmscf)	51,599
Average price per bbl (US$)	77.8
Revenue from production (US$m)	56.2
Average production costs per boe (US$)	6.0

Production during the final quarter of the year following the acquisition has been strong, generating a gross profit before depletion charge for the period of US$43.9m, including other income of US$7.3m and Mongolia royalty interest of US$0.9m. Other income relates to the tax-gross up in Egypt, where under the concessions, each contractor's share of Income Tax payable on profit is paid by EGPC on behalf of the contractor. To achieve this result, each contractor receives a notional increase in its entitlement share of production to cover the tax charge. This production is sold on behalf of the contractor by EGPC which then settles the Income Tax liability from the proceeds. Sales and production volumes above, along with the Group's 2P reserve estimates, excluded this tax gross up production.

Total production costs of US$20.5m and depletion charges of US$31.2m are included in gross profit. Depletion charges are based on the fair value of the assets on acquisition, additions over the final quarter of the year and the costs of future capital expenditure consistent with the recovery of the current 2P reserve estimates.

Pre-award costs incurred in the year were US$15.8m and unsuccessful exploration cost write-offs noted previously total US$50.6m.

Administrative costs have increased year-on-year from US$41.1m in 2020 to US$58.2m in the current year. The increase includes US$3.1m of internal time-writing and external transaction costs associated with the Egypt business combination, increased costs with regard to the India Tax Refund settlement of US$4.0m and internal costs pursuing business development opportunities as Capricorn looks to expand its current portfolio.

Net fair value movements in the year result in a loss of US$1.7m (2020: profit of US$0.1m). The gain on the increase in the residual value of the Vedanta shares held of US$5.5m was offset by the increased fair value of the amounts due to Shell as deferred consideration in relation to the Egypt acquisition.

Net finance costs in the year to 31 December 2021 of US$64.4m include the release of remaining prepaid facility fees in connection with the Group's previous RBL facility which was cancelled during the year, and a US$54.7m historic exchange losses recycled from Other Comprehensive Income on the liquidation of non-USD functional currency subsidiaries which previously held interests in UK exploration assets.

Equity movements

Return of cash to Shareholders

Equity movements in the year include the return of cash to shareholders in January 2021 of US$257.2m following the disposal of the Senegal assets in 2020.

Share Re-purchase

In November 2021, Capricorn entered into a non-discretionary share re-purchase agreement for the buy-back of shares of up to £20.0m. As the re-purchase is non-discretionary, the full £20m (US$26.8m) was charged immediately against equity, with an accrual set up for the amounts committed. As shares are purchased, costs are offset against the accrual. At the year end, 2.7m shares had been repurchased at a cost of £5.0m (US$6.6m) leaving a remaining accrual of US$20.2m.

The agreement expired at the end of February 2022 with US$15.5m of the accrual remaining unutilised. This will be released against equity in 2022.

Outlook

Capricorn enters 2022 with a strong balance sheet, with brought forward net cash of US$133m at 31 December 2021 and US$1.06bn received from the Indian tax refund in February 2022 (of which up to US$700m is planned to be returned to shareholders). The Group continues to look for opportunities to expand its current portfolio through acquisition.

Capricorn Energy PLC (Formerly Cairn Energy PLC)

Group Income Statement

For the year ended 31 December 2021

	Note	2021 US$m	2020 (restated) US$m
Continuing operations			
Revenue	2.2	**57.1**	0.4
Other income	2.2	**7.3**	–
Cost of sales	2.2	**(20.5)**	–
Depletion charge	2.4	**(31.2)**	–
Gross profit		**12.7**	0.4
Pre-award costs		**(15.8)**	(12.1)
Unsuccessful exploration costs	2.3	**(50.6)**	(78.8)
Impairment of intangible/exploration appraisal assets	2.3	**(19.6)**	–
Other operating income		**0.6**	1.4
Administrative and other expenses		**(58.2)**	(41.1)
Operating loss		**(130.9)**	(130.2)
Exceptional income - India tax refund	1.4	**1,070.7**	–
Fair value loss – deferred consideration on business combinations	2.1	**(7.2)**	–
Gain on financial assets at fair value through profit or loss		**5.5**	0.1
Finance income		**4.5**	0.8
Finance costs		**(68.9)**	(27.9)
Profit/(Loss) before tax from continuing operations		**873.7**	(157.2)
Taxation			
Tax charge	5.2	**(4.2)**	(0.1)
Profit/(Loss) from continuing operations		**869.5**	(157.3)
Profit/(Loss) from discontinued operations	6.1	**25.0**	(236.5)
Profit/(Loss) for the year attributable to equity holders of the Parent		**894.5**	(393.8)
Earnings per share for profit/(loss) from continuing operations:			
Profit/(Loss) per ordinary share – basic (cents)	1.3, 4.2	**175.58**	(26.99)
Profit/(Loss) per ordinary share – diluted (cents)	1.3, 4.2	**170.91**	(26.99)
Earnings per share for profit/(loss) attributable to equity holders of the Parent:			
Profit/(Loss) per ordinary share – basic (cents)	1.3, 4.2	**180.63**	(67.58)
Profit/(Loss) per ordinary share – diluted (cents)	1.3, 4.2	**175.82**	(67.58)

Group Statement of Comprehensive Income

For the year ended 31 December 2021

		2021 US$m	2020 (restated) US$m
Profit/(Loss) for the year attributable to equity holders of the Parent		**894.5**	(393.8)
Other Comprehensive Income – items that may be recycled to the Income Statement			
Fair value (loss)/gain on hedge options	3.7	**(14.2)**	52.2
Hedging loss/(gain) recycled to the Income Statement	3.7	**14.9**	(56.0)
Fair value on hedge options recycled to the Income Statement on cessation of hedge accounting	3.7	**2.7**	–
Currency translation differences		**2.0**	14.7
Currency translation differences recycled on disposal of subsidiaries	6.1	**54.7**	44.6
Other Comprehensive Income for the year		**60.1**	55.5
Total Comprehensive Income/(Expense) for the year attributable to equity holders of the Parent		**954.6**	(338.3)
Total Comprehensive Income/(Expense) from:			
Continuing operations		**874.9**	(135.7)
Discontinued operations		**79.7**	(202.6)
		954.6	(338.3)

Capricorn Energy PLC (Formerly Cairn Energy PLC)

Group Balance Sheet
As at 31 December 2021

	Note	**2021 US$m**	2020 US$m
Non-Current assets			
Goodwill	2.1	**25.4**	–
Intangible exploration/appraisal assets	2.3	**98.3**	112.1
Property, plant & equipment – development/producing assets	2.4	**373.9**	849.8
Financial assets at fair value through profit or loss	3.6	**120.4**	–
Other property, plant & equipment and intangible assets		**5.7**	11.5
		623.7	973.4
Current assets			
Cash and cash equivalents	3.1	**314.1**	569.6
Inventory	3.4	**10.8**	12.3
Trade and other receivables	3.5	**1,211.2**	74.6
Financial assets at fair value through profit or loss	3.6	**86.6**	5.2
Derivative financial instruments	3.7	**–**	0.2
		1,622.7	661.9
Total assets		**2,246.4**	1,635.3
Current Liabilities			
Deferred consideration on business combinations	2.1	**20.9**	–
Loans and borrowings	3.2	**10.9**	–
Lease liabilities	3.3	**2.4**	43.2
Derivative financial instruments	3.7	**–**	3.2
Trade and other payables	3.8	**152.2**	91.6
Deferred revenue	3.9	**–**	4.8
		186.4	142.8
Non-current liabilities			
Deferred consideration on business combinations	2.1	**49.1**	–
Loans and borrowings	3.2	**166.1**	–
Lease liabilities	3.3	**1.3**	196.8
Deferred revenue	3.9	**–**	16.9
Provisions – decommissioning and well abandonment	2.5	**2.2**	153.2
Deferred tax liabilities	5.2	**42.7**	–
		261.4	366.9
Total liabilities		**447.8**	509.7
Net assets		**1,798.6**	1,125.6
Equity attributable to equity holders of the Parent			
Called-up share capital		**12.6**	12.6
Share premium		**490.9**	490.1
Shares held by ESOP/SIP Trusts		**(17.5)**	(13.4)
Foreign currency translation		**(74.1)**	(130.8)
Merger and capital reserves		**40.9**	40.8
Hedge reserve		**–**	(3.4)
Retained earnings		**1,345.8**	729.7
Total equity		**1,798.6**	1,125.6

Capricorn Energy PLC (Formerly Cairn Energy PLC)

Group Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 US$m	2020 (restated) US$m
Cash flows from operating activities:			
Profit/(Loss) before tax from continuing operations		**873.7**	(157.2)
Profit before tax from discontinued operations	6.1	**198.8**	37.7
Profit/(Loss) before tax including discontinued operations		**1,072.5**	(119.5)
Adjustments for non-cash income and expense and non-operating cash flows:			
Other income – tax entitlement volumes		**(7.3)**	–
Release of deferred revenue		**(21.7)**	(13.9)
Unsuccessful exploration costs		**50.6**	78.8
Depreciation, depletion and amortisation		**73.6**	223.1
Impairment of intangible exploration/appraisal assets		**19.6**	–
Share-based payments charge		**10.2**	9.1
Impairment of disposal group property, plant & equipment - development/producing assets		**56.0**	–
Exceptional income – India tax refund		**(1,070.7)**	–
Fair value loss – deferred consideration on business combinations		**7.2**	–
Gain on financial assets at fair value through profit or loss		**(5.5)**	(0.1)
Loss on financial assets at fair value through profit or loss – discontinued operations		**8.1**	–
Finance income		**(4.5)**	(0.8)
Finance costs		**78.7**	51.5
Adjustments to operating cash flows for movements in current assets and liabilities:			
Inventory movement		**(4.6)**	1.5
Trade and other receivables movement	3.5	**(70.8)**	16.6
Trade and other payables movement	3.8	**(11.5)**	11.6
Net cash flows from operating activities		**179.9**	257.9
Cash flows from investing activities:			
Expenditure on intangible exploration/appraisal assets		**(62.5)**	(126.7)
Expenditure on property, plant & equipment – development/producing assets		**(24.0)**	(271.4)
Expenditure on other property, plant & equipment and intangible assets		**(2.9)**	(2.7)
Expenditure on financial assets at fair value through profit and loss		**(6.9)**	–
Consideration paid for assets acquired through business combination	2.1	**(310.1)**	–
Proceeds on disposal of intangible exploration/appraisal assets – continuing operations	2.2	**23.6**	–
Proceeds on disposal of oil and gas assets – discontinued operations	6.1	**63.9**	524.8
Proceeds on disposal of purchaser bonds on sale of oil and gas assets – discontinued operations	6.1	**30.0**	–
Costs incurred on disposal of oil and gas assets	6.1	**(7.3)**	(1.7)
Proceeds on disposal of subsidiary	6.1	**–**	105.2
Costs incurred on disposal of subsidiary	6.1	**–**	(0.5)
Cash and cash equivalents included in assets of subsidiary disposed of	6.1	**–**	(2.2)
Interest received and other finance income		**0.2**	0.8
Net cash flows (used in)/from investing activities		**(296.0)**	225.6
Cash flows from financing activities:			
Return of cash to shareholders		**(257.2)**	–
Share re-purchase		**(7.8)**	–
Debt arrangement fees	3.2	**(4.6)**	(5.3)
Other interest and charges		**(5.8)**	(7.8)
Proceeds from borrowings	3.2	**181.4**	139.6
Repayment of borrowings	3.2	**–**	(139.6)
Proceeds from issue of shares		**0.9**	0.3
Cost of shares purchased		**(8.7)**	(1.0)
Lease payments	3.3	**(46.1)**	(59.5)
Lease reimbursements	3.3	**–**	4.0
Net cash flows used in financing activities		**(147.9)**	(69.3)
Net (decrease)/increase in cash and cash equivalents		**(264.0)**	414.2
Opening cash and cash equivalents at beginning of year		**569.6**	153.7
Foreign exchange differences		**8.5**	1.7
Closing cash and cash equivalents	3.1	**314.1**	569.6

Capricorn Energy PLC (Formerly Cairn Energy PLC)

Group Statement of Changes in Equity
For the year ended 31 December 2021

	Equity share capital and share premium US$m	Shares held by ESOP/ SIP Trusts US$m	Foreign currency translation US$m	Merger and capital reserves US$m	Hedge reserve US$m	Retained earnings US$m	**Total equity US$m**
At 1 January 2020	502.4	(15.8)	(190.1)	296.7	0.4	861.9	1,455.5
Loss for the year	-	-	-	-	-	(393.8)	(393.8)
Fair value gain on hedge options	-	-	-	-	52.2	-	52.2
Hedging gain recycled to the Income Statement	-	-	-	-	(56.0)	-	(56.0)
Currency translation differences	-	-	14.7	-	-	-	14.7
Currency translation differences recycled on disposal of subsidiary	-	-	44.6	-	-	-	44.6
Total comprehensive income/(expense)	-	-	59.3	-	(3.8)	(393.8)	(338.3)
Merger reserve transferred to retained earnings	-	-	-	(255.9)	-	255.9	-
Share-based payments	-	-	-	-	-	9.1	9.1
Exercise of employee share options	0.3	-	-	-	-	-	0.3
Cost of shares purchased	-	(1.0)	-	-	-	-	(1.0)
Cost of shares vesting	-	3.4	-	-	-	(3.4)	-
At 31 December 2020	502.7	(13.4)	(130.8)	40.8	(3.4)	729.7	1,125.6
Profit for the year	-	-	-	-	-	894.5	**894.5**
Fair value loss on hedge options	-	-	-	-	(14.2)	-	**(14.2)**
Hedging loss recycled to the Income Statement	-	-	-	-	14.9	-	**14.9**
Fair value on hedge options recycled on cessation of hedge accounting	-	-	-	-	2.7	-	**2.7**
Currency translation differences	-	-	2.0	-	-	-	**2.0**
Currency translation differences recycled on disposal of subsidiary	-	-	54.7	-	-	-	**54.7**
Total comprehensive income	-	-	**56.7**	**-**	**3.4**	**894.5**	**954.6**
Return of cash to shareholders	-	-	-	-	-	(257.2)	**(257.2)**
Share-based payments	-	-	-	-	-	10.2	**10.2**
Exercise of employee share options	0.9	-	-	-	-	-	**0.9**
Share re-purchase	(0.1)	-	-	0.1	-	(26.8)	**(26.8)**
Cost of shares purchased	-	(8.7)	-	-	-	-	**(8.7)**
Cost of shares vesting	-	4.6	-	-	-	(4.6)	**-**
At 31 December 2021	**503.5**	**(17.5)**	**(74.1)**	**40.9**	**-**	**1,345.8**	**1,798.6**

Section 1 – Basis of Preparation and Exceptional Income

1.1 Significant Accounting Policies

a) Basis of preparation

The consolidated Financial Statements of Capricorn Energy PLC (Formerly Cairn Energy PLC) ('Capricorn' or 'the Group') for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 8 March 2022. Capricorn is a limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded. The registered office is located at 50 Lothian Road, Edinburgh, Scotland, EH3 9BY. The registered company number is SC226712.

Capricorn prepares its Financial Statements on a historical cost basis, unless accounting standards require an alternate measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed either in the relevant accounting policy or in the notes to the Financial Statements. The Financial Statements comply with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRS'). Accounting policies have been applied consistently across all periods disclosed.

The Group's Financial Statements are prepared on a going concern basis.

b) Accounting standards

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Capricorn transitioned to UK-adopted International Accounting Standards in its Financial Statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The Financial Statements of Capricorn have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Effective as of 1 January 2021, Capricorn adopted the following amendments to the standards:

- Definition of Material – Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies' and
- Revised Conceptual Framework for financial reporting.

The adoption of the amendments above has had no material impact on Capricorn's results or Financial Statement disclosures.

There are no new standards or amendments issued by the IASB and endorsed under the Companies Act, that have yet to be adopted by the Group that will materially impact the Group's Financial Statements.

c) Annual report and accounts

Full accounts are due to be made available on the Company's website in April 2022 and will be available at the Company's registered office, 50 Lothian Road, Edinburgh, EH3 9BY. The Annual General Meeting is due to be held on Wednesday 11 May 2022 at 12 midday.

1.2 Going Concern

The Directors have considered the factors relevant to support a statement of going concern. In assessing whether the going concern assumption is appropriate, the Board considered the Group cash flow forecasts under various scenarios, identifying risks and mitigating factors and ensuring the Group has sufficient funding to meet its current and contracted commitments as and when they fall due for a period of at least 12 months from the date of signing these Financial Statements. The ongoing COVID-19 pandemic has had little impact on the Group's operations, other than an initial rephasing of capital expenditure at the beginning of the pandemic.

At the balance sheet date and the date of this report, the Group has surplus cash balances which exceed the debt drawn, through new Senior Secured Borrowing and Junior debt facilities utilised to fund the Egypt acquisition.

Under both Capricorn's and the lenders base-case assumptions, the Group has sufficient resources to maintain compliance with the financial covenant associated with the facilities in terms of a twelve-month forward-looking liquidity test. Capricorn have run downside scenario assumptions including a return to sustained low oil prices, reductions to forecast production, cost overruns on planned drilling activities, and a reduction in amounts available to be drawn from borrowing facilities. Upside from the settlement of the Indian Tax dispute is not included. The Directors have a reasonable expectation that the Group will continue in operational existence for this 12-month period and have therefore used the going concern basis in preparing the Financial Statements.

Section 1 – Basis of Preparation and Exceptional Income (continued)

1.3 Restatement of Comparative Information

The Group's UK producing assets were transferred to assets and liabilities held-for-sale in March 2021 and comparative information for the year ended 31 December 2020 has been restated to present results as discontinued operations, see note 6.1. There is no restatement of comparatives for assets and liabilities classified as held-for-sale.

Following a reorganisation of the Group's asset management, exploration assets are now held in two regional units, Eastern and Western which, together with the newly acquired Egypt assets and the UK producing assets, form the four reportable segments disclosed in the segmental analysis, see note 4.1. Comparatives have been restated to reflect the revised operational structure. Exploration assets disclosures in note 2.3 have also been restated to reflect revised segments.

1.4 Exceptional Income

Settlement of India Tax Refund

In November 2021, the Group entered into statutory undertakings with the Government of India in respect of new legislation enabling the refund of retrospective taxes collected from Capricorn in India by way of asset seizures since 2014. Under the new legislation Capricorn was required to withdraw its rights under the international arbitration award and cease enforcement action. Capricorn undertook all necessary steps under the legislation and the refund of taxes of INR 79bn (approximately US$1.06bn) was received in February 2022. The Group has recorded the tax refund due as exceptional income in the results for the year ending 31 December 2021 at the exchange rate prevailing at the year end, recognising an asset of US$1,070.7m.

On receipt of the tax refund in February 2022, the Group immediately converted the India Rupee receipt into US$. After conversion, the US$ sums received were US$1,056.1m with an exchange loss of US$14.7m recorded which will be included in the results for the year end 31 December 2022.

The presentation of the tax refund of US$1,070.7m as exceptional income within profit or loss before taxation reflects that the asset seizures in 2014, enforced by the India Income Tax Department ("IITD"), resulted in an exceptional loss on disposal of those assets which was also recorded in profit or loss before taxation. Though the proceeds seized were allocated against retrospective tax assessments raised by the IITD , and that the tax collected has now been refunded, no tax charge was ever recorded in the Group Financial Statements therefore the accounting treatment of the tax refund as a non-tax item is consistent with past disclosures.

Capricorn plans to return up to US$700.0m of the India tax refund proceeds to shareholders. US$500.0m will be returned by way of a tender offer and US$200.0m will be returned by way of an ongoing share re-purchase programme. A circular issued in early March 2022 details the shareholder resolutions required.

Section 2 – Oil and Gas Assets and Operations

2.1 Business Combinations

Acquisition of Egyptian Business
On 24 September 2021, Capricorn Energy PLC, together with its consortium partner Cheiron Petroleum Corporation, completed the acquisition of a portfolio of upstream oil and gas production, development and exploration interests from Shell Egypt NV and Shell Austria GmbH in the Western Desert, onshore The Arab Republic of Egypt.

Capricorn Egypt, a wholly owned subsidiary of Capricorn, acquired 50% of the portfolio of interests being sold by Shell, comprising of 13 concessions, including five exploration concessions. Producing fields are split over four distinct areas, each with different characteristics and geographies: the Obaiyed Area; Badr El Din ("BED"); North East Abu Gharadig ("NEAG"); and Alam El Shawish West ("AESW"). In addition, Capricorn acquired a 25% interest in Bapetco, a joint venture company which runs operations on all of the producing concessions on behalf of the operator Cheiron. Joint Venture partners in Bapetco are EGPC (50%) and Cheiron (25%). Bapetco does not hold any assets or liabilities and all costs it incurs are allocated across the concessions, with each joint operation partner paying its share of the expense incurred.

A summary of the assets acquired is as follows:

Area	Concession & Exploration Blocks	Capricorn working interest in Concession	Partners in Concession	Operating Company	Capricorn working interest in Operating Company
Obaiyed Area	Obaiyed	50%	Cheiron (50%)	Obaiyed Petroleum Company	25%
	North Matruh	50%	Cheiron (50%)	Obaiyed Petroleum Company	25%
	North Um Baraka	50%	Cheiron (50%)	North Um Baraka Petroleum Company	25%
Badr El Din (BED)	Sitra	50%	Cheiron (50%)	Sitra Petroleum Company	25%
	BED	50%	Cheiron (50%)	Bapetco	25%
	BED 2 & 17	50%	Cheiron (50%)	Bapetco	25%
	BED 3	50%	Cheiron (50%)	Bapetco	25%
	North Alam El Shawish ("NAES")	50%	Cheiron (50%)	NAES Petroleum Company	25%
NEAG	NEAG Tiba and NEAG Extension	26%	Cheiron (26%); Apache Egypt (48%)	Tiba Petroleum Company	13%
AESW	AESW	20%	Cheiron (20%); North Petroleum International Company SA (35%); Neptune (25%)	AESW Petroleum Company	10%
Abu Sennan	South Abu Sennan	50%	Cheiron (50%)	Capricorn Egypt Limited	100%
Horus	South East Horus	50%	Cheiron (50%)	Capricorn Egypt Limited	100%
El Fayum	West El Fayium	50%	Cheiron (50%)	Capricorn Egypt Limited	100%

Measurement Period Adjustments
Under IFRS 3, the measurement period is the period after the acquisition date during which an entity may adjust the provisional amounts recognised for a business combination. The measurement period provides a reasonable time to obtain the information necessary to identify and measure the identifiable assets acquired, liabilities assumed following the acquisition date and the resulting goodwill. The measurement period shall not exceed one year from the acquisition date.

At the balance sheet signing date, Capricorn continues to work with the operator on a revised medium-term development plan which will include updated cost forecasts. A material change to those cost forecasts could impact the calculation of goodwill that arises on the acquisition.

Section 2 – Oil and Gas Assets and Operations (continued)

2.1 Business combinations (continued)

Goodwill

	2021 US$m	2020 US$m
1 January	**-**	-
Goodwill arising on acquisition	**25.4**	-
At 31 December	**25.4**	-

Goodwill was tested for impairment at the year end by comparing the fair value less costs of disposal of the assets to the carrying value of assets and liabilities in the Egypt segment, with no impairment arising.

Goodwill arising on acquisition
Goodwill of US$25.4m arises on the acquisition of the Egyptian Assets and is recorded on the Balance Sheet in the year. The recognition of goodwill is driven by the recording of deferred tax liabilities on the fair value of assets and liabilities recorded on acquisition.

Goodwill is calculated as follows:	US$m
Property, plant & equipment – development/producing assets	390.2
Inventory	9.6
Trade and other receivables	58.1
Joint operation payables	(59.5)
Deferred tax liabilities	(45.8)
Total identifiable assets acquired at fair value	**352.6**
Cash payable	315.1
Deferred consideration	62.9
Total consideration	**378.0**
Goodwill	**25.4**

There are no decommissioning liabilities under the concession agreements in Egypt. Trade and other receivables are shown after expected credit loss. The fair value of receivables does not materially differ from the gross contractual amounts receivable.

Consideration and Costs of Acquisition
The cash consideration payable consists of US$310.1m settled on completion (including US$181.4m drawn under new loan facilities, see section 3.2) and a further US$5.0m forecast due on final settlement amounts, to be agreed with the seller. Deferred consideration of US$62.9m includes US$61.1m which is the fair value, at the date of completion, of deferred consideration of up to US$100.0m which is payable based on future oil prices. The value of this deferred consideration has been obtained using Level 2 valuations. At the year end, the fair value of this deferred consideration had increased to US$68.2m, with the fair value loss of US$7.2m charged against profit for the year.

The remaining US$1.8m of further deferred consideration relates to the fair value contingent payments of up to US$40.0m due on future exploration success on short-term exploration wells. Given the risk profile of exploration drilling the fair value at acquisition of this contingent consideration is low. This fair value is determined using Level 3 valuations.

At 31 December 2021, the total liability for deferred consideration was US$70.0m with US$20.9m due within one year and US$49.1m due after one year.

Acquisition costs of US$4.9m are included within administration and other expenses charged to the Income Statement.

Impact on Profit for the Year
The Group’s profit has reduced by US$6.7m as a result of the loss on the Egypt business from acquisition to 31 December 202, see note 4.1.

Had the full year's results of the Egypt business been included in the Group's results to 31 December 2021, the Capricorn Group profit for the year would have increased by US$22.5m.

Section 2 – Oil and Gas Assets and Operations (continued)

2.1 Business combinations (continued)

Sensitivity analysis

The fair value of assets recognised on acquisition is based on the net present value of discounted future cash flows using corporate assumptions noted earlier in this section. Capricorn have performed sensitivity analysis to changes to the Group's long-term oil price, discount rate and inflation assumptions which would impact the value of the fair value of the assets recorded. Increasing the Group's long-term oil price assumption from US$55/bbl unescalated to US$60/bbl unescalated, US$65/bbl unescalated and US$70/bbl unescalated would increase the fair value of assets recognised on acquisition to US$411.5m, US$431.0m and US$449.5m respectively. Increasing the Group discount rate assumption from 10% to 11% and 12% would reduce the value of assets recognised to US$381.7m and US$373.6m respectively. Increasing the Group inflation rate assumption from 4% to 5% and 6% would reduce the fair value of assets recognised to US$379.4m and US$368.3m respectively. Reducing the inflation rate assumption to 3% would increase the fair value of assets recognised to US$400.7m.

2.2 Gross Profit: Revenue and Cost of Sales

	Year ended 31 December 2021	Year ended 31 December 2020
	US$m	US$m
Oil sales	**41.3**	-
Gas sales	**14.9**	-
Revenue from oil and gas sales	**56.2**	-
Royalty income	**0.9**	0.4
Total revenue	**57.1**	-
Other Income – Tax entitlement volumes	**7.3**	-
Other Income	**7.3**	-
Production costs and inventory movements	**(20.5)**	-
Cost of sales	**(20.5)**	-
Depletion (note 2.4)	**(31.2)**	-
Gross profit	**12.7**	0.4

Revenue

Capricorn receives oil and gas revenue from eight producing concessions in Egypt, based on an entitlement interest. Payment terms are within 30 days from the date of the invoice for oil sales and 45 days from the date of the invoice for gas sales.

Oil and gas revenue in Egypt from acquisition completion on 24 September to 31 December was US$56.2m, from net entitlement production of 1.4 mmboe of which ~38% was liquids. Oil sales averaged US$77.8/boe and gas sales averaged US$2.9/mcf. Other income represents tax paid on Capricorn's behalf by EGPC, see section 5.

Production costs over the period were US$20.5m, or US$6.0/boe (on a WI basis).

Section 2 – Oil and Gas Assets and Operations (continued)

2.3 Intangible Exploration/Appraisal Assets

	Egypt US$m	Eastern (restated) US$m	Western (restated) US$m	Other Capricorn Energy Group (restated) US$m	**Total US$m**
Cost					
At 1 January 2020	-	25.3	113.5	143.1	281.9
Additions	-	21.2	68.4	2.6	92.2
Unsuccessful exploration costs	-	(11.6)	(67.2)	-	(78.8)
Disposals	-	-	(1.5)	(145.7)	(147.2)
At 31 December 2020	-	34.9	113.2	-	148.1
Additions	6.6	12.2	61.2	-	**80.0**
Unsuccessful exploration costs	(2.9)	(18.2)	(29.5)	-	**(50.6)**
Disposals	-	-	(59.6)	-	**(59.6)**
At 31 December 2021	**3.7**	**28.9**	**85.3**	**-**	**117.9**
Impairment					
At 1 January 2020 and 31 December 2020	-	-	36.0	-	36.0
Charge for the year	-	-	19.6	-	**19.6**
Disposals	-	-	(36.0)	-	**(36.0)**
At 31 December 2021	**-**	**-**	**19.6**	**-**	**19.6**
Net book value					
At 31 December 2019	-	25.3	77.5	143.1	245.9
At 31 December 2020	-	34.9	77.2	-	112.1
At 31 December 2021	**3.7**	**28.9**	**65.7**	**-**	**98.3**

Additions to intangible exploration/appraisal assets were funded through cash and working capital.

Capricorn completed the sale of its Norwegian business in February 2020 and disposed of its 40% working interest in its Senegal exploration assets in December 2020, see note 6.1.

Egypt
Additions in Egypt of US$6.6m mainly relate to North Um Baraka and the three Capricorn operated concessions, South Abu Sennan, West El Fayium and South East Horus. No fair value was attributed to exploration assets on completion of the acquisition. Unsuccessful exploration costs of US$2.9m relate to the North Um Baraka concession, where an unsuccessful well completed in January 2022. Direct costs incurred prior to the year end have therefore been written off.

Eastern
Additions in the year of US$12.2m include US$7.9m in Mauritania Block 7, US$0.9m in Israel, and US$3.4m Côte d'Ivoire.

The remaining two operated licences and the final non-operated licence in Côte d'Ivoire expired in 2021, subsequently all US$15.6m of related intangible assets were charged to the Income Statement as unsuccessful exploration costs together with US$2.6m of costs relating to licences in Israel. The closing balance of US$28.9m relates solely to Block 7 in Mauritania.

Western
Additions of US$61.2m include US$32.3m in Mexico, US$26.8m in the UK and US$2.1m in Suriname.

In Mexico, Capricorn completed the simultaneous farm-down of a 15% interest in Block 9 and farm-in of an equivalent 15% interest in Block 10, effectively creating a swap. On completion of the transactions, Capricorn paid back-costs and interim-period adjustments on Block 10 which are included within total additions of US$32.3m. The Group received US$23.6m for Block 9 back-costs and interim-period adjustments, included within disposals. Other additions in the year include US$8.9m for Block 10 where the Sayulita-1 exploration and Saasken-2 appraisal wells were drilled and US$5.6m across Blocks 7, 9 and 15.

Unsuccessful costs of US$6.0m were charged to the Income Statement for Block 15 as no further exploration activity is planned and the licence is to be relinquished. In addition, unsuccessful costs of US$4.8m were charged through the Income Statement for Block 10 following the unsuccessful Saasken-2 appraisal well. A reversal of accruals of US$3.7m was recorded for Block 7 and 9, resulting in total unsuccessful costs of US$7.1m for the year. The impairment on Block 9 is discussed below. The closing balance carried for Mexico exploration assets of US$37.8m relates to Blocks 7 and 10, with a further exploration well planned on Block 7 and the evaluation of the Saasken and Sayulita discoveries continuing on Block 10.

Section 2 – Oil and Gas Assets and Operations (continued)

2.3 Intangible Exploration/Appraisal Assets (continued)

In the UK, additions during the year of US$13.2m, US$4.4m and US$4.8m were incurred on the Jaws (P2380 licence), Diadem (P2379 licence) and Plymouth (P2428 licence) prospects respectively, with the remaining additions of US$4.4m incurred across the rest of the UK portfolio. US$22.4m of the UK licence costs were charged to the Income Statement as unsuccessful costs in the year, including US$17.4m on the Jaws (P2380) licence, where the well completed early 2022 and proved unsuccessful. The remaining write-off balance of US$5.0m relates to the other UK licences where no further exploration activity is planned.

Historic exploration costs within the Catcher development area of US$36.0m, which were previously fully impaired, were disposed of with the sale of the producing asset. The closing net book value of the UK portfolio of exploration assets is US$12.3m.

Suriname additions in the year were US$2.1m and total costs of US$15.6m remain capitalised at the year end.

Impairment Review
At the year end, Capricorn reviewed its remaining intangible exploration/appraisal assets for indicators of impairment. In Mexico, the Saasken-2 appraisal well did not encounter hydrocarbons and as a result a possible Saasken extension into neighbouring Block 9 was reclassified from contingent resources to prospective resources, indicating possible impairment. Following impairment testing, the remaining costs capitalised of US$19.6m were impaired in full. No indicator of impairment was identified on any of the Group's remaining exploration/appraisal assets.

2.4 Property, Plant & Equipment – Development/Producing Assets

	Egypt US$m	UK producing assets US$m	UK producing right-of-use leased assets US$m	Senegal US$m	**Total US$m**
Cost					
At 1 January 2020	-	1,138.7	316.3	378.8	1,833.8
Additions	-	35.6	-	223.2	258.8
Increase in decommissioning asset	-	3.4	-	-	3.4
Disposal	-	-	-	(602.0)	(602.0)
At 31 December 2020	-	1,177.7	316.3	-	1,494.0
Acquisitions through business combinations	390.2	-	-	-	**390.2**
Additions	14.9	-	-	-	**14.9**
Disposals	-	(1,177.7)	(316.3)	-	**(1,494.0)**
At 31 December 2020	**405.1**	**-**	**-**	**-**	**405.1**
Depletion, amortisation and impairment					
At 1 January 2020	-	350.3	78.2	-	428.5
Depletion and amortisation charges	-	166.7	49.0	-	215.7
At 31 December 2020	-	517.0	127.2	-	644.2
Depletion charge – continuing operations	31.2	-	-	-	**31.2**
Depletion and amortisation charges – discontinued operations	-	27.1	8.2	-	**35.3**
Disposals	-	(544.1)	(135.4)	-	**(679.5)**
At 31 December 2021	**31.2**	**-**	**-**	**-**	**31.2**
Net book value					
At 31 December 2019	-	788.4	238.1	378.8	1,405.3
At 31 December 2020	-	660.7	189.1	-	849.8
At 31 December 2021	**373.9**	**-**	**-**	**-**	**373.9**

Section 2 – Oil and Gas Assets and Operations (continued)

2.4 Property, Plant & Equipment – Development/Producing Assets (continued)

Development/producing asset costs held at the year end in Egypt represents the assets acquired through the business combination in the year, see note 2.1, and subsequent expenditure on development activities across the concessions.

The acquisition was funded through a combination of cash and borrowings, with further deferred consideration due on future oil prices. Subsequent additions on development activity were funded through cash and working capital.

In Egypt depletion of US$31.2m was charged to the Income Statement based on entitlement interest production from 24 September 2021 to the end of the year. The costs for depletion include future capital costs-to-complete consistent with the life-of-field reserve estimates used in the calculation.

Disposals
On 8 March 2021, Capricorn entered into an agreement to sell its entire interests in the UK Catcher and Kraken producing assets. The sale completed on 2 November 2021, see section 6. Assets were re-classified as held-for-sale on 8 March 2021. US$35.3m of amortisation and depletion charges were recorded on the assets prior to re-classification. No further depletion or amortisation is charged after this date.

In 2020, Capricorn disposed of its development asset in Senegal, see section 6.

Impairment Review
A review for indicators of impairment conducted on the Group's Egyptian assets at the year end did not identify such indicators and therefore no impairment test was performed.

2.5 Provisions – Decommissioning and Well Abandonment

	Exploration well abandonment US$m	Development/ Producing assets US$m	**Total US$m**
At 1 January 2020	1.4	139.8	141.2
Foreign exchange	0.1	4.9	5.0
Unwinding of discount – discontinued operations	-	2.9	2.9
Provided in the year	0.7	3.4	4.1
At 31 December 2020	2.2	151.0	153.2
Foreign exchange	-	2.8	**2.8**
Unwinding of discount – discontinued operations	-	0.1	**0.1**
Released on disposal (note 6.3)	-	(153.9)	**(153.9)**
At 31 December 2021	**2.2**	**-**	**2.2**

The well abandonment provision at 31 December 2021 represents the present value of costs related to P1632, the Tybalt licence. The cost provided is based on the operator's assumption that the plug and abandonment operation is performed in a campaign with a well intervention vessel, rather than drilling rig, and that there are no trapped pressures in the temporarily abandoned sections. There have been no revisions to the cost estimate during the period.

The decommissioning provision of US$153.9m for the UK producing assets was fully released after the sale of the assets on 2 November 2021.

Section 2 – Oil and Gas Assets and Operations (continued)

2.6 Capital Commitments

	At 31 December 2021 US$m	At 31 December 2020 US$m
Oil and gas expenditure:		
Intangible exploration/appraisal assets	**71.8**	46.2
Property, plant & equipment – development/producing assets	**93.7**	7.9
Contracted for	**165.5**	54.1

Capital commitments represent Capricorn's share of obligations in relation to its interests in joint operations. These commitments include Capricorn's share of the capital commitments of the joint operations themselves.

The capital commitments for intangible exploration/appraisal assets include US$23.5m (2020: US$nil) in Egypt, US$34.4m (2020: US$25.9m) for operations in the UK and US$11.1m (2020: US$13.1m) for commitments in Mexico.

As at 31 December 2021, the capital commitments for property, plant & equipment – development/producing assets were solely related to Egypt operations.

As at 31 December 2020, Capricorn had US$6.0m of commitments relating to short-term leases. These amounts are also included in the total of capital commitments shown above. There were no short-term lease commitments at the 2021 balance sheet date.

Section 3 – Working Capital, Financial Instruments and Long-term Liabilities

3.1 Cash and Cash Equivalents

	At 31 December 2021 US$m	At 31 December 2020 US$m
Cash at bank	**84.8**	4.3
Money market funds	**229.3**	565.3
	314.1	569.6

Cash and cash equivalents earn interest at floating rates. Short-term investments are made for varying periods, which can be as short as instant access but generally not more than three months, depending on the cash requirements of the Group.

At 31 December 2020 and 2021 Capricorn invested surplus funds into money market funds.

Capricorn limits the placing of funds and other investments to banks or financial institutions that have ratings of A- or above from at least two of Moody's, Standard & Poor's or Fitch, unless a sovereign guarantee is available from a AAA- rated government. The counterparty limits vary between US$50.0m and US$200.0m depending on the ratings of the counterparty. No investments are placed with any counterparty with a five-year credit default swap exceeding 250 bps. Investments in money market liquidity funds are only made with AAA rated liquidity funds and the maximum holding in any single fund is 20% of total investments.

3.2 Loans and Borrowings

Reconciliation of opening and closing liabilities to cash flow movements:	**Year ended 31 December 2021 US$m**	Year ended 31 December 2020 US$m
Opening liabilities	**-**	-
Loan advances disclosed in the Cash Flow Statement:		
Senior Debt Facility	**141.4**	-
Junior Debt Facility	**40.0**	-
RBL facility	**-**	100.0
Senegal Bridge facility	**-**	39.6
	181.4	139.6
Loan repayments disclosed in the Cash Flow Statement:		
RBL facility	**-**	(100.0)
Senegal Bridge facility	**-**	(39.6)
	-	(139.6)
Other movements in Cash Flow Statement:		
Debt arrangement fees	**(4.6)**	(5.3)
Non-cash movements:		
Amortisation of debt arrangement fees	**0.2**	6.3
Transfer of unamortised arrangement fees from prepayments	**-**	(8.5)
Transfer of unamortised arrangement fees to prepayments	**-**	7.5
Closing liabilities	**177.0**	-
Amounts due less than one year	**10.9**	-
Amount due greater than one year	**166.1**	-
Closing liabilities	**177.0**	-

RBL

The Group's RBL facility was cancelled in October 2021. The facility was undrawn at 31 December 2020 and throughout the current period to cancellation. Remaining unamortised fees relating to the facility, transferred to prepayments in 2020, were charged to the Income Statement on cancellation.

Section 3 – Working Capital, Financial Instruments and Long-term Liabilities (continued)

3.2 Loans and Borrowings (continued)

Capricorn Egypt Debt Facilities
In September 2021 Capricorn Egypt Limited entered into a US$325.0m Senior Debt Facility and an US$80.0m Junior Debt Facility jointly with the joint operation partner in Egypt, Cheiron, to finance the acquisition of the Egyptian Western Desert Portfolio. The facility commitments are split 50/50 with Cheiron. An accordion feature on the Senior Facility permits additional future commitments of up to US$200.0m subject to the amortisation of investor commitments. The maximum available drawdown available to Capricorn at 31 December 2021 was US$141.4m for the Senior Debt Facility and US$40.0m for the Junior Debt Facility.

Interest on debt drawn is charged at the appropriate LIBOR for the currency drawn plus an applicable margin. The facility remains subject to biannual redeterminations, has a market standard suite of covenants and is cross-guaranteed by all Group companies party to the facility, including Cheiron. Any debt drawn is repayable in line with the amortisation of bank commitments over the period from September 2022 to the extended final maturity date of September 2026. All drawings in the year were denominated in US$.

Senegal Bridge Facility
The Senegal Bridge facility was drawn from September to December 2020, then repaid in full and cancelled on 23 December 2020 after proceeds were received from the sale of Senegal assets.

3.3 Lease Liabilities

Reconciliation of opening and closing liabilities to cash flow movements:	**Year ended 31 December 2021 US$m**	Year ended 31 December 2020 US$m
Opening lease liabilities	**240.0**	282.9
Lease payments disclosed in the Cash Flow Statement as financing cash flows:		
Total lease payments	**(71.5)**	(82.5)
Variable lease payments – discontinued operations (note 6.1)	**25.4**	23.0
	(46.1)	(59.5)
Other movements in the Cash Flow Statement:		
Reimbursements received from lessors	**-**	4.0
Non-cash movements:		
Foreign exchange	**-**	0.3
Reimbursements due transferred from other receivables	**-**	(1.0)
Lease interest charges – continuing operations	**0.3**	0.3
Lease interest charges – discontinued operations	**9.4**	13.0
Disposals (note 6.3)	**(199.9)**	-
Closing liabilities	**3.7**	240.0
Amounts due less than one year:		
Tangible development/producing assets - right-of-use assets	**-**	40.9
Other property, plant & equipment - right-of-use assets	**2.4**	2.3
	2.4	43.2
Amounts due greater than one year:		
Tangible development/producing assets - right-of-use assets	**-**	193.1
Other property, plant & equipment - right-of-use assets	**1.3**	3.7
	1.3	196.8
Total lease liabilities	**3.7**	240.0

Section 3 – Working Capital, Financial Instruments and Long-term Liabilities (continued)

3.3 Lease Liabilities (continued)

Variable lease costs relating to discontinued operations are disclosed in note 6.1. Amortisation charges on right-of-use assets relating to property, plant & equipment – development/producing assets are disclosed in note 2.4. Amortisation charges on other right-of-use assets are disclosed in note 4.1. Costs relating to short-term leases and leases of low value assets relating to exploration and development activities are disclosed in notes 2.3 and 2.4 where material. There are no further material short-term leases or charges for leases of low value assets. The carrying value of right-of-use assets included in other property, plant & equipment is US$3.1m (2020: US$5.2m). Following the disposal of the UK producing assets there is no right-of-use development/producing assets at 31 December 2021 (2020: carrying value of US$189.1m) (note 2.4).

3.4 Inventory

	At 31 December 2021 US$m	At 31 December 2020 US$m
Spare parts – Egypt concessions	**10.8**	-
Oil inventory – UK producing assets	**-**	12.3
	10.8	12.3

Spare parts inventories in Egypt are maintained by Bapetco on behalf of the operator Cheiron. Inventory is held at net realisable value, based on cost less provisions for obsolescence, based on the age of the items held.

Oil inventories were included in the sale of the UK producing assets, see section 6.

3.5 Trade and Other receivables

	At 31 December 2021 US$m	At 31 December 2020 US$m
India tax refund receivable	**1,070.7**	-
Trade receivables	**63.3**	16.4
Other receivables	**14.0**	15.3
Prepayments	**7.8**	11.1
Joint operation receivables	**55.4**	31.8
	1,211.2	74.6

The India tax refund receivable of US$1,070.7m was settled in February 2022, see note 1.4.

Trade receivables are initially recorded at fair value and subsequently measured at amortised cost. Revenue is recognised at the point in time where title passes to the customer and payment becomes unconditional. The fair value measurement of revenue for oil and gas sales in Egypt includes adjustments to invoiced quantities for expected entitlement share adjustments.

Section 3 – Working Capital, Financial Instruments and Long-term Liabilities (continued)

3.5 Trade and Other receivables (continued)

Reconciliation of opening and closing receivables to operating cash flow movements:	Year ended 31 December 2021 US$m	Year ended 31 December 2020 US$m
Opening trade and other receivables	**74.6**	111.2
Closing trade and other receivables	**(1,211.2)**	(74.6)
(Increase)/Decrease in trade and other receivables	**(1,136.6)**	36.6
Foreign exchange	**0.2**	(2.2)
India tax refund receivable	**1,070.7**	-
(Decrease)/Increase in joint operation receivables relating to investing activities	**(1.3)**	9.2
Increase in other debtors relating to investing activities	**0.2**	
Increase in prepayments relating to investing activities	**2.7**	
Decrease in prepayments and other receivables relating to financing activities	**(7.4)**	
Trade and joint operation receivables derecognised on disposal of the UK assets	**(57.4)**	
Trade and other receivables recognised on purchase of Egypt assets	**58.1**	
Decrease in prepayments and other receivables relating to other non-operating activities	**-**	(2.2)
Joint operation receivables derecognised on disposal of Senegal assets	**-**	(24.1)
Decrease in other receivables classified as assets held-for-sale	**-**	(0.7)
Trade and other receivables movement	**(70.8)**	16.6

The movements in joint operation receivables relating to investing activities relate to the Group's share of the receivables of joint operations in respect of exploration, appraisal and development activities.

3.6 Financial Assets at Fair Value Through Profit or Loss

	At 31 December 2021 US$m	At 31 December 2020 US$m
Non-current assets		
Financial assets at fair value through profit or loss – earn-out consideration	**113.5**	-
Financial assets at fair value through profit or loss – non-listed investment fund	**6.9**	-
	120.4	-
Current assets		
Financial assets at fair value through profit or loss – earn-out consideration	**75.8**	-
Financial assets at fair value through profit or loss – listed equity investments	**10.8**	5.2
	86.6	5.2

Financial Assets at Fair Value Through Profit or Loss – Earn-Out Consideration
Earn-out consideration recorded on disposal of the Group's UK producing assets was US$197.4m. The loss in the fair value of the earn-out consideration from recognition on 2 November 2021, the date of completion of the sale, to the year end of US$8.1m is included within discontinued operations, see note 6.1.

Financial Assets at Fair Value Through Profit or Loss – Investments
During the year, Capricorn invested US$6.9m (£5.0m) into a non-listed trust in India and with a minimum investment period of five years, this is recorded as a non-current financial asset.

Current financial assets represent the Capricorn Group's residual interest in Vedanta Limited. The increase in the value of the Vedanta shareholding of US$5.6m is partially offset on the post-acquisition loss of US$0.1m on the India trust, giving a net gain of US$5.5m for the year through continuing operations.

Section 3 – Working Capital, Financial Instruments and Long-term Liabilities (continued)

3.7 Derivative Financial Instruments

	At 31 December 2021 US$m	At 31 December 2020 US$m
Current assets		
Financial assets – hedge options maturing within one year	**-**	0.2
Current liabilities		
Financial liabilities – hedge options maturing within one year	**-**	(3.2)
	-	(3.0)

Hedge Options
Capricorn had an active commodity price hedging programme in place to protect debt capacity and support committed capital programmes throughout 2021. At 31 December 2021 the final options had matured and there were no outstanding options.

At 31 December 2020 the Group had hedged ~1.0m barrels of 2021 forecast from Kraken and Catcher oil production, using three-way collar and swap structures. ~0.5m barrels of production have been hedged through three-way collars and ~0.5m barrels of production hedged through swap options. The three-way collars and swaps were designated as hedges for hedge accounting. Hedge effectiveness is assessed at commencement of the option and prospectively thereafter. On completion of the sale of the assets, the remaining hedges no longer qualified for hedge accounting and the remaining fair value was recycled to the Income Statement.

Effects of hedge accounting on financial position and profit/(loss) for the year	**At 31 December 2021 US$m**	At 31 December 2020 US$m
Financial assets	**-**	0.2
Financial liabilities	**-**	(3.2)
Accruals and other payables – accrued option costs	**-**	(0.5)
Fair value (loss)/gain on hedge options recorded in Other Comprehensive Income	**(14.2)**	52.2
Hedging loss/(gain) recycled to Income Statement	**14.9**	(56.0)
Fair value on hedge options recycled on cessation of hedge accounting – discontinued operations (note 6.1)	**2.7**	-
Hedging (loss)/gain – discontinued operations (note 6.1)	**(14.9)**	56.0

Hedge options outstanding at 31 December 2020	
Volume of oil production hedged	1.0mmbbls
Weighted average sub-floor price of options	US$35.00
Weighted average floor price of options	US$48.27
Weighted average ceiling price of options	US$55.00
Weighted average strike price of swaps	US$45.20
Maturity dates	January 2021 – December 2021

Sensitivity analysis was performed at 31 December 2020 on equity movements that would arise from changes in the year end oil price forward curve and the resulting impact on the fair value of open hedge options at the year end. The sensitivity analysis considers only the impact on line items directly relating to hedge accounting (being financial assets and liabilities and fair value gains through Other Comprehensive Income) and not the impact of the change of other balance sheet items where valuation is based on the year end oil price, such as inventory.

Increase/(decrease) in equity	At 31 December 2020 US$m
Change in year end oil price forward curve	
Decrease of 10%	8.8
Decrease of 20%	4.2
Increase of 10%	(4.3)
Increase of 20%	(9.2)

Section 3 – Working Capital, Financial Instruments and Long-term Liabilities (continued)

3.8 Trade and Other Payables

	At 31 December 2021 US$m	At 31 December 2020 US$m
Trade payables	**1.6**	10.6
Other taxation and social security	**0.2**	1.6
Accruals and other payables	**59.5**	42.3
Joint operation payables	**90.9**	37.1
	152.2	91.6

The decrease in trade payables at the balance sheet date compared to the prior year was due to the sale of the UK producing assets.

The increase in accruals and other payables are mainly due to a balance of US$20.2m payable for the ongoing share re-purchase which commenced in 2021.

Joint operation payables include US$30.0m (2020: US$9.6m) and US$0.5m (2020: US$5.1m) relating to exploration/appraisal asset and development/producing asset costs respectively.

The increase in joint operation payables for development/production assets at the balance sheet date compared to the prior year was due to payables of US$60.3m at 31 December 2021 relating to the newly acquired production/development assets in Egypt.

Reconciliation of opening and closing payables to operating cash flow movements:	**Year ended 31 December 2021 US$m**	Year ended 31 December 2020 US$m
Opening trade and other payables	**(91.6)**	(134.6)
Closing trade and other payables	**152.2**	91.6
Increase/(Decrease) in trade and other payables	**60.6**	(43.0)
Foreign exchange	**–**	(0.6)
Increase in trade payables relating to investing activities	**–**	(2.2)
(Increase)/Decrease in joint operation payables relating to investing activities	**(16.4)**	44.3
(Increase)/Decrease in accruals and other payables relating to other non-operating activities	**(19.0)**	2.1
Decrease in accruals and other payables relating to investing activities	**1.2**	–
Increase in accruals and other payables relating to financing activities	**(0.6)**	–
Trade and other payables derecognised on disposal of the UK assets	**22.2**	–
Joint operation payables recognised on purchase of Egypt assets	**(59.5)**	–
Joint operation payables derecognised on disposal of Senegal assets	**–**	11.4
Decrease in other payables classified as liabilities held-for-sale	**–**	(0.4)
Trade and other payables movement recorded in operating cash flows	**(11.5)**	11.6

Movements above for investing activities relate to exploration, appraisal and development activities through the Group's joint operations. Movements relating to production activities are included in amounts through operating cash flows. The movement in accruals and other payables relating to other non-operating activities is in relation to the share re-purchase accrual.

Section 3 – Working Capital, Financial Instruments and Long-term Liabilities (continued)

3.9 Deferred Revenue

FlowStream deferred revenue	2021 US$m	2020 US$m
At 1 January	**21.7**	35.6
Released during the year (note 6.1)	**(21.7)**	(13.9)
At 31 December	**–**	21.7
Amounts expected to be released within one year	**–**	4.8
Amounts expected to be released after one year	**–**	16.9
	–	21.7

Deferred revenue related to the stream agreement with FlowStream entered into in 2017. In May 2021 Capricorn bought out FlowStream's remaining entitlement to the stream for total consideration of US$22.7m, in advance of the sale of the producing assets to Waldorf. Consequently, all remaining deferred revenue of US$21.7m has been credited to the Income Statement in the year and is included within the loss from discontinued operations.

Section 4 – Income Statement Analysis

4.1 Segmental Analysis

Geographical information: non-current assets	At 31 December 2021 US$m	At 31 December 2020 US$m
Egypt	**403.0**	-
Côte d'Ivoire	**–**	12.2
Mauritania	**28.9**	21.0
Israel	**–**	1.7
Eastern	**28.9**	34.9
Mexico	**38.8**	57.1
UK	**12.4**	8.0
Suriname	**15.6**	13.5
Western	**66.8**	78.6
UK producing assets	**–**	849.8
Other Capricorn	**4.6**	10.1
Total non-current assets	**503.3**	973.4

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

The segment results for the year ended 31 December 2021 are as follows:

	Egypt US$m	Eastern US$m	Western US$m	UK producing assets US$m	Other Capricorn Energy Group US$m	Group adjust-ment for segments US$m	**Total US$m**
Revenue	56.2	–	–	411.8	0.9	(411.8)	**57.1**
Other income	7.3	–	–	–	–	–	**7.3**
Cost of sales	(20.5)	–	–	(103.8)	–	103.8	**(20.5)**
Depletion and amortisation charges	(31.2)	–	–	(35.3)	–	35.3	**(31.2)**
Gross profit	**11.8**	**–**	**–**	**272.7**	**0.9**	**(272.7)**	12.7
Pre-award costs	(0.9)	–	(1.7)	–	(13.2)	–	**(15.8)**
Unsuccessful exploration costs	(2.9)	(18.2)	(29.5)	–	–	–	**(50.6)**
Impairment of intangible exploration/appraisal assets	–	–	(19.6)	–	–	–	**(19.6)**
Impairment of disposal group property plant & equipment – development/producing assets	–	–	–	(56.0)	–	56.0	**–**
Other operating income	–	–	–	–	0.6	–	**0.6**
Depreciation – purchased assets	–	–	(0.1)	–	(0.2)	–	**(0.3)**
Amortisation – right-of-use assets	–	–	(0.1)	–	(1.9)	–	**(2.0)**
Amortisation of other intangible assets	(0.1)	–	(0.2)	–	(4.5)	–	**(4.8)**
Other administrative expenses	(0.1)	–	(0.5)	–	(50.5)	–	**(51.1)**
Operating profit/(loss)	**7.8**	**(18.2)**	**(51.7)**	**216.7**	**(68.8)**	**(216.7)**	**(130.9)**
Exceptional income – India tax refund	–	–	–	–	1,070.7	–	**1,070.7**
Fair value loss – deferred consideration	(7.2)	–	–	–	–	–	**(7.2)**
(Loss)/Gain on fair value of financial assets	–	–	–	(8.1)	5.5	8.1	**5.5**
Finance income	–	–	(0.7)	–	5.2	–	**4.5**
Finance costs	(3.1)	–	(54.7)	(9.8)	(11.1)	9.8	**(68.9)**
(Loss)/Profit before taxation from continuing operations	**(2.5)**	**(18.2)**	**(107.1)**	**198.8**	**1,001.5**	**(198.8)**	**873.7**
Tax charge	(4.2)	–	–	–	–	–	**(4.2)**
(Loss)/Profit for the year from continuing operations	**(6.7)**	**(18.2)**	**(107.1)**	**198.8**	**1,001.5**	**(198.8)**	**869.5**
Loss on disposal of discontinued operations	–	–	–	(173.8)	–	173.8	**–**
Profit from discontinued operations	–	–	–	–	–	25.0	**25.0**
(Loss)/Profit attributable to equity holders of the Parent	**(6.7)**	**(18.2)**	**(107.1)**	**25.0**	**1,001.5**	**–**	**894.5**
Balances as at 31 December 2021:							
Capital expenditure	**437.2**	**12.2**	**60.9**	**5.8**	**1.1**	**(5.8)**	**511.4**
Total assets	**525.3**	**29.4**	**289.6**	**–**	**1,402.1**	**–**	**2,246.4**
Total liabilities	**367.7**	**1.9**	**33.3**	**–**	**44.9**	**–**	**447.8**
Non-current assets	**403.0**	**28.9**	**66.8**	**–**	**4.6**	**–**	**503.3**

All revenue from UK producing assets is attributable to the sale of oil and gas produced in the UK, from assets that were disposed of on 2 November 2021.

Revenue in the Egypt segment contains revenue generated from eight concessions in the Western Desert, onshore The Arab Republic of Egypt, for the period from 24 September 2021 to 31 December 2021. All revenue related to sales to a single customer.

As at 31 December 2021, the capital expenditure balance in the Egypt segment includes Property, plant & equipment – development/ producing assets recognised at the acquisition date of US$390.2m.

All transactions between segments are carried out on an arm's length basis.

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

The segment results for the year ended 31 December 2020 were as follows:

	Eastern US$m	Western US$m	UK producing assets US$m	Other Capricorn Energy Group US$m	Group adjustment for segments US$m	Total US$m
Revenue	–	–	394.3	0.4	(394.3)	0.4
Cost of sales	–	–	(115.5)	–	115.5	–
Depletion and amortisation charges	–	–	(215.7)	–	215.7	–
Gross profit	–	–	63.1	0.4	(63.1)	0.4
Pre-award costs	(1.6)	(3.7)	–	(6.8)	–	(12.1)
Unsuccessful exploration costs	(11.6)	(67.2)	–	–	–	(78.8)
Other operating income	–	–	–	1.4	–	1.4
Depreciation – purchased assets	–	–	–	(0.1)	–	(0.1)
Amortisation – right-of-use assets	–	(0.2)	–	(1.9)	–	(2.1)
Amortisation of other intangible assets	–	(0.3)	–	(4.9)	–	(5.2)
Other administrative expenses	–	(0.3)	–	(33.4)	–	(33.7)
Operating (loss)/profit	(13.2)	(71.7)	63.1	(45.3)	(63.1)	(130.2)
Gain on fair value of financial assets	–	–	–	0.1	–	0.1
Interest income	–	–	–	0.8	–	0.8
Finance costs	–	(0.1)	(23.3)	(27.8)	23.3	(27.9)
(Loss)/Profit before taxation from continuing operations	(13.2)	(71.8)	39.8	(72.2)	(39.8)	(157.2)
Tax charge	–	(0.1)	–	–	–	(0.1)
(Loss)/Profit for the year from continuing operations	(13.2)	(71.9)	39.8	(72.2)	(39.8)	(157.3)
Loss from discontinued operations	–	–	–	(276.3)	39.8	(236.5)
(Loss)/Profit attributable to equity holders of the Parent	(13.2)	(71.9)	39.8	(348.5)	–	(393.8)
Balances as at 31 December 2020:						
Capital expenditure	21.2	68.4	39.0	236.2	(5.5)	359.3
Total assets	39.1	121.3	892.9	582.9	(0.9)	1,635.3
Total liabilities	3.2	9.9	461.1	36.4	(0.9)	509.7
Non-current assets	34.9	78.6	849.8	10.1	–	973.4

All revenue from UK producing assets is attributable to the sale of oil and gas produced in the UK. 31.3% of the Group's sales of oil and gas are to a single customer that marketed the crude on Capricorn's behalf and delivered it to the ultimate buyers, prior to a change in the marketing of crude during the second half of 2020.

All transactions between the segments are carried out on an arm's length basis.

Section 4 – Income Statement Analysis (continued)

4.2 Earnings per Ordinary Share

Basic and diluted earnings per share are calculated using the following measures of profit/(loss):

	At 31 December 2021 US$m	At 31 December 2020 US$m
Profit/(loss) and diluted profit/(loss) after taxation from continuing operations	**869.5**	(157.3)
Profit/(loss) and diluted profit/(loss) attributable to equity holders of the Parent	**894.5**	(393.8)

The following reflects the share data used in the basic and diluted earnings per share computations:

	Number of shares 2021 '000	Number of shares 2020 '000
Weighted average number of shares	**501,874**	589,782
Less weighted average shares held by ESOP and SIP Trusts	**(6,709)**	(7,041)
Basic weighted average number of shares	**495,165**	582,741
Potential dilutive effect of shares issuable under employee share plans:		
LTIP awards	**10,666**	–
Approved and unapproved plans	**17**	–
Employee share awards	**2,874**	–
Diluted weighted average number of shares	**508,722**	582,741
Potentially issuable shares not included above:		
LTIP awards	**18,575**	25,818
Approved and unapproved plans	**2,298**	2,845
Employee share awards	**2,277**	4,620
Number of potentially issuable shares	**23,150**	33,283

2020 potentially issuable shares were all anti-dilutive due to the loss for the year.

The 2020 weighted average number of shares used in the calculations of earnings per share above has been adjusted to reflect the consolidation of shares which took place in January 2021.

Section 5 – Taxation

5.1 Tax Charge on Profit/(Loss) for the Year

Analysis of Tax Charge on (Loss)/Profit for the year

	Year ended 31 December 2021 US$m	Year ended 31 December 2020 US$m
Current tax charge:		
Overseas corporation taxes	**7.3**	0.1
Total tax charge on profit/(loss) from continuing operations	**7.3**	0.1
Deferred tax credit:		
Deferred tax charge on recognition of financial assets	**0.1**	–
Deferred tax credit on non-current assets – Egypt	**(3.2)**	–
Total deferred tax credit on profit/(loss) from continuing operations	**(3.1)**	–
Total tax charge on profit/(loss) from continuing operations	**4.2**	0.1

The current tax charge for the year ending 31 December 2021 of US$7.3m arises on taxable profit in Egypt from the period from acquisition and is settled by EGPC on the Group's behalf.

Factors Affecting the Tax Charge for the Year

A reconciliation of the income tax charge applicable to the profit/(loss) before income tax to the UK statutory rate of income tax is as follows:

	Year ended 31 December 2021 US$m	Year ended 31 December 2020 US$m
Profit/(Loss) before tax from continuing operations	**873.7**	(117.4)
Profit/(Loss) before tax multiplied by the UK statutory rate of corporation tax of 19% (2020: 19%)	**166.0**	(22.3)
Effect of:		
Special tax rates and reliefs applying to oil and gas activities in the UK	**(10.7)**	(16.9)
Special tax rates and reliefs applying to oil and gas activities in Egypt	**3.0**	–
Impact on deferred tax of adjustments in respect of prior years	**–**	(2.0)
Temporary differences not recognised	**26.0**	37.3
Permanent items non-deductible	**23.4**	7.9
Exchange differences	**–**	(3.9)
India tax refund not subject to tax	**(203.5)**	-
Total tax charge on profit/(loss) from continuing operations	**4.2**	0.1

The reconciliation shown above has been based on the average UK statutory rate of corporation tax for 2021 of 19% (2020: 19%).

The Finance Act 2021 was enacted on 10 June 2021 and increased the UK main rate of corporation tax from 19% to 25% with effect from 1 April 2023. The increased UK rate has been taken into account in computing the UK deferred taxes at the 31 December 2021 balance sheet date and reflected in these financial statements.

The applicable UK statutory tax rate applying to North Sea oil and gas activities is 40% (2020: 40%). The applicable statutory tax rate applying to oil and gas activities in Egypt is currently 40.55%.

Section 5 – Taxation (continued)

5.1 Tax Charge on Profit/(Loss) for the Year (continued)

Factors Affecting Tax Charge for the Year (continued)
The effect of special tax rates and reliefs applying to oil and gas activities of US$(10.7)m (2020: US$(16.9)m) comprises US$(8.0)m (2020: US$8.5m) in respect of differences between the average UK statutory rate and the special rates applying to oil and gas activities in the UK and US$(2.7)m (2020: US$(8.4)m) in respect of the UK ring fence expenditure supplement ("RFES") claimed in the year.

The Egyptian tax rate is 40.55%.

The effect of temporary differences not recognised of US$26.0m (2020: US$37.3m) includes:
- a US$15.4m (2020: US$17.1m) movement in the year predominantly in respect of the unrecognised deferred tax asset on UK ring fence corporation tax losses and supplementary tax charge;
- US$(0.9)m (2020: US$nil) movement in the year in respect of unrecognised deferred tax asset on Egypt oil and gas assets and tax losses;
- US$9.5m (2020:US$5.5m) in respect of UK tax losses and other temporary differences arising in the year on which a deferred tax asset was recognised;
- US$2.0m (2020: US$12.6m) in respect of overseas tax losses and other temporary differences; and
- in 2020, US$2.1m unsuccessful exploration costs on which future tax relief is available but the expenditure has been expensed through the Income Statement; US$nil in the current year.

The effect of permanent items non-deductible of US$23.4m (2020: US$7.9m) includes:
- US$3.2m (2020: US$2.5m) in respect of lapsed share incentives for which no tax relief is due;
- US$10.4m (2020: US$3.0m) in respect of non-deductible foreign exchange losses;
- US$2.2m (2020: US$nil) set-up costs in Egypt not deductible for tax purposes;
- US$6.8m (2020: US$1.0m) in respect of assets written off on closure of operations; and
- US$1.0m (2020:US$nil) of other permanent items non-deductible.

5.2 Deferred Tax Assets and Liabilities

Reconciliation of Movement in Deferred Tax Assets/(Liabilities):

	Temporary difference in respect of non-current assets US$m	Losses US$m	Other temporary differences US$m	**Total US$m**
Deferred tax assets				
At 1 January 2020	(303.6)	232.0	71.6	–
Deferred tax (charge)/credit through the Income Statement	53.3	(40.5)	(12.8)	–
At 31 December 2020	(250.3)	191.5	58.8	–
Deferred tax credit/(charge) through the Income Statement	250.3	(191.5)	(58.8)	–
At 31 December 2021	–	–	–	**–**
Deferred tax liabilities				
At 1 January 2020 and 31 December 2020	–	–	–	**–**
Deferred tax liabilities recognised on business combinations	(52.5)	6.7	–	**(45.8)**
Deferred tax (credit)/charge through the Income Statement	(11.7)	14.9	(0.1)	**3.1**
At 31 December 2021	**(64.2)**	**21.6**	**(0.1)**	**(42.7)**

Deferred tax liabilities analysed by country:

	As at 31 December 2021 US$m	As at 31 December 2020 US$m
Egypt	**(42.6)**	–
UK	**(0.1)**	–
	(42.7)	–

Section 5 – Taxation (continued)

5.2 Deferred Tax Assets and Liabilities (continued)

Recognised Deferred Tax Assets
As at the current and previous balance sheet date, no net deferred tax asset has been recognised in the UK as other temporary differences and tax losses are only recognised to the extent that they offset the UK deferred tax liability arising on business combinations and carried interests attributable to UK Ring Fence trading activity, as it is not considered probable that future profits will be available to recover the value of the asset.

The applicable UK statutory tax rate applying to North Sea oil and gas activities of 40% is made up of Ring Fence Corporation Tax ("RFCT") of 30% and Supplementary Charge Tax ("SCT") of 10%. At the balance sheet date the Group has US$159.3m RFCT losses which can be offset against RFCT of 30% on future ring fence trading profits and US$69.8m SCT losses which can be offset against SCT of 10% on future ring fence trading profits.

In 2020 the Group had US$486.3m of RFCT and US$409.8m of SCT losses carried forward to offset against future ring fence trading profits.

A deferred tax asset has been recognised in respect of RFCT losses of US$17.8m offsetting in full a deferred tax liability on ring fence temporary differences in respect of non-current assets. No deferred tax asset has been recognised on other ring fence temporary differences of US$141.5m (2020: US$nil) relating to RFCT losses, US$69.8m and US$642.0m (2020: US$nil) relating to activated investment allowances, as it is not considered probable that these amounts will be utilised in future periods.

Unrecognised Deferred Tax Assets
No deferred tax asset has been recognised on the following as it is not considered probable that it will be utilised in future periods:

	At 31 December 2021 US$m	At 31 December 2020 US$m
UK fixed asset temporary differences	**30.2**	24.3
UK ring fence corporation tax trading losses	**141.5**	–
UK supplementary charge tax loss	**69.8**	–
UK other ring fence temporary differences	**642.0**	148.7
UK non-ring fence trading losses	**–**	3.7
UK excess management expenses	**386.3**	331.7
UK non-trade deficits	**72.6**	79.6
UK temporary differences on share-based payments	**30.3**	38.5
Egypt fixed asset temporary differences	**51.4**	–
Egypt ring fence corporation tax trading losses	**25.8**	–
Mexico tax losses and temporary differences	**136.1**	127.0
Brazil tax loses	**0.6**	0.6
Israeli temporary differences in respect of non-current assets	**2.7**	–

Section 6 – Discontinued Operations

6.1 Profit/(Loss) from Discontinued Operations

Sale of Capricorn's Interest in the Catcher and Kraken Producing Assets ("UK Producing Assets")
On 8 March 2021, Capricorn agreed to sell its interests in the UK Catcher and Kraken producing assets to Waldorf Production Limited, and following approval from joint operation partners and relevant authorities the sale completed on 2 November 2021.

Assets and liabilities within the transaction perimeter were reclassified as held-for-sale as at 8 March 2021. Comparative information for financial performance of the UK North Sea producing assets has been restated as discontinued operations for the year ended 31 December 2020.

Consideration under the agreement was:

- an initial cash consideration of US$425.0m, subject to adjustments for working capital and other customary interim period adjustments from the economic effective date of 1 January 2020;
- further purchaser bonds of US$30.0m, sold shortly after completion, and
- additional contingent consideration ("earn-out consideration") dependent on oil prices from 2021 to the end of 2025 and minimum production levels being achieved, which at 2 November 2021 had a risk-weighted fair value of US$197.4m.

At the date of disposal, the interim period and working capital adjustments reduced the consideration due on completion by US$361.1m. The interim period adjustments reflect the cash inflows generated from oil and gas sales during the period, offset by outflows on the costs of production, including fixed and variable lease payments, and working capital movements The total consideration including all adjustments was US$289.6m.

The risk-weighted fair value of the contingent consideration as at 31 December 2021 had fallen by US$8.1m from the date of completion to US$189.3m, see note 3.5.

Impairment tests were conducted on the disposal group as at the date of reclassification as held-for-sale resulting in an impairment charge against the carrying value of the disposal group of US$56.0m. The impairment arose principally as a result of the reversal of deferred tax liabilities, previously included within the carrying value of the asset within the impairment test. Following the change of the expected recovery of the assets through disposal rather than through ongoing production, temporary differences on the asset reversed eliminating the deferred tax liability in full. Those deferred tax liabilities were previously offset by a deferred tax asset on non-asset specific tax losses which also reversed on the change in recovery.

Sale of Capricorn Norge AS ("Norway")
Capricorn's sale of Capricorn Norge AS to Sval Energi AS completed on 28 February 2020.

The financial performance of the Norwegian subsidiary was presented as discontinued operations in the Financial Statements for the year ended 31 December 2020.

Sale of Working Interests in Senegal
Capricorn disposed of its entire 40% working interest in its Senegal exploration and development assets in December 2020. The financial performance of the Senegal operations was presented as discontinued operations for the year ended 31 December 2020.

The financial performance of the discontinued operations is expanded in the tables below.

	UK producing assets US$m	**Year ended 31 December 2021 US$m**
Revenue	411.8	**411.8**
Cost of sales	(103.8)	**(103.8)**
Depletion and amortisation	(35.3)	**(35.3)**
Gross profit	272.7	**272.7**
Impairment of disposal group	(56.0)	**(56.0)**
Operating profit	216.7	**216.7**
Loss on financial asset at fair value through profit or loss – earn out consideration	(8.1)	**(8.1)**
Finance costs	(9.8)	**(9.8)**
Profit before tax from discontinued operations	198.8	**198.8**
Taxation	–	**–**
Profit after tax from discontinued operations	198.8	**198.8**
Loss on disposal of discontinued operations	(173.8)	**(173.8)**
Profit from discontinued operations	25.0	**25.0**

Section 6 – Discontinued Operations (continued)

6.1 Profit/(Loss) from Discontinued Operations (continued)

	UK producing assets (restated) US$m	Norway[1] US$m	Senegal[2] US$m	Year ended 31 December 2020 (restated) US$m
Revenue	394.3	–	–	394.3
Cost of sales	(115.5)	–	–	(115.5)
Depletion and amortisation	(215.7)	–	–	(215.7)
Gross Profit	63.1	–	–	63.1
Pre-award costs	–	(1.5)	–	(1.5)
Administrative expenses	–	(0.3)	–	(0.3)
Operating profit/(loss)	63.1	(1.8)	–	61.3
Finance costs	(23.3)	(0.3)	–	(23.6)
Profit/(Loss) before taxation from discontinued operations	39.8	(2.1)	–	37.7
Taxation				
Current tax credit	–	2.4	–	2.4
Deferred tax credit	–	0.2	–	0.2
Profit after tax from discontinued operations prior to disposal	39.8	0.5	–	40.3
Loss on disposal of discontinued operations	–	(39.5)	(237.3)	(276.8)
Profit/(Loss) from discontinued operations	39.8	(39.0)	(237.3)	(236.5)

1 Period ended 28 February 2020
2 Period ended 22 December 2020

Earnings Per Share for Profit/(Loss) from Discontinued Operations	2021 cents	2020 cents
Profit/(Loss) per ordinary share – basic (cents)	**5.05**	(40.59)
Profit/(Loss) per ordinary share – diluted (cents)	**4.91**	(40.59)

Loss on Disposal of UK Producing Assets
The loss on disposal of the UK producing assets on 2 November 2021 is calculated as follows:

	US$m
Base consideration	**425.0**
Interim period adjustment	**(361.1)**
Cost of disposal	**(1.7)**
Net proceeds	**62.2**
Purchaser bonds	**30.0**
Earn-out consideration	**197.4**
Total net consideration	**289.6**
Derecognition of assets and liabilities:	
Assets held-for-sale, net of impairment (note 6.3)	**(837.0)**
Liabilities held-for-sale (note 6.3)	**373.6**
Loss on disposal of UK North Sea producing assets	**(173.8)**

Earn-out consideration is included in the loss on sale calculation and recorded on the Balance Sheet as this future income represents consideration receivable from the disposal of a business rather than revenue generated from the sale of an asset, which would fall under IFRS 15.

Section 6 – Discontinued Operations (continued)

6.1 Profit/(Loss) from Discontinued Operations (continued)

Loss on Disposal of UK Producing Assets (continued)

Gross Profit: Revenue and Cost of Sales

	Year ended 31 December 2021 US$m	**Year ended 31 December 2020 US$m**
Oil sales	**405.7**	323.7
Gas sales	**1.6**	0.8
(Loss)/Gain on hedge options designated for hedge accounting (note 3.7)	**(14.9)**	56.0
Loss on options after cessation of hedge accounting	**(2.3)**	–
Loss on hedge options not designated for hedge accounting	**–**	(0.1)
Release of deferred revenue (note 3.9)	**21.7**	13.9
Revenue from oil and gas sales	**411.8**	394.3
Production costs	**(81.8)**	(75.9)
Oil inventory and underlift adjustment	**3.4**	(16.6)
Variable lease charges	**(25.4)**	(23.0)
Cost of sales	**(103.8)**	(115.5)
Depletion and amortisation (note 2.4)	**(35.3)**	(215.7)
Gross profit	**272.7**	63.1

During the ten month period until the disposal on 2 November 2021 the UK North Sea production averaged ~19,000 boepd (twelve months to 31 December 2020: ~21,000 boepd). Average sale prices increased to US$70.37/boe (31 December 2020: US$42.23/boe).

The improving oil price realised in 2021 reflected the recovery in oil prices compared with the oil prices impacted by the COVID-19 pandemic during 2020. The higher average oil price in 2021 led to realised hedging losses compared with the significant hedging gains of 2020. On completion of the disposal, remaining hedges no longer qualified for hedge accounting and the loss on the maturity of those options of US$2.3m is disclosed separately above.

Loss on Disposal of Capricorn Norge AS ('Norway')
The loss on disposal of Capricorn Norge AS is calculated as follows:

	US$m
Gross cash proceeds	105.2
Costs of disposal	(0.5)
Net proceeds	104.7
Disposal of cash and cash equivalents	(2.2)
Disposal of assets and liabilities held-for-sale:	
Intangible exploration/appraisal assets	(24.3)
Property, plant and equipment – development/producing assets	(74.3)
Other property, plant & equipment and intangible assets	(1.4)
Trade and other receivables	(7.6)
Income tax asset	(28.1)
Loans and borrowings	22.9
Lease liability	0.5
Trade and other payables	12.4
Provisions – decommissioning	2.5
	(97.4)
Translation loss recycled from Other Comprehensive Income	(44.6)
Loss on disposal of Capricorn Norge AS	(39.5)

On completion of the sale in February 2020, the merger reserve of US$255.9m relating to the acquisition of Capricorn Norge AS was transferred to retained earnings.

Section 6 – Discontinued Operations (continued)

6.1 Profit/(Loss) from Discontinued Operations (continued)

Loss on Disposal of Working Interests in Senegal

The loss on disposal of Senegal oil and gas assets in 2020 was calculated as follows:

	US$m
Gross cash proceeds	524.8
Costs of disposal	(7.7)
Net proceeds	517.1
Derecognition of assets and liabilities:	
Intangible exploration/appraisal assets	(145.7)
Property, plant and equipment – development/producing assets	(602.0)
Joint operation receivables	(24.1)
Joint operation payables	17.4
Loss on disposal of Senegal oil and gas assets	(237.3)

Deferred consideration of up to US$100.0m was receivable dependent upon the first oil date and the oil price at that time. In accordance with IFRS15, no amount is recognised at the balance sheet date as there is no reasonable certainty that it would not reverse in future periods. At 31 December 2021, the risk-weighted fair value of the deferred consideration was US$51.4m (2020: US$27.2m). The Senegal transaction was determined to be an asset sale rather than business disposal.

The costs of disposal of US$7.7m included amounts accrued at 31 December 2020 of US$6.0m.

6.2 Cash Flow Information for Discontinued Operations

	UK producing assets US$m	**Norway US$m**	**Senegal US$m**	**Year ended 31 December 2021 US$m**
Net cash flows from operating activities	**240.4**	**–**	**–**	**240.4**
Net cash flows used in investing activities	**(9.4)**	**–**	**–**	**(9.4)**
Net cash flows used in financing activities	**(42.5)**	**–**	**–**	**(42.5)**
Net increase in cash and cash equivalents	**188.5**	**–**	**–**	**188.5**

	UK producing assets (restated) US$m	Norway[1] US$m	Senegal[2] US$m	Year ended 31 December 2020 US$m
Net cash flows from/(used in) operating activities	290.1	1.5	(0.2)	291.4
Net cash flows (used in)/from investing activities	(32.2)	(6.4)	284.5	245.9
Net cash flows used in financing activities	(55.0)	(0.4)	(5.4)	(60.8)
Net increase/(decrease) in cash and cash equivalents	202.9	(5.3)	278.9	476.5

1 Period ended 28 February 2020
2 Period ended 22 December 2020

There was no cash and cash equivalents disposed of on the sale of the UK producing assets in 2021.

In 2020, US$2.2m cash and cash equivalents was disposed of on the sale of Capricorn Norge AS; there was no cash and cash equivalents disposed of on the sale of the Senegal assets.

Section 6 – Discontinued Operations (continued)

6.3 Assets and Liabilities Held-For-Sale

At 31 December 2020 and 31 December 2021 there were no assets or liabilities held-for-sale. Transfers to and from assets and liabilities held-for-sale during the current year were as follows:

	Transferred to held-for-sale 8 March 2021 US$m	Impairment of disposal group at date of transfer US$m	Movement	Disposal 2 November 2021 US$m
Assets held-for-sale				
Property, plant & equipment – development/producing assets	814.5	(56.0)	5.4	(763.9)
Inventory	15.0	–	0.7	(15.7)
Trade and other receivables	48.7	–	8.7	(57.4)
	878.2	**(56.0)**	**14.8**	**(837.0)**
Liabilities held-for-sale				
Lease liabilities	227.6	–	(27.7)	(199.9)
Trade and other payables	29.8	–	(7.6)	(22.2)
Provisions - decommissioning	153.9	–	(2.4)	(151.5)
	411.3	**–**	**(37.7)**	**(373.6)**

Following the agreement entered into in March 2021 to sell the Kraken and Catcher UK North Sea producing assets to Waldorf Production Limited, the UK North Sea assets and associated liabilities were reclassified as held-for-sale, forming a single disposal group. On the date of transfer of the assets and liabilities into the disposal group, an impairment test was performed comparing the carrying value of the disposal group against its recoverable value, based on fair value less cost of disposal (falling within Level 2 of the fair value hierarchy), resulting in an impairment of US$56.0m, which was allocated to property, plant & equipment – development/producing assets, charged to the Income Statement.

Glossary

bbl	barrel of oil
bn	billion
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
EGPC	Egyptian General Petroleum Corporation
JV	joint venture
m	million
mmbbls	million barrels of oil
mmboe	million barrels of oil equivalent
WI	working interest

About Capricorn Energy PLC

Capricorn Energy PLC is one of Europe's leading independent upstream energy companies, headquartered in Edinburgh, UK. Historically we have discovered, developed and produced oil and gas in multiple settings throughout the world. Today our focus is on growing our current gas and liquids production base through development and exploration, with an ambition to use our strong balance sheet to expand that production base into other attractive markets and to commercialise exploration resources. We adhere to high sustainability standards, we invest to ensure our portfolio remains competitive through stringent energy transition scenarios and we are committed to net zero carbon emissions by 2040.

For further information on Capricorn please see: www.capricornenergy.com