Financial Statements

Independent Auditors' Report to the Members of Capricorn Energy PLC

Report on the audit of the financial statements

Opinion

In our opinion, Capricorn Energy PLC's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company Balance Sheets as at 31 December 2022; the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Cash Flows and the Group and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7.5, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

Capricorn Energy PLC is an independent, UK-based energy company, focused on oil and gas exploration, development and production. Capricorn's activities are focused in North West Europe, North and West Africa and Latin America. In the comparative period Capricorn sold its interest in the Catcher and Kraken North Sea producing assets and acquired a working interest in production, development and exploration assets in Egypt. Capricorn's headquarters and finance team are in Edinburgh supported by small finance teams in Mexico and Egypt.

Overview

Audit scope

- We conducted audit work on 8 components. 3 of these components were subject to a full scope audit, the remaining 5 were subject to specified scope. All audit work performed to support the group audit report was performed by the group engagement team in the UK. Our audit scope covered 92% of total assets.

Key audit matters

- Going Concern Assessment (group and company)
- Valuation of production assets (group)
- Valuation of Goodwill (group)
- Valuation of intangible exploration assets (group)
- Valuation of contingent consideration receivable arising from sale of North Sea assets (group)
- Valuation of Investments in subsidiaries (company)

Materiality

- Overall group materiality: US$15,300,000 (2021: US$15,450,000) based on 1% of Total Assets.
- Overall company materiality: US$12,500,000 (2021: US$12,000,000) based on 1% of Total Assets.
- Performance materiality: US$11,475,000 (2021: US$11,600,000) (group) and US$9,375,000 (2021: US$9,000,00) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Going concern assessment, valuation of producing assets, valuation of Goodwill and valuation of investments in subsidiaries are new key audit matters this year. Valuation of the producing assets acquired and contingent consideration payable in Egypt and Presentation of settlement from Government of India, which were key audit matters last year, are no longer included because of the fact that they did not represent a significant risk or area of significant focus. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Going Concern Assessment (group and company) As disclosed in Note 1.2 Going concern, the company's board are proposing a return of US$450.0m cash to shareholders and with further planned cash returns of US$100.0m and a US$25.0m share buy-back. Under the terms of the borrowing facilities entered into in connection with the group's Egypt assets, a subsidiary of the group jointly and severally guarantees performance of the obligations of the joint venture counterparty. Should the counterparty fail to meet its repayment obligations, the lenders could enforce this guarantee. Significant auditor attention was required in assessing the group's cash flow forecasts under various scenarios and evaluating the sufficiency of the group's funding to meet its current and contracted commitments as and when they fall due for at least the 12 month period from the date of approval of the Financial Statements.	Our audit procedures and conclusions relating to going concern are set out in the "Conclusions relation to going concern" section below.
Valuation of production assets (group) Under IAS 36, where there is an impairment trigger, assets must be evaluated for impairment. Following the performance from producing wells being below expectation and a downgrade in reserve volumes management have assessed that there is an impairment trigger on the Group's producing assets in Egypt. Management estimates the recoverable amount of the producing assets using a discounted cash flow model, which estimates the future cash flow projections over the licence period of the assets, discounted back to present day. The key assumptions used by management include the following: Discount rate, Short term oil price, Long Term oil price, future capital and operating costs and estimates of hydrocarbon reserves. Based upon the discounted cash flow projections used by management, there was an impairment charge of US$42.6m recognised in relation to the AESW and Obaiyed concession areas in the current year. Refer to notes 2.3 and 2.7 to the financial statements	In auditing the impairment of producing assets for the year ended 31 December 2022, we have performed the following procedures: – Validated the reserves estimates prepared by management's internal and external experts. We evaluated management's internal and external reserves experts for competence and objectivity; – Discussed reserves estimates with management's reserves experts to assess any key judgements or differences between the internal and external experts. Where there were differences, we sought explanations for these; – Understood the source of the operator's forecasts of oil and gas production, validated to reserves data, compared to operator budgets and assessed Capricorn's previous ability to forecast oil and gas production figures; – Assessed the operating and capital cost forecasts used in the model by validating to operator forecasts and other evidence where appropriate; – Benchmarked key assumptions including comparing the commodity price, inflation and discount rates used to expected ranges prepared by our own Valuation experts; – Assessed each of the individual concession agreements to confirm terms that may affect the valuation; – Assessed the composition of each CGU based on the requirements of IAS 36; – Validated the mathematical accuracy and integrity of the model for each concession and agreeing the net book values to Capricorn's books and records; – Assessed the results of management's sensitivity analysis, and performed our own sensitivities; – Considered the global focus on clean energy transition and climate change in the context of the key assumptions made, in particular in relation to the estimation of the cost of carbon; and – Assessed the disclosures in the financial statements to confirm that they are in line with the model reviewed. We found that the discount rate used by management to be below our independently assessed market benchmark range. Our audit therefore focused on the sensitivity of the impairment assessments to movements in the key assumptions and there was not a material difference when we applied assumptions within the acceptable range. We determined that management's disclosures were appropriate.

Independent Auditors' Report to the Members of Capricorn Energy PLC continued

Valuation of Goodwill (Group) Goodwill of US$25.4m arose on the acquisition of the Western Desert assets in Egypt in 2021. Under IAS 36 Goodwill is required to be tested for impairment annually, and management performed this test as at 31 December 2022. Management estimates the recoverable amount of the producing assets using a discounted cash flow model, which estimates the future cash flow projections over the licence period of the assets, discounted back to present day. The key assumptions used by management include the following: Discount rate, Short term oil price, Long Term oil price, future capital and operating costs and estimates of the reserves. Based upon the discounted cash flow projections used by management, there was no impairment to Goodwill in the current year. Refer to notes 2.4, 2.7 and 6.3 to the financial statements.	In auditing the valuation of goodwill for the year ended 31 December 2022, we have completed the following procedures: – Compared the following assumptions used in the assessment of the valuation of goodwill to the assumptions audited as part of the producing assets impairment testing as per above: • reserves estimates; • forecast oil and gas production per concession; • historical costs used in the calculations; • the operating and capital cost forecasts; • impact of climate change on the forecasts; and • key assumptions including comparing the commodity price, inflation and discount rates – Validated the mathematical accuracy and integrity of the model and agreeing the net book value of assets and liabilities into Capricorn's books and records; – Assessed the results of management's sensitivity analysis, and performed our own sensitivities; and – Assessed the disclosures in the financial statements. We found that the discount rate used by management to be below our independently assessed market benchmark range, however there was no difference in the conclusion that there was not an impairment of goodwill in the current year. We also assessed management's conclusion on sensitivity disclosures and agree that no impairment arises under any of the sensitivities performed. Therefore we have concluded that management's conclusion and disclosures are appropriate.
Valuation of intangible exploration assets (group) The Group has exploration and appraisal assets of US$95.2m at 31 December 2022. IFRS 6 requires exploration and evaluation assets to be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Management's assessment for impairment triggers conducted on the Group's capitalised exploration and evaluation assets did not identify any indicators of impairment beyond the unsuccessful exploration costs and impairment charges recognised in the Group's income statement. Refer to note 2.2 to the financial statements	In auditing the valuation of intangible exploration and evaluation assets for the year ended 31 December 2022, we have completed the following procedures: – Obtained and challenged management's assumptions in relation to impairment triggers; – Obtained evidence that the licences are still held by Capricorn and expiry is not imminent or there is evidence to support the likelihood of licence extension; – Obtained budgets to evidence plans for further exploration works at the assets at 31 December 2022, including meeting minimal work commitments under the licences; – Reviewed the results of any exploration activities in the period; – Reviewed board minutes for any evidence as at 31 December 2022 that would indicate that the licences will not be maintained; and – Reviewed the financial statement disclosures. We did not identify any additional triggers that had not been identified by management.

Valuation of contingent consideration receivable arising from sale of North Sea assets (group) 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 was completed on 2 November 2021. Included in the consideration receivable for the sale is an additional contingent consideration ("earn-out consideration"), which is dependent on future oil prices from 2021 to the end of 2025 and the production levels being achieved by the assets in that period. As at 31 December 2022 management recorded the contingent consideration at a fair value of US$224.1m. Refer to note 6.1 to the financial statements.	In auditing the valuation of the contingent consideration, we have performed the following procedures: – Obtained the sale and purchase agreement to verify terms and conditions under which the contingent consideration is calculated and payable; – Obtained corroborative evidence to support the estimation of future production figures, including comparing to actual historical production and previous forecasts provided by the operators of Kraken and Catcher; – Obtained the external valuation report provided to management and assessed oil price assumptions utilised by management through comparison to oil price assumptions provided by our valuations experts; – Engaged PwC Valuation experts to assess the appropriateness of the contingent consideration valuation methodology and model used by management's experts to determine their fair value of the award; – Challenged the application of credit risk in management's calculation including engaged PwC Valuations experts to independently assess the credit risk adjustment relating to the counterparty; – Validated the mathematical accuracy of management's final model and performed sensitivities on the fair value of the consideration; – Verified payment of the amounts due in March 2023 to the bank statements; and – Evaluated the disclosure in the financial statements. We found that the credit risk assumption used by management was different from that determined by our internal valuation experts, however the difference did not materially impact the valuation. We found that management's methodology was appropriate and the other assumptions were supportable. We determined that management's disclosures were materially appropriate.
Valuation of Investments in subsidiaries (company) The carrying value of investments in the company balance sheet is US$597.8m. At the year end, investments in subsidiaries were reviewed for indicators of impairment and impairment tests conducted where indicators were identified. Following this review, management concluded that the investment in Cairn UK Holdings Limited was fully impaired due to the distribution of the settlement from the Government of India, resulting in a charge to the income statement of US$387.7m. In addition, the Company's investment in Capricorn Oil Limited was also impaired to reflect the fair value of the underlying assets of the Capricorn Oil Group. The fall in the value of the investments in the Capricorn Oil Group is principally due to a reduction in the fair value of the Group's underlying assets. This resulted in a charge of US$178.6m to the Income Statement in 2022. This is an area of audit focus because the support for the carrying value is based on judgements and estimates made by management in their impairment assessment, in particular in respect of projected cash flows and discount rate. Refer to note 8.2 to the financial statements	In assessing the carrying value of investments in subsidiaries, we undertook the following work: – For the investment in Cairn UK Holdings we verified dividends paid by the entity during 2022 to board minutes in order to conclude that the asset had no remaining value after the distribution of the proceeds arising from the settlement with the Government of India; – For the investment in Capricorn Oil Group, we compared the resulting investment balance to our audit work on the other assets and liabilities of the Group, including considering the impact on underlying fair value; – Validated the mathematical accuracy and integrity of the model and agreed the net book value of assets and liabilities into Capricorn's books and records; – Agreed the cash balances in the group to the underlying confirmations of cash for the in scope subsidiaries; and – Evaluated the disclosure in the financial statements. Based on the procedure, we concluded that the valuation of investments in subsidiaries is appropriate.

Independent Auditors' Report to the Members of Capricorn Energy PLC continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group's activities are managed centrally from the Group's Head Office in Edinburgh, with components representing each of the geographical locations in which they operate. We have included components which accounted for the largest share of the Group's results or where we considered there to be areas of significant risk. We identified 3 components which, in our view, required an audit of their complete financial information due to their relative size or risk characteristics. The work in the remaining 5 components was determined by their individual contribution to the Group's overall financial performance or balance sheet, and their risk profile. All components were audited by the Group engagement team in the UK.

The impact of climate risk on our audit

Our audits considered the impact of climate change. As part of our audit, we made enquiries with management to understand the process adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and to support the disclosures made in the Sustainability Review in the Strategic Report. We also read the Group's governance process in response to climate risk.

Using our knowledge of the business, we focused our work on how the impact of climate commitments made by the Group would impact the assumptions within the discounted cash flows prepared by management that are used in the Group's goodwill and producing asset impairment tests. We also evaluated whether the impact of both physical and transitional risks had been appropriately included in management's going concern and viability assessments. We challenged the completeness of management's climate impact assessment by reading the external reporting made by management as well as internal climate plans and Board minutes.

We also considered the completeness of the impact on financial statement line items by comparing management's assessment of the impact of climate risk, including the potential impact on the underlying assumptions and estimates as outlined in the basis of preparation in note 1.2 of the Notes to the Group financial statements.

Finally, we assessed the consistency of the information in the front half of the Annual Report regarding the Task Force on Climate-Related Financial Disclosures (TCFD) and the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	US$15,300,000 (2021: US$15,450,000).	US$12,500,000 (2021: US$12,000,000).
How we determined it	1% of Total Assets	1% of Total Assets, capped at 90% of the group materiality
Rationale for benchmark applied	We believe that total assets is an appropriate measure that reflects the size of the Group's operations	The company's purpose is to hold investments in the subsidiaries of the group. The company has limited income statement transactions, therefore the appropriate benchmark for assessing materiality is total assets.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was US$532,000 and US$14,100,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to US$11,475,000 (2021: US$11,600,000) for the group financial statements and US$9,375,000 (2021: US$9,000,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$765,000 (group audit) (2021: US$685,000) and US$625,000 (company audit) (2021: US$615,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and evaluating management's going concern assessment, base case forecasts and downside scenarios, and comparing the forecasts to approved budgets;
- Considering the historical reliability of management's cash flow forecasting;
- Assessing key inputs into the models, including cost assumptions, commodity prices, production forecasts, forecast distributions and payment profiles, comparing these to the inputs used in other key accounting estimates in the financial statements or other sources of evidence;
- Assessing the mitigating actions identified by management in downside scenarios and corroborating these to internal and external sources of evidence;
- Obtaining and confirming the opening cash balances and the terms and conditions associated with debt facilities and ensuring these are appropriately considered in the model;
- Assessing management's consideration of the impact on the going concern analysis of the cross guarantee clauses contained within the Group's debt facility relating to its assets in Egypt;
- Assessed management's sensitivity analysis to understand the impact of changes in cash flow on the resources available to the group;
- Assessing the mathematical accuracy of management's model; and
- Evaluating the disclosures in relation to management's going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent Auditors' Report to the Members of Capricorn Energy PLC continued

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with production sharing contracts in Egypt and other oil and gas regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries in relation to management override of controls. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on judgements and on the assumptions and judgements made in their significant accounting estimates;
- Identifying and testing journal entries, including any journal entries representing unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 23 May 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 December 2013 to 31 December 2022.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Bruce Collins

Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
27 April 2023

Group Income Statement
For the year ended 31 December 2022

	Note	2022 US$m	2021 US$m
Continuing operations			
Revenue	2.1	**229.6**	57.1
Other income	2.1	**54.8**	7.3
Cost of sales	2.1	**(71.2)**	(20.5)
Depletion charge	2.3	**(124.1)**	(31.2)
Gross profit		**89.1**	12.7
Pre-award costs	4.2	**(9.2)**	(15.8)
Unsuccessful exploration costs	2.2	**(93.5)**	(50.6)
Impairment of intangible exploration/appraisal assets	2.2	**–**	(19.6)
Impairment of property, plant & equipment – development/producing assets	2.3	**(42.6)**	–
Other operating income		**5.8**	0.6
Administrative and other expenses	4.3	**(65.0)**	(58.2)
Operating loss		**(115.4)**	(130.9)
Fair value loss – deferred consideration on business combinations	3.5	**(12.7)**	(7.2)
Gain on financial assets at fair value through profit or loss		**2.3**	5.5
Finance income	4.5	**15.7**	4.5
Finance costs	4.6	**(18.2)**	(68.9)
Exceptional income – India tax refund	4.8	**–**	1,070.7
(Loss)/Profit before tax from continuing operations		**(128.3)**	873.7
Taxation			
Tax charge	5.2	**(32.0)**	(4.2)
(Loss)/Profit from continuing operations		**(160.3)**	869.5
Profit from discontinued operations	6.1	**109.3**	25.0
(Loss)/Profit for the year attributable to equity holders of the Parent		**(51.0)**	894.5
Earnings per share for (loss)/profit from continuing operations:			
(Loss)/Profit per ordinary share – basic (cents)	4.7	**(44.88)**	175.58
(Loss)/Profit per ordinary share – diluted (cents)	4.7	**(44.88)**	170.91
Earnings per share for (loss)/profit attributable to equity holders of the Parent:			
(Loss)/Profit per ordinary share – basic (cents)	4.7	**(14.28)**	180.63
(Loss)/Profit per ordinary share – diluted (cents)	4.7	**(14.28)**	175.82

Group Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	2022 US$m	2021 US$m
(Loss)/Profit for the year attributable to equity holders of the Parent		**(51.0)**	894.5
Other Comprehensive (Expense)/Income – items that may be recycled to the Income Statement			
Currency translation differences		**(16.7)**	2.0
Currency translation differences recycled on disposal of subsidiaries	4.6	**–**	54.7
Fair value loss on hedge options		**–**	(14.2)
Hedging loss recycled to the Income Statement		**–**	14.9
Fair value on hedge options recycled to the Income Statement on cessation of hedge accounting		**–**	2.7
Other Comprehensive (Expense)/Income for the year		**(16.7)**	60.1
Total Comprehensive (Expense)/Income for the year attributable to equity holders of the Parent		**(67.7)**	954.6
Total Comprehensive (Expense)/Income from:			
Continuing operations		**(177.0)**	874.9
Discontinued operations		**109.3**	79.7
		(67.7)	954.6

Group Balance Sheet
As at 31 December 2022

	Note	2022 US$m	2021 US$m
Non-current assets			
Intangible exploration/appraisal assets	2.2	**95.2**	98.3
Property, plant & equipment – development/producing assets	2.3	**249.5**	373.9
Goodwill	2.4	**25.4**	25.4
Other property, plant & equipment and intangible assets	2.5	**14.1**	5.7
Financial assets at fair value through profit or loss	3.5	**96.2**	120.4
Deferred tax asset	5.3	**7.1**	–
		487.5	623.7
Current assets			
Cash and cash equivalents	3.1	**756.8**	314.1
Inventory	3.3	**8.1**	10.8
Trade and other receivables	3.4	**142.5**	1,211.2
Financial assets at fair value through profit or loss	3.5	**134.4**	86.6
		1,041.8	1,622.7
Total assets		**1,529.3**	2,246.4
Current liabilities			
Loans and borrowings	3.2	**25.4**	10.9
Lease liabilities		**1.9**	2.4
Deferred consideration on business combinations	3.5	**25.0**	20.9
Trade and other payables	3.6	**55.7**	152.2
		108.0	186.4
Non-current liabilities			
Loans and borrowings	3.2	**133.2**	166.1
Lease liabilities		**2.4**	1.3
Provisions – well abandonment		**3.4**	2.2
Deferred consideration on business combinations	3.5	**36.8**	49.1
Deferred tax liabilities	5.3	**30.9**	42.7
		206.7	261.4
Total liabilities		**314.7**	447.8
Net assets		**1,214.6**	1,798.6
Equity attributable to equity holders of the Parent			
Called-up share capital	7.1	**8.0**	12.6
Share premium	7.1	**495.4**	490.9
Shares held by ESOP/SIP Trusts	7.1a,b	**(15.3)**	(17.5)
Foreign currency translation	7.1c	**(90.8)**	(74.1)
Merger and capital reserves	7.1d	**45.5**	40.9
Retained earnings		**771.8**	1,345.8
Total equity		**1,214.6**	1,798.6

The Financial Statements on pages 126 to 167 were approved by the Board of Directors on 27 April 2023 and signed on its behalf by:

Chris Cox
Interim Chief Executive

Group Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022 US$m	2021 US$m
Cash flows from operating activities:			
(Loss)/Profit before tax from continuing operations		**(128.3)**	873.7
Profit before tax from discontinued operations	6.1	**113.4**	198.8
(Loss)/Profit before tax including discontinued operations		**(14.9)**	1,072.5
Adjustments for non-cash income and expense and non-operating cash flows:			
Other income – tax entitlement volumes		**(54.8)**	(7.3)
Release of deferred revenue		**–**	(21.7)
Unsuccessful exploration costs		**93.5**	50.6
Depreciation, depletion and amortisation		**129.9**	73.6
Impairment of intangible exploration/appraisal assets		**–**	19.6
Impairment of property, plant & equipment – development/producing assets		**42.6**	–
Share-based payments charge		**10.5**	10.2
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		**12.7**	7.2
(Gain)/Loss on financial assets at fair value through profit or loss		**(112.7)**	2.6
Finance income		**(15.7)**	(4.5)
Finance costs		**18.2**	78.7
Adjustments to operating cash flows for movements in current assets and liabilities:			
Inventory movement		**2.7**	(4.6)
Trade and other receivables movement	3.4	**(38.7)**	(70.8)
Trade and other payables movement	3.6	**(9.8)**	(11.5)
Net cash flows from operating activities		**63.5**	179.9
Cash flows from investing activities:			
Exceptional income – India tax refund	4.8	**1,056.0**	–
Expenditure on intangible exploration/appraisal assets		**(94.9)**	(62.5)
Expenditure on property, plant & equipment – development/producing assets		**(62.2)**	(24.0)
Expenditure on other property, plant & equipment and intangible assets		**(11.7)**	(2.9)
Deferred consideration received – discontinued operations		**75.7**	–
Consideration paid for assets acquired through business combination		**(3.2)**	(310.1)
Deferred consideration paid on business combination		**(20.9)**	–
Expenditure on financial assets at fair value through profit and loss		**–**	(6.9)
Proceeds on disposal of financial assets		**12.8**	–
Proceeds on disposal of intangible exploration/appraisal assets – continuing operations		**–**	23.6
Proceeds on disposal of oil and gas assets – discontinued operations		**–**	63.9
Proceeds on disposal of purchaser bonds on sale of oil and gas assets – discontinued operations		**–**	30.0
Costs incurred on disposal of oil and gas assets		**–**	(7.3)
Tax paid on investing activities		**(0.2)**	–
Interest received and other finance income		**12.5**	0.2
Net cash flows from/(used in) investing activities		**963.9**	(296.0)
Cash flows from financing activities:			
Return of cash to shareholders	7.2	**–**	(257.2)
Share re-purchase	7.1	**(528.6)**	(7.8)
Debt arrangement fees		**–**	(4.6)
Other interest and charges		**(11.7)**	(5.8)
Proceeds from borrowings	3.2	**–**	181.4
Repayment of borrowings	3.2	**(21.5)**	–
Proceeds from issue of shares		**4.5**	0.9
Cost of shares purchased	7.1a	**(19.8)**	(8.7)
Lease payments		**(2.5)**	(46.1)
Net cash flows used in financing activities		**(579.6)**	(147.9)
Net increase/(decrease) in cash and cash equivalents		**447.8**	(264.0)
Opening cash and cash equivalents at beginning of year		**314.1**	569.6
Foreign exchange differences		**(5.1)**	8.5
Closing cash and cash equivalents	3.1	**756.8**	314.1

Group Statement of Changes in Equity
For the year ended 31 December 2022

	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 2021	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
Loss for the year	–	–	–	–	–	(51.0)	**(51.0)**
Currency translation differences	–	–	(16.7)	–	–	–	**(16.7)**
Total comprehensive expense	**–**	**–**	**(16.7)**	**–**	**–**	**(51.0)**	**(67.7)**
Share-based payments	–	–	–	–	–	10.5	**10.5**
Exercise of employee share options	4.5	–	–	–	–	–	**4.5**
Share re-purchase	(4.6)	–	–	4.6	–	(511.5)	**(511.5)**
Cost of shares purchased	–	(19.8)	–	–	–	–	**(19.8)**
Cost of shares vesting	–	22.0	–	–	–	(22.0)	**–**
At 31 December 2022	**503.4**	**(15.3)**	**(90.8)**	**45.5**	**–**	**771.8**	**1,214.6**

Section 1 – Basis of Preparation

This section includes the Group's general accounting policies applicable across the Financial Statements. Accounting policies specific to individual notes to the accounts are embedded in the notes themselves.

1.1 Accounting Policies

a) Basis of preparation

The consolidated Financial Statements of Capricorn Energy PLC ('Capricorn' or 'the Group') for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 26 April 2023. 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

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 2022, Capricorn adopted the following amendments to the standards:
- Amendments to IFRS 16 'Leases';
- Amendments to IAS 16 'Property, plant and equipment';
- Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets'; and
- Annual improvements including minor amendments to IFRS 9 'Financial instruments' and IFRS 16 'Leases'.

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, which have yet to be adopted by the Group that will materially impact the Group's Financial Statements.

c) Basis of consolidation

The consolidated Financial Statements include the results of Capricorn Energy PLC and its subsidiary undertakings to the balance sheet date. Where subsidiaries follow differing accounting policies from those of the Group, those accounting policies have been adjusted to align with those of the Group. Intercompany balances and transactions between Group companies are eliminated on consolidation, though foreign exchange differences arising on intercompany balances between subsidiaries with differing functional currencies are not offset.

The results of subsidiaries acquired or incorporated in any year are included in the Income Statement and Statement of Cash Flows from the effective date of acquisition, while the results of subsidiaries disposed of or liquidated during the year are included in the Income Statement and Statement of Cash Flows to the date at which control passes from the Group.

d) Joint arrangements

Capricorn is a partner (joint operator) in oil and gas exploration, development and production licences which are unincorporated joint arrangements. All of the Group's current interests in these arrangements are determined to be joint operations. A full list of oil and gas licence interests can be found on page 177.

Costs incurred relating to an interest in a joint operation other than costs relating to production activities are capitalised in accordance with the Group's accounting policies for oil and gas assets as appropriate (notes 2.2 and 2.3). All the Group's intangible exploration/appraisal assets and property, plant & equipment – development/producing assets relate to interests in joint operations.

Capricorn's working capital balances relating to joint operations are included in trade and other receivables (note 3.4) and trade and other payables (note 3.6). Any share of finance income or costs generated or incurred by the joint operation is included within the appropriate income statement account.

Section 1 – Basis of Preparation continued

1.1 Accounting Policies continued

e) Foreign currencies
These Financial Statements continue to be presented in US dollars (US$), the functional currency of the Parent.

In the Financial Statements of individual Group companies, Capricorn translates foreign currency transactions into the functional currency at the rate of exchange prevailing at the transaction date (or an approximation thereof where not materially different). Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the Income Statement except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset, though there were none in either the current or preceding year.

The Group maintains the Financial Statements of the Parent and subsidiary undertakings in their functional currency. Where applicable, the Group translates subsidiary Financial Statements into the presentation currency, US$, using the closing rate method for assets and liabilities which are translated at the rate of exchange prevailing at the balance sheet date and rates at the date of transactions for income statement accounts. Capricorn takes exchange differences arising on the translation of net assets of Group companies whose functional currency is non-US$ directly to reserves.

Rates of exchange to US$1 were as follows:

	Closing 2022	**YTD Average 2022**	Closing 2021	YTD Average 2021
GBP	**0.827**	**0.808**	0.739	0.727

f) Exceptional items
Where items have a significant impact on profit or loss, occur infrequently and are not part of the Group's normal operating cycle, such items may be disclosed as exceptional items on the face of the Income Statement.

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.

At the balance sheet date and the date of this report, the Group has significant surplus cash balances, following receipt of the India tax refund, exceeding debt drawn on the Senior Secured Borrowing and Junior Debt Facilities which part-funded the Egypt acquisition. This cash surplus has been adjusted for the immediate proposed return of US$450.0m cash to shareholders, an additional cash return of US$100.0m, subject to certain conditions, and a US$25.0m share buy-back planned by the Board. After adjusting for these planned returns, under both Capricorn's and the lenders' assumptions, the Group has sufficient resources to maintain compliance with the financial covenant associated with the facilities in terms of a 12-month forward-looking liquidity test.

A downside scenario run includes a return to lower oil prices of US$60 per bbl in the short-term, a reduction in forecast production, increases to forecast operating and drilling costs, and a cancellation of guarantees that would require to be cash collaterised. An oil price crash scenario assumes a sharp fall in oil price to US$35 per bbl before a gradual return to the downside price assumptions by Q2 2024. Both the downside and oil-price crash scenarios assume that the proposed additional US$100.0m cash return and share buy-back would be cancelled or postponed. Further mitigants identified by the Directors include the ability to reduce forecast but uncommitted capital expenditure, the sale of non-oil and gas assets held on the balance sheet, cancellation of discretionary share purchases and the realisation of contingent assets expected to be recovered over the coming twelve months.

Under the terms of the borrowing facilities entered into in connection with the Group's Egypt assets, Capricorn as borrowers jointly and severally guarantee performance of the obligations of the joint venture counterparty. Should the counterparty fail to meet its repayment obligations, the lenders could enforce this guarantee, though other routes to recovery would be more likely. Capricorn would also have legal routes to recover any sums paid on behalf of the counterparty under this guarantee. The Directors planned returns ensure that sufficient resources remain within the Group in order to meet its contracted commitments as and when they fall due for at least the twelve month period from the date of approval of the Financial Statements in event of default by the counterparty.

The Board and Audit Committee assessments of risk and mitigants to the Group's operational existence beyond this 12-month period is included in the Viability Statement on page 32.

Section 2 – Oil and Gas Assets, Operations and Other Non-Current Assets

This section contains details of Capricorn's oil and gas assets, including the profit generated from operations in Egypt, exploration costs capitalised at the year end and development/producing assets and associated impairment tests performed.

Key estimates and assumptions in this section:

Climate change assumptions

Capricorn's cost of carbon assumptions are included in the fair value models used to attribute value to the assets acquired through the business combination in Egypt, detailed below. Those models will also determine the useful life-of-field assumptions for each producing asset and increasing costs of carbon could result in reduced commercial reserve volumes. Sensitivities performed on alternate carbon cost assumptions did not have a significant impact on the acquisition fair values of the assets in Egypt.

Capricorn's models have no residual value attributed to producing assets as at the end of the economic field life title passes to the Egyptian Government. There are therefore no decommissioning assets or liabilities to record. There are currently no assets that have been identified as at risk of becoming stranded.

Estimation of hydrocarbon reserves and long-term oil price assumption

Oil and gas reserve volumes and related production profiles are estimated based on Capricorn's internal process manual which follows industry best practice. This represents Capricorn's best estimate of reserves as at the reporting date. Capricorn's Reserves and Resources Reporting Committee, which provides oversight, advice and guidance while providing senior level review, reports to the Group's Audit Committee before ultimately requesting approval of annual reserve volumes by the Board.

A third-party audit of Capricorn's reserves and resources estimates is conducted annually. At the year end, the third-party auditor's reserve estimates are higher than Capricorn's internal estimates, largely due to different assumptions on the number and timing of future development wells and their inclusion of reserves that Capricorn classifies as contingent resources pending approval of a field development plan. Capricorn believe it is appropriate to remain with the Group's internal reserve estimates.

A change in reserve volumes would impact depletion charges and related deferred tax liabilities and indicate a possible impairment of assets.

Capricorn increased its long-term oil price assumption from US$55/bbl to US$60/bbl unescalated. The Group's short-term assumption remains linked to the forward curve over a two-year period.

Estimation of fair value of assets for use in impairment tests

The fair value of property, plant & equipment – development/producing assets in Egypt and related goodwill, acquired through the 2021 business combination (see note 6.3), used in the Group's impairment tests has been measured using the net present value of discounted future cash flows.

The key assumptions used in the Group's discounted cash flow models reflect past experience and take account of external factors. These assumptions include:
- short/medium-term oil price based on a six-month average forward curve for two years from the balance sheet date;
- long-term oil price of US$60/bbl (2021: US$55/bbl) unescalated;
- Egypt price differentials to base oil prices;
- cost of carbon offsets in line with Capricorn's commitment to offsetting emissions and reaching net zero by 2040;
- reserve estimates of 2P discovered resource based on P50 reserve estimates;
- production profiles based on Capricorn's internal estimates including assumptions on performance of assets;
- cost profiles for future development spend and operating costs escalated at 4.0% per annum (2021: 4.0% per annum); and
- post-tax discount rates of 10% (2021: 10%).

The assumptions applied in 2021 were used to measure the fair value of assets acquired through the business combination.

Section 2 – Oil and Gas Assets, Operations and Other Non-Current Assets continued

2.1 Gross Profit: Revenue and Cost of Sales

Accounting policies

Revenue

Revenue from oil sales represents the Group's share of sales from its producing interests in Egypt, at the point in time when ownership of the oil has passed to the buyer. On domestic sales, the point of sale is determined to be the point when oil is delivered to the communal storage tanks in the onshore facilities. Sales relating to the export of oil are recognised once the cargo is fully loaded onto a crude tanker and the necessary export documentation received. Revenue is measured using the monthly average Brent oil price, plus or minus the applicable price differential premium or discount to reach the Official Selling Price and is recorded at fair value including estimates to reduce revenue to the Group's expected entitlement share of sales volumes.

Revenue from the sale of gas in Egypt is recorded based on the volume of gas accepted each day by customers at the delivery point.

Revenue from royalties is calculated on production from fields in Mongolia.

Other income – tax entitlement volumes

Under the concession agreements in Egypt, income tax due on taxable profit is paid on Capricorn's behalf by EGPC. To achieve this through the agreements, Capricorn notionally receive a greater share of hydrocarbon production in excess of the Group's entitlement interest share of production equal to the amount required to cover the tax payable. The oil is produced and sold on Capricorn's behalf and proceeds remitted to the tax authorities. This income falls outwith the definition of revenue and is therefore shown as other income with an equal and opposite tax charge recorded through current taxation.

Cost of sales and inventory

Production costs include Capricorn's share of costs incurred by the joint operation in extracting oil and gas. Also included are marketing and transportation costs and loss-of-production insurance costs payable over the year.

Oil inventory is measured at market value in accordance with established industry practice.

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Oil sales	181.4	41.3
Gas sales	47.5	14.9
Revenue from oil and gas sales	228.9	56.2
Royalty income	0.7	0.9
Total revenue	229.6	57.1
Other income – Tax entitlement volumes	54.8	7.3
Other income	54.8	7.3
Production costs and inventory movements	(71.2)	(20.5)
Cost of sales	(71.2)	(20.5)
Depletion (note 2.3)	(124.1)	(31.2)
Gross profit	89.1	12.7

Section 2 – Oil and Gas Assets, Operations and Other Non-Current Assets continued

2.1 Gross Profit: Revenue and Cost of Sales continued

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 for the year ended 31 December 2022 was US$228.9m (period from 24 September 2021 to 31 December 2021: US$56.2m), from net entitlement production of 4.7 mmboe (period from 24 September 2021 to 31 December 2021: 1.4 mmboe) of which ~39% (period from 24 September 2021 to 31 December 2021: ~39%) was liquids. Oil sales averaged US$98.8/boe (period from 24 September 2021 to 31 December 2021: US$77.8/boe) and with gas sales fixed at US$2.9/mcf (period from 24 September 2021 to 31 December 2021: 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$71.2m (period from 24 September 2021 to 31 December 2021: US$20.5m), or US$5.7/boe (period from 24 September 2021 to 31 December 2021: US$6.0/boe) (on a working interest ("WI") basis).

2.2 Intangible Exploration/Appraisal Assets

Accounting policy

Capricorn follows a successful efforts-based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement as pre-award costs.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, undepleted, within intangible exploration/appraisal assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered and a field development plan approved.

Exploration expenditure incurred in the process of determining oil and gas exploration targets is capitalised initially within intangible exploration/appraisal assets and subsequently allocated to drilling activities. Costs are recognised following a cost accumulation model where any contingent future costs on recognition of an asset are recognised only when incurred. This includes where Capricorn has entered into a 'farm-in' agreement to either acquire or part-dispose of an exploration interest.

A farm-in is an agreement in which a party agrees to acquire from one or more of the existing licencees an interest in an exploration licence, for a consideration which may consist of the performance of a specified work obligation on behalf of the existing licencees. This obligation may be subject to a monetary cap. Refund of full or partial costs incurred to date may also be included in a farm-in agreement. Where Capricorn has part-disposed of an exploration licence interest through a farm-in arrangement, a 'farm-down', the contingent consideration payable by the third party on Capricorn's behalf is not recognised in the Financial Statements. The future economic benefit which Capricorn will receive as a result of the farm-down will be dependent upon future success of any exploration drilling.

Exploration/appraisal drilling costs are capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well-by-well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial and work to confirm the commercial viability of such hydrocarbons is intended to be carried out in the foreseeable future. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated and approved in a field development plan, then the related capitalised intangible exploration/appraisal costs are transferred into a single field cost centre within property, plant & equipment – development/producing assets, after testing for impairment (see below).

Proceeds from the disposal or farm-down of part or all of an exploration/appraisal asset are credited initially to that interest with any excess being credited to the Income Statement.

Impairment

Intangible exploration/appraisal assets are reviewed regularly for indicators of impairment and tested for impairment where such indicators exist. An indicator that one of the Group's assets may be impaired is most likely to be one of the following:

- there are no further plans to conduct exploration activities in the area;
- exploration drilling in the area has failed to discover commercial reserve volumes;
- changes in the oil price or other market conditions indicate that discoveries may no longer be commercial; or
- development proposals for appraisal assets in the pre-development stage indicate that it is unlikely that the carrying value of the exploration/appraisal asset will be recovered in full.

In such circumstances the intangible exploration/appraisal asset is allocated to any property, plant & equipment – development/producing assets within the same cash-generating unit (CGU) and tested for impairment. Any impairment arising is recognised in the Income Statement for the year. Where there are no development assets within the CGU, the excess of the carrying amount of the exploration/appraisal asset over its recoverable amount is charged immediately to the Income Statement.

Section 2 – Oil and Gas Assets, Operations and Other Non-Current Assets continued

2.2 Intangible Exploration/Appraisal Assets continued

	Egypt US$m	Eastern US$m	Western US$m	Total US$m
Cost				
At 1 January 2021	–	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
Additions	22.5	10.5	57.4	**90.4**
Unsuccessful exploration costs	0.6	(0.1)	(113.6)	**(113.1)**
At 31 December 2022	**26.8**	**39.3**	**29.1**	**95.2**
Impairment				
At 1 January 2021	–	–	36.0	36.0
Impairment charges	–	–	19.6	19.6
Disposals	–	–	(36.0)	(36.0)
At 31 December 2021	–	–	19.6	19.6
Unsuccessful exploration costs	–	–	(19.6)	**(19.6)**
At 31 December 2022	**–**	**–**	**–**	**–**
Net book value				
At 31 December 2020	–	34.9	77.2	112.1
At 31 December 2021	3.7	28.9	65.7	98.3
At 31 December 2022	**26.8**	**39.3**	**29.1**	**95.2**

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

Egypt
Additions in Egypt of US$22.5m mainly relate to North Um Baraka, Badr El Din and the three Capricorn operated concessions, South Abu Sennan, West El Fayium and South East Horus. Unsuccessful exploration costs of US$2.9m recorded in 2021, offset by an accrual reversal of US$0.6m in 2022, relate to the North Um Baraka concession, where an unsuccessful well completed in January 2022.

Eastern
Additions in the year of US$10.5m include US$10.4m which were incurred on Mauritania Block 7 and total costs of US$39.3m remain capitalised at the year end.

Western
Additions of US$57.4m include US$11.4m in Mexico, US$44.5m in the UK and US$1.5m in Suriname.

In the UK, additions of US$22.7m and US$13.5m were incurred on the P2379 and P2380 licences containing the Diadem and Jaws wells completed in the year, with remaining additions of US$8.3m incurred across the rest of the UK portfolio. US$10.4m of the Diadem additions were short-term lease costs. Both Diadem and Jaws wells were unsuccessful, and costs of US$29.3m and US$13.5m respectively were charged to the Income Statement, with a further US$1.9m of unsuccessful costs incurred on other UK portfolio licences. Further costs of US$17.4m relating to the Jaws well were charged to the Income Statement in 2021. At 31 December 2022 costs of US$12.1m remain capitalised in respect of UK licences.

In Mexico additions for the year of US$11.4m were spread across Blocks 7, 9, 10 and 15. Unsuccessful costs of US$68.9m include US$49.6m which were charged to the Income Statement for Blocks 9, 10 and 15 where Capricorn has or will be exiting from the licences. This includes costs of US$19.6m impaired in 2021 on Block 9 (discussed further below). The remaining unsuccessful costs of US$19.3m relate to Block 7 where the Yatzil well completed in 2023. Capricorn internal analysis led to the decision not to participate in the forthcoming phases and the Company has therefore informed partners of its decision to withdraw from the licence.

In Suriname total costs of US$17.0m remain capitalised at the year end.

Impairment review
At the year end, Capricorn reviewed its remaining intangible exploration/appraisal assets for indicators of impairment. No indicator of impairment was identified on any of the Group's remaining exploration/appraisal assets.

Subsequent to the year end, the Directors have confirmed that Capricorn will seek to farm-down its interests in Mauritania and Suriname before committing to further exploration activity. Failure to find a partner and subsequent withdrawal from either or both licences would result in all costs currently capitalised in relation to these licences being charged to the Income Statement.

In 2021, 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. In 2022, Capricorn submitted notice to the Mexican authorities of the Group's intention to withdraw from Block 9 and remaining costs charged as unsuccessful exploration costs.

Section 2 – Oil and Gas Assets, Operations and Other Non-Current Assets continued

2.3 Property, Plant & Equipment – Development/Producing Assets

Accounting policy

Costs

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated and a development plan approved are capitalised within development/producing assets on a field-by-field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed.

Costs of borrowings relating to the ongoing construction of development/producing assets and facilities are capitalised during the development phase of the project. Capitalisation ceases once the asset is ready to commence production.

Net proceeds from any disposal, part disposal or farm-down of development/producing assets are credited against the appropriate portion of previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds, measured at fair value, exceed or are less than the appropriate portion of the net capitalised costs.

Depletion and amortisation

Depletion is charged on a unit-of-production basis, based on proved and probable reserves on a field-by-field basis. Fields within a single development area may be combined for depletion purposes. Where production commences prior to completion of the development, costs to be depleted include the costs-to-complete of the facility required to extract the volume of reserves recorded. Amortisation charged on right-of-use leased assets is also charged on a unit-of-production basis, based on proved and probable reserves.

Impairment

Development/producing assets are reviewed for indicators of impairment at the balance sheet date. Indicators of impairment for the Group's development assets include:

- downward revisions of reserve estimates;
- increases in cost estimates for development projects; or
- a decrease in the oil price or other negative changes in market conditions.

Impairment tests are carried out on each development/producing asset at the balance sheet date where an indicator of impairment is identified. The test compares the carrying value of an asset to its recoverable amount based on the higher of its fair value less costs of disposal or value in use. Where the fair value less costs of disposal supports the carrying value of the asset, no value-in-use calculation is performed.

If it is not possible to calculate the fair value less costs of disposal of an individual asset, the fair value less costs of disposal is calculated for the CGU containing the asset and tested against the carrying value of the assets and liabilities in the CGU for impairment. Where an asset can be tested independently for impairment, this test is performed prior to the inclusion of the asset into a CGU for further impairment tests.

If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment charge is made.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior years.

Decommissioning

At the end of the producing life of a field, costs are incurred in plugging and abandoning wells, removing subsea installations and decommissioning production facilities. Capricorn recognises the full discounted cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. The decommissioning asset is included within property, plant & equipment – development/producing assets with the cost of the related installation. The liability is included within provisions.

Revisions to the estimated costs of decommissioning which alter the level of the provisions required are also reflected in adjustments to the decommissioning asset. The amortisation of the asset is calculated on a unit-of-production basis based on proved and probable reserves. The amortisation of the asset is included in the depletion charge in the Income Statement and the unwinding of discount of the provision is included within finance costs.

Section 2 – Oil and Gas Assets, Operations and Other Non-Current Assets continued

2.3 Property, Plant & Equipment – Development/Producing Assets continued

	Egypt US$m	UK producing assets US$m	UK producing right-of-use leased assets US$m	Total US$m
Cost				
At 1 January 2021	–	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 2021	405.1	–	–	405.1
Additions	71.5	–	–	**71.5**
Other cost adjustments	(29.2)	–	–	**(29.2)**
At 31 December 2022	**447.4**	**–**	**–**	**447.4**
Depletion, amortisation and impairment				
At 1 January 2021	–	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
Depletion charge	124.1	–	–	**124.1**
Impairment	42.6	–	–	**42.6**
At 31 December 2022	**197.9**	**–**	**–**	**197.9**
Net book value				
At 31 December 2020	–	660.7	189.1	849.8
At 31 December 2021	373.9	–	–	373.9
At 31 December 2022	**249.5**	**–**	**–**	**249.5**

Egypt
Capricorn acquired its development/producing assets in Egypt through a business combination in 2021 (see note 6.3). Subsequent expenditure on development activities across the concessions totalled US$14.9m in 2021 and US$75.1m in 2022. The 2022 other cost adjustments of US$29.2m relate to the reversal of accruals which were included in the acquisition costs of assets in 2021. The seller has not provided sufficient information to allow the new operator to reconcile the reversal of those accruals back to subsequent costs. Capricorn have therefore reversed those accruals at the year end.

The 2021 acquisition was funded through a combination of cash and borrowings, with further deferred consideration due on future oil prices. Subsequent additions have been funded through cash and working capital.

Depletion of US$124.1m (2021: US$31.2m) was charged to the Income Statement based on entitlement interest production during the year (2021: 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.

Impairment review
The Group's development/producing assets in Egypt were reviewed for indicators of impairment. Indicators were identified where performance from producing wells had fallen below expectation resulting in downgrades to reserve volumes. Subsequent impairment tests identified an impairment of US$42.6m across two of the Egypt concession areas, AESW and Obaiyed. Impairment sensitivity analysis is provided in note 2.7.

UK Producing asset 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 note 6.1). At the date of the agreement, assets were re-classified as held-for-sale before the disposal completed. US$35.3m of amortisation and depletion charges were recorded on the assets prior to re-classification.

Section 2 – Oil and Gas Assets, Operations and Other Non-Current Assets continued

2.4 Goodwill

	Egypt US$m
At 1 January 2021	–
Goodwill arising on acquisition	25.4
At 31 December 2021 and 31 December 2022	**25.4**

Goodwill arose on the acquisition of the Western Desert assets in Egypt in 2021 (see note 6.3). There were no subsequent measurement period adjustments to the original acquisition accounting. Goodwill has been tested for impairment at 31 December 2022 but no impairment was identified. Impairment sensitivity analysis is provided in note 2.7.

2.5 Other Property, Plant & Equipment and Intangible assets

	Carbon credits US$m	Intangible assets US$m	Property, plant & equipment US$m	Right-of-use assets US$m	Total US$m
Cost					
At 1 January 2021	–	36.5	10.4	9.3	56.2
Additions	–	0.9	0.4	–	1.3
At 31 December 2021	–	37.4	10.8	9.3	57.5
Additions	6.8	3.9	–	3.5	**14.2**
At 31 December 2022	**6.8**	**41.3**	**10.8**	**12.8**	**71.7**
Depreciation and amortisation					
At 1 January 2021	–	30.4	10.0	4.3	44.7
Charge for the year	–	4.8	0.3	2.0	7.1
At 31 December 2021	–	35.2	10.3	6.3	51.8
Charge for the year	–	3.5	0.3	2.0	**5.8**
At 31 December 2022	**–**	**38.7**	**10.6**	**8.3**	**57.6**
Net book value					
At 31 December 2020	–	6.1	0.4	5.0	11.5
At 31 December 2021	–	2.2	0.5	3.0	5.7
At 31 December 2022	**6.8**	**2.6**	**0.2**	**4.5**	**14.1**

During the year, the Group invested US$6.8m in high-quality, verified carbon credits, which will be used to offset the Group's future emissions from its operations in Egypt, in order to achieve its net zero targets. For more details see TCFD Reporting, on pages 180 to 184. None of the carbon credits purchased have subsequently been retired. Amortisation of the carbon credits will commence on first retirement.

2.6 Capital Commitments

	At 31 December 2022 US$m	At 31 December 2021 US$m
Oil and gas expenditure:		
Intangible exploration/appraisal assets	**36.0**	71.8
Property, plant & equipment – development/producing assets	**114.0**	93.7
Contracted for	**150.0**	165.5

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$17.2m (2021: US$23.5m) in Egypt, US$0.5m (2021: US$34.4m) for operations in the UK and US$18.3m (2021: US$11.1m) for remaining commitments in Mexico.

As at 31 December 2022, the capital commitments for property, plant & equipment – development/producing assets were solely related to Egypt operations.

There were no short-term lease commitments at the 2022 balance sheet date (2021: US$nil).

Section 2 – Oil and Gas Assets, Operations and Other Non-Current Assets continued

2.7 Impairment Sensitivity Analysis

Capricorn recorded an impairment of US$42.6m on the Obaiyed and AESW concession areas. Impairment sensitivity analysis has been performed of the Group's long-term oil price and discount rate assumptions with results presented below. Changes arising on the change of assumptions relate to the AESW and Obaiyed concessions only. No impairment arises on any of the other Egypt concession areas or on goodwill under any of the sensitivities performed.

Changes to other assumptions used to calculate the recoverable value of the Group's Egypt assets have no significant impact on the impairment charge.

Property, plant & equipment – Development/producing assets	Impairment charge (increase)/ decrease US$m	Deferred tax credit/(charge) on change US$m	Net Income Statement impact US$m
Long-term oil price:			
US$55/bbl	**(14.2)**	**5.8**	**(8.4)**
US$65/bbl	**10.0**	**(4.1)**	**5.9**
US$70/bbl	**22.3**	**(9.0)**	**13.3**
Discount rate:			
12%	**(7.8)**	**3.2**	**(4.6)**
14%	**(12.9)**	**5.2**	**(7.7)**

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

This section includes detail on the Group's loan facilities, movements in lease liabilities and financial assets and liabilities at the year-end. The Group's financial risk management objectives and policies are also contained in this section.

Significant accounting judgements and key estimates and assumptions in this section:

India tax refund receivable

The Group recorded the tax refund due from India as a receivable at the prior year end (see note 4.8).

Financial assets at fair value through profit or loss – Earnout consideration

Under the sales agreement for the disposal of the Group's UK producing assets, Capricorn is entitled to earnout consideration from the purchaser calculated on a share of future production through to 2025 on revenue in excess of US$52/bbl. The earnout consideration is dependent on minimum annual future production levels being achieved. Capricorn have obtained market values for the oil price option subsequently adjusting for expected credit loss provisions.

3.1 Cash and Cash Equivalents

	At 31 December 2022 US$m	At 31 December 2021 US$m
Cash at bank	**63.4**	84.8
Bank deposit less than three months	**298.0**	–
Money market funds	**395.4**	229.3
	756.8	314.1

At 31 December 2022, US$52.5m (2021: US$8.9m) of cash and cash equivalents are restricted and not available for immediate ordinary business use. This includes US$43.5m (2021: US$8.9m) of cash and cash equivalents in Egypt.

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 2022 Capricorn had invested surplus funds into money market funds and short-term bank deposits. These meet the criteria of cash and cash equivalents.

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.

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

3.2 Loans and Borrowings

Reconciliation of opening and closing liabilities to cash flow movements:	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Opening liabilities	**177.0**	–
Loan advances in the year disclosed in the Cash Flow Statement:		
Senior Debt Facility	–	141.4
Junior Debt Facility	–	40.0
	–	181.4
Loan repayments in the year disclosed in the Cash Flow Statement:		
Senior Debt Facility	**(21.5)**	–
Other movements in Cash Flow Statement:		
Debt arrangement fees	–	(4.6)
Non-cash movements:		
Accrued debt facility interest	**2.2**	–
Amortisation of debt arrangement fees	**0.9**	0.2
Closing liabilities	**158.6**	177.0
Amounts due less than one year	**25.4**	10.9
Amounts due greater than one year	**133.2**	166.1
Closing liabilities	**158.6**	177.0

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 Cheiron, the joint operation partner in Egypt, 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. Facility commitments began amortising in September 2022 and the maximum drawdown available to Capricorn at 31 December 2022 was US$119.9m 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 Senior Debt 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$.

With effect from 1 July 2023, it is intended that the Secured Overnight Financing Rate (SOFR) will replace LIBOR as the benchmark for calculating interest on the two facilities. The rate of interest on borrowings will be the aggregate of the reference rate, margin and a credit adjustment spread, whereby the reference rate will be the applicable Term SOFR for a period equal in length to the interest period of the loan.

3.3 Inventory

	31 December 2022 US$m	31 December 2021 US$m
Spare parts – Egypt concessions	**8.1**	10.8

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

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

3.4 Trade and Other Receivables

Accounting policy

Trade receivables represent amounts due from the sale of oil and gas from the Group's assets in Egypt, acquired during 2021, royalty payments receivable from producing fields in Mongolia and previously from oil and gas sales from UK producing assets disposed of during 2021. Other receivables primarily represent recharges to joint operations. Joint operation receivables relate to Capricorn's interest in its oil and gas joint arrangements, including Capricorn's participating interest share of the receivables of the joint arrangements themselves.

Trade receivables, other receivables and joint operation receivables, which are financial assets, are measured initially at fair value and subsequently recorded at amortised cost.

A loss allowance is recognised, where material, for expected credit losses on all financial assets held at the balance sheet date. Expected credit losses are the difference between the contractual cash flows due to Capricorn and the discounted actual cash flows that are expected to be received. Where there has been no significant increase in credit risk since initial recognition, the loss allowance is equal to 12-month expected credit losses. Where the increase in credit risk is considered significant, lifetime credit losses are provided. For trade receivables a lifetime credit loss is recognised on initial recognition where material.

Prepayments, which are not financial assets, are measured at historic cost.

	At 31 December 2022 US$m	At 31 December 2021 US$m
India tax refund receivable	–	1,070.7
Trade receivables	96.9	63.3
Other receivables	19.6	14.0
Prepayments	5.3	7.8
Joint operation receivables	20.7	55.4
	142.5	1,211.2

The India tax refund receivable of US$1,070.7m was settled in February 2022, see note 4.8.

Trade receivables relate to the Group's producing assets in Egypt. Capricorn remain in discussions with EGPC and the operator to manage the receivables position.

Trade receivables are initially recorded at fair value, adjusting for expected credit losses, 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.

Other receivables balance of US$19.6m (2021: US$14.0m) includes interventure receivables of US$9.1m (2021: US$7.7m), VAT recoverable in the UK and Mexico of US$4.4m (2021: US$3.5m) and money market interest receivable of US$3.3m (2021: US$1.5m).

Reconciliation of opening and closing receivables to operating cash flow movements:	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Opening trade and other receivables	1,211.2	74.6
Closing trade and other receivables	(142.5)	(1,211.2)
Decrease/(Increase) in trade and other receivables	1,068.7	(1,136.6)
Foreign exchange	(17.3)	0.2
India tax refund (received)/receivable	(1,056.0)	1,070.7
Decrease in joint operation receivables relating to investing activities	(27.7)	(1.3)
(Decrease)/Increase in other receivables relating to investing activities	(8.7)	0.2
Increase in prepayments relating to investing activities	0.6	2.7
Increase/(Decrease) in prepayments and other receivables relating to financing activities	1.7	(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 (note 6.3)	–	58.1
Trade and other receivables cash flow movement	(38.7)	(70.8)

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.

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

3.5 Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

Financial assets	At 31 December 2022 US$m	At 31 December 2021 US$m
Non-current assets		
Financial assets at fair value through profit or loss – earnout consideration	**89.7**	113.5
Financial assets at fair value through profit or loss – non-listed investment fund	**6.5**	6.9
	96.2	120.4
Current assets		
Financial assets at fair value through profit or loss – earnout consideration	**134.4**	75.8
Financial assets at fair value through profit or loss – listed equity investments	**–**	10.8
	134.4	86.6

Financial assets at fair value through profit or loss – Earnout consideration

The fair value of earnout consideration receivable, due in annual instalments from 2023 through to 2026, increased by US$110.4m during 2022 to a closing fair value receivable of US$224.1m in the Balance Sheet as at 31 December 2022. The 2021 current receivable of US$75.8m relating to 2021 production was settled during the year. See note 6.1 for further detail.

On 31 March 2023, Capricorn received US$136.7m in full settlement of the 2022 earnout consideration due with interest from 1 January 2023 of US$2.3m.

Financial assets at fair value through profit or loss – Listed equity investments

In 2021, Capricorn invested US$6.9m 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 and measured at fair value.

In March 2022, the Group sold its remaining shareholding in Vedanta, listed in India, for INR968m (US$12.7m).

Financial liabilities	At 31 December 2022 US$m	At 31 December 2021 US$m
Non-current liabilities		
Financial liabilities at fair value through profit or loss – deferred consideration on business combination	**(36.8)**	(49.1)
	(36.8)	(49.1)
Current liabilities		
Financial liabilities at fair value through profit or loss – deferred consideration on business combination	**(25.0)**	(20.9)
	(25.0)	(20.9)

Financial liabilities at fair value through profit or loss – deferred consideration on business combination

Deferred consideration is due to Shell following the Egypt business combination in 2021. Amounts due are determined by the average annual dated Brent oil price for each year up to 2024, with a maximum US$25.0m due for each year if the average price exceeds US$75/bbl. The full US$25.0m was payable in respect of 2022 and was settled in January 2023.

The fair value of the liability in respect of remaining years is based on third-party mark-to-market valuations. During the year, the Group made a loss of US$12.7m (2121: US$7.2m) on fair value movements increasing the liability.

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

3.6 Trade and Other Payables

Accounting policy

Trade and other payables are non-interest bearing and are measured at fair value initially then amortised cost subsequently.

Joint operation payables are payables that relate to Capricorn's interest in its oil and gas joint arrangements, including Capricorn's participating interest share of the trade and other payables of the joint arrangements themselves. Where Capricorn is operator of the joint operation, joint operation payables also include amounts that Capricorn will settle to third parties on behalf of joint operation partners. The amount to be recovered from partners for their share of such liabilities are included within joint operation receivables.

	At 31 December 2022 US$m	At 31 December 2021 US$m
Trade payables	**1.5**	1.6
Other taxation and social security	**1.9**	0.2
Accruals and other payables	**21.6**	59.5
Joint operation payables	**30.7**	90.9
	55.7	152.2

The reduction in accruals and other payables are mainly due to a balance of US$20.2m paid for the share re-purchase, see note 7.1.

Joint operation payables include US$18.3m (2021: US$30.0m) and US$12.1m (2021: US$0.5m) relating to exploration/appraisal asset and development/producing asset costs respectively.

The decrease 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 2022 US$m	Year ended 31 December 2021 US$m
Opening trade and other payables	**(152.2)**	(91.6)
Closing trade and other payables	**55.7**	152.2
(Decrease)/Increase in trade and other payables	**(96.5)**	60.6
Foreign exchange	**3.4**	–
Decrease in trade payables relating to investing activities	**0.5**	–
Decrease/(Increase) in joint operation payables relating to investing activities	**61.6**	(16.4)
Decrease/(Increase) in accruals and other payables relating to other non-operating activities	**18.7**	(19.0)
Decrease in accruals and other payables relating to investing activities	**3.0**	1.2
Increase in accruals and other payables relating to financing activities	**(0.5)**	(0.6)
Trade and other payables derecognised on disposal of the UK assets	**–**	22.2
Joint operation payables recognised on purchase of Egypt assets (note 6.3)	**–**	(59.5)
Trade and other payables movement recorded in operating cash flows	**(9.8)**	(11.5)

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.

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

3.7 Financial Instruments

Below is the comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the Financial Statements.

Financial assets

Carrying amount and fair value	At 31 December 2022 US$m	At 31 December 2021 US$m
Financial assets at amortised cost		
Cash and cash equivalents	**756.8**	314.1
Trade receivables	**96.9**	63.3
Other receivables	**19.6**	14.0
Joint operation receivables	**14.1**	38.4
Financial assets at fair value through profit or loss		
Earnout consideration	**224.1**	189.3
Listed equity shares	**–**	10.8
Non-listed investment fund	**6.5**	6.9
	1,118.0	636.8

Due to the short-term nature of financial assets held at amortised cost, their carrying amount is considered to be the same as their fair value.

There are no material impairments of financial assets held on the Balance Sheet at either 31 December 2022 or 2021.

Maturity analysis of financial assets

All financial assets at amortised costs are expected to mature within 12 months. The expected financial maturity of the Group's financial assets at fair value through profit or loss at 31 December 2022 is as follows:

	<1 year US$m	1–2 years US$m	2–5 years US$m	>5 years US$m
Financial assets at fair value through profit or loss				
Earnout consideration	**134.4**	**52.9**	**36.8**	**–**
Non-listed investment fund	**–**	**–**	**6.5**	**–**
	134.4	**52.9**	**43.3**	**–**

The expected financial maturity of the Group's financial assets at fair value through profit or loss at 31 December 2021 was as follows:

	<1 year US$m	1–2 years US$m	2–5 years US$m	>5 years US$m
Financial assets at fair value through profit or loss				
Earnout consideration	75.8	53.7	59.8	–
Listed equity shares	10.8	–	–	–
Non-listed investment fund	–	–	6.9	–
	86.6	53.7	66.7	–

Financial liabilities

Carrying amount and fair value	At 31 December 2022 US$m	At 31 December 2021 US$m
Financial liabilities at amortised cost		
Trade payables	**1.5**	1.6
Accruals and other payables	**21.6**	59.5
Joint operation payables	**30.7**	90.9
Lease liabilities	**4.3**	3.7
Loans and borrowings	**158.6**	177.0
Financial liabilities at fair value		
Deferred consideration on business combinations	**61.8**	70.0
	278.5	402.7

The fair value of financial liabilities has been calculated by discounting the expected future cash flows at prevailing interest rates.

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

3.7 Financial Instruments continued

Financial liabilities continued

Maturity analysis of financial liabilities

The expected financial maturity of the Group's financial liabilities at 31 December 2022 is as follows:

	<1 year US$m	1–2 years US$m	2–5 years US$m	>5 years US$m
Financial liabilities at amortised cost				
Trade payables	**1.5**	–	–	–
Accruals and other payables	**21.6**	–	–	–
Joint operation payables	**30.7**	–	–	–
Lease liabilities	**1.9**	**0.8**	**1.6**	–
Loans and borrowings	**25.4**	**42.1**	**91.1**	–
Financial liabilities at fair value				
Deferred consideration on business combinations	**25.0**	**36.8**	–	–
	106.1	**79.7**	**92.7**	–

The expected financial maturity of the Group's financial liabilities at 31 December 2021 was as follows:

	<1 year US$m	1–2 years US$m	2–5 years US$m	>5 years US$m
Financial liabilities at amortised cost				
Trade payables	1.6	–	–	–
Accruals and other payables	59.5	–	–	–
Joint operation payables	90.9	–	–	–
Lease liabilities	2.4	1.3	–	–
Loans and borrowings	10.9	47.2	118.9	–
Financial liabilities at fair value				
Deferred consideration on business combinations	20.9	49.1	–	–
	186.2	97.6	118.9	–

Fair value

Capricorn holds a non-listed investment fund as a non-current financial asset at fair value through profit or loss. The Group determines and discloses the fair value by reference to the net asset valuation provided by ICICI bank – the custodian/fund accounting service provider for Vasuki India Fund.

	At 31 December 2022 US$m	At 31 December 2021 US$m
Assets measured at fair value – Level 1		
Financial assets at fair value through profit or loss		
Listed equity shares	–	10.8
Assets measured at fair value – Level 2		
Financial assets at fair value through profit or loss		
Earnout consideration	**224.1**	189.3
Non-listed investment fund	**6.5**	6.9
Liabilities measured at fair value – Level 2		
Financial liabilities at fair value		
Deferred consideration on business combinations	**(58.9)**	(68.2)
Liabilities measured at fair value – Level 3		
Financial liabilities at fair value		
Deferred consideration on business combinations	**(2.9)**	(1.8)
	168.8	137.0

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

3.8 Financial Risk Management: Objectives and Policies

The main risks arising from the Group's financial instruments are commodity price risk, liquidity risk, credit risk and foreign currency risk. The Board of Capricorn Energy PLC, through the Treasury Subcommittee, reviews and agrees policies for managing each of these risks and these are summarised below.

The Group's Treasury function and Executive Team as appropriate are responsible for managing these risks, in accordance with the policies set by the Board. Management of these risks is carried out by monitoring of cash flows, investment and funding requirements using a variety of techniques. These potential exposures are managed while ensuring that the Company and the Group have adequate liquidity at all times in order to meet their immediate cash requirements. There are no significant concentrations of risks unless otherwise stated. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

The primary financial assets and liabilities comprise cash, short- and medium-term deposits, money market liquidity funds, listed equity shares, intra-group loans and other receivables and financial liabilities held at amortised cost. The Group's strategy has been to finance its operations through a mixture of retained profits, bank borrowings and other production-related streaming agreements. Other alternatives such as equity issues and other forms of non-investment-grade debt finance are reviewed by the Board, when appropriate.

Commodity price risk

Commodity price risk arises principally from the Group's Egyptian production, which could adversely affect revenue and debt availability due to changes in commodity prices.

The Group measures commodity price risk through an analysis of the potential impact of changing commodity prices. Based on this analysis and considering materiality and the potential business impact, the Group may choose to hedge.

Linked to production in the UK North Sea, the Group continued to hedge during 2021 in order to protect debt capacity and support committed capital programmes. No hedging of production in Egypt was in place at the year end, though this remains under review with Capricorn and the operator looking at hedging opportunities.

Transacted derivatives are designated, where possible, in cash flow hedge relationships to minimise accounting income statement volatility. The Group is required to assess the likely effectiveness of any proposed cash flow hedging relationship and demonstrate that the hedging relationship is expected to be highly effective prior to entering into a hedging instrument and at subsequent reporting dates.

Liquidity risk

The Group closely monitors and manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt and equity financing plans and active portfolio management. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in asset production profiles and cost schedules.

The Group runs various sensitivities on its liquidity position throughout the year. This includes scenarios forecasting a period of sustained low oil prices. Further details are noted in the Viability Statement provided on page 32.

Details of the Group's debt facilities can be found in note 3.2. The Group is subject to semi-annual forecast liquidity tests as part of the facility agreements.

The Group invests cash in a combination of money market liquidity funds and term deposits with a number of international and UK financial institutions, ensuring sufficient liquidity to enable the Group to meet its short- and medium-term expenditure requirements.

Credit risk

Credit risk arises from cash and cash equivalents, investments with banks and financial institutions, trade and other receivables and joint operation receivables.

Customers and joint operation partners are subject to a risk assessment using publicly available information and credit reference agencies, with follow-up due diligence and monitoring if required. At the year end, the Group's trade receivables primarily relates to amounts due from EGPC for oil and gas sales in Egypt. Amounts are recognised after providing for expected credit losses.

Investment credit risk for investments with banks and other financial institutions is managed by the Group Treasury function in accordance with the Board-approved policies of Capricorn Energy PLC. These policies limit counterparty exposure, maturity, collateral and take account of published ratings, market measures and other market information. The limits are set to minimise the concentration of risks and therefore mitigate the risk of financial loss through counterparty failure.

It is Capricorn's policy to invest with banks or other financial institutions that, firstly, offer the greatest degree of security in the view of the Group and, secondly, the most competitive interest rates. Repayment of principal is the overriding priority and this is achieved by diversification and shorter maturities to provide flexibility. The Board continually re-assesses the Group's policy and updates as required.

At the year end the Group does not have any significant concentrations of bad debt risk. As at 31 December 2022 the Group had investments with 21 counterparties (2021: 18) to ensure no concentration of counterparty investment risk. At 31 December 2022 the Group's investments were a combination of instant access and term deposits. At 31 December 2021 all of these investments were instant access.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

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

3.8 Financial Risk Management: Objectives and Policies continued

Foreign currency risk

Capricorn manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position.

The Group also aims where possible to hold surplus cash, debt and working capital balances in the functional currency of the subsidiary, thereby matching the reporting currency and functional currency of most companies in the Group. This minimises the impact of foreign exchange movements on the Group's Balance Sheet.

Where residual net exposures do exist and they are considered significant, the Company and Group may from time-to-time opt to use derivative financial instruments to minimise exposure to fluctuations in foreign exchange and interest rates.

The following table demonstrates the sensitivity to movements in the US$:GBP exchange rate, with all other variables held constant, on the Group's monetary assets and liabilities. These are considered to be reasonably possible changes for the purposes of sensitivity analysis. The Group's exposure to foreign currency changes for all other currencies is not material.

	At 31 December 2022		At 31 December 2021	
	Effect on profit before tax US$m	Effect on equity US$m	Effect on profit before tax US$m	Effect on equity US$m
10% increase in GBP to US$	(17.9)	(5.3)	(18.5)	(2.2)
10% decrease in GBP to US$	17.9	5.3	18.5	2.2

Section 4 – Income Statement Analysis

This section contains further Income Statement analysis, including segmental analysis, details of employee benefits payable in the year, finance income and finance costs.

Significant accounting judgements in this section:

Segmental disclosures and discontinued operations

IFRS 8 'Operating Segments' does not provide guidance as to whether segment disclosures apply to discontinued operations. For the comparative period, Capricorn has presented segmental disclosures inclusive of the results of the discontinued operations relating to the UK producing assets, Catcher and Kraken. The current year movements, largely relating to fair value movements on the earnout consideration due, are included within the 'Other Capricorn Energy Group' segment.

Key estimates and assumptions in this section:

There are several key estimates and assumptions used in the calculation of the Group's share-based payment charges. These are detailed in note 4.4 (b).

4.1 Segmental Analysis

Operating segments

Capricorn had three reporting segments during 2022; Egypt, Eastern and Western assets.

The Egypt segment was added following the acquisition in 2021. The Eastern operating segment includes costs associated with interests in Mauritania. The Western segment holds continuing UK North Sea exploration interests, Mexico and Suriname. The Board monitored the results of each segment separately for the purposes of making decisions about resource allocation and performance assessment.

The Other Capricorn Energy Group segment exists to accumulate the activities and results of the Parent and other holding companies together with other unallocated expenditure and net assets/liabilities including amounts of a corporate nature not specifically attributable to any of the business units.

Non-current assets as analysed on a segmental basis consist of: intangible exploration/appraisal assets; property, plant & equipment – development/producing assets; goodwill; and other property, plant & equipment and intangible assets.

Geographical information: non-current assets	At 31 December 2022 US$m	At 31 December 2021 US$m
Egypt	**303.3**	403.0
Eastern	**39.3**	28.9
Mexico	**0.6**	38.8
UK	**12.1**	12.4
Suriname	**17.1**	15.6
Western	**29.8**	66.8
Other Capricorn Energy Group	**11.9**	4.6
Total non-current assets	**384.3**	503.3

Section 4 – Income Statement Analysis continued

4.1 Segmental Analysis continued

Operating segments continued

The segment results for the year ended 31 December 2022 are as follows:

	Egypt US$m	Eastern US$m	Western US$m	Other Capricorn Energy Group US$m	**Total US$m**
Revenue	228.9	–	–	0.7	**229.6**
Other income	54.8	–	–	–	**54.8**
Cost of sales	(71.2)	–	–	–	**(71.2)**
Depletion and amortisation charges	(124.1)	–	–	–	**(124.1)**
Gross profit	**88.4**	**–**	**–**	**0.7**	**89.1**
Pre-award costs	(2.8)	–	(0.8)	(5.6)	**(9.2)**
Unsuccessful exploration costs	0.6	(0.1)	(94.0)	–	**(93.5)**
Impairment of property, plant & equipment – development/producing assets	(42.6)	–	–	–	**(42.6)**
Other operating income and expenses	4.0	–	–	1.8	**5.8**
Depreciation – purchased assets	–	–	–	(0.3)	**(0.3)**
Amortisation – right-of-use assets	(0.1)	–	(0.1)	(1.8)	**(2.0)**
Amortisation of other intangible assets	–	–	(0.3)	(3.2)	**(3.5)**
Other administrative expenses	(0.8)	–	(1.5)	(56.9)	**(59.2)**
Operating profit/(loss)	**46.7**	**(0.1)**	**(96.7)**	**(65.3)**	**(115.4)**
Fair value loss – deferred consideration	(12.7)	–	–	–	**(12.7)**
Gain on financial assets at fair value through profit or loss	–	–	–	2.3	**2.3**
Finance income	0.3	–	2.3	13.1	**15.7**
Finance costs	(21.7)	–	2.9	0.6	**(18.2)**
Profit/(Loss) before tax from continuing operations	**12.6**	**(0.1)**	**(91.5)**	**(49.3)**	**(128.3)**
Tax charge	(31.8)	–	–	(0.2)	**(32.0)**
Loss for the year from continuing operations	**(19.2)**	**(0.1)**	**(91.5)**	**(49.5)**	**(160.3)**
Profit from discontinued operations	–	–	–	109.3	**109.3**
(Loss)/Profit attributable to equity holders of the Parent	**(19.2)**	**(0.1)**	**(91.5)**	**59.8**	**(51.0)**
Balances as at 31 December 2022:					
Capital expenditure	**64.8**	**10.5**	**57.4**	**10.7**	**143.4**
Total assets	**478.7**	**40.0**	**278.0**	**732.6**	**1,529.3**
Total liabilities	**272.7**	**1.2**	**16.5**	**24.3**	**314.7**
Non-current assets	**303.3**	**39.3**	**29.8**	**11.9**	**384.3**

Revenue in the Egypt segment contains revenue generated from eight concessions in the Western Desert, onshore The Arab Republic of Egypt. 90% of revenue related to sales to a single customer.

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

Section 4 – Income Statement Analysis continued

4.1 Segmental Analysis continued

Operating segments continued

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

	Egypt US$m	Eastern US$m	Western US$m	UK producing assets US$m	Other Capricorn Energy Group US$m	Group adj for segments US$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 financial assets at fair value through profit or loss	–	–	–	(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 tax 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. 91% of 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 the segments are carried out on an arm's length basis.

Section 4 – Income Statement Analysis continued

4.2 Pre-Award Costs

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Egypt	2.8	0.9
Western	0.8	1.7
Other	5.6	13.2
	9.2	15.8

Pre-award costs represent time costs, legal fees and other direct charges incurred in pursuit of new opportunities in regions which complement the Group's current licence interests and risk appetite. Other pre-award costs relate to new opportunities outside the current regions of the business.

4.3 Administrative and Other Expenses

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Administrative expenses – recurring departmental expenses and corporate projects	51.9	43.4
Administrative expenses – Indian tax arbitration costs	13.1	9.9
Other expenses – costs incurred on business combination	–	4.9
	65.0	58.2

Included within current-year corporate projects are costs of US$8.1m relating to corporate transactions subsequently terminated.

4.4 Employee Benefits: Staff Costs, Share-Based Payments and Directors' Emoluments

a) Staff costs

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Wages and salaries	31.1	33.3
Social security costs	7.8	3.1
Redundancy costs	0.6	0.1
Other pension costs	2.6	2.7
Share-based payments	10.5	10.2
	52.6	49.4

Staff costs are shown gross before amounts recharged to joint operations. The share-based payments charge represents amounts in respect of equity-settled options.

The monthly average number of full-time equivalent employees, including Executive Directors and individuals employed by the Group working on joint operations was:

	Number of employees	
	Monthly average 2022	Monthly average 2021
Continuing operations:		
UK	186	178
Egypt	17	1
Mexico	7	7
	210	186

Section 4 – Income Statement Analysis continued

4.4 Employee Benefits: Staff Costs, Share-Based Payments and Directors' Emoluments continued

b) Share-based payments

Income statement charge

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Included within gross staff costs (continuing operations):		
SIP	**1.5**	1.4
LTIP	**7.4**	7.3
Employee Share Scheme	**1.6**	1.5
	10.5	10.2

Details of those awards with a significant impact on the results for the current and prior year are given below, together with a summary of the remaining awards.

Share-based payment schemes and awards details

The Group operates a number of share award schemes for the benefit of its employees.

The number of share awards made by the Company during the year is given in the table below, together with their weighted average fair value (WAFV) and weighted average grant or exercise price (WAGP/WAEP):

	Year ended 31 December 2022			Year ended 31 December 2021		
	WAFV £	WAGP/ WAEP £	Number of shares	WAFV £	WAGP/ WAEP £	Number of shares
SIP – free shares	**1.97**	**1.97**	**355,020**	1.70	1.70	344,908
SIP – matching shares	**2.14**	**2.14**	**247,763**	1.77	1.77	258,432
LTIP	**1.08**	**1.96**	**7,475,459**	0.78	1.81	8,102,636
Employee Share Scheme	**1.33**	**1.96**	**1,290,742**	0.93	1.81	1,378,373
			9,368,984			10,084,349

The awards existing under the LTIP with the weighted average grant price (WAGP) are as follows:

	2022		2021	
	Number of shares	WAGP £	Number of shares	WAGP £
At 1 January	**29,580,589**	**1.71**	25,817,970	1.72
Granted during the year	**7,475,459**	**1.96**	8,102,636	1.81
Exercised during the year	**(4,382,718)**	**2.06**	(1,080,135)	2.07
Lapsed during the year	**(5,287,088)**	**1.71**	(3,259,882)	1.92
At 31 December	**27,386,242**	**1.72**	29,580,589	1.71

The weighted average remaining contractual life of outstanding awards under the LTIP at 31 December 2022 was 1.0 year (2021: 1.0 year). Included in the above are 1,083,247 of exercisable LTIP awards (2021: 1,708,123). No exercise price is payable in respect of LTIP awards.

The awards existing under all share schemes other than the LTIP with the weighted average of the grant price, exercise price and notional exercise prices (WAGP/WAEP) are as follows:

	2022		2021	
	Number of shares	WAGP/WAEP £	Number of shares	WAGP/WAEP £
At 1 January	**10,701,372**	**1.79**	10,605,095	1.80
Consolidation of shares	**–**	**–**	(476,152)	1.78
Granted during the year	**1,893,525**	**1.98**	1,981,713	1.79
Exercised during the year	**(4,622,837)**	**1.88**	(1,238,991)	1.91
Lapsed during the year	**(548,812)**	**1.75**	(170,293)	1.70
At 31 December	**7,423,248**	**1.79**	10,701,372	1.79

The weighted average remaining contractual life of outstanding awards under all other schemes at 31 December 2022 was 7.0 years (2021: 6.1 years). Included in the above are 874,146 of exercisable ESAS (2021: 1,753,329) and exercisable share options of 574,964 (2021: 2,428,892). No exercise price is payable in respect of ESAS; the share options had a range of exercise prices from £1.54 to £1.87.

Section 4 – Income Statement Analysis continued

4.4 Employee Benefits: Staff Costs, Share-Based Payments and Directors' Emoluments continued

b) Share-Based Payments continued

Assumptions and inputs

The fair value of the Capricorn Energy PLC LTIP scheme awards and the ESAS share awards were calculated using a Monte Carlo model. Awards in prior years were valued similarly.

Vesting percentage is by reference to the market performance of the Company's TSR compared with a group of peer companies. Vesting percentages for LTIPs can be above 100%. For details on the vesting conditions attached to the LTIPs refer to the Directors' Remuneration Report on page 101. For the ESAS, 100% vesting occurs if the Company's TSR is in excess of the median of the comparator group, otherwise the ESAS will lapse in full.

Capricorn Energy PLC share awards normally have a ten year life from the date of grant. Awards were exercised on a regular basis throughout the year, subject to the normal employee dealing bans imposed by the Company at certain times. The weighted average share price during the year was £2.22 (2021: £1.77).

The main inputs to the models include the number of options, share price, leaver rate, trigger points, discount rate and volatility of share prices of the Company and the comparator group.
- Leaver rate assumptions are based on past history of employees leaving the Company prior to options vesting and are revised to equal the number of options that ultimately vest.
- Trigger points are based on the length of time after the vesting periods for awards in 2022; further details are below.
- The risk-free rate is based on the yield on a zero-coupon government bond with a term equal to the expected term on the option being valued.
- Volatility was determined as the annualised standard deviation of the continuously compounded rates of return on the shares of the Company and of a peer group of similar companies selected from the FTSE, as disclosed in the Directors' Remuneration Report on page 103, over a three-year period to the date of award.
- No expected dividends were factored into the model as the Company customarily operates a share consolidation scheme which leaves the number of share awards unchanged before and after any dividend.

The following assumptions and inputs apply:

Scheme name	Volatility	Risk-free rate per annum	Lapse due to withdrawals per annum
SIP	0%	0%	5%
LTIP	35% – 44%	0.39% – 1.31%	0%
Employee Share Scheme	35% – 44%	0.39% – 1.31%	5%

Employee exercise trigger point assumptions

For 2022 awards, the assumption used for the Employee Share Scheme and the LTIP awards is that Executive Directors and employees will exercise 50% at the end of the two-year holding period, being the five-year anniversary date, and the remaining 50% on the six-year anniversary date.

c) Directors' Emoluments and Remuneration of Key Management Personnel

Details of each Director's remuneration, pension entitlements, share options and awards pursuant to the LTIP are set out in the Directors' Remuneration Report on pages 76 to 109. Directors' remuneration, their pension entitlements and any share awards vested during the year are provided in aggregate in note 8.9.

Remuneration of key management personnel

The remuneration of the Directors of the Company and of the members of the management and corporate teams who are the key management personnel of the Group is set out below in aggregate.

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Short-term employee benefits	**3.9**	4.9
Post-employment benefits	**0.3**	0.3
Share-based payments	**2.3**	2.4
	6.5	7.6

In addition, employer's National Insurance Contributions for key management personnel in respect of short-term employee benefits were US$0.6m (2021: US$0.7m).

Share-based payments shown above represent the cost to the Group of key management personnel's participation in the Company's share schemes, measured under IFRS 2.

During 2022, 1,392,309 shares awarded to key management personnel vested under the LTIP (2021: 1,244,941).

Section 4 – Income Statement Analysis continued

4.5 Finance Income

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Bank and other interest receivable	15.0	0.2
Dividend income	0.3	–
Other finance income	0.4	–
Exchange gain	–	4.3
	15.7	4.5

4.6 Finance Costs

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Loan interest	13.2	2.8
Facility fees amortisation	0.9	7.8
Other finance charges	1.2	3.3
Unwinding of discount – provisions	0.1	–
Lease interest	0.2	0.3
Exchange loss	2.6	–
Exchange loss recycled from Other Comprehensive Income	–	54.7
	18.2	68.9

Loan interest of US$13.2m (2021: US$2.8m) was charged on the Egypt Junior and Senior Debt Facilities. The current year facility fees amortisation also relates to the Egypt facilities while the comparative includes US$7.5m of costs released from prepayments in respect to the Group's previous Reserve-Based Lending facility which was cancelled on completion of the sale of the two UK producing assets.

The foreign exchange loss recycled from Other Comprehensive Income of US$54.7m in 2021, relating to historic translation losses, arose on the liquidation of two subsidiaries. Both subsidiaries were GBP functional and previously held interests in UK exploration assets. The first subsidiary incurred an exchange loss of US$39.4m, relating to an interest in the UK Kraken asset during the exploration phase. The second subsidiary had an exchange loss of US$15.3m, having previously held an interest in a UK exploration asset sold several years ago.

4.7 Earnings per Ordinary Share

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

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
(Loss)/Profit and diluted (loss)/profit after taxation from continuing operations	(160.3)	869.5
(Loss)/Profit and diluted (loss)/profit attributable to equity holders of the Parent	(51.0)	894.5

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

	Number of shares 2022 '000	Number of shares 2021 '000
Weighted average number of shares	364,470	501,874
Less weighted average shares held by ESOP and SIP Trusts	(7,313)	(6,709)
Basic weighted average number of shares	357,157	495,165
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	357,157	508,722
Potentially issuable shares not included above:		
LTIP awards	29,976	18,575
Approved and unapproved plans	1,124	2,298
Employee share awards	4,928	2,277
Number of potentially issuable shares	36,028	23,150

The 2022 share re-purchase programme reduced the weighted average number of shares (see note 7.1). 2022 potentially issuable shares were all anti-dilutive due to the loss on continuing operations for the year.

Section 4 – Income Statement Analysis continued

4.8 Exceptional Income – 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 INR79bn (approximately US$1.06bn) was received in February 2022. The Group 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 Indian Rupee receipt into US$. After conversion, the US$ sums received were US$1,056.0m with an exchange loss of US$14.7m recorded which is included in the results for the year ended 31 December 2022.

The presentation of the tax refund of US$1,070.7m in 2021 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.

Section 5 – Taxation

This section highlights the Group's taxation policies, including both the accounting policy and wider strategy and governance policies. Details can also be found on deferred tax liabilities and deferred tax assets existing at the year end and the current tax charge recorded on Egypt's taxable profits.

Significant accounting judgements in this section:

Recognition of deferred tax liabilities and tax charge on profits from Egypt concessions

Under the Egypt concession agreements, each contractor's share of income tax due on taxable profit for the year is paid on the contractor's behalf by EGPC. However, the tax liability remains with the contractor to the point of settlement. Therefore, Capricorn has recognised deferred tax liabilities on the temporary taxable difference between the carrying value of non-current assets and their tax written down values. Capricorn also records a tax charge in the period for tax that is payable on the Group's share of profits from production in Egypt and records other income to reflect the settlement of this liability on the Group's behalf. The other income is recorded in gross profit, see note 2.1.

Deferred taxation – Potential deferred tax assets on Egypt concessions

At the year end Capricorn have reviewed whether deferred tax assets should be recognised and have assessed this both on the availability of future taxable profits over which the assets could be utilised and the carrying value of assets on the Balance Sheet at the year end. It was concluded that a deferred tax asset should be recognised in relation to two of the Egyptian concessions.

Key estimates and assumptions in this section:

In determining whether future taxable profits are available to recognise deferred tax assets, Capricorn uses the same economic models that are used for measuring the fair value of oil and gas assets. The key assumptions are therefore consistent with those detailed in section 2.

Accounting policy

The total tax charge or credit represents the sum of current tax and deferred tax.

The current tax charge or credit is based on the taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Where there are uncertain tax positions, Capricorn assesses whether it is probable that the position adopted in tax filings will be accepted by the relevant tax authority, with the results of this assessment determining the accounting that follows. If it is not considered probable that the income tax filing position will be accepted by the tax authority, the uncertainty is reflected within the carrying amount of the applicable tax asset or liability by using either the most likely amount or an expected value of the tax treatment, depending on which method is considered to better predict the resolution of the uncertainty, based on the underlying facts and circumstances.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences that exist only where it is probable that taxable profits will be generated against which the carrying value of the deferred tax asset can be recovered.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint operations where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset or liability is not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. However, where the recognition of an asset is associated with an interest in a joint operation, which applies to all of Capricorn's intangible exploration/appraisal assets and property, plant & equipment – development/producing asset additions, and Capricorn is not able to control the timing of the reversal of the temporary difference or the temporary difference is expected to reverse in the foreseeable future, a deferred tax asset or liability shall be recognised.

Current and deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Section 5 – Taxation continued

5.1 Tax Strategy and Governance

The Group's tax strategy is fully aligned with its overarching business objectives and principles and applies to all taxes paid or borne by the Group. Capricorn aims to be a good corporate citizen, managing its tax affairs in a transparent and responsible manner in all the jurisdictions in which it operates, and seeks to build and maintain open and constructive relationships with all tax authorities. The Group is committed to transparency of tax contributions and other payments to governments and supports the Extractive Industries Transparency Initiative. Capricorn reports payments to governments in its Annual Report and Accounts as well as additional voluntary disclosures of taxes paid by the Group.

Capricorn undertakes tax planning that supports the business and reflects commercial and economic activity. The Group's policy is to not enter into any artificial tax avoidance schemes but to build and maintain strong collaborative working relationships with all relevant tax authorities based on transparency and integrity. Capricorn aims for certainty in relation to the tax treatment of all items; however, it is acknowledged that this will not always be possible, for example where transactions are complex or there is a lack of maturity in the tax regime in the relevant jurisdiction in which the Group is operating. In such circumstances Capricorn will seek external advice where appropriate and ensure that the approach adopted in any relevant tax return includes full disclosure of the position taken. Capricorn may also seek to work directly with tax authorities to resolve uncertainties where the tax laws are unclear or complex.

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

Analysis of tax charge on (Loss)/Profit for the year

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Current tax charge:		
Overseas corporation taxes	**55.0**	7.3
Total current tax charge on (loss)/profit from continuing operations	**55.0**	7.3
Deferred tax (credit)/charge:		
Reversal of deferred tax charge on recognition of financial assets	**(0.1)**	0.1
Deferred tax movement on non-current assets – Egypt	**(32.7)**	(3.2)
Deferred tax charge on non-current assets – Egypt – prior year adjustment	**9.8**	–
Deferred tax charge/(credit) from continuing operations	**(23.0)**	(3.1)
Total tax charge on (loss)/profit from continuing operations	**32.0**	4.2
UK deferred tax charge	**4.1**	–
Total deferred tax charge on profit from discontinued operations	**4.1**	–

The current tax charge of US$55.0m includes tax of US$54.8m (period from 24 September 2021 to 31 December 2021: US$7.3m) which relates to taxable profits arising in Egypt. This tax 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 (loss)/profit before income tax to the UK statutory rate of income tax is as follows:

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
(Loss)/Profit before tax from continuing operations	**(128.3)**	873.7
(Loss)/Profit before tax multiplied by the UK statutory rate of corporation tax of 19% (2021: 19%)	**(24.4)**	166.0
Effect of:		
Special tax rates and reliefs applying to oil and gas activities in the UK	**(25.5)**	(10.7)
Special tax rates and reliefs applying to oil and gas activities in Egypt	**18.6**	3.0
Impact on deferred tax of adjustments in respect of prior years	**9.8**	–
Temporary differences not recognised	**41.1**	26.0
Disposal of financial assets at fair value through profit or loss	**0.2**	–
Permanent items (non-taxable)/non-deductible	**6.9**	23.4
India tax refund not subject to tax	**–**	(203.5)
Group relief surrendered against profits/gains arising in discontinued operations	**5.3**	–
Total tax charge on (loss)/profit from continuing operations	**32.0**	4.2

The reconciliation shown above has been based on the average UK statutory rate of corporation tax for 2022 of 19% (2021: 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 applicable UK statutory corporation tax rate applying to North Sea oil and gas activities is currently 40% (2021: 40%). A temporary Energy (Oil and Gas) Profits Levy of 25% was legislated in July 2022, effective from 26 May 2022. A further increase to 35% from 1 January 2023 was substantively enacted in November 2022.

Section 5 – Taxation continued

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

Factors affecting tax charge for the year continued

The applicable statutory tax rate applying to oil and gas activities in Egypt is currently 40.55% (2021: 40.55%).

The applicable rates have been reflected in these financial statements as appropriate.

The effect of temporary differences not recognised of US$41.1m (2021: US$26.0m) includes:
– a US$33.8m (2021: US$15.4m) movement in the year in respect of the unrecognised deferred tax asset on UK ring fence corporation tax losses, energy (oil and gas) profits levy losses, supplementary charge tax and oil and gas investment allowances;
– a US$(10.0)m (2021: US$(0.9)m) movement in the year in respect of unrecognised deferred tax assets on Egypt oil and gas assets and tax losses;
– a US$4.7m (2021: US$9.5m) movement in the year in respect of UK tax losses and other temporary differences arising in the year on which no deferred tax asset was recognised; and
– a US$12.6m (2021: US$2.0m) movement in the year in respect of overseas tax losses and other temporary differences arising in the year on which no deferred tax was recognised.

The effect of permanent items non-deductible of US$6.9m (2021: US$23.4m) includes:
– US$2.2m (2021: US$3.2m) in respect of share-based payment charges;
– US$(5.1)m (2021: US$10.4m) predominantly in respect on non-taxable adjustments related to foreign exchange and tax relief on exercised share options;
– US$9.3m (2021: US$2.2m) in respect of costs in Egypt considered non-deductible for tax purposes;
– US$(3.4)m (2021: US$6.8m) in respect of overseas costs considered non-deductible/taxable; and
– US$3.9m (2021: US$0.8m) in respect of other permanent items considered non-deductible.

5.3 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 2021	(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 credit through the Income Statement	7.1	–	–	**7.1**
At 31 December 2022	**7.1**	**–**	**–**	**7.1**
Deferred tax liabilities				
At 1 January 2021	–	–	–	–
Deferred tax (charge)/credit recognised on business combinations	(52.5)	6.7	–	(45.8)
Deferred tax (charge)/credit 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 credit/(charge) through discontinued operations	–	9.1	(13.2)	**(4.1)**
Deferred tax credit/(charge) through the Income Statement	32.5	(16.7)	0.1	**15.9**
At 31 December 2022	**(31.7)**	**14.0**	**(13.2)**	**(30.9)**

Deferred tax assets analysed by country:

	As at 31 December 2022 US$m	As at 31 December 2021 US$m
Egypt	**7.1**	–
	7.1	–

Deferred tax liabilities analysed by country:

	As at 31 December 2022 US$m	As at 31 December 2021 US$m
Egypt	**(26.8)**	(42.6)
UK	**(4.1)**	(0.1)
	(30.9)	(42.7)

Section 5 – Taxation continued

5.3 Deferred Tax Assets and Liabilities continued

Recognised deferred tax assets

Egypt

Deferred tax assets of US$7.1m (2021: US$nil) have been recognised in respect of Egypt oil and gas non-current assets temporary differences of US$17.6m (2021: US$nil) on two concessions as future profits are expected to be available on those concessions to recover the value of the assets. In 2021, a deferred tax asset on Egypt tax losses of US$16.4m partially offset a deferred tax liability on temporary differences in respect of Egypt oil and gas assets on a single concession. Those tax losses were used in full during 2022.

At the balance sheet date the Group has US$24.7m (2021: US$51.4m) temporary differences in respect of Egypt non-current assets and US$27.4m (2021: US$25.8m) Egypt tax losses which can be offset against future oil and gas profits in Egypt. No deferred tax asset has been recognised in respect of these temporary differences as it is not considered probable that these amounts will be utilised in future periods.

UK

As at the balance sheet date, a deferred tax asset has been recognised in respect of UK Ring Fence Corporation Tax (RFCT) losses and UK supplementary charge tax (SCT) losses of US$12.1m (2021: US$17.8m) only to the extent that it offsets 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 UK ring fence temporary differences of US$278.0m (2021: US$141.5m) relating to RFCT losses, US$274.1m (2021: US$69.8m) relating to SCT losses and US$609.5m (2021: US$642.0m) relating to oil and gas investment allowances and Energy Profits Levy (EPL) losses, as it is not considered probable that these amounts will be utilised in future periods.

Deferred tax liabilities

Egypt

Deferred tax liabilities of US$26.8m (2021: US$42.6m) have been recognised across six concessions in respect of taxable temporary differences of US$66.0m (2021: US$121.5m) related to Egypt oil and gas non-current assets. No tax losses are available to offset these taxable temporary differences (2021: US$16.4m of Egypt tax losses offset taxable temporary differences, as noted above).

UK

A deferred tax liability of US$4.1m (2021: US$nil) has been recognised in respect of earnout consideration due in relation to the disposal of UK oil and gas producing assets.

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 2022 US$m	At 31 December 2021 US$m
UK fixed asset temporary differences	**35.0**	30.2
UK RFCT trading losses	**278.0**	141.5
UK SCT loss	**274.1**	69.8
UK other ring fence temporary differences	**609.5**	642.0
UK excess management expenses	**354.9**	386.3
UK non-trade deficits	**80.6**	72.6
UK temporary differences on share-based payments	**39.5**	30.3
UK disallowed tax interest expenses	**19.9**	19.9
UK temporary difference on financial asset held at fair value	**0.5**	–
Egypt fixed asset temporary differences	**24.7**	51.4
Egypt ring fence corporation tax trading losses	**27.4**	25.8
Mexico tax losses and other temporary differences	**196.5**	136.1
Brazil tax losses	**–**	0.6
Israel temporary differences in respect of non-current assets	**–**	2.7
Mauritania fixed assets temporary differences	**0.7**	–
Suriname fixed assets temporary differences	**0.6**	–

Section 6 – Discontinued Operations and Business Combination

This section contains details of the profit from discontinued operations in the year, primarily arising on earnout consideration due on the prior years disposal of the Group's UK producing assets, and details on the prior year acquisition of the business in Egypt.

6.1 Profit 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.

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 ('earnout 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 fair value of US$197.4m including an adjustment for expected credit losses.

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 fair value of the earnout consideration fell by US$8.1m from 2 November 2021 to US$189.3m at 31 December 2021. The first annual payment of earnout consideration of US$75.8m due on 2021 production was received in 2022. With strong oil prices and production levels above forecast across the assets, the fair value of the remaining earnout consideration receivable increased by US$110.4m during 2022 to a closing fair value receivable of US$224.1m in the Balance Sheet as at 31 December 2022 (see note 3.5).

The earnout consideration was recognised in the 2021 loss on sale calculation and remains as a receivable recognised 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.

A breakdown of the total profit from discontinued operations is as follows:

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Revenue	**–**	411.8
Cost of sales	**1.5**	(103.8)
Depletion and amortisation	**–**	(35.3)
Gross profit	**1.5**	272.7
Impairment of disposal group – property, plant & equipment – development/producing assets	**–**	(56.0)
Operating profit	**1.5**	216.7
Gain/(Loss) on financial asset at fair value through profit or loss – earnout consideration	**110.4**	(8.1)
Finance income	**1.5**	–
Finance costs	**–**	(9.8)
Profit before tax from discontinued operations	**113.4**	198.8
Taxation	**(4.1)**	–
Profit after tax from discontinued operations	**109.3**	198.8
Loss on disposal of discontinued operations	**–**	(173.8)
Profit from discontinued operations	**109.3**	25.0

Earnings per share for profit from discontinued operations	**2022 cents**	2021 cents
Profit per ordinary share – basic (cents)	**30.60**	5.05
Profit per ordinary share – diluted (cents)	**30.60**	4.91

An audit of the Catcher joint operation for the period from January 2019 to December 2020 resulted in a refund of production costs from the operator of US$1.5m which has been credited to discontinued operations in 2022.

Section 6 – Discontinued Operations and Business Combination continued

6.1 Profit from Discontinued Operations continued

Sale of Capricorn's interest in the Catcher and Kraken Producing Assets ("UK producing Assets") continued

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
Earnout consideration	197.4
Total net consideration	289.6
Derecognition of assets and liabilities:	
Assets held-for-sale, net of impairment	(837.0)
Liabilities held-for-sale	373.6
Loss on disposal of UK North Sea producing assets	(173.8)

6.2 Cash Flow Information for Discontinued Operations

	UK producing assets US$m	**Year ended 31 December 2022 US$m**
Net cash flows used in operating activities	**(9.6)**	**(9.6)**
Net cash flows from investing activities	**77.2**	**77.2**
Net increase in cash and cash equivalents	**67.6**	**67.6**

	UK producing assets US$m	Period ended 2 November 2021 US$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

2021 earnout and interest payment received in June 2022.

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

Section 6 – Discontinued Operations and Business Combination continued

6.3 Prior Year Business Combination

Accounting policy

Capricorn accounts for the acquisitions of subsidiaries, or an asset or collection of assets which are determined to meet the definition of a business, using the acquisition method. The assets and liabilities acquired are measured at their fair values at the date of acquisition.

Acquisition-related costs are recognised in the Income Statement as incurred.

Where the acquisition includes any assets or liability resulting from a contingent consideration arrangement, this is to be measured at fair value at the date of acquisition.

Capricorn measures goodwill as the excess of the consideration paid over the net of the assets and liabilities acquired. Where the value of the assets acquired exceeds the consideration paid, negative goodwill arises and is recorded in the Income Statement.

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 and 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 Fayium	West El Fayium	50%	Cheiron (50%)	Capricorn Egypt Limited	100%

Section 6 – Discontinued Operations and Business Combination continued

6.3 Prior Year Business Combination continued

Goodwill arising on acquisition

Goodwill of US$25.4m arose on the acquisition and is recorded on the Balance Sheet (see note 2.4). The recognition of goodwill was driven by the recording of deferred tax liabilities on the fair value of assets and liabilities recorded on acquisition.

Goodwill was 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 consisted of US$310.1m settled on completion (including US$181.4m drawn under two loan facilities, (see note 3.2) and a further US$5.0m due on final settlement amounts. Deferred consideration of US$62.9m included US$61.1m, which is the fair value, at the date of completion, of deferred consideration of up to US$100.0m payable based on future oil prices. The value of this deferred consideration has been obtained using Level 2 valuations.

The remaining US$1.8m of further deferred consideration related 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 was 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. See note 3.5 for the liability as at 31 December 2022.

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

Impact on profit for the year

The Group's profit reduced by US$6.7m as a result of the loss on the Egypt business from acquisition to 31 December 2021 (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 that year would have increased by US$22.5m.

Sensitivity analysis

The fair value of assets recognised on acquisition is based on the net present value of discounted future cash flows over the economic field-life of the concessions using the Group's corporate assumptions detailed in section 2. Capricorn performed sensitivity analysis to changes to the Group's long-term oil price, discount rate and inflation assumptions which would have impacted the value of the fair value of the assets recorded.

Increasing the Group's long-term oil price assumption at the date of acquisition from US$55/bbl unescalated to US$60/bbl unescalated, US$65/bbl unescalated and US$70/bbl unescalated would have increased 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 have reduced 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 have reduced the fair value of assets recognised to US$379.4m and US$368.3m respectively. Reducing the inflation rate assumption to 3% would have increased the fair value of assets recognised to US$400.7m.

6.4 Discontinued Operations – Senegal Contingent Asset

In December 2020, Capricorn disposed of its entire 40% working interest in its Senegal exploration and development assets.

Further deferred consideration of up to US$100.0m is due, dependant on the timing of first oil production from the assets and on the average Brent oil price during the first six months of production. Assuming average Brent oil prices remain above US$60/bbl during the first six months of production, Capricorn will receive US$100.0m if first oil production is achieved in 2023, falling to US$50.0m if first oil production is achieved by 30 June 2024. No payment is due if first oil production occurs after this time.

In accordance with IFRS 15, no amount is recognised at the balance sheet date as there is no reasonable certainty that any revenue recorded would not reverse in future periods.

Section 7 – Capital Structure and Other Disclosures

This section includes details of Capricorn's issued share capital and equity reserves.

Other disclosures include details on the independent auditors' remuneration. Details on the Group's policy on the award of non-audit work to the independent auditors can be found in the Report of the Audit Committee.

Significant accounting judgements and key estimates and assumptions in this section:
There are no significant accounting judgements or key estimates and assumptions in this section.

7.1 Issued Capital and Reserves

Called-up share capital

	Number 231/169p ordinary '000	Number 21/13p ordinary '000	231/169p ordinary US$m	21/13p ordinary US$m
Allotted, issued and fully paid ordinary shares				
At 1 January 2021	589,718	–	12.6	–
Issued and allotted for employee share options pre-consolidation	99	–	–	–
Consolidation of shares	(589,817)	499,076	(12.6)	12.6
Issued and allotted for employee share options post-consolidation	–	253	–	–
Share re-purchase	–	(2,482)	–	–
At 31 December 2021	–	496,847	–	12.6
Issued and allotted for employee share options post-consolidation	**–**	**677**	**–**	**–**
Share re-purchase	**–**	**(182,452)**	**–**	**(4.6)**
At 31 December 2022	**–**	**315,072**	**–**	**8.0**

Share premium

	2022 US$m	2021 US$m
At 1 January	**490.9**	490.1
Arising on shares issued for employee share options	**4.5**	0.8
At 31 December	**495.4**	490.9

The Company does not have a limited amount of authorised share capital. Capricorn completed a tender offer on 6 April 2022. Under the terms of the tender offer, 171,073,128 ordinary shares were purchased at the strike price of 223 pence per share. The total value of the ordinary shares purchased was, therefore, £381.5m (US$498.6m). On 15 November 2021, Capricorn commenced a re-purchase programme of £20.0m. This ran until the end of February 2022. A further re-purchase programme commenced on 7 April 2022 of up to US$25.0m, which completed in July 2022. Both re-purchase programmes were not fully utilised. The share re-purchase in retained earnings also includes stamp duty and costs associated with the tender offer and share re-purchases.

A shareholder vote took place on 15 December 2022 approving the cancellation of the Company's share premium account (the "Cancellation"). The Cancellation received the required confirmation from the Court of Session on Friday 27 January and was registered with the Registrar of Companies (and therefore took effect) on 31 January 2023. The full amount of the Company's share premium at 31 December 2022 transferred to retained earnings on the effective date.

a) Shares held by ESOP Trust
The cost of shares held by the ESOP Trust at 31 December 2022 was US$6.9m (2021: US$8.1m). The number of shares held by the Trust at 31 December 2022 was 2,632,826 (2021: 3,590,198) and the market value of these shares was £6.9m/US$8.3m (2021: £6.8m/US$9.1m). During 2022, the Group purchased 7,158,195 (2021: 3,450,260) shares at a cost of US$19.8m (2021: US$8.7m). During 2022, 7,595,567 (2021: 1,628,784) shares vested and 520,000 (2021: 600,000) shares were transferred from the ESOP Trust to the SIP Trust. During 2021, 419,549 shares were created on share consolidation.

b) Shares held by SIP Trust
The cost of shares held by the SIP Trust at 31 December 2022 was US$8.4m (2021: US$9.4m). The number of shares held by the Trust at 31 December 2022 was 2,758,656 (2021: 2,960,087) and the market value of these shares was £7.2m/US$8.7m (2021: £5.6m/US$7.5m).

c) Foreign currency translation
Unrealised foreign exchange gains and losses arising on consolidation of non-US$ functional currency subsidiary undertakings are taken directly to reserves. Foreign exchange differences arising on intra-group loans are not eliminated on consolidation; this reflects the exposure to currency fluctuations where the subsidiaries involved have differing functional currencies. These intra-group loans are not considered to be an investment in a foreign operation.

d) Merger and capital reserves
Capital reserves of US$45.5m include amounts arising on various Group acquisitions and transactions and the capital redemption reserve arising from the 2013-2014 share re-purchase programme. Capital reserves of US$4.6m arose on the share re-purchase programme which ran from April to July 2022. US$5.4m of capital reserves relates directly to Capricorn Energy PLC, the Company.

Section 7 – Capital Structure and Other Disclosures continued

7.2 Return of Cash to Shareholders

On 8 January 2021, Capricorn received shareholder approval for the return of cash to shareholders of 32 pence per eligible ordinary share totalling £188.0m. US$250.0m of the proceeds from the sale of Senegal assets were converted to GBP in December 2020 and the return was paid to shareholders on 25 January 2021. The total return to shareholders, after exchange differences from the date of the conversion from US$ to GBP and associated costs, was US$257.2m.

7.3 Capital Management

The objective of the Group's capital management structure is to ensure that there remains sufficient liquidity within the Group to carry out committed work programme requirements. The Group monitors the long-term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility. The Group is subject to semi-annual forecast liquidity tests as part of the Senior and Junior Debt Facilities. The Group has complied with the capital requirements of these tests at all times during the year.

Capricorn manages the capital structure and makes adjustments to it in light of changes to economic conditions. To maintain or adjust the capital structure, Capricorn may re-purchase shares, make a special dividend payment to shareholders, return capital, issue new shares for cash, repay debt, put in place new debt facilities or undertake other such restructuring activities as appropriate. No significant changes were made in the objectives, policies or processes during the year ended 31 December 2022.

Capital and net funds, including lease liabilities, was as follows:

	At 31 December 2022 US$m	At 31 December 2021 US$m
Loans and borrowings	158.6	177.0
Lease liabilities	4.3	3.7
Less cash and cash equivalents	(756.8)	(314.1)
Net funds	(593.9)	(133.4)
Equity	1,214.6	1,798.6
Capital and net funds	620.7	1,665.2
Gearing ratio	–	–

7.4 Guarantees

It is normal practice for the Group to issue guarantees in respect of obligations during the ordinary course of business. Guarantees are issued from a number of bilateral unsecured lines.

The Group has provided the following guarantees at 31 December 2022:
- various guarantees for the Group's operational commitments for the current year of US$69.1m (2021: US$52.5m); and
- Parent company guarantees for the Group's obligations under joint operating agreements and other contracts.

Under the terms of the facilities entered into in connection with the Group's Egypt assets, Capricorn Egypt Limited and Cheiron Oil & Gas Limited, as borrowers, jointly and severally guarantee performance of their obligations to each lender. This includes an undertaking to pay each lender whenever another obligor does not pay any amount, as if it was the principal obligor. As a result, Capricorn Egypt Limited and Capricorn Egypt (Holding) Limited have provided guarantees in respect of the obligations owed to the lenders by Capricorn Egypt and the joint venture counterparty, Cheiron.

Section 7 – Capital Structure and Other Disclosures continued

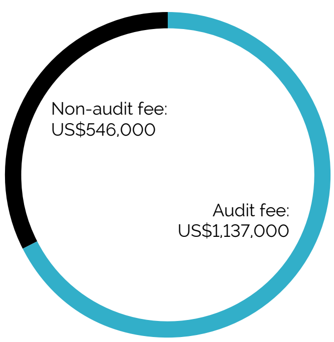
7.5 Auditors' Remuneration

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Fees payable to the Group's external auditors (including associate firms) for:		
Audit fees:		
Auditing of the Financial Statements of the Group and the Company	**463**	487
Auditing of the Financial Statements of subsidiaries	**674**	457
	1,137	944
Non-audit fees:		
Audit-related assurance services	**248**	234
Other assurance services relating to corporate finance transactions	**173**	83
Other non-audit services not included above	**125**	83
	546	317
Total fees	**1,683**	1,261

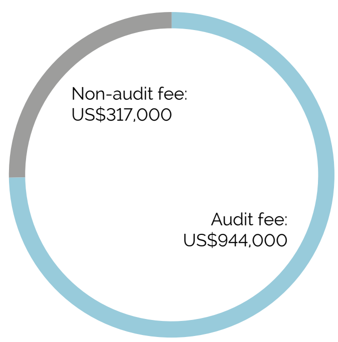
The Group has a policy in place for the award of non-audit work to the auditors which requires Audit Committee approval (see the Audit Committee Report on page 71).

The split of audit fees to non-audit fees payable to the auditors is as follows:

2022 Fees to the Auditors



2021 Fees to the Auditors



Company Balance Sheet
As at 31 December 2022

	Note	2022 US$m	2021 US$m
Non-current assets			
Investments in subsidiaries	8.2	**597.8**	1,155.1
Long-term intercompany receivables	8.3	**6.0**	8.1
		603.8	1,163.2
Current assets			
Cash and cash equivalents	8.4	**630.1**	32.1
Other receivables	8.5	**18.8**	7.0
		648.9	39.1
Total assets		**1,252.7**	1,202.3
Current liabilities			
Lease liability		**1.1**	1.8
Trade and other payables	8.6	**4.4**	97.1
		5.5	98.9
Non-current liabilities			
Lease liability		**–**	1.3
		–	1.3
Total liabilities		**5.5**	100.2
Net assets		**1,247.2**	1,102.1
Equity			
Called-up share capital	7.1	**8.0**	12.6
Share premium	7.1	**495.4**	490.9
Shares held by ESOP/SIP Trusts	7.1a,b	**(15.3)**	(17.5)
Capital reserves	7.1d	**5.4**	0.8
Retained earnings:			
At 1 January		**615.3**	898.2
Profit/(Loss) for the year		**661.4**	(4.5)
Other movements in retained earnings		**(523.0)**	(278.4)
		753.7	615.3
Total equity		**1,247.2**	1,102.1

The Financial Statements on pages 168 to 176 were approved by the Board of Directors on 27 April 2023 and signed on its behalf by:

Chris Cox
Interim Chief Executive

Company Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022 US$m	2021 US$m
Cash flows from operating activities:			
Profit/(Loss) before taxation		**661.4**	(4.5)
Share-based payments charge		**1.5**	1.5
Impairment of investment in subsidiary		**566.2**	–
Finance income		**(1,254.3)**	(6.5)
Finance costs		**6.0**	1.0
Other receivables movement		**(4.0)**	(9.7)
Trade and other payables movement		**1.2**	67.5
Net cash (used in)/from operating activities		**(22.0)**	49.3
Cash flows from investing activities:			
Dividend received	8.9	**1,056.4**	–
Group funding		**102.3**	–
Interest received and other finance income		**7.6**	–
Net cash flows from investing activities		**1,166.3**	–
Cash flows from financing activities:			
Return of cash to shareholders		**–**	(257.2)
Share re-purchase		**(528.6)**	(7.8)
Other interest and charges		**(0.2)**	(0.9)
Cost of shares purchased	7.1a	**(19.8)**	(8.7)
Proceeds from issue of shares		**4.5**	0.9
Lease payments		**(1.7)**	(1.8)
Net cash flows used in financing activities		**(545.8)**	(275.5)
Net increase/(decrease) in cash and cash equivalents		**598.5**	(226.2)
Foreign exchange differences		**(0.5)**	6.4
Opening cash and cash equivalents at beginning of year		**32.1**	251.9
Closing cash and cash equivalents		**630.1**	32.1

Company Statement of Changes in Equity
For the year ended 31 December 2022

	Equity share capital and share premium US$m	Shares held by ESOP/ SIP Trusts US$m	Merger and capital reserves US$m	Retained earnings US$m	**Total equity US$m**
At 1 January 2021	502.7	(13.4)	0.7	898.2	1,388.2
Loss for the year	–	–	–	(4.5)	(4.5)
Total comprehensive expense	–	–	–	(4.5)	(4.5)
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)	0.8	615.3	1,102.1
Profit for the year	–	–	–	661.4	**661.4**
Total comprehensive income	**–**	**–**	**–**	**661.4**	**661.4**
Share-based payments	–	–	–	10.5	**10.5**
Exercise of employee share options	4.5	–	–	–	**4.5**
Share re-purchase	(4.6)	–	4.6	(511.5)	**(511.5)**
Cost of shares purchased	–	(19.8)	–	–	**(19.8)**
Cost of shares vesting	–	22.0	–	(22.0)	**–**
At 31 December 2022	**503.4**	**(15.3)**	**5.4**	**753.7**	**1,247.2**

Section 8 – Notes to the Company Financial Statements

This section contains the notes to the Company Financial Statements.

The issued capital and reserves of the Company are largely consistent with the Capricorn Energy PLC Group Financial Statements, as per note 7.1

Key estimates and assumptions in this section:

Impairment testing of investments in subsidiaries

The Company's investment in Capricorn Oil Limited has been tested for impairment by comparison against the fair value of intangible exploration/appraisal assets, property, plant & equipment – development/producing assets and working capital, including cash and cash equivalents and intercompany receivables, held within the Capricorn Oil Limited sub-group. The fair value of oil and gas assets is calculated using the same assumptions as noted in section 2.

8.1 Basis of Preparation

The Financial Statements of Capricorn Energy PLC 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.

The Company applies accounting policies consistent with those applied by the Group. To the extent that an accounting policy is relevant to both Group and Company Financial Statements, refer to the Group Financial Statements for disclosure of the accounting policy. Material policies that apply to the Company only are included as appropriate.

Capricorn has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the Parent company.

8.2 Investments in Subsidiaries

Accounting policy

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. In testing for impairment the carrying value of the investment is compared to its recoverable amount, being its fair value less costs of disposal. The fair value includes the discounted future net cash flows of oil and gas assets held by the subsidiary, using estimated cash flow projections over the licence period. For exploration assets, estimated discounted cash flows are risk-weighted for future exploration success.

Discounted future net cash flows are calculated using an estimated short-term oil price based on the forward curve and long-term oil price of US$60/bbl unescalated (2021: US$55/bbl unescalated), escalation for costs of 4.0% (2021: 4.0%) and a discount rate of 10% (2021: 10%). Full details on the assumptions used for valuing oil and gas assets can be found in section 2.

Section 8 – Notes to the Company Financial Statements continued

8.2 Investments in Subsidiaries continued

	Subsidiary undertakings US$m	Total US$m
Cost		
At 1 January 2021	3,701.0	3,701.0
Additions	8.7	8.7
At 31 December 2021	3,709.7	3,709.7
Additions	8.9	**8.9**
At 31 December 2022	**3,718.6**	**3,718.6**
Impairment		
At 1 January 2021 and 31 December 2021	2,554.6	2,554.6
Impairment charge	566.2	**566.2**
At 31 December 2022	**3,120.8**	**3,120.8**
Net book value		
At 31 December 2020	1,146.4	1,146.4
At 31 December 2021	1,155.1	1,155.1
At 31 December 2022	**597.8**	**597.8**

Additions during the year of US$8.9m (2021: US$8.7m) relate to the Company's investment in Capricorn Oil Limited. These represent share awards made by the Company to the employees of Capricorn Energy Holdings Limited (a principal subsidiary of Capricorn Oil Limited).

At the year end, investments in subsidiaries were reviewed for indicators of impairment and impairment tests conducted where indicators were identified. Following this review, the Company's investment in Cairn UK Holdings Limited was fully impaired resulting in a charge to the income statement of US$387.7m. This subsidiary now holds no value following the distribution of the India tax refund to Capricorn Energy PLC on receipt of the payment. In addition, the Company's investment in Capricorn Oil Limited was impaired to reflect the fair value of the underlying assets of the Capricorn Oil Group. A charge of US$178.5m was made to the Income Statement in 2022 (2021: US$nil). The fall in the value of the investments in the Capricorn Oil Group principally reflects reduction due to distributions by the subsidiary and a reduction in the value of the Group's producing assets. The carrying value of investments in subsidiaries at 31 December 2022 represents the Company's investment in Capricorn Oil Limited. Investments in Capricorn Senegal (Holding) Limited and Capricorn Energy Investments Limited are carried at nominal values.

The recoverable value of the assets of Capricorn Oil Limited used in the impairment test is based on the fair value of the producing assets adjusted by deferred consideration payment and trade payables and receivables, earnout receivable for discontinued operations, market value of tangible assets held by its subsidiaries, cash and cash equivalent held and an assumption that the recoverable value of exploration assets is broadly aligned to the carrying value. Removing the value attributed to future exploration success would increase the impairment recognised by US$94.5m.

Section 8 – Notes to the Company Financial Statements continued

8.2 Investments in Subsidiaries continued

The Company's subsidiaries as at the balance sheet date are set out below. The Company holds 100% of the voting rights and beneficial interests in the ordinary shares of the following companies:

Direct holdings

	Business	Country of incorporation	Country of operation	Registered office address
Cairn UK Holdings Limited	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Energy Investments Limited	Investment	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Oil Limited	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Senegal (Holding) Limited	Holding company	England	Scotland	Wellington House 4th Floor, 125 The Strand, London, WC2R 0AP

Indirect holdings

	Business	Country of incorporation	Country of operation	Registered office address
Agora Oil and Gas (UK) Limited	Exploration	Scotland	UK	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Americas Limited	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Côte d'Ivoire Limited	Exploration	Scotland	Côte d'Ivoire	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Egypt (Holding) Limited	Holding company	England	UK	Wellington House 4th Floor, 125 The Strand, London, WC2R 0AP
Capricorn Egypt Limited	Exploration	England	Egypt	Wellington House 4th Floor, 125 The Strand, London, WC2R 0AP
Capricorn Energy Holdings Limited	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Energy Mexico S. de R.L. de C.V.	Exploration	Mexico	Mexico	Avenida Paseo de la Reforma 505, Piso 36, Colonia Cuauhtémoc, Mexico
Capricorn Energy Search Limited[1]	Exploration	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Energy UK Limited	Exploration	England	UK	Wellington House 4th Floor, 125 The Strand, London, WC2R 0AP
Capricorn Exploration and Development Company Limited[1]	Exploration	Scotland	Morocco	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Ireland Limited[1]	Exploration	Scotland	Republic of Ireland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn ISR Production Limited Partnership	Limited Partnership company	Israel	Israel	Vitania Tel-Aviv Tower, 20 Haharash St. TLV Israel, 6761310
Capricorn Low Carbon Solutions Limited	Carbon trading	England	UK	Wellington House 4th Floor, 125 The Strand, London, WC2R 0AP
Capricorn Mauritania Limited	Exploration	Scotland	Mauritania	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Nicaragua BV	Exploration	The Netherlands	Non-trading	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Offshore Exploration Limited	Exploration	Scotland	Israel	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Oil and Gas Tunisia GmbH[1]	Non-trading	Switzerland	Non-trading	Gubelstrasse 5, Postfach 1524, CH-6301 Zug, Switzerland
Capricorn Petroleum Limited	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Production (Holdings) Limited	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Production I Limited[2]	Dormant	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Production II Limited[2]	Dormant	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Resources Management Limited	Royalty interest	Scotland	Mongolia	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Senegal Limited	Exploration	Scotland	Senegal	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Spain Limited[1]	Exploration	Scotland	Spain	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Suriname BV	Exploration	The Netherlands	Suriname	50 Lothian Road, Edinburgh, EH3 9BY
Nautical Holdings Limited[1]	Holding company	England	UK	Wellington House 4th Floor, 125 The Strand, London, WC2R 0AP
UAH Limited[1]	Holding company	England	UK	Wellington House 4th Floor, 125 The Strand, London, WC2R 0AP

(1) Company is in the process of liquidation
(2) Exempt from audit under Section 480 of the Companies Act

Section 8 – Notes to the Company Financial Statements continued

8.3 Long-Term Intercompany Receivables

	At 31 December 2022 US$m	At 31 December 2021 US$m
Long-term intercompany receivables	6.0	8.1
	6.0	8.1

Long-term intercompany receivables include amounts due from Capricorn Energy Investments Limited of US$6.0m (2021: US$6.8m).

8.4 Cash and Cash Equivalents

	At 31 December 2022 US$m	At 31 December 2021 US$m
Cash at bank	8.6	32.1
Bank deposits less than three months	298.0	–
Money market funds	323.5	–
	630.1	32.1

At 31 December 2022, US$7.9m (2021: US$nil) of cash and cash equivalents are restricted and not available for immediate ordinary business use. See note 3.1 for details on the placing of surplus funds on deposit and money market funds.

8.5 Other Receivables

	At 31 December 2022 US$m	At 31 December 2021 US$m
Other receivables	4.4	3.1
Amounts receivable from subsidiary undertakings	14.3	2.3
Prepayments	0.1	1.6
	18.8	7.0

8.6 Trade and Other Payables

	At 31 December 2022 US$m	At 31 December 2021 US$m
Trade and other payables	0.2	–
Amounts payable to subsidiary undertakings	0.4	76.0
Accruals	3.8	21.1
	4.4	97.1

2021 accruals include US$20.2m payable for the share re-purchase. Amounts payable to subsidiary undertakings reduced following a dividend by Capricorn Oil Limited.

8.7 Financial Instruments

Set out below is the comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the Financial Statements. The fair value of financial assets and liabilities has been calculated by discounting the expected future cash flows at prevailing interest rates.

Financial assets

Carrying amount and fair value	At 31 December 2022 US$m	At 31 December 2021 US$m
Financial assets at amortised cost		
Cash and cash equivalents	630.1	32.1
Other receivables – amounts receivable from subsidiary undertakings	14.3	2.3
Other receivables	4.4	3.1
Long-term intercompany receivables	6.0	8.1
	654.8	45.6

For all financial assets held at amortised cost, their carrying amount is considered to be the same as their fair value.

Section 8 – Notes to the Company Financial Statements continued

8.7 Financial Instruments continued

Maturity analysis of financial assets

The expected financial maturity of the Company's financial assets at 31 December 2022 is as follows:

	<1 year US$m	1–2 years US$m	2–5 years US$m	>5 years US$m
Financial assets at amortised cost				
Cash and cash equivalents	**630.1**	–	–	–
Other receivables – amounts receivable from subsidiary undertakings	**14.3**	–	–	–
Other receivables – other	**4.4**	–	–	–
Long-term intercompany receivables	–	–	**6.0**	–
	648.8	–	**6.0**	–

The expected financial maturity of the Company's financial assets at 31 December 2021 was as follows:

	<1 year US$m	1–2 years US$m	2–5 years US$m	>5 years US$m
Financial assets at amortised cost				
Cash and cash equivalents	32.1	–	–	–
Other receivables – amounts receivable from subsidiary undertakings	2.3	–	–	–
Other receivables – other	3.1	–	–	–
Long-term intercompany receivables	–	1.3	6.8	–
	37.5	1.3	6.8	–

Financial liabilities

Carrying amount and fair value	At 31 December 2022 US$m	At 31 December 2021 US$m
Financial liabilities at amortised cost		
Trade and other payables	**0.2**	–
Amounts payables to subsidiary undertakings	**0.4**	76.0
Accruals	**3.8**	21.1
Lease liability	**1.1**	3.1
	5.5	100.2

Maturity analysis of financial liabilities

The expected financial maturity of the Company's financial liabilities at 31 December 2022 is as follows:

	<1 year US$m	1–2 years US$m	2–5 years US$m	>5 years US$m
Financial liabilities at amortised cost				
Trade and other payables	**0.2**	–	–	–
Amounts payable to subsidiary undertakings	**0.4**	–	–	–
Accruals	**3.8**	–	–	–
Lease liability	**1.1**	–	–	–
	5.5	–	–	–

The expected financial maturity of the Company's financial liabilities at 31 December 2021 was as follows:

	<1 year US$m	1–2 years US$m	2–5 years US$m	>5 years US$m
Financial liabilities at amortised cost				
Amounts payable to subsidiary undertakings	76.0	–	–	–
Accruals	21.1	–	–	–
Lease liability	1.8	1.3	–	–
	98.9	1.3	–	–

Financial risk management: risk and objectives

The Company's financial risk management policies and objectives are consistent with those of the Group detailed in note 3.8.

The Company is not exposed to material foreign currency exchange rate risk.

Section 8 – Notes to the Company Financial Statements continued

8.8 Capital Management

Capital and net (funds)/debt were made up as follows:

	At 31 December 2022 US$m	At 31 December 2021 US$m
Continuing operations		
Amounts payable to subsidiary undertakings	**0.4**	76.0
Lease liability	**1.1**	3.1
Less cash and cash equivalents	**(630.1)**	(32.1)
Net (funds)/debt	**(628.6)**	47.0
Equity	**1,247.2**	1,102.1
Capital and net (funds)/debt	**618.6**	1,149.1
Gearing ratio	**–**	4%

8.9 Related Party Transactions

The Company's subsidiaries are listed in note 8.2. The following table provides the Company's balances which are outstanding with subsidiary undertakings at the balance sheet date:

	At 31 December 2022 US$m	At 31 December 2021 US$m
Amounts payable to subsidiary undertakings	**(0.4)**	(76.0)
Amounts receivable from subsidiary undertakings	**20.3**	10.4
	19.9	(65.6)

The amounts outstanding are unsecured, repayable on demand and will be settled in cash.

The following table provides the Company's transactions with subsidiary undertakings recorded in the profit/(loss) for the year:

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Amounts invoiced to subsidiaries	**21.8**	11.1
Amounts invoiced by subsidiaries	**5.1**	20.4

Directors' remuneration

The remuneration of the Directors of the Company is set out below. Further information about individual Directors' remuneration is provided in the audited section of the Directors' Remuneration Report on pages 76 to 109.

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Emoluments	**2.5**	3.3
Share-based payments	**2.1**	1.8
	4.6	5.1

Pension contributions of US$0.2m (2021: US$0.2m) were made on behalf of Directors in 2022.

837,004 LTIP share awards to Directors vested during 2022 (2021: 748,413). Share-based payments disclosed above represent the market value at the vesting date of these awards in that year.

Other transactions

During the year the Company did not make any purchases in the ordinary course of business from an entity under common control (2021: US$nil).

In February 2022 the Company received a dividend payment of US$1,056.4m from Cairn UK Holdings Limited following the receipt of the India tax refund into that subsidiary.

In November 2022 the Company received a dividend from its subsidiary, Capricorn Oil Limited, of US$187.4m, all of which was offset against previous borrowings (2021: US$nil).

Licence List
As at 31 December 2022

Country	Asset name	Licence	Block(s)	Operator	Capricorn Energy interest (%)
Egypt	Alam El Shawish West	Alam El Shawish	Al Assil, Al Barq, Al Karam, Al Magd, Bahga	Cheiron (20%)	20
Egypt	Badr El Din	Badr El Din	BED-19, BED-20	Cheiron (50%)	50
Egypt	BED 2-17	BED 2-17	BED-2, BED-17	Cheiron (50%)	50
Egypt	BED-3	BED-3	BED-3	Cheiron (50%)	50
Egypt	North Alam El Shawish	North Alam El Shawish	NAES-1	Cheiron (50%)	50
Egypt	North East Abu Gharadig	NEAG Extension	NEAG-1, NEAG-2, NEAG-3, NEAG-4, NEAG-5	Cheiron (26%)	26
Egypt	North East Abu Gharadig	NEAG Tiba	JG, JD, Sheiba	Cheiron (26%)	26
Egypt	North Matruh	North Matruh	North Matruh-1 Teen	Cheiron (50%)	50
Egypt	North Um Baraka	North Um Baraka	North Um Baraka, Numb-1	Cheiron (50%)	50
Egypt	Obaiyed	Obaiyed	Obaiyed	Cheiron (50%)	50
Egypt	Sitra	Sitra	Sitra	Cheiron (50%)	50
Egypt	South Abu Sennan	South Abu Sennan	South Abu Sennan	Capricorn Egypt Limited	50
Egypt	South-East Horus	South-East Horus	South-East Horus	Capricorn Egypt Limited	50
Egypt	West El Fayium	West El Fayium	West El Fayium	Capricorn Egypt Limited	50
UK	Plymouth	P2428	43/7, 43/8	Capricorn Energy UK Limited	60
UK	Breagh South	P2560	42/13b, 42/17, 42/18	Capricorn Energy UK Limited	70
UK	Portsmouth	P2561	42/19, 42/20b	Capricorn Energy UK Limited	70
UK	Prometheus	P2562	42/22, 42/23	Capricorn Energy UK Limited	70
UK	Cadence	P2567	43/11, 43/12b	Capricorn Energy UK Limited	60
Mauritania	Block C7	C7 PSC	C7	Capricorn Mauritania Limited	90
Mexico	Block 7	CNH-R02-L01-A7.CS-2017	7	Eni (45%)	30
Mexico	Block 9*	CNH-R02-L01-A9.CS-2017	9	Capricorn Energy Mexico	50
Mexico	Block 10*	CNH-R02-L01-A10.CS-2017	10	Eni (65%)	15
Mexico	Block 15**	CNH-R03-L01-G-TMV-01-2018	15	Capricorn Energy Mexico	50
Suriname	Block 61	Block 61	61	Capricorn Suriname B.V.	100

* Notice of withdrawal submitted and in the process of exiting
** Relinquished, awaiting final certificate from CNH

Group Reserves and Resources
As at 31 December 2022

Reserves
The Group 2P reserves decreased by 10.2 mmboe during the year from 37.4 mmboe at year-end 2021 to 27.2 mmboe at year-end 2022 on an entitlement interest basis. This was principally due to Egyptian production of 4.7 mmboe and some downward revisions in gas reserves within the AESW and Obaiyed concessions. The AESW revisions are related to disappointing reservoir properties in the Karam-11 well and a limited connected reservoir volume in the Assil-105 well. Obaiyed reserves have been downgraded due to a steeper production decline, which is partly attributed to lower activity as the consortium focuses on higher-value oil production.

Capricorn's 2P reserves have decreased by 10% relative to the year-end 2020 estimate provided in the shareholder circular for the Egypt acquisition, once adjusted for interim production and the reclassification of Teen full-field development (3.9 mmboe) from reserves to contingent resources, as detailed in the 2021 Annual Report.

Group proven plus probable oil and gas reserves (2P)

	Working Interest (WI)			Entitlement Interest (EI)		
	Oil mmbbls	Gas bcf	boe mmboe	Oil mmbbls	Gas bcf	boe mmboe
31 December 2021	31.1	335.3	91.0	13.0	136.6	37.4
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Additions and Discoveries	0.6	1.6	0.9	0.3	0.7	0.4
Technical Revisions	1.7	(91.5)	(14.7)	0.2	(35.0)	(6.0)
Commodity Price Revisions	0.2	0.6	0.3	0.1	0.2	0.1
Production	(5.3)	(40.2)	(12.5)	(1.8)	(16.3)	(4.7)
31 December 2022	**28.3**	**205.8**	**65.0**	**11.8**	**86.2**	**27.2**

All current 2P Reserves are located within the Western Desert Assets in Egypt

Sensitivity analysis with different hydrocarbon and carbon emission prices

Total Group 2P Reserves	WI mmboe	EI mmboe
WEO-2022 Stated Policies Scenario (STEPS)	66.5	26.4
WEO-2022 Announced Pledges Scenario (APS)	65.8	26.6
WEO-2022 Net Zero Emissions by 2050 Scenario (NZE)	61.6	25.4

Greenhouse gas emissions associated with 2P reserves

	WI Mt	EI Mt	EI kg CO_2 equiv/boe
Estimated Scope 1 emissions	3.3	1.0	33
Estimated Scope 3 emissions*	26.9	11.1	380

* Since Capricorn Energy does not control how its products are utilised, Scope 3 emissions are estimated for Categories 9, 10 & 11 of the GHG Protocol (downstream distribution, refining and use of products assuming all hydrocarbons are combusted).

Subdivision of 2P Reserves

	%
By country	
Egypt	100
Within 20 lowest ranking countries from Transparency International's Corruption Perception Index	0
Within protected conservation areas or habitats	0

Group contingent oil and gas reserves (2C Development Pending)

	WI mmboe	EI mmboe
31 December 2021	9.8	2.9
Disposals	0.0	0.0
Acquisitions	0.0	0.0
Discoveries	0.0	0.0
Revisions*	(0.1)	1.0
31 December 2022	**9.7**	**3.9**

* Change in EI due to a change in the calculation methodology

WEO World Energy Outlook 2022, International Energy Agency