Registered No: 12000255

CAPRICORN SENEGAL (HOLDING) LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Capricorn Senegal (Holding) Limited

Directors:

James Smith
Simon Thomson
Paul Mayland

Secretary:

Anne McSherry

Independent Auditors:

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Solicitors:

Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

Registered Office:

4th Floor
Wellington House
125 Strand
London
WC2R 0AP

Registered No:

12000255

Capricorn Senegal (Holding) Limited

Directors' Report

The directors of Capricorn Senegal (Holding) Limited ("the Directors" and "the Company") present their Annual Report for the year ended 31 December 2021 together with the audited financial statements of the Company for the year (the "Financial Statements").

Business Review and Principal Activities

The Company's principal activity is that of a holding Company and planned to continue to be holdings company in the future.

In December 2020 the Company's subsidiary, Capricorn Senegal Limited, completed the disposal of its 40% working interest in its Senegal exploration and development assets. During the current year, the Company continued to operate as the holding company for its investment which is carried at its recoverable value equal to the fair-value of deferred consideration potentially due in 2024.

Consolidated Financial Statements are not produced for the Company and its wholly owned subsidiary (detailed in note 5 to the Financial Statements) given the exemption in section 400(1) of the Companies Act 2006.

The Company is a wholly-owned subsidiary of Capricorn Energy PLC. The results of the Company are consolidated into those of the parent company, registered in Scotland, whose principal place of business is at 50 Lothian Road, Edinburgh, EH3 9BY. Copies of Capricorn Energy PLC's Financial Statements are available to the public and may be obtained from the above-mentioned address.

Going Concern

In assessing whether the going concern assumption is appropriate, the Directors considered the Company cash flow forecasts under various scenarios, identifying risks and mitigants and ensuring the Company has sufficient funding to meet its current commitments as and when they fall due for a period of at least 12 months from the date of approval of the Financial Statements.

The Company has received a letter of support from Capricorn Energy PLC, the ultimate parent company to meet liabilities as they become due for the 12 month period from the date of approval of the 2021 Financial Statements.

On 1 June 2022, the Capricorn Energy PLC group (the "Group") announced its intention to merge with Tullow Oil PLC to create a new combined group and ultimate parent undertaking (together the "New Group"). The transaction remains subject to shareholder approval. There is a reasonable expectation that the New Group will have adequate resources to continue in operational existence for the foreseeable future and provide ongoing support to the Company. The Directors believe it is therefore appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. The Directors will not have full control over the New Group and therefore do not have full knowledge of the new ultimate parent undertaking's future intentions and funding plans in relation to the New Group and ongoing support to the Company. The Group is also exploring potential alternative transactions. These conditions indicate the existence of a material uncertainty over the Company's ability to continue as a going concern. The Financial Statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Results and Dividend

During the year the Company made a profit of US$24.5m (2020: loss of US$363.6m). This was wholly due to impairment reversal of the investment in its subsidiary.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and therefore, as provided in section 414B Companies Act 2006, a Strategic Report is not presented.

No dividends were paid or declared in 2021. In 2020, dividends of US$277.8m were declared and distributed to the Company.

Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group which include those of the Company, are discussed in pages 46 to 55 of the Group's annual report which does not form part of this report. The principal risks identified in the annual report include 'Volatile oil and gas prices'. Although the Senegal assets had been sold, there is a deferred consideration of up to US$100.0m receivable dependent upon the first oil date and the oil price at that time.

Financial Instruments

For details of the Company's financial risk management policy see note 9.

Capricorn Senegal (Holding) Limited

Directors' Report (continued)

Accounting Policies
Capricorn Senegal (Holding) Limited applies accounting policies in line with those of the Capricorn Energy PLC Group. Significant accounting policies of the Group are included within the Annual Report and Accounts of Capricorn Energy PLC.

Directors
The Directors of the Company who were in office during the year and up to the date of signing the Financial Statements were:

James Smith
Paul Mayland
Simon Thomson

The Company maintains qualifying third-party indemnity insurance on behalf of its Directors which was in place throughout the year.

Streamlined Energy and Carbon Reporting ("SECR") Framework
The Company is exempt from the requirement to report in respect of SECR, as Capricorn Energy PLC fulfils this requirement on behalf of the Capricorn Energy PLC and its group companies (together the "Group").

Statement of Directors' Responsibilities
The Directors of the Company are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with UK-adopted international accounting standards.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

Capricorn Senegal (Holding) Limited

Directors' Report (continued)

Directors' confirmations
In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The independent auditors, PricewaterhouseCoopers LLP, indicated their willingness to continue in office, and a resolution that they be re-appointed was passed at the annual general meeting of Capricorn Energy PLC.

BY ORDER OF THE BOARD

A McSherry

Anne McSherry
Secretary

50 Lothian Road
Edinburgh EH3 9BY

8 September 2022

Report on the audit of the financial statements

Opinion

In our opinion, Capricorn Senegal (Holding) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and the Statement 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.

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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. As outlined in note 1 to the Financial Statements, Capricorn Senegal (Holding) Limited is reliant on financial support from its ultimate parent company, Capricorn Energy Plc, in order to meet its liabilities as they fall due. However, on 1 June 2022, Capricorn Energy Plc announced its intention to merge with Tullow Oil PLC to create a new combined Group and ultimate parent undertaking. The Tullow transaction remains subject to shareholder approval. Assuming such approval is received the transaction is likely to complete within 12 months of the approval of these Financial Statements. The current Directors will not have full control over the new combined Group and therefore they do not currently have full knowledge of the new ultimate parent undertaking's future intentions, funding plans in relation to the Group and whether the new ultimate parent undertaking would provide financial support to the company. The Group is also exploring potential alternative transactions. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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.

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. 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 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2021 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, 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 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 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.

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of oil and gas specific regulations in the jurisdictions that the company or its subsidiaries operate in, 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. 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 the posting of inappropriate journal entries in order to improve reported performance. Audit procedures performed by the engagement team included:

- Discussion with management, internal audit, legal counsel and individuals outside the finance function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Identifying and testing journal entries, in particular, any journal entries posted by unexpected users, journals posted at unexpected times, journals reflecting unusual account combinations or journals with descriptions containing key unexpected words.

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.

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Jane Ferguson

Jane Ferguson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
8 September 2022

Capricorn Senegal (Holding) Limited

Income Statement

For the year ended 31 December 2021

Continuing operations	Notes	2021 US$m	2020 US$m
Administrative expenses		-	(6.3)
Operating loss	2	-	(6.3)
Impairment reversal/(impairment) of investment in subsidiary	5	**24.5**	(572.8)
Impairment reversal of intercompany loan receivable		-	5.2
Finance income		-	4.0
Dividends receivable	11	-	277.8
Finance costs	3	-	(71.5)
Profit/(Loss) before taxation		**24.5**	(363.6)
Taxation	4	-	-
Profit/(Loss) for the year		**24.5**	(363.6)

Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 US$m	2020 US$m
Profit/(Loss) for the year	**24.5**	(363.6)
Total comprehensive income/(expense) for the year	**24.5**	(363.6)

Capricorn Senegal (Holding) Limited
Balance Sheet
As at 31 December 2021

	Notes	**2021 US$m**	2020 US$m
Non-current assets			
Investment in subsidiary	5	**51.7**	27.2
Current assets			
Cash and cash equivalents	6	**0.5**	6.5
Total assets		**52.2**	33.7
Current liabilities			
Other payables	7	**-**	6.0
Total liabilities		**-**	6.0
Net assets		**52.2**	27.7
Equity attributable to owners of the parent			
Called-up share capital	8	**-**	-
Retained earnings		**52.2**	27.7
Total equity		**52.2**	27.7

The Financial Statements on pages 8 to 19 were approved by the Board of Directors on 8 September 2022 and signed on its behalf by:

James Smith
Director

Company Registered No: 12000255

Capricorn Senegal (Holding) Limited

Statement of Cash Flows

For the year ended 31 December 2021

	2021 **US$m**	2020 US$m
Cash flows from operating activities		
Profit/(Loss) before taxation	**24.5**	(363.6)
(Impairment reversal)/Impairment of investment in subsidiary	**(24.5)**	572.8
Reversal of loan impairment	**-**	(5.2)
Finance income	**-**	(4.0)
Dividends received	**-**	(277.8)
Finance costs	**-**	71.5
Other payables movement	**(6.0)**	6.0
Net cash flows used in operating activities	**(6.0)**	(0.3)
Cash flows from investing activities		
Dividend received	**-**	277.8
Interest paid	**-**	(0.1)
Group funding	**-**	(31.2)
Net cash flows from investing activities	**-**	246.5
Cash flows used in financing activities		
Loan drawdown	**-**	40.4
Arrangement and facility fee	**-**	(3.0)
Group funding	**-**	(277.1)
Net cash flows used in financing activities	**-**	(239.7)
Net (decrease)/increase in cash and cash equivalents	**(6.0)**	6.5
Opening cash and cash equivalents at beginning of year	**6.5**	-
Closing cash and cash equivalents	**0.5**	6.5

Capricorn Senegal (Holding) Limited

Statement of Changes in Equity

For the year ended 31 December 2021

	Called-up share capital US$m	(Accumulated losses)/Retained earnings US$m	**Total Equity US$m**
At 1 January 2020	-	(601.2)	(601.2)
Loss for the year	-	(363.6)	(363.6)
Total comprehensive expense for the year	-	(363.6)	(363.6)
Loan waiver	-	992.5	992.5
At 31 December 2020	-	27.7	27.7
Profit for the year	-	24.5	**24.5**
Total comprehensive income for the year	-	24.5	**24.5**
At 31 December 2021	**-**	**52.2**	**52.2**

Capricorn Senegal (Holding) Limited

1 Significant Accounting Policies

a) Basis of preparation

The Financial Statements of Capricorn Senegal (Holding) Limited for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 8 September 2022. The Company is a private company limited by shares incorporated and domiciled in the United Kingdom. The registered office is located at 4th Floor, Wellington House, 125 Strand, London, WC2R 0AP. The Company's registered number is 12000255.

The Company prepares its Financial Statements on a historical cost basis, applied consistently throughout the year. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy. The Financial Statements 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 accounting policies adopted during the year are consistent with those adopted by the ultimate parent company, Capricorn Energy PLC.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The financial position of the company, its liquidity position and borrowing facilities are presented in the Financial Statements and supporting notes. In addition, note 9 to the Financial Statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; and its exposures to liquidity risk.

b) 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 Directors considered the Company cash flow forecasts under various scenarios, identifying risks and mitigants and ensuring the Company has sufficient funding to meet its current commitments as and when they fall due for a period of at least 12 months from the date of approval of the Financial Statements. As the Company has net liabilities in the Balance Sheet as at 31 December 2021, the Company is reliant on support from the ultimate parent undertaking.

The Company has received a letter of support from Capricorn Energy PLC, the ultimate parent company to meet liabilities as they become due for the 12 month period from the date of approval of the 2021 Financial Statements. On this basis the Directors have determined the preparation of the Financial Statements on a going concern basis to be appropriate.

On 1 June 2022, the Capricorn Energy PLC group (the "Group") announced its intention to merge with Tullow Oil PLC to create a new combined group and ultimate parent undertaking (together the "New Group"). The transaction remains subject to shareholder approval. There is a reasonable expectation that the New Group will have adequate resources to continue in operational existence for the foreseeable future and provide ongoing support to the Company. The Directors believe it is therefore appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. The Directors will not have full control over the New Group and therefore do not have full knowledge of the new ultimate parent undertaking's future intentions and funding plans in relation to the New Group and ongoing support to the Company. The Group is also exploring potential alternative transactions. These conditions indicate the existence of a material uncertainty over the Company's ability to continue as a going concern. The Financial Statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

c) Accounting standards

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Financial Statements of the Company 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 1 January 2021, the Company has adopted the following standards and amendments to standards:

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

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

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

1 Significant Accounting Policies (continued)

d) Investments

The Company's investment in its subsidiary is 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.

Where there are indicators that an impairment recognised in a prior year may have reversed, the Company will run impairment test and any reversal of a prior year impairment identified shall be credited to the Income Statement and the carrying value of the investment increased. Total impairment reversals cannot exceed the original carrying amount of the investment.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are categorised as financial assets held at fair value through profit or loss, financial assets at fair value through other comprehensive income or financial assets subsequently measured at amortised cost. The Company holds financial assets at amortised cost.

Financial liabilities generally substantiate claims for repayment in cash or another financial asset. Financial liabilities are categorised as held at amortised cost. All of the Company's financial liabilities are held at amortised cost.

Financial instruments are generally recognised as soon as the Company becomes party to the contractual regulations of the financial instrument.

Other payables and other non-derivative financial liabilities

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

f) Equity

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

g) Taxation

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

The current tax credit is based on the taxable loss for the period. 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 periods and it further excludes items that are never taxable or deductible. Where there are uncertain tax positions, the Company assess 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.

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 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.

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

h) Foreign currencies

The functional and presentational currency of the Company is US$. The Company 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 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.

1 Significant Accounting Policies (continued)

i) Significant accounting judgements, estimates and assumptions

Key estimations and assumptions
The Company has used estimates and assumptions in arriving at certain figures within the Financial Statements. The resulting accounting estimates may not equate with the actual results which will only be known in time. Those areas believed to be key areas of estimation are noted below, with further details of the assumptions contained in the relevant note.

Impairment testing of investment in subsidiary
On 31 December 2021, the Company reviewed the carrying value of its investment in Capricorn Senegal Limited ("CSL")for indicators of impairment or reversal of impairment and identified a possible reversal of the prior year's impairment. The impairment test performed, and subsequent reversal of impairment compared the carrying value of the subsidiary to the fair value of its underlying asset, being deferred consideration due to the subsidiary on the sale of its assets in Senegal.

The fair value of the subsidiary's asset is based on a risk-adjusted market valuation of the deferred consideration of up to US$100.0m which is receivable dependent upon the first oil date and the oil price at that time.

2 Operating Loss

In 2020, operating costs of US$6.3m are mainly the legal costs incurred in relation to the disposal of Senegal exploration and development assets.

Auditors' Remuneration

The Company's auditors' remuneration of US$2,400 (2020: US$2,300) has been borne by its parent company Capricorn Energy PLC. Auditors' remuneration for other services is disclosed in the Financial Statements of Capricorn Energy PLC.

The Company has a policy in place for the award of non-audit work to the auditors which requires approval by the Audit Committee of Capricorn Energy PLC, the parent company. No such costs were incurred by the Company during the year.

Remuneration of key management personnel and directors
The Directors of the Company are also directors of other companies in the Capricorn Energy PLC Group. The Directors received emoluments for the year of US$3.3m (2020: US$3.3m), share-based payments of US$2.3m (2020: US$0.6m) and pension contributions of US$0.2m (2020: US$0.2m) all of which was paid by other companies in the Group. 1,244,941 LTIP share awards to Directors vested during 2021 (2020: 389,169). Share-based payments shown above represent the market value at the vesting date of these awards. Remuneration of the highest paid director was US$2.3m.

The Directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of Capricorn Energy PLC and fellow subsidiary companies. There are no agreements between the Company and the Board of Directors.

Employees
The Company has no employees (2020: none).

3 Finance costs

	Year ended 2021 US$m	Year ended 2020 US$m
Loan interest	-	68.5
Other finance charges	-	3.0
	-	71.5

For the year ended 2020, the loan interest includes intercompany interest costs of US$68.5m. Intercompany interest was charged at market rates.

4 Taxation

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

	Year ended 2021 US$m	Year ended 2020 US$m
Profit/(Loss) before taxation	**24.5**	(363.6)
Tax at the standard rate of UK corporation tax of 19% (2020: 19%)	**4.7**	(69.1)
Effects of:		
(Non-taxable income) / non-deductible expenses	**(4.7)**	55.1
Tax losses surrendered to other group companies	**-**	14.0
Total tax charge	**-**	-

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

The UK main rate of corporation tax is currently 19% (2020: 19%). The Finance Act 2021 was enacted on 10 June 2021 and increased the UK main rate of corporation tax from 19% to 25% with effect from 1 April 2023.

There was no deferred tax asset or liability as at 31 December 2021 (2020: US$nil) as there were no temporary differences as at the Balance Sheet date.

5 Investment in subsidiary

	Subsidiary undertaking US$m
Cost	
At 1 January 2020	1,168.0
At 31 December 2020 and 31 December 2021	**1,168.0**
Impairment	
At 1 January 2020	568.0
Impairment charge during the year	572.8
At 31 December 2020	1,140.8
Impairment reversal during the year	(24.5)
At 31 December 2021	**1,116.3**
Net book value at 31 December 2021	**51.7**
Net book value at 31 December 2020	27.2

5 Investment in subsidiary (continued)

In December 2020 the Company's subsidiary, CSL, completed the disposal of its 40% working interest in its Senegal exploration and development assets.

At the year end, the investment in CSL was reviewed for indicators of impairment/impairment reversal and an impairment test conducted as indicators were identified. Following this review, the Company's investment in CSL was adjusted to reflect the fair value of deferred consideration of up to US$100.0m which is receivable dependent upon the first oil date and the oil price at that time. At 31 December 2021, the risk-weighted fair value of the deferred consideration was US$51.7m (2020: US$27.2m). An impairment reversal of US$24.5m (2020: impairment charge US$572.8m) was made to the Income Statement.

The Company's sole subsidiary as at the balance sheet date is set out below. The Company holds 100% of the voting rights and ordinary shares.

Direct holdings

Company	**Business**	**Country of incorporation**	**Country of operation**	**Registered office address**
Capricorn Senegal Limited	Exploration and Development	Scotland	Senegal	50 Lothian Road, Edinburgh, EH3 9BY

6 Cash and Cash Equivalents

	At 31 December 2021 US$m	At 31 December 2020 US$m
Cash at bank	**0.5**	6.5

Cash and cash equivalents earn interest at floating rates. Short-term investments are made for varying periods ranging from instant access to unlimited, but generally not more than three months depending on the cash requirements of the Company.

The Company participates in a cross-entity multicurrency notional cash pooling arrangement with Citibank. The pooling arrangement aggregates cash balances and overdrafts across the Capricorn Energy group entities, ensuring the pool is positive at all times.

7 Other payables

	At 31 December 2021 US$m	At 31 December 2020 US$m
Accruals	**-**	6.0
	-	6.0

2020 accruals are legal fees in relation to the sale of the Senegal assets. The amounts outstanding are unsecured, repayable on demand and will be settled in cash. No guarantees have been given.

7 Other payables (continued)

Reconciliation of opening and closing amounts payable to group companies to cash flow movements:

	At 31 December 2021 US$m	At 31 December 2020 US$m
Opening payable to Group companies	-	1,201.2
Cash flow movement – financing activities		
Repayment of group funding	-	(277.1)
Bridge loan advance	-	40.4
Non-cash movements		
Interest on intercompany loan balance	-	68.4
Loan waiver	-	(992.5)
Bridge loan repayment by CSL	-	(40.4)
	-	-

The Group signed a Bridge loan facility with a syndicate of international banks, effective 25 September 2020. The purpose of the facility was to fund Senegal-related development and general and administrative expenses from 1 September 2020 until completion of the sale of Senegal assets to Woodside.

Total commitments under the facility were US$250.0m and interest on debt drawn was charged at the appropriate LIBOR for the interest period drawn plus an applicable margin.

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

The bridge loan drawdown of US$40.4m was drawn by Capricorn Senegal (Holding) Limited and subsequently repaid by CSL during 2020.

8 Called-up share capital

Allotted, issued and fully paid ordinary shares	£1 Ordinary Number	**£1 Ordinary US$m**
At 31 December 2020 and 31 December 2021	**1**	**-**

9 Financial Risk Management: Objectives and Policies

The main risk arising from the Company's financial instruments is liquidity risk. The Board of Capricorn Energy PLC, through the Treasury Sub-Committee, reviews and agrees policies for managing this risk and these are summarised below.

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

The primary financial assets comprise cash and cash equivalents. The Company's strategy has been to finance its operations through cash and group funding. Other alternatives such as equity issues and other forms of non-investment-grade debt finance are reviewed by the Board, when appropriate.

Liquidity risk
The Company 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 Company has received a letter of support from Capricorn Energy PLC, the ultimate parent company to meet liabilities as they become due for the 12 month period from the date of approval of the 2021 Financial Statements.

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 Company to meet its short and medium-term expenditure requirements.

Capital Management
The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company to support its own funding requirements. The Company 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 Company manages the capital structure and makes adjustments to it in light of changes to economic conditions. No significant changes were made in the objectives, policies or processes during the year ended 31 December 2021.

Company capital and net funds were made up as follows:

	At 31 December 2021 US$m	At 31 December 2020 US$m
Less cash and cash equivalents	**(0.5)**	(6.5)
Net funds	**(0.5)**	(6.5)
Equity	**52.2**	27.7
Capital and net funds	**51.7**	21.2
Gearing Ratio	**0%**	0%

10 Financial Instruments

Financial assets
The Company's sole financial asset as at 31 December 2021 is cash and cash equivalents of US$0.5m (2020: US$6.5m).

Set out below is the comparison by category of carrying amounts and fair values of the Company's financial liabilities that are carried in the Financial Statements.

Financial liabilities	**Carrying amount**		**Fair value**	
	At 31 December 2021 US$m	At 31 December 2020 US$m	**At 31 December 2021 US$m**	At 31 December 2020 US$m
Amortised cost				
Accruals	-	6.0	-	6.0
	-	6.0	-	6.0

The fair value of financial assets and liabilities has been calculated by discounting the expected future cash flows at prevailing interest rates. All of the Company's financial liabilities are expected to mature within one year.

11 Related Party Transactions

Note 2 provides details of the remuneration of key management personnel and directors.

No dividends were paid or declared in 2021. In 2020, dividends of US$277.8m were declared and distributed to the Company. The dividend was settled in cash from the subsidiary company Capricorn Senegal Limited.

In 2020, the Company waived an inter-company loan balance due from Capricorn Oil Limited of US$853.8m and an amount due from Capricorn Energy PLC of US$138.7m.

12 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Capricorn Energy PLC, which is the ultimate parent company, registered in Scotland and whose principal place of business is at 50 Lothian Road, Edinburgh, EH3 9BY. The results of the Company are consolidated into those of Capricorn Energy PLC.

Copies of Capricorn Energy PLC's Financial Statements are available to the public and may be obtained from the above-mentioned address.

13 Event after the Balance Sheet Date

On 1 June 2022, the Capricorn Energy PLC group announced its intention to merge with Tullow Oil PLC to create a new combined group and ultimate parent undertaking. The implications of going concern are disclosed in note 1(b).