Registered No: 13765090

CAPRICORN LOW CARBON SOLUTIONS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE PERIOD FROM 25 NOVEMBER 2021 (DATE OF INCORPORATION) TO 31 DECEMBER 2022

Capricorn Low Carbon Solutions Limited

Directors:

James Smith (appointed 25 November 2021 and resigned 11 April 2023)
Simon Thomson (appointed 25 November 2021 and resigned 11 April 2023)
Christopher Cox (appointed 11 April 2023 and resigned 7 June 2023)
Clare Mawdsley (appointed 11 April 2023 and resigned 1 August 2023).
Randall Neely (appointed 7 June 2023)
Nathan Piper (appointed 1 August 2023)
Paul Ervine (appointed 1 August 2023)

Secretary:

Anne McSherry (resigned 7 June 2023)
Paul Ervine (appointed 7 June 2023)

Independent Auditors:

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Solicitors:

Shepherd and Wedderburn LLP
9 Haymarket Square
Edinburgh
EH3 8FY

Registered Office:

Wellington house 4th Floor
125 The Strand
London
WC2R 0AP

Registered No:

13765090

Capricorn Low Carbon Solutions Limited

Directors' Report

The directors of Capricorn Low Carbon Solutions Limited (the "Company" and the "Directors") present their Annual Report for the period from 25 November 2021 to 31 December 2022 together with the audited financial statements of the Company for the period (the "Financial Statements").

Business Review and Principle Activities
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 does not prepare a strategic report.

The Company was incorporated on 25 November 2021.

The Company's principal activity is investing in carbon credits. The Company and the wider Capricorn Energy PLC Group (the "Group") have been focusing on progress of its transition strategy. The Company invested US$3,116k and made a prepayment of US$3,700k in high-quality, verified carbon credits, which will be used to offset the Group's emissions, in order to achieve net zero targets set by the Group, for more information of the Company's strategy can be found in the TCFD Reporting section of the Capricorn Energy PLC annual report, pages from 180 to 184, which does not part of this report.

The Company is a wholly-owned subsidiary of Capricorn Energy Holdings Limited. The results of the Company are consolidated into those of the ultimate parent company, Capricorn Energy PLC, 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.

Future Outlook
In 2022, the Company invested US$3,116k and made a prepayment of US$3,700k in high-quality, verified carbon credits, which will be used to offset the Caprcorn Energy PLC group's future emissions from its operations in Egypt, in order to achieve its net zero targets.

Going concern
The Directors have considered the factors relevant to support a statement of going concern. The Company is reliant on support from its parent undertaking, Capricorn Energy PLC to meet its day-to-day liquidity requirements.

In assessing whether the going concern assumption is appropriate, the Board considered the Capricorn Energy PLC Group ("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 in a sister company. This cash surplus has been adjusted for the post year-end return of US$450.0m cash to shareholders and an additional cash return of US$100.0m, subject to certain conditions, and a US$25.0m share buy-back, which has already commenced. After adjusting for these 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 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 12 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 12-month period from the date of approval of the Financial Statements in event of default by the counterparty.

The Company has received a letter of support from Capricorn Energy PLC to meet liabilities as they become due for the 12 month period from the date of approval of the 2022 financial statements.

Capricorn Low Carbon Solutions Limited

Directors' Report (continued)

Going concern (continued)

The Directors have a reasonable expectation that the Company will continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements and have therefore used the going concern basis in preparing the Financial Statements.

Results and Dividend
During the period Capricorn Low Carbon Solutions Limited made a loss of US$399k.

No dividends were declared or distributed in respect of the period from 25 November 2021 to 31 December 2022.

Principal Risks and Uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Capricorn Energy PLC 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.

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").

Accounting Policies
The Company 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.

Financial Instruments
For detail of the Company's financial risk management policy see note 8.

Directors
The directors of the Company who were in office during the period from 25 November 2021 to 31 December 2022 and up to the date of signing the Financial Statements were:

James Smith (appointed 25 November 2021 and resigned 11 April 2023)
Simon Thomson (appointed 25 November 2021 and resigned 11 April 2023)
Christopher Cox (appointed 11 April 2023 and resigned 7 June 2023)
Clare Mawdsley (appointed 11 April 2023 and resigned 1 August 2023)
Randall Neely (appointed 7 June 2023)
Nathan Piper (appointed 1 August 2023)
Paul Ervine (appointed 1 August 2023)

The Company maintains qualifying third-party indemnity insurance on behalf of its Directors which was in place throughout the period and up to the approval of the Financial Statements.

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the directors have prepared the Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 period. In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether for the Company, international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Capricorn Low Carbon Solutions 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, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be presented at the annual general meeting.

BY ORDER OF THE BOARD

Paul Ervine

Paul Ervine
Secretary

50 Lothian Road
Edinburgh EH3 9BY

2 August 2023

Independent auditors' report to the members of Capricorn Low Carbon Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion, Capricorn Low Carbon Solutions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the period from 25 November 2021 to 31 December 2022;
- 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 2022; the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the period 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.

Conclusions relating to going concern

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 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 company's ability to continue as a going concern.

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

Independent auditors' report to the members of Capricorn Low Carbon Solutions Limited (continued)

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 period 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 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and

Independent auditors' report to the members of Capricorn Low Carbon Solutions Limited (continued)

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 of 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;
- 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.

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
Glasgow
2 August 2023

Capricorn Low Carbon Solutions Limited

Income Statement
For the period 25 November 2021 to 31 December 2022

	Note	2022 US$000
Operating result	2	**–**
Administrative and other expenses		**(32)**
Finance costs	3	**(367)**
Loss before taxation		**(399)**
Taxation	4	**–**
Loss for the period		**(399)**

Statement of Comprehensive Income
For the period 25 November 2021 to 31 December 2022

	2022 US$000
Loss for the period	**(399)**
Total comprehensive expense for the period	**(399)**

Capricorn Low Carbon Solutions Limited

Balance Sheet
As at 31 December 2022

	Note	2022 US$000
Non-current assets		
Intangible assets - Carbon credits	5	**3,116**
		3,116
Current assets		
Prepayment	5	**3,700**
Cash and cash equivalents		**2**
		3,702
Total assets		**6,818**
Current liabilities		
Other payables	6	**5**
		5
Total liabilities		**5**
Net assets		**6,813**
Equity attributable to owners of the parent		
Called up share capital	7	**7,212**
Accumulated losses		**(399)**
Total equity		**6,813**

The Financial Statements on pages 8 to 18 were approved by the Board of Directors on 2 August 2023 and signed on its behalf by:

Randall Neely
Director

Company Registered No: 13765090

Capricorn Low Carbon Solutions Limited

Statement of Changes in Equity
For the period 25 November 2021 to 31 December 2022

	Called up share capital US$000	Accumulated losses US$000	**Total equity US$000**
At 25 November 2021	–	–	**–**
Loss for the period	–	(399)	**(399)**
Total comprehensive expense	–	(399)	**(399)**
Shares issued	7,212	–	**7,212**
At 31 December 2022	**7,212**	**(399)**	**6,813**

Capricorn Low Carbon Solutions Limited

Statement of Cash Flow

For the period from 25 November to 31 December 2022

	Note	2022 US$000
Cash flows from operating activities		
Loss before taxation		**(399)**
Finance costs	3	**366**
Other payables movement	6	**5**
Net cash flows used in operating activities		**(28)**
Cash flows used in investing activities		
Purchase/prepayment of intangible assets - Carbon credits	**5**	**(6,816)**
Net cash flows used in investing activities		**(6,816)**
Cash flows from financing activities		
Group funding		**6,846**
Net cash flows from financing activities		**6,846**
Net increase in cash and cash equivalents		**2**
Closing cash and cash equivalents		**2**

1 Significant Accounting Policies

a) Basis of Preparation

The Financial Statements of Capricorn Low Carbon Solutions Limited for the period from 25 November 2021 to 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 2 August 2023. The Company is a private company, limited by shares, incorporated in England and domiciled in the United Kingdom. The registered office is located at Wellington House 4th Floor, 125 The Strand, London WC2R 0AP. The registered company number is 13765090.

The Company prepares its Financial Statements on a historical cost basis applied consistently throughout the period, 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 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 and Principle Activities on page 2. The financial position of the Company and its liquidity position are presented in the Financial Statements and supporting notes. In addition, note 8 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 a reasonable expectation that the Company will continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements and have therefore used the going concern basis in preparing the Financial Statements.
The Directors have considered the factors relevant to support a statement of going concern. The Company is reliant on support from its parent undertaking, Capricorn Energy PLC to meet its day-to-day liquidity requirements.

In assessing whether the going concern assumption is appropriate, the Board considered the Capricorn Energy PLC Group ("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. As the Company has net liabilities in the Balance Sheet as at 31 December 2022, the Company is reliant on support from the parent undertaking.

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 in a sister company. This cash surplus has been adjusted for the post year-end return of US$450.0m cash to shareholders and an additional cash return of US$100.0m, subject to certain conditions, and a US$25.0m share buy-back, which has already commenced. After adjusting for these 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 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 12 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 12-month period from the date of approval of the Financial Statements in event of default by the counterparty.

The Company has received a letter of support from Capricorn Energy PLC to meet liabilities as they become due for the 12-month period from the date of approval of the 2022 financial statements.

The Directors have a reasonable expectation that the Company will continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements and have therefore used the going concern basis in preparing the Financial Statements.

1 Significant Accounting Policies (continued)

c) Accounting Standards

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.

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.

d) Equity

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

e) 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.

f) Foreign Currencies

These Financial Statements is presented in US dollars (US$), the functional currency of the Company.

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.

g) 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1 Significant Accounting Policies (continued)

g) Financial instruments (continued)

Other payables
Other payables are non-interest bearing, with the exception of certain inter-group loans, and are measured at fair value initially then amortised cost subsequently.

Other receivables
Other receivables that have fixed or determinable payments that are not quoted on an active market are initially measured at fair value and then subsequently at amortised cost using the effective interest method less any impairment.

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 the Company, 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.

h) Carbon Credits

There is no specific guidance under IFRS as to how carbon credit purchases should be accounted. The IASB had previously issued an IFRIC on the subject (IFRIC 3 *Emission Rights*, issued in 2004) but this withdrawn shortly after issue. However, in the deliberations leading up to the IFRIC, the Interpretations Committee concluded that an allowance that is purchased is an asset that should be recognised.

Having recorded the asset at cost, the Company have elected to carry the asset on Balance Sheet and amortise on a Carbon Emissions ("UOP") basis in the periods in which the credits are utilised.

i) Significant accounting judgements, estimates and assumptions

Key estimations and assumptions
There are no accounting judgements, key estimations or assumptions to disclose in the 2022 Financial Statements.

2 Operating Result

Independent auditors' remuneration
The Company's independent auditors' remuneration for the period from 25 November 2021 to 31 December 2022 was US$13,451. This has been borne by the ultimate parent company Capricorn Energy PLC. The Company had no non-audit services provided by the independent auditors. Independent auditors' remuneration for other services for the Group is disclosed in the financial statements of the ultimate parent undertaking.

The Company has a policy in place for the award of non-audit work to the auditors which requires Audit Committee approval. No such costs were incurred by the Company during the period.

Remuneration of key management personnel
The Directors of the Company are also directors of other companies in the Group. The Directors received emoluments for the period from 25 November 2021 to 31 December 2022 of US$1,908k, share-based payments of US$1,503k and pension contributions of US$204k all of which was paid by other companies in the Group. 837,004 LTIP share awards to Directors vested during 2022. Share-based payments shown above represent the market value at the vesting date of these awards. Remuneration of the highest paid director was US$1,148k. The highest paid director received share-based payments of US$839k and 507,151 of LTIP share awards.

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.

3 Finance Costs

	Period ended 2022 US$000
Bank charges	1
Intercompany loan interest	366
	367

4 Taxation

Factors affecting tax credit for the period from 25 November 2021 to 31 December 2022

A reconciliation of income tax credit applicable to the loss before income tax to the UK statutory rate of income tax is as follows:

	Period ended 2022 US$000
Loss before taxation	(399)
Tax at the standard rate of UK corporation tax of 19%	(76)
Effects of:	
Tax losses surrendered to other Group companies	76
Total tax credit	–

The reconciliation shown above has been based on the average UK statutory rate of corporation tax for 2022 of 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 were no temporary differences as at the balance sheet date on which deferred tax assets or liabilities were recognised.

5 Intangible assets - Carbon credits

During the period, the Company invested US$3,116k and made a prepayment of US$3,700k 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. The asset is held at cost with no amortisation in the current period.

6 Other payables

	At 31 December 2022 US$000
Amounts payable to parent undertaking	**5**
	5

The amounts outstanding are unsecured and repayable on demand and will be settled in cash. No guarantees have been given.

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

	At 31 December 2022 US$000
Opening payable to Group companies	**–**
Cash flow movement – financing activities	
Funding from parent undertaking	**6,846**
Non-cash movements	
Interest on intercompany loan balance	**366**
Share capital issued and settled against debt due to the parent company	**(7,212)**
Intercompany payable increase	**5**
	5

7 Called up share capital

	£1 Ordinary Number	£1 Ordinary US$000
Allotted, issued and fully paid ordinary shares		
Share issued on incorporation on 25 November 2021	1	**–**
Shares issued	**5,837,097**	**7,212**
At 31 December 2022	**5,837,098**	**7,212**

In December 2022, the Company issued 5,837,097 fully paid ordinary shares of £1 each at par, to Capricorn Energy Holdings Limited for US$7,212k. The share capital issued was in settlement of debts due to the parent company.

8 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 and liabilities comprise cash and cash equivalents and intra-group loans. 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 Group's treasury function 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 2022 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 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. .

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 the Company's policy to invest with banks or other financial institutions that firstly offer the greatest degree of security 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 Company's policy and updates as required.

At the period end the Company does not have any significant concentrations of bad debt risk. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

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

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 period ended 31 December 2022.

8 Financial Risk Management: Objectives and Policies (continued)

Capital Management (continued)

Company capital and net debt were made up as follows:

	At 31 December 2022 US$000
Continuing operations	
Amounts payable to parent undertaking	5
Less cash and cash equivalents	(2)
Net debt	3
Equity	6,813
Capital and net debt less payables	6,816
Gearing ratio	–

9 Related Party Transactions

The following table provides the Company's balances which are outstanding with Group companies at the balance sheet date:

	At 31 December 2022 US$000
Amounts payable to parent undertaking	5
	5

The amounts outstanding are unsecured and repayable on demand and will be settled in cash. Interest, where charged, is at market rates. No guarantees have been given.

10 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Capricorn Energy Holdings Limited. The Company's ultimate parent company is Capricorn Energy PLC, 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.