Registered No: SC304517

CAIRN UK HOLDINGS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CAIRN UK HOLDINGS LIMITED

Directors:

James Smith
Simon Thomson

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:

50 Lothian Road
Edinburgh
EH3 9BY

Registered No:

SC304517

CAIRN UK HOLDINGS LIMITED

Directors' Report

The Directors of Cairn UK Holdings Limited ("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 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.

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

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

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

Going Concern

The Company has sufficient financial resources with which the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing these Financial Statements.

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. 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 if required. The Directors believe it is therefore appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. However, as the Directors will not have full control over the new Combined Group and therefore its future intentions, funding plans and ongoing support to the Company, this indicates 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 current year, the Company made a profit before tax of US$1,066.6m (2020: loss US$5.2m) which was due to US$9.8m (2020: US$5.8m) administrative costs offset by US$0.1m (2020: US$0.4m) intercompany interest receivable, US$5.6m (2020: US$0.2m) increase in market value of its financial asset (equity shares in Vedanta) and recognised exceptional income of India tax refund of $1,070.7m (2020: US$nil).

No dividend was paid or declared during 2021 (2020: US$nil). Subsequent to the year end, the Directors declared a dividend of US1,056.1m, equal to the proceeds received from the Government if India and this was paid in February 2022.

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 49 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'.

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 ("the 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 9.

CAIRN UK HOLDINGS LIMITED

Directors' Report (continued)

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

James Smith
Simon Thomson

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

Statement of Directors' Responsibilities
The directors of the Company are responsible for preparing the Strategic Report, 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.

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

Anne McSherry
Secretary
50 Lothian Road
Edinburgh
EH3 9BY
24 June 2022

CAIRN UK HOLDINGS LIMITED

Independent auditors' report to the members of Cairn UK Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cairn UK Holdings 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, the Statement of Comprehensive Income,* the 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. 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 transaction is expected to complete by the end of 2022 which is within 12 months of approval of these financial statements. The Directors do not have visibility over the cash flow forecasts, funding position, or future intentions of the combined group and the new ultimate parent undertaking's future intentions for the company. 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.

Independent auditors' report to the members of Cairn UK Holdings Limited (continued)

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.

Independent auditors' report to the members of Cairn UK Holdings Limited (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 compliance with overseas 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 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;
- Review of board minutes and Internal Audit reports;
- 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.

Bruce Collins

Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
24 June 2022

CAIRN UK HOLDINGS LIMITED

Income Statement
For the year ended 31 December 2021

	Notes	**2021 US$m**	2020 US$m
Administrative expenses	3	**(9.8)**	(5.8)
Operating loss	3	**(9.8)**	(5.8)
Exceptional income – India tax refund	2	**1,070.7**	-
Gain on financial assets at fair value through profit or loss	6	**5.6**	0.2
Finance income	4	**0.1**	0.4
Profit/(Loss) before taxation		**1,066.6**	(5.2)
Taxation	5	**-**	-
Profit/(Loss) for the year		**1,066.6**	(5.2)

Statement of Comprehensive Income
For the year ended 31 December 2021

	2021 US$m	2020 US$m
Profit/(Loss) for the year	**1,066.6**	(5.2)
Total comprehensive income/(expense) for the year	**1,066.6**	(5.2)

CAIRN UK HOLDINGS LIMITED

Balance Sheet
As at 31 December 2021

	Notes	2021 US$m	2020 US$m
Current assets			
Financial assets at fair value through profit or loss	6	**10.8**	5.2
Other receivables	7	**1,070.7**	5.9
Total assets		**1,081.5**	11.1
Current liabilities			
Other payables		**4.0**	0.2
Total liabilities		**4.0**	0.2
Net assets		**1,077.5**	10.9
Equity attributable to the owners of the parent			
Called-up share capital	8	**-**	361.2
Retained earnings/(Accumulated losses)		**1,077.5**	(350.3)
Total equity		**1,077.5**	10.9

The Financial Statements on pages 7 to 18 were approved by the Board of Directors on 24 June 2022 and signed on its behalf by:

James Smith
Director

Registered No: SC304517

CAIRN UK HOLDINGS 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	**1,066.6**	(5.2)
Exceptional income – India tax refund	**(1,070.7)**	-
Gain on financial assets at fair value through profit or loss	**(5.6)**	(0.2)
Finance income	**(0.1)**	(0.4)
Other payables movement	**1.8**	0.2
Net cash flows used in operating activities	**(8.0)**	(5.6)
Cash flows from financing activities		
Group funding	**8.0**	5.6
Net cash flows from financing activities	**8.0**	5.6
Net movement in cash and cash equivalents	**-**	-
Opening cash and cash equivalents at beginning of year	**-**	-
Closing cash and cash equivalents	**-**	-

CAIRN UK HOLDINGS 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	361.2	(345.1)	16.1
Loss for the year	-	(5.2)	(5.2)
Total comprehensive expense for the year	-	(5.2)	(5.2)
At 31 December 2020	361.2	(350.3)	10.9
Profit for the year	-	1,066.6	**1,066.6**
Total comprehensive income for the year	-	1,066.6	**1,066.6**
Reduction of capital	(361.2)	361.2	-
At 31 December 2021	**-**	**1,077.5**	**1,077.5**

1 Significant Accounting Policies

a) Basis of preparation

The Financial Statements of Cairn UK Holdings Limited for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 24 June 2022. The Company is a private company limited by shares, incorporated in Scotland and domiciled in the United Kingdom. The registered office is located at 50 Lothian Road, Edinburgh, EH3 9BY.

The Company 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 in the relevant accounting policy. The Financial Statements have been prepared in accordance 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 period 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 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 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 Company has sufficient financial resources with which the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing these Financial Statements.

In the first quarter of 2022, the Company received the India tax refund of INR79n (US$1.06m) which was immediately distributed to the parent undertaking by way of dividend. The Company subsequently sold its remaining Vedanta shareholding for INR968m (US$10.8m), providing the Company with sufficient liquidity to meet expected further costs.

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. 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. However, as the Directors will not have full control over the new Combined Group and therefore its future intentions, funding plans and ongoing support to the Company, this indicates 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 as of 1 January 2021, the Company adopted the following amendments to the standards:

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

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

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

1 Significant Accounting Policies (continued)

d) Foreign currencies

These Financial Statements continue to be 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. 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.

Rates of exchange to US$1 were as follows:

	Closing 2021	**YTD Average 2021**	Closing 2020	YTD Average 2020
Indian Rupee	**74.49**	**73.91**	73.05	74.08

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 which are classified as financial assets held at fair value through profit or loss and 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.

f) Financial assets at fair value through profit or loss

The Company's financial assets at fair value through profit or loss represent listed equity shares and redeemable preference shares which are, or were, held at fair value (the quoted market price). Movements in the fair value of the financial assets during the year and gains or losses on derecognition of the assets are recognised directly in the Income Statement.

g) 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.

An impairment 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 discounted 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.

1 Significant Accounting Policies (continued)

h) 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.

i) 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 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, 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, 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.

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

j) Significant accounting judgements, key estimations and assumptions

There are no accounting judgements, key estimations or assumptions to disclose in the 2021 Financial Statements.

2 Exceptional Income

Settlement of India Tax Refund

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

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

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

3 Operating Loss

Administrative expenses
Administrative expenses of US$9.8m (2020: US$5.8m) represent costs incurred on the arbitration defending the Company's tax position in India.

Auditors' Remuneration
The Company's auditors' remuneration for 2021 was US$11,008 (2020: US$10,271). Auditors' remuneration for other services is disclosed in the Financial Statements of Capricorn Energy PLC, the ultimate parent undertaking.

The Company has a policy in place for the award of non-audit work to the auditors which, in all circumstances, requires approval by the Audit Committee of Capricorn Energy PLC, the ultimate parent undertaking. No such costs were incurred by the Company during the year (2020: US$nil).

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$2.5m (2020: US$2.5m), share-based payments of US$1.4m (2020: US$0.4m) and pension contributions of US$0.2m (2020: US$0.2m) all of which was paid by other companies in the group. 748,413 LTIP share awards to Directors vested during 2021 (2020: 290,683). Share-based payments shown above represent the market value at the vesting date of these awards.

The Directors do not believe that it is practicable to apportion these amounts 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).

4 Finance Income

Finance Income	**Year ended 2021 US$m**	Year ended 2020 US$m
Interest receivable	**0.1**	0.4
	0.1	0.4

5 Taxation

Factors affecting tax credit for the year
A reconciliation of income tax expense applicable to the profit/(loss) before taxation to the UK statutory rate of income tax is as follows:

	Year ended 2021 US$m	Year ended 2020 US$m
Profit/(Loss) before taxation	**1,066.6**	(5.2)
Tax at the standard rate of UK corporation tax of 19% (2020: 19%)	**202.7**	(1.0)
Effects of:		
(Non-taxable expense)/Non-deductible income	**(202.9)**	1.0
Tax losses surrendered to other group companies	**0.2**	-
Total tax credit on loss	**-**	-

5 Taxation (continued)

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.

The effect of permanent items non-taxable of US$(202.9m) (permanent items non-deductible in 2020: US$1.0m) relates to:

- a tax refund of US$(1,070.8m) (2020: US$nil) received from the Government of India following the resolution of a tax dispute
- movement in fair value of US$(5.6m) (2020:US$(0.2m) in respect of financial assets held for sale
- legal and other professional fees of US$8.5m (2020: US$5.3m) incurred in relation to the tax dispute with the Government of India

No deferred tax asset was recognised as at 31 December 2021 on the excess of US$nil (2020: US$nil) of the tax base over the carrying value of the financial assets at fair value through profit or loss.

6 Financial Assets at Fair Value through Profit or Loss

	Listed equity shares US$m	**Total US$m**
Fair value		
At 1 January 2020	5.0	5.0
Surplus on valuation of Vedanta shares	0.2	0.2
At 31 December 2020	5.2	**5.2**
Surplus on valuation of Vedanta shares	5.6	**5.6**
At 31 December 2021	**10.8**	**10.8**

The listed equity shares held at 31 December 2021 in the ordinary share capital of Vedanta, listed in India, have by their nature no fixed maturity or coupon rate. These listed equity securities present the Company with an opportunity for return through dividend income and trading gains and are Level 1 assets measured at fair value.

Sensitivity analysis
At the year end the closing Vedanta share price used to value the available-for-sale financial assets was INR341 (US$4.58).

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date, assuming all other variables are held constant. Sensitivities have been run based on various scenarios including the highest and lowest share prices for Vedanta Limited measured during the year. Those prices are determined using the closing INR share price converted to US$ at the daily rate. These are considered to be reasonably possible changes for the purposes of sensitivity analysis.

As at 31 December 2021	**Effect on profit for year US$'m**	**Effect on equity US$'m**
Increase to the highest share price in 2021 – INR 375 (US$4.58)	**0.8**	**0.8**
Decrease of 10% on closing share price in 2021 - INR 307 (US$4.12)	**(0.8)**	**(0.8)**
Decrease of 20% on closing share price in 2021 - INR 273 (US$3.66)	**(1.7)**	**(1.7)**
Decrease to the lowest share price in 2021 – INR 160 (US$2.19)	**(5.1)**	**(5.1)**

The impact on the loss for the year arising on the decrease to the lowest share price during the year reflects notional cumulative losses that would be accounted for through the income statement had the share price been at this level at the balance sheet date.

7 Other Receivables

	At 31 December 2021 US$m	At 31 December 2020 US$m
India tax refund receivable	**1,070.7**	-
Amounts receivable from parent company	**-**	5.9
	1,070.7	5.9

The India tax refund receivable of US$1,070.7m was settled in February 2022, see note 2.

8 Called-up Share Capital

	Number £1 Ordinary	**£1 Ordinary US$m**
Allotted, issued and fully paid Ordinary shares of £1		
At 1 January 2020 and 31 December 2020	186,537,131	**361.2**
Reduction of share capital	(186,537,130)	**(361.2)**
At 31 December 2021	**1**	**-**

During the year, the Company cancelled all but one of the issued shares with nominal value of £1. The share capital cancelled of US$361.2m was transferred to retained earnings.

9 Financial Risk Management: Objectives and Policies

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

Capricorn Energy PLC'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 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 listed equity shares in Vedanta, India tax refund, intra-group loans and financial liabilities held at amortised cost. The Company's strategy has been to finance its operations through 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
Capricorn Energy PLC 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 Group runs various sensitivities on its liquidity position on a quarterly basis throughout the year.

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.

Market risk
The Company is also exposed to market risk arising from equity price fluctuations on financial assets at fair value through profit or loss (see note 6 for details).

9 Financial Risk Management: Objectives and Policies (continued)

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 year ended 31 December 2021.

Company capital and net debt were made up as follows:	**At 31 December 2021 US$m**	At 31 December 2020 US$m
Amounts payable to Group companies	**2.2**	0.2
Equity	**1,077.5**	10.9
Capital and net debt	**1,079.7**	11.1
Gearing ratio	**0.2%**	1.8%

10 Financial Instruments

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

Financial assets

Carrying amount and fair value	**At 31 December 2021 US$m**	At 31 December 2020 US$m
Financial assets at amortised cost		
Amounts receivable from parent company	**-**	5.9
Financial assets at fair value through profit or loss		
Listed equity shares	**10.8**	5.2
	10.8	11.1

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

All of the Company's financial assets are expected to mature within one year.

Financial liabilities

Carrying amount and fair value	**At 31 December 2021 US$m**	At 31 December 2020 US$m
Financial liabilities at amortised cost		
Amounts payable to Group companies	**2.2**	0.2
Accruals and other payables	**1.8**	-
	4.0	0.2

The Company's financial liabilities have a maturity of less than one year.

10 Financial Instruments (continued)

Fair value
The Company holds listed equity shares as a financial asset at fair value through profit or loss. The Company determines and discloses the fair value of these by reference to the quoted (unadjusted) prices in active markets for those shares at the measurement date. The measurement of the assets remains unchanged.

At 31 December the Company held the following financial instruments measured at fair value:

Assets measured at fair value – Level 1	**At 31 December 2021 US$m**	At 31 December 2020 US$m
Financial assets at fair value through profit or loss		
Equity shares - listed	**10.8**	5.2
	10.8	5.2

11 Related Party Transactions

The following table provides the balances which are outstanding with group companies at the balance sheet date:

	At 31 December 2021 US$m	At 31 December 2020 US$m
Amounts receivable from parent company	**-**	5.9
Amounts payable to Group companies	**(2.2)**	(0.2)
	(2.2)	5.7

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

Other transactions
During the year, the Company's parent company Capricorn Energy PLC, issued invoices to the Company of US$7.2m (2020: US$5.5m), all were legal/professional cost recharges in relation to India tax refund. Capricorn Energy Holdings Limited, a fellow subsidiary of the Company, issued invoices to the Company of US$0.9m (2020: US$0.3m), mainly made of timewriting recharges.

12 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Capricorn Energy PLC. The results of the Company are consolidated into those of the ultimate parent company, Capricorn Energy PLC which is registered in Scotland and 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.

13 Event after the Balance Sheet Date

On receipt of the tax refund in February 2022 (see note 2), the Company immediately converted the India Rupee receipt into US$. After conversion, the US$ sums received were US$1,056.1m, and a dividend of the total amount received was paid to its direct parent, Capricorn Energy PLC, on 24 February 2022.

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).