Registered No: SC329619

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CAPRICORN PETROLEUM LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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COMPANIES HOUSE

CAPRICORN PETROLEUM LIMITED

Directors:

Simon Thomson
James Smith
Paul Mayland

Secretary:

Anne McSherry

Independent Auditors:

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Solicitors:

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

Registered Office:

50 Lothian Road
Edinburgh
EH3 9BY

Registered No:

SC329619

CAPRICORN PETROLEUM LIMITED

Directors' Report

The directors of Capricorn Petroleum Limited ("the Company") present their Report & Financial Statements for the year ended 31 December 2021 (the "Financial Statements").

Consolidated Financial Statements are not produced for the Company and its wholly owned subsidiary, Capricorn Oil and Gas Tunisia Gmbh, as provided under the exemption in section 400(1) of the Companies Act 2006.

The Company is a wholly-owned subsidiary of Capricorn Energy 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.

Business Review and Principal 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 as provided in section 414B Companies Act 2006, a Strategic Report is not presented.

The Company's principal activity is that of a holding company.

The Company currently holds an investment in Capricorn Oil and Gas Tunisia Gmbh.

Results and Dividend

During the year the Company made a profit of US$38,822 (2020: US$78,929). This was mainly due to intercompany loan interest receivable in the year and an impairment reversal of intercompany loans which was offset by an intercompany loan waiver.

No dividends were declared or settled in 2021 (2020: US$nil). As there were no movements in cash and cash equivalents during the year, or prior year, a Statement of Cash Flows has not been presented.

Going Concern

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

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

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

Accounting Policies

The Company applies accounting policies in line with the Group's accounting policies. Significant accounting policies of the Group are included in their Financial Statements.

Principal Risks and Uncertainties

The Company's principal risks and uncertainties derive from the Company's ability to liquidate its subsidiary without incurring further costs.

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.

Financial Instruments

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

CAPRICORN PETROLEUM LIMITED

Directors' Report (continued)

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

James Smith

Paul Mayland

Simon Thomson

The Company maintains qualifying third-party indemnity insurance on behalf of its directors.

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 year. Under that law the Directors have prepared the Financial Statements in accordance with international accounting standards in conformity with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether for the Company UK-adopted 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.

Disclosure of Information to Independent Auditors
The Directors of the Company who held office as at the date of this report confirm that, as far as they are aware, there is no relevant audit information of which the Company's independent auditors are unaware. In making this confirmation, the Directors have taken appropriate steps to make themselves aware of the relevant audit information and that the Company's independent auditors are aware of this information.

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

By Order of the Board

Anne McSherry
Secretary
50 Lothian Road
Edinburgh EH3 9BY
8 September 2022

CAPRICORN PETROLEUM LIMITED

Independent auditors' report to the members of Capricorn Petroleum Limited

Report on the audit of the Financial Statements

Opinion

In our opinion, Capricorn Petroleum Limited's financial statements:

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

We have audited the financial statements, included within the Report & Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Income Statement, Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Capricorn Petroleum Limited (continued)

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 Capricorn Petroleum 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 breaches of oil and gas specific regulations in the jurisdictions that the company or its subsidiaries operate in, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries in order to improve reported performance. Audit procedures performed by the engagement team included:

- Discussion with management, internal audit, legal counsel and individuals outside the finance function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding management's controls designed to prevent and detect irregularities;
- 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.

Jane Ferguson

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

CAPRICORN PETROLEUM LIMITED
Income Statement
For the year ended 31 December 2021

	Notes	**2021 US$**	2020 US$
Waiver/impairment reversal of intercompany loans	6	**(35,073)**	-
Finance Income	3	**73,895**	78,929
Profit before taxation	2	**38,822**	78,929
Taxation	4	**-**	-
Profit for the year		**38,822**	78,929

Statement of Comprehensive Income
For the year ended 31 December 2021

	2021 US$	2020 US$
Profit for the year	**38,822**	78,929
Total comprehensive income for the year	**38,822**	78,929

CAPRICORN PETROLEUM LIMITED

Balance Sheet

As at 31 December 2021

	Notes	**2021 US$**	2020 US$
Non-current assets			
Investments in subsidiaries	5	**-**	-
		-	-
Current assets			
Intercompany loan receivable	6	**1,476,746**	1,437,924
Total assets		**1,476,746**	1,437,924
Net assets		**1,476,746**	1,437,924
Equity			
Called-up share capital	7	**3,420,921**	3,420,921
Accumulated losses		**(127,796,008)**	(127,834,830)
Capital reserves	7	**125,851,833**	125,851,833
Total equity		**1,476,746**	1,437,924

The Company did not hold any cash and cash equivalents during the year or prior year and therefore a Statement of Cash Flows has not been presented.

The Financial Statements on pages 7 to 16 were approved by the Board of Directors on 8 September 2022 and signed on its behalf by:

James Smith
Director

Company Registered Number SC329619

CAPRICORN PETROLEUM LIMITED

Statement of Changes in Equity

For the year ended 31 December 2021

	Called-up Share Capital US$	Accumulated losses US$	Capital Reserves US$	Total Equity US$
At 1 January 2020	3,420,921	(127,913,759)	125,851,833	1,358,995
Profit for the year	-	78,929	-	78,929
Total comprehensive income for the year	-	78,929	-	78,929
At 31 December 2020	3,420,921	(127, 834,830)	125,851,833	1,437,924
Profit for the year	-	38,822	-	**38,822**
Total comprehensive income for the year	-	38,822	-	**38,822**
At 31 December 2021	**3,420,921**	**(127,796,008)**	**125,851,833**	**1,476,746**

1 Accounting Policies

a) Basis of preparation

The Financial Statements of Capricorn Petroleum Limited for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 8 September 2022. The Company is a private company limited by shares incorporated and domiciled in the United Kingdom. The registered office is located at 50 Lothian Road, Edinburgh, EH3 9BY.

The Company prepares its Financial Statements on a historical cost basis applied consistently throughout the year. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy. As there were no movements in cash and cash equivalents during the year, or prior year, a Statement of Cash Flows has not been presented. The Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The accounting policies adopted during the year are consistent with those adopted by the ultimate parent company, Capricorn Energy PLC.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review and Principle Activities on page 2. The financial position of the Company is 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; details of its financial instruments and its exposures to liquidity risk.

Going concern

The Directors have considered the factors relevant to support a statement of going concern.

In assessing whether the going concern assumption is appropriate, the Board and Audit Committee considered the Capricorn Energy PLC and the Company's cash flow forecasts under various scenarios, identifying risks and mitigants and ensuring the Company has sufficient funding to meet its current commitments as and when they fall due for a period of at least 12 months from the date of approval of the Financial Statements. These forecasts include downside scenario assumptions including a return to sustained low oil prices, reductions to forecast production, cost overruns on planned drilling activities.

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

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

b) Accounting standards

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. 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 standards:

- Definition of Material – Amendments to IAS1 '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 results or Financial Statement disclosures.

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

1 Accounting Policies (continued)

c) Investments

The Company's investment in its subsidiary is carried at cost less provisions resulting from impairment. In testing for impairment the carrying value of the investment is compared to its recoverable amount, being its fair value less costs of disposal.

d) 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.

Financial liabilities generally substantiate claims for repayment in cash or another financial asset. The Company holds no financial liabilities at the year end.

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

Inter-company loan receivables

Inter-company loan 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.

e) 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.

Capital contribution from the parent is recognised at the fair value of the debt forgiven by the parent company. At the reporting date, any debts due to or due from group companies are reviewed. Where the fair value of the assets in the underlying subsidiary supports the issue of equity shares to reduce intercompany balances, equity shares are issued to reduce the debt. However, if this is not the case, the debt is usually forgiven by the parent, and the amount is considered as capital contribution in the subsidiary.

f) 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:

	31 December 2021	**Average 2021**	31 December 2020	Average 2020
Sterling	**0.739**	**0.727**	0.731	0.779

g) Significant accounting judgements, key estimations and assumptions

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

1 Accounting Policies (continued)

h) Taxation

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

The current tax charge is based on the taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Where there are uncertain tax positions, 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.

2 Profit before Taxation

Independent auditors' remuneration

The Company's independent auditors' remuneration of US$2,614 (2020: US$2,311) has been borne by the ultimate parent company, Capricorn Energy PLC. Independent auditors' remuneration for other services is disclosed in the Financial Statements of Capricorn Energy PLC.

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

Employees

This Company has no employees (2020: none).

Remuneration of key management personnel and directors

The Directors of the Company are also directors of other companies in the Group. There are no other key management personnel beyond the directors of the Company. The directors received emoluments for the year of US$3.3m (2020: US$3.3m), share-based payments of US$2.3m (2020: US$0.6m) and pension contributions of US$0.2m (2020: US$0.2m) all of which was paid by other companies in the Group. 1,244,941 LTIP share awards to Directors vested during 2021 (2020: 389,619). Share-based payments shown above represent the market value at the vesting date of these awards. Remuneration of the highest paid director was US$1.5m (2020: US$1.5m).

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 its Board of Directors.

3 Finance Income

	Year ended 31 December 2021 US$	Year ended 31 December 2020 US$
Interest receivable	**73,895**	78,660
Foreign exchange gain	**-**	269
	73,895	78,929

The interest receivable was generated on the intercompany loan receivable balance. Intercompany intertest was charged at market rates.

4 Taxation

Factors affecting tax charge for year
A reconciliation of the income tax charge applicable to the profit before taxation at the applicable tax rate to the income tax charge at the Company's effective income tax rate is as follows:

	Year ended 31 December 2021 US$	Year ended 31 December 2020 US$
Profit before taxation	**38,822**	78,929
Tax at the standard rate of UK corporation tax of 19% (2020: 19%)	**7,376**	14,997
Effects of:		
Tax losses claimed from other group companies	**(14,040)**	(14,997)
Permanent differences	**6,664**	-
Total tax charge	**-**	-

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

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

5 Investment in subsidiary

	Subsidiary undertakings US$
Cost	
At 1 January 2021 and 31 December 2021	**74,499,558**
Impairment	
At 1 January 2021 and 31 December 2021	**(74,499,558)**
Net book value at 31 December 2020 and 2021	**-**

The Company's subsidiary as at the balance sheet date is as follows:-

	Business	Country of incorporation	Country of operation	Registered office address
Direct holdings				
Capricorn Oil and Gas Tunisia Gmbh*	Non-trading	Switzerland	Non-trading	c/o Confidas Treuhand AG, Gubelstrasse 5, Postfach 1524, CH-6301 Zug, Switzerland

*This company is in the process of liquidation

6 Intercompany Loan Receivables

	At 31 December 2021 US$	At 31 December 2020 US$
Amounts owed by group companies	**1,476,746**	1,437,924

In 2021 the Company waived US$6,877,008 due from Capricorn Oil and Gas Tunisia Gmbh, US$6,841,935 of which had been provided for in previous years. This provision was reversed prior to the loan waiver.

At 31 December, the ageing analysis of intercompany loan receivables is set out below:

	Total US$	**<30 days US$**	**30-60 days US$**	**60-90 days US$**	**90-120 days US$**	**>120 days US$**
2021						
Current but not impaired	**1,476,746**	**6,564**	**5,908**	**6,280**	**5,925**	**1,452,069**
At 31 December 2021	**1,476,746**	**6,564**	**5,908**	**6,280**	**5,925**	**1,452,069**

	Total US$	<30 days US$	30-60 days US$	60-90 days US$	90-120 days US$	>120 days US$
2020						
Current but not impaired	1,437,924	6,534	6,307	6,255	5,724	1,413,104
Current and impaired	6,841,935	-	-	-	-	6,841,935
Loss allowance	(6,841,935)	-	-	-	-	(6,841,935)
At 31 December 2020	1,437,924	6,534	6,307	6,255	5,724	1,413,104

The movement in the loss allowance for expected credit losses is set out below:

	Amounts owed by group companies US$
At 1 January 2020 and 1 January 2021	(6,841,935)
Amounts reversed during year	6,841,935
At 31 December 2021	**-**

7 Called-up Share Capital and Other Reserves

	£1 Ordinary shares	**£1 Ordinary shares**
Allotted, issued and fully paid ordinary shares	**Number of shares**	**US$**
At 31 December 2020 and 2021	**2,221,954**	**3,420,921**

Capital Reserves

This balance represents debts waived by parent companies which were credited to Capital Reserves.

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 the risk and this is summarised below.

Capricorn Energy PLC's Treasury function and Executive Team as appropriate are responsible for managing the 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 their 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 of the Company comprise intra-group loans. The Company strategy is 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
The Company closely monitors and manages its liquidity risk using both short and long-term cash flow projections, supplemented by debt and equity financing plans and active portfolio management. Cash forecasts are regularly produced and sensitivities run for different scenarios.

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

Capital Management
The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company to meet its 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$	At 31 December 2020 US$
Net debt	**-**	-
Equity	**1,476,746**	1,437,924
Capital and net debt	**1,476,746**	1,437,924
Gearing ratio	**-**	-

9 Financial Instruments

The Company calculates the fair value of assets by reference to amounts considered to be receivable on the balance sheet date. The Company has no financial liabilities. The Company's financial assets, together with their fair values are as follows:

Financial assets	Carrying amount		Fair value	
	At 31 December 2021 US$	At 31 December 2020 US$	**At 31 December 2021 US$**	At 31 December 2020 US$
Inter-company loan receivables	**1,476,746**	1,437,924	**1,476,746**	1,437,924

The above financial assets are current and stated after loss allowance for expected credit losses. An analysis of the ageing of intercompany loan receivables is provided in note 6.

10 Related Party Transactions

The following table provides the balances which are outstanding with subsidiary companies at the Balance Sheet date:

	At 31 December 2021 US$	At 31 December 2020 US$
Amounts owed by group companies	**1,476,746**	1,437,924

The amounts outstanding are unsecured, repayable on demand and will be settled in cash. No guarantees have been given. See note 6 for 2021 loan waivers.

See note 2 for remuneration of key management personnel and directors.

11 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Capricorn Energy 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.

12 Event after the Balance Sheet Date

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