Independent Auditor's Report
to the Members Of EnQuest PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:
- the financial statements of EnQuest PLC (the 'parent company') and its subsidiaries (together the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the Group Income Statement;
- the Group and Company Balance Sheets;
- the Group and Company Statements of Changes in Equity;
- the Group Statement of Cash Flows;
- the related notes 1 to 29 to the Group financial statements; and
- the related notes 1 to 11 to the Company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 5(g) to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of oil and gas related assets and liabilities; and • Valuation of decommissioning liability. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was $20m which was determined on the basis of 3% of adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and exceptional items). Our materiality represents 5.7% of reported profit before tax.
Scoping	EnQuest PLC has two significant operating segments, being the North Sea and Malaysia. They accounted for 100% of the group's revenue, 100% of the group's adjusted EBITDA and 100% of the group's net assets.
Significant changes in our approach	Going concern has been removed as a key audit matter. In the prior year, there was a material uncertainty related to going concern due to the Revolving Credit Facility expiring and the new facility not being signed at the time of the publication of the group's results. In June 2021 a new long term Reserves Base Lending Facility of $600 million was signed, as such we do not consider there to be a material uncertainty in relation to going concern at the date of this opinion.

4. Conclusions relating to 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 evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- we obtained an understanding of the relevant controls relating to the going concern assumption;
- we have tested the clerical accuracy of the model used to prepare the going concern forecasts;
- we have assessed the historical accuracy of forecasts prepared by management;
- we have evaluated the consistency of key inputs relating to future costs, hedging and production to other financial and operational information obtained during our audit;
- we have challenged management as to the reasonableness of commodity pricing assumptions applied, based on benchmarking to market data;
- we have agreed the available facilities to underlying agreements and external confirmation from debt providers and tested covenant calculation forecasts performed by management;
- we have assessed the reasonableness of management's sensitivity analysis on the forecast, including the downside scenarios such as lower oil prices and reduced production, and considered the mitigating actions highlighted by management in the event that they were required; and
- we have assessed the adequacy of disclosures made in the Annual Report and Accounts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent 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 relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of oil and gas related assets and liabilities

Key audit matter description	We identified a key audit matter in relation to the valuation of oil and gas related assets and liabilities. More specifically we identified this around the forecast significant assumptions and estimates, such as commodity prices and discount rate, that impact the forecast future cash flows used for valuation purposes. These impact the following as part of this key audit matter: • Impairment charge and reversal on oil and gas assets; • Potential impairment of goodwill; • Valuation of Magnus contingent consideration; • Impairment of the parent company investment; and • Valuation of the deferred tax asset. *Management performed an impairment assessment for oil and gas assets and goodwill carrying value, by reference to IAS36. As at 31 December 2021, the net book value of oil and gas assets was $2,347 million (2020: $2,124 million) and management have recorded a pre-tax impairment reversal of $40 million (2020: $422 million impairment charge) against oil and gas assets, including related right of use assets, as disclosed in note 10.* *As at 31 December 2021, the net book value of goodwill was $134 million (2020: $134 million). No goodwill impairment charge has been recorded, as disclosed in note 11.* *The valuation of Magnus contingent consideration was $366 million (2020: $522 million) as at 31 December 2021, based on the fair value of the future cash flows for the Magnus asset, as disclosed in note 22. The acquisition of Magnus resulted in the recognition of contingent consideration for both the initial 25% acquisition in 2017 and the subsequent 75% acquisition in 2018.* *Management also performed an assessment of the parent company investment carrying value by reference to IAS 36 Impairment of Assets and IFRS 9 Financial Instruments. As at 31 December 2021, the net book value of investments in the parent company was $397 million (2020: $71 million) and management have recorded an impairment reversal of $319 million (2020: $1,072 million impairment charge), as disclosed in note 3 to the parent company financial statements.* *As at 31 December 2021, a deferred tax asset of $703m (2020: $660m) was recognised, based on the expected utilisation of historical tax losses, underpinned by the future profitability. Management identified an inconsistency in the prior year in the calculation of the deferred tax asset associated with the Magnus contingent consideration and the relevant estimated future cash flows used in the calculation of future taxable profits. As a result, the prior year deferred tax asset was restated. Further details are as disclosed in note 2.* The oil and gas assets are required to be reviewed for indicators of impairment, and then tested for impairment where indicators are identified. Goodwill is required to be tested for impairment at least annually. Oil and gas assets and goodwill are subject to significant estimation uncertainty, as set out below and further disclosed in note 2. Consequently, they represent a high risk of impairment charge or reversal. There is a risk that these oil and gas assets and goodwill are not recoverable, or the reversal of previous impairments of oil and gas assets is required. The impairment reversal recorded in the year on oil and gas assets was primarily because of a change in the future commodity price assumptions. There was no impairment recognised on goodwill as the recoverable amount of estimated North Sea future cash flows was higher than its book value, including the carrying value of goodwill. The impairment assessment involves management judgement in considering whether the carrying value of those assets or cash generating units are recoverable. The key assumptions and judgements underpinning the impairment assessments include: • forecast future commodity prices, including the potential impact of climate change on those prices; • forecast future production; and • determining appropriate discount rates. The group's accounting policies are detailed in notes 2, 10 and 11, these notes also include details of the sensitivity to changes in assumptions. Consistent assumptions are used in the impairment assessments, the valuation of the Magnus contingent consideration and the deferred tax assets. The group's Audit Committee has included this key audit matter in their Audit Committee Report for the year ended 31 December 2021 on pages 72 and 73.

How the scope of our audit responded to the key audit matter	**Procedures on the overall impairment review, Magnus contingent consideration valuation and valuation of the group's deferred tax asset** • we have understood management's process for identifying indicators of impairment and for performing their impairment assessment and related valuations; • we obtained an understanding of the relevant controls and then evaluated the associated design and implementation of such controls relating to the impairment assumptions, the Magnus contingent consideration modelling, deferred tax asset modelling and reviews; • we evaluated and challenged the key assumptions and inputs into the impairment and valuation models, which included performing sensitivity analysis, to evaluate the impact of selecting alternative assumptions. • we evaluated the reasonableness and supportability of current year changes to the key assumptions; • we worked with our modelling specialists to evaluate the arithmetical accuracy of the impairment and valuation models. We recalculated the impairment charges and headroom, as well as valuation changes, and agreed these to financial records; • we challenged management's cash generating unit determination and considered whether there was any contradictory evidence present; • we evaluated the impairment and valuation judgements taken, with reference to our assessment of the key assumptions as outlined above and the outcome of the sensitivities performed; and • we evaluated and challenged management's disclosures including in relation to the sensitivity on oil and gas assets and goodwill, Magnus contingent consideration and deferred tax assets for oil and gas price assumptions to reduced demand scenarios, whether due to climate change or other reasons. **Procedures relating to oil and gas prices** • we independently developed a reasonable range of forecasts based on external data, against which we compared the group's future oil and gas price assumptions in order to challenge whether they are reasonable; • in developing this range we obtained a variety of reputable third party forecasts, peer information and market data; • we performed sensitivity analysis on the pricing assumptions to determine the impact on the impairment conclusion and amount and the related changes to valuations of reasonably possible changes in the assumption; and • in challenging management's price assumptions, we considered the extent to which they and each of the forecast pricing scenarios obtained from third parties reflect the impact of lower oil and gas demand due to climate change. **Procedures relating to forecast future cash flows and reserves estimates** • we assessed whether forecast cash flows were consistent with Board approved forecasts, and analysed reasonably possible downside sensitivities; • we evaluated production profiles by reference to external reserve estimates and agreed these to the cash flow forecast assumptions with involvement from our petroleum engineering experts; • we compared hydrocarbon production forecasts used in impairment tests to estimates and reports and our understanding of the life of fields; • we agreed estimates of oil and gas reserves to third party reserve reports, assessing the competence, objectivity and capability of those third-party experts, using our own internal specialists; and • we challenged and evaluated the adequacy of the operating and capital cost assumptions within the model.

5.1. Valuation of oil and gas related assets and liabilities continued

How the scope of our audit responded to the key audit matter continued	**Procedures relating to the discount rate** • we independently evaluated the group's discount rates used in impairment tests, valuations and cash flow analysis with input from our valuation specialists; and • we assessed whether country risks and tax adjustments were appropriately reflected in the group's discount rates. **Procedures relating to the impairment of parent company investments** • we evaluated the methodology applied in reviewing the investments for impairment and assessing the recoverability of intercompany balances, with reference to the requirements of IAS 36 *'Impairment of Assets'* and IFRS 9 *'Financial Instruments'* respectively; • we challenged the key assumptions within management's cash flow forecasts as described in this key audit matter; • we tested the mechanical accuracy of the model; and • we evaluated the adequacy of the parent company's disclosures regarding the investment impairment and intercompany recoverability in notes 3 and 4 of the Financial Statements. **Procedures relating to the carrying value of the deferred tax asset** • we evaluated the methodology applied in calculating the group's deferred tax assets and liabilities; • we agreed the deferred tax balances relating to assets and liabilities recognised on the group's balance sheet to those assets and liabilities, applying the relevant tax rates; • we agreed the inputs used in the group's calculations of tax losses to be recognised to the group's cash flow forecasts used for the purposes of impairment testing, as discussed further within this key audit matter; and • we assessed the appropriateness of the carrying value of the closing deferred tax asset.
Key observations	• The group's future commodity price assumptions are within our acceptable range from external sources for the period to 2024. The commodity price assumptions from 2025 onwards are lower than our acceptable range, but this does not result in a material change in the impairment charge when considering the range of pricing assumptions for the life of each CGU; • The group's discount rate is within the acceptable range calculated by our internal valuation specialists; • From the work performed, we are satisfied that the impairment reversal recorded and the carrying value of the investments in subsidiaries are appropriate; • The carrying value of the Magnus contingent consideration is reasonable. The significant assumptions and cash flows are consistent with the impairment model; • The deferred tax asset recognition is appropriate and the carrying value is appropriate; • We are satisfied that the prior year deferred tax restatement appropriately corrects the 2020 position; and • Based on the procedures performed we are satisfied that the group's impairment and reversals are appropriately estimated in accordance with the requirements of IAS 36 *'Impairment of Assets'*, and the carrying value of the Magnus contingent consideration and deferred tax assets are appropriate.

5.2. Valuation of decommissioning liability

Key audit matter description	*The decommissioning provision at 31 December 2021 was \$880 million (2020: \$831 million). The provision represents the present value of decommissioning costs which are expected to be incurred up to 2048, assuming no further development on the group's assets. Further details on the key sources of estimation uncertainty underpinning the valuation of decommissioning provisions can be found in note 2. Details on the sensitivity to changes in key assumptions such as discount rates are disclosed in note 23.* Decommissioning liabilities are inherently judgemental areas, in particular in relation to cost estimates. The key assumptions and judgements underpinning the provision include: • cessation of production dates; • post cessation-of-production operating cost estimates; • rates and norms assumptions; • discount rate; and • inflation rate. The two key management estimates that have an increased likelihood of resulting in a material misstatement within the estimation are: • internal well cost estimates (rig services; vessels; onshore time-writing costs) included in the decommissioning model; and • internal cost reduction factors applied to the gross decommissioning cost estimates. The Group's Audit Committee has included this key audit matter in their Audit Committee Report for the year ended 31 December 2021 on page 73.

How the scope of our audit responded to the key audit matter	**Procedures relating to internal control** • we assessed management's decommissioning processes, and the oversight and governance of those processes in relation to decommissioning; and • we obtained an understanding of the relevant controls and then evaluated the associated design and implementation of such controls relating to the decommissioning provision. **General procedures relating to the decommissioning model** • we held meetings with the group's internal experts responsible for determining the 2021 decommissioning estimates to understand the key changes in underlying assumptions and methodology applied; • we assessed the technical competence, objectivity and capability of internal and external experts; • we assessed decommissioning calculations for clerical accuracy and compliance with IAS 37 *'Provisions, Contingent Liabilities and Contingent Assets'*; • we challenged the group's key assumptions, outlined above, for reasonableness and consistency with the external market expectations (see below for procedures on internal well cost estimates and internal cost reduction factors); • tested the mechanical accuracy of the cost estimate; • we tested for actual decommissioning costs incurred during the period and recognised against the provision; and • we evaluated management's disclosures including in the sensitivity of decommissioning assumptions. **Procedures on internal well cost estimates** • we challenged the group's rate assumptions within the cost estimate and benchmarked to peer and market rates; and • we assessed the duration assumptions for plug and abandonment of wells, by comparison to available benchmarking data and contradictory evidence available from active decommissioning projects or operator estimates. **Procedures on internal cost reduction factors** • we challenged the group's cost reduction factors applied to the decommissioning model through obtaining supporting evidence for the factors applied; and • benchmarking and considering contradictory evidence from peers.
Key observations	• We have not identified any material errors in the decommissioning estimates and concluded that the inputs and key assumptions used to estimate the future costs were reasonable; • We are satisfied that the group's decommissioning provision is appropriately estimated in accordance with the requirements of IAS 37 *'Provisions, Contingent Liabilities and Contingent Assets'*; and • We are satisfied the disclosures in the financial statements are appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Parent company financial statements
Materiality	$20 million (2020: $16.5 million)	$10.3 million (2020: $1.1 million)
Basis for determining materiality	We determined group materiality on the basis of 3% of adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, remeasurements and exceptional items) (2020: 3% of adjusted EBITDA). Management has presented a reconciliation of $743 million adjusted EBITDA to profit from continuing activities in the glossary to the financial statements on page 170.	We determined the parent company materiality based on 3% of net assets (2020: 3% of net assets).
Rationale for the benchmark applied	Adjusted EBITDA was considered to be the most relevant benchmark as it is of most interest to stakeholders and is a key performance measure used by investors.	The parent company acts principally as a holding company and therefore net assets is a key measure for this business.

6. Our application of materiality continued

6.1. Materiality continued

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% (2020: 60%) of group materiality	60% (2020: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered factors including the size and nature and volume of uncorrected and corrected misstatements identified in the previous audit, the quality of the control environment, the stability of the finance team following restructuring in 2020, macro-economic factors such as commodity price volatility and geo-political instability, and management's willingness to correct errors identified in the prior year and current year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $1m (2020: $0.8m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. In the current year we performed full scope audit procedures on the North Sea and Malaysia components. Audit procedures were performed by the group audit team or the North Sea component and by the Malaysia component team for the Malaysia component.

The materiality applied by the Malaysia component for the 2021 year-end was $8.5 million (2020: $7.5m). The materiality applied by the UK component for the 2021 year-end was $15 million (2020: $12.5m).

In the current year the North Sea and Malaysia components, where we performed full scope audit procedures, accounted for 100% of the group's revenue, 100% of the group's adjusted EBITDA and 100% of the group's net assets, consistent with the prior year. The Malaysia component contributed 7% of the group's revenue, 7% of the group's adjusted EBITDA and 6% of the group's total assets (2020: 7% of the group's revenue, 4% of the group's adjusted EBITDA and 6% of the group's total assets).

7.2. Our consideration of the control environment

We obtained an understanding of the relevant controls in relation to key business processes as well as IT systems that were relevant to the audit, being the financial reporting system. We worked with our IT specialists to test the operating effectiveness of the general environment.

We have not relied on the operation of controls in the current year.

7.3. Our consideration of climate-related risks
We performed enquiries of management to understand the impact of climate-related risks and controls relevant to the group. We performed a review of the climate change risk assessment and related documentation prepared by management and considered the completeness and accuracy of the climate-related risks identified and summarised in the Task Force on Climate-related Financial Disclosures report on page 55.

Management identified key judgements and estimates with elevated climate-related risk, relating to impairment of oil and gas assets, valuation of contingent consideration, valuation of the decommissioning provision, valuation of deferred tax assets, and estimation of oil and gas reserves.

We considered whether the risks identified by management within their climate change risk assessment and related documentation were complete and challenged assumptions impacting the financial statements. The key piece of climate-related regulation enacted to date and impacting the group related to carbon costs and emission allowances. The key market-related matter which could have a material impact on the valuation of the items noted above is in respect of future demand for, and pricing of, oil and gas as the energy mix evolves in response to climate change risk and other matters.

We also performed a review of the disclosures within the Annual Report, with the involvement of our Environmental, Social and Governance specialists, and considered whether these were materially consistent with the financial disclosures, complete and consistent with our understanding of the climate-related risks, assumptions and judgements during the year. Both of our key audit matters are considered to contain climate-related risks, being the key market-related matter which could have a material impact on the valuation of oil and gas related assets and liabilities and valuation of the decommissioning provision. The procedures performed for these key audit matters are discussed in detail in the key audit matters section above.

7.4. Working with other auditors
The North Sea component was audited by the group audit team and we oversaw the Malaysia component audit through regular meetings and direct supervision. We organised planning and working meetings virtually, led by the audit partner or other senior members of the engagement team. Throughout the year, the group audit team has been directly involved in overseeing the component audit planning and execution, through frequent conversations, team meetings, debate, challenge and review of reporting and underlying work papers. In addition to our direct interactions, we sent detailed instructions to the component audit team and attended audit closing meetings. We are satisfied that the level of involvement of the lead audit partner and team in the component audit has been extensive and has enabled us to conclude that sufficient appropriate audit evidence has been obtained in support of our opinion on the group financial statements as a whole.

8. Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

9. Responsibilities of directors
As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's 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 auditor's 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.

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 auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team including significant component audit team and relevant internal specialists, including tax, valuations, IT, modelling, and oil and gas reserves specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- valuation of oil and gas related assets and liabilities;
- valuation of decommissioning provision; and
- crude oil revenue recognition – cut off.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority and the relevant tax compliance regulations in the jurisdictions in which the group operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included Market Abuse Regulation, environmental laws and regulations in the countries in which the group operates.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of oil and gas related assets and liabilities and the valuation of the decommissioning provision as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant authorities where matters identified were significant;
- for revenue recognition associated with the cut-off of crude oil sales, we tested a sample of invoices from a population of December 2021 and January 2022 sales invoices; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of a potential bias, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:
- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 30 and 31;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 30 and 31;
- the directors' statement on fair, balanced and understandable set out on page 70 and 71;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 42 to 53;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 74; and
- the section describing the work of the audit committee set out on page 70 to 73.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by shareholders on 21 May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the years ended 31 December 2020 and 31 December 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

James Leigh FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 March 2022

Group Income Statement

For the year ended 31 December 2021

		2021			2020 restated[i]		
	Notes	**Business performance $'000**	**Remeasurements and exceptional items (note 4) $'000**	**Reported in year $'000**	Business performance $'000	Remeasurements and exceptional items (note 4) $'000	Reported in year $'000
Revenue and other operating income	5(a)	**1,320,265**	**(54,451)**	**1,265,814**	855,074	8,778	863,852
Cost of sales	5(b)	**(900,433)**	**(7,201)**	**(907,634)**	(785,455)	(13,626)	(799,081)
Gross profit/(loss)		**419,832**	**(61,652)**	**358,180**	69,619	(4,848)	64,771
Net impairment reversal/(charge) to oil and gas assets	4	**–**	**39,715**	**39,715**	–	(422,495)	(422,495)
General and administration expenses	5(c)	**(363)**	**–**	**(363)**	(6,105)	–	(6,105)
Other income	5(d)	**30,990**	**162,647**	**193,637**	18,100	138,249	156,349
Other expenses	5(e)	**(7,278)**	**(3,832)**	**(11,110)**	(101,633)	(956)	(102,589)
Profit/(loss) from operations before tax and finance income/(costs)		**443,181**	**136,878**	**580,059**	(20,019)	(290,050)	(310,069)
Finance costs	6	**(169,451)**	**(58,395)**	**(227,846)**	(179,818)	(77,259)	(257,077)
Finance income	6	**228**	**–**	**228**	1,171	–	1,171
Profit/(loss) before tax		**273,958**	**78,483**	**352,441**	(198,666)	(367,309)	(565,975)
Income tax	7	**(53,674)**	**78,221**	**24,547**	172,479	(76,449)	96,030
Profit/(loss) for the year attributable to owners of the parent		**220,284**	**156,704**	**376,988**	(26,187)	(443,758)	(469,945)
Total comprehensive profit/(loss) for the year, attributable to owners of the parent				**376,988**			(469,945)

(i) The comparative information has been restated as a result of change in accounting policy and prior period error. For more information, see note 2 Basis of preparation – Restatements

There is no comprehensive income attributable to the shareholders of the Group other than the profit for the period. Revenue and operating (loss)/profit are all derived from continuing operations.

	Notes	2021 Business performance	2021 Reported in year	2020 Business performance	2020 Reported in year
Earnings per share	8	**$**	**$**	$	$
Basic		**0.127**	**0.217**	(0.016)	(0.290)
Diluted		**0.125**	**0.214**	(0.016)	(0.290)

The attached notes 1 to 29 form part of these Group financial statements.

Group Balance Sheet

At 31 December 2021

	Notes	2021 $'000	2020 restated[(i)] $'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,821,998**	2,633,917
Goodwill	11	**134,400**	134,400
Intangible assets	12	**47,667**	27,546
Deferred tax assets	7(c)	**702,970**	659,803
Other financial assets	19	**6**	7
		3,707,041	3,455,673
Current assets			
Inventories	13	**73,023**	59,784
Trade and other receivables	16	**296,068**	118,715
Current tax receivable		**2,368**	5,601
Cash and cash equivalents	14	**286,661**	222,830
Other financial assets	19	**472**	–
		658,592	406,930
TOTAL ASSETS		**4,365,633**	3,862,603
EQUITY AND LIABILITIES			
Equity			
Share capital and premium	20	**392,196**	345,420
Share-based payment reserve		**6,791**	1,016
Retained earnings	20	**121,769**	(255,219)
TOTAL EQUITY		**520,756**	91,217
Non-current liabilities			
Borrowings	18	**191,109**	37,854
Bonds	18	**1,081,596**	1,045,041
Leases liabilities	24	**442,500**	548,407
Contingent consideration	22	**380,301**	448,384
Provisions	23	**754,266**	741,453
Deferred tax liabilities	7(c)	**3,418**	6,385
		2,853,190	2,827,524
Current liabilities			
Borrowings	18	**210,505**	414,430
Leases liabilities	24	**128,281**	99,439
Contingent consideration	22	**30,477**	73,877
Provisions	23	**140,676**	98,954
Trade and other payables	17	**420,544**	255,155
Other financial liabilities	19	**55,247**	2,007
Current tax payable		**5,957**	–
		991,687	943,862
TOTAL LIABILITIES		**3,844,877**	3,771,386
TOTAL EQUITY AND LIABILITIES		**4,365,633**	3,862,603

(i) The comparative information has been restated as a result of change in accounting policy and prior period error. For more information, see note 2 Basis of preparation – Restatements

The attached notes 1 to 29 form part of these Group financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2022 and signed on its behalf by:

Jonathan Swinney
Chief Financial Officer

Group Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital and share premium $'000	Merger reserve(i) $'000	Share-based payments reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2020	345,420	662,855	(1,085)	(448,129)	559,061
Profit/(loss) for the year (restated)(ii)	–	–	–	(469,945)	(469,945)
Total comprehensive loss for the year (restated)(ii)	–	–	–	(469,945)	(469,945)
Share-based payment (see note 21)	–	–	3,401	–	3,401
Shares purchased on behalf of Employee Benefit Trust	–	–	(1,300)	–	(1,300)
Write down of oil and gas assets	–	(662,855)	–	662,855	–
Balance at 31 December 2020 (restated)(ii)	**345,420**	**–**	**1,016**	**(255,219)**	**91,217**
Profit/(loss) for the year	**–**	**–**	**–**	**376,988**	**376,988**
Total comprehensive profit for the year	**–**	**–**	**–**	**376,988**	**376,988**
Issue of share capital, net of expenses	**46,200**	**–**	**–**	**–**	**46,200**
Share-based payment (see note 21)	**–**	**–**	**6,351**	**–**	**6,351**
Shares purchased on behalf of Employee Benefit Trust	**576**	**–**	**(576)**	**–**	**–**
Balance at 31 December 2021	**392,196**	**–**	**6,791**	**121,769**	**520,756**

(i) In 2020, the merger reserve was released to retained earnings as the assets which gave rise to its original recognition were fully written down
(ii) The comparative information has been restated as a result of change in accounting policy and prior period error. For more information, see note 2 Basis of preparation – Restatements

The attached notes 1 to 29 form part of these Group financial statements.

Group Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 $'000	2020 restated[i] $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**756,928**	567,165
Cash received from insurance		**674**	–
Cash received/(paid) on sale/(purchase) of financial instruments		**(277)**	6,226
Decommissioning spend		**(65,791)**	(41,605)
Income taxes paid		**(17,396)**	(10,366)
Net cash flows from/(used in) operating activities		**674,138**	521,420
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(43,712)**	(131,376)
Purchase of intangible oil and gas assets		**(8,127)**	–
Purchase of other intangible assets	12	**(10,052)**	–
Net cash received on termination of Tanjong Baram risk service contract		**–**	51,054
Repayment of Magnus contingent consideration – profit share	22	**(968)**	(41,071)
Acquisitions		**(258,627)**	–
Interest received		**256**	796
Net cash flows (used in)/from investing activities		**(321,230)**	(120,597)
FINANCING ACTIVITIES			
Net proceeds of share issue		**47,782**	–
Proceeds of loans and borrowings		**125,000**	–
Repayment of loans and borrowings		**(184,276)**	(210,671)
Repayment of Magnus contingent consideration – vendor loan	22	**(73,728)**	(20,702)
Shares purchased by Employee Benefit Trust		**(576)**	(1,153)
Repayment of obligations under financing leases	24	**(136,651)**	(123,001)
Interest paid		**(63,025)**	(42,961)
Other finance costs paid		**–**	(2,526)
Net cash flows from/(used in) financing activities		**(285,474)**	(401,014)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**67,434**	(191)
Net foreign exchange on cash and cash equivalents		**(3,603)**	2,566
Cash and cash equivalents at 1 January		**222,830**	220,455
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**286,661**	222,830
Reconciliation of cash and cash equivalents			
Total cash at bank and in hand	14	**276,970**	221,155
Restricted cash	14	**9,691**	1,675
Cash and cash equivalents per balance sheet		**286,661**	222,830

(i) The comparative information has been restated as a result of change in accounting policy and prior period error. For more information, see note 2 Basis of preparation – Restatements

The attached notes 1 to 29 form part of these Group financial statements.

Notes to the Group Financial Statements
For the year ended 31 December 2021

1. Corporate information
EnQuest PLC ('EnQuest' or the 'Company') is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales and listed on the London Stock Exchange and on the Stockholm NASDAQ OMX. The address of the Company's registered office is shown on page 174.

The principal activities of the Company and its subsidiaries (together the 'Group') are to responsibly optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and explore new energy and further decarbonisation opportunities.

The Group's financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 23 March 2022.

A listing of the Group's companies is contained in note 28 to these Group financial statements.

2. Basis of preparation
The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and International Financial Reporting Standards as issued by the IASB and in conformity with the requirements of the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

The Group financial information has been prepared on an historical cost basis, except for the fair value remeasurement of certain financial instruments, including derivatives and contingent consideration, as set out in the accounting policies. The presentation currency of the Group financial information is US Dollars ('$') and all values in the Group financial information are rounded to the nearest thousand ($'000) except where otherwise stated.

The Group's results on an IFRS basis are shown on the Group Income Statement as 'Reported in the year', being the sum of its Business performance results and its Remeasurements and exceptional items as permitted by IAS 1 (Revised) Presentation of Financial Statements. Remeasurements and exceptional items are items that management considers not to be part of underlying business performance and are disclosed separately in order to enable shareholders to understand better and evaluate the Group's reported financial performance. For further information see note 4.

Restatements
Presentation of rental income

EnQuest receives rental income for sub-leasing space in its corporate offices. The Group previously presented the rental income associated with office sub-leases within revenue and other operating income in the income statement. The Group has determined that the revenue derived from this income is not related to the principal activities of the Group and should be presented within other income in the income statement. Comparative information has been restated, resulting in a $1.8 million reduction in revenue and other operating income and a $1.8 million increase in other income. There is no impact on comparative information for profit/(loss) from operations before tax and finance income/(costs) or earnings per share.

Presentation of Group Statement of Cash Flows

Following a review of the Group's primary statements, the Group has updated the presentation of the Group Statement of Cash Flows to reconcile to cash and cash equivalents per the balance sheet. In previous years, the Group Statement of Cash Flows was reconciled to cash and cash equivalents excluding restricted cash. Following this change, the presentation of the Group Statement of Cash Flows in 2020 has been restated, which has resulted in a $0.7 million reduction in cash flows from operating activities.

Deferred tax asset restatement

Subsequent to the publication of the Group's 2020 consolidated financial statements and as part of the preparation of its interim report, the Group determined there was an inconsistency in the calculation of the deferred tax asset recognised on the balance sheet associated with Magnus contingent consideration and the relevant estimated future cash flows used in the calculation of future taxable profits to support the recognition of this deferred tax asset and the deferred tax asset associated with other available tax losses. This inconsistency resulted in excess deferred tax being derecognised within Remeasurements and exceptional items of $155.9 million with respect to the year ended 31 December 2020. There are no changes to the underlying amounts recognised in relation to contingent consideration or to amounts recognised in respect of deferred tax in earlier periods. The tables below reflect the corrections to the comparative periods which are disclosed in these Group financial statements.

Group Income Statement(i)

		2020 (as previously reported)		Restatement adjustment	2020 restated		
	Business performance $'000	Remeasurements and exceptional items (note 4) $'000	Reported in period $'000	$'000	**Business performance $'000**	**Remeasurements and exceptional items (note 4) $'000**	**Reported in year $'000**
Profit/(loss) before tax	(198,666)	(367,309)	(565,975)		**(198,666)**	**(367,309)**	**(565,975)**
Income tax	172,479	(232,306)	(59,827)	155,857	**172,479**	**(76,449)**	**96,030**
Profit/(loss) for the year attributable to owners of the parent	(26,187)	(599,615)	(625,802)	155,857	**(26,187)**	**(443,758)**	**(469,945)**
Total comprehensive profit/(loss) for the period, attributable to owners of the parent			(625,802)	155,857			**(469,945)**
Earnings per share	$		$		**$**		**$**
Basic	(0.016)		(0.378)	0.088	**(0.016)**		**(0.290)**
Diluted	(0.016)		(0.378)	0.088	**(0.016)**		**(0.290)**

(i) Only the impact of the material deferred tax asset restatement presented

Group Balance Sheet(i)

	2020 (as previously reported) $'000	Restatement adjustment $'000	**2020 restated $'000**
ASSETS			
Non-current assets			
Deferred tax assets	503,946	155,857	**659,803**
TOTAL ASSETS	3,706,746	155,857	**3,862,603**
EQUITY AND LIABILITIES			
Equity			
Retained earnings	(411,076)	155,857	**(255,219)**
TOTAL EQUITY	(64,640)	155,857	**91,217**
TOTAL EQUITY AND LIABILITIES	3,706,746	155,857	**3,862,603**

(i) Only the impact of the material deferred tax asset restatement presented

Going concern

The financial statements have been prepared on the going concern basis.

The Group closely monitors and manages its funding position and liquidity risk throughout the year, including monitoring forecast covenant results, to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced and sensitivities considered for, but not limited to, changes in crude oil prices (adjusted for hedging undertaken by the Group), production rates and costs. These forecasts and sensitivity analyses allow management to mitigate liquidity or covenant compliance risks in a timely manner.

The health, safety and wellbeing of the Group's employees is its top priority and it continues to monitor actively the impact on operations from COVID-19. The Group remains compliant with UK, Malaysia and Dubai government and industry policy. The Group has also been working with a variety of stakeholders, including industry and medical organisations, to ensure its operational response and advice to its workforce is appropriate and commensurate with the prevailing expert advice and level of risk. The Group is cognisant of the ongoing risks presented by the evolving situation. At the time of publication of EnQuest's full-year results, the Group's day-to-day operations continue without being materially affected by COVID-19.

During 2021, the Group signed a new senior secured borrowing base debt facility (the 'RBL') of $600.0 million and an additional amount of $150.0 million for letters of credit for up to seven years, subject to refinancing the Group's existing high yield bonds. The RBL is initially repaid based on an amortisation schedule and via a cash sweep mechanism, whereby any unrestricted cash in excess of $75.0 million is swept to repay outstanding amounts at calendar quarter ends. Application of the amortisation schedule ensures the RBL is fully repaid by June 2023.

Upon refinancing of the Group's High Yield Bond, the maturity of the RBL is extended to seven years from its signing date (11 June 2021), or the point at which the remaining economic reserves for all borrowing base assets are projected to fall below 25% of the initial economic reserves forecast, if earlier.

2. Basis of preparation continued

At 31 December 2021, $415.0 million was drawn on the RBL, with early voluntary repayments of $85.0 million made in the first quarter of 2022.

The Group continues to explore options to refinance its Retail and High Yield Bonds ahead of maturity in October 2023. For the purposes of assessing going concern it is assumed that the refinancing of the bonds occurs outside of the going concern period. However, in the scenario that the Group concluded a successful refinancing of the bonds within the next 12 months, then the going concern basis at the date of release of this Annual Report would also be considered appropriate.

The Group's latest approved business plan underpins management's base case ('Base Case') and is in line with the Group's production guidance and uses oil price assumptions of $75.0/bbl for 2022 and $70.0/bbl for 2023, adjusted for hedging activity undertaken.

The Base Case has been subjected to stress testing by considering the impact of the following plausible downside risks (the 'Downside Case'):

- 10.0% discount to Base Case prices resulting in Downside Case prices of $67.5/bbl for 2022 and $63.0/bbl for 2023;
- Production risking of c.5.0% for 2022 and 2023; and
- 2.5% increase in operating costs.

The Base Case and Downside Case indicate that the Group is able to operate as a going concern and remain covenant compliant for 12 months from the date of publication of its full-year results. The Directors have also performed reverse stress testing on the Base Case, with the liquidity break-even price in the going concern period being less than $60.0/bbl in order to maintain a minimum unrestricted cash balance of above $50.0 million across all periods (as required by the RBL).

Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions, including asset sales or other funding options, can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and in order to maintain liquidity.

After making appropriate enquiries and assessing the progress against the forecast, projections and the status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Group will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

New standards and interpretations

The following new standards became applicable for the current reporting period. No material impact was recognised upon application:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
Amendments to IAS 8	*Disclosure of Accounting Policies*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018–2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of EnQuest PLC and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Joint arrangements

Oil and gas operations are usually conducted by the Group as co-licensees in unincorporated joint operations with other companies. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the consent of the relevant parties sharing control. The joint operating agreement is the underlying contractual framework to the joint arrangement, which is historically referred to as the joint venture ('JV'). The Annual Report and Accounts therefore refers to 'joint ventures' as standard terms used in the oil and gas industry, which is used interchangeably with joint operations.

Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities relating to the arrangement. The Group recognises its share of assets, liabilities, income and expenses of the joint operation in the consolidated financial statements on a line-by-line basis. During 2021, the Group did not have any material interests in joint ventures or in associates as defined in IAS 28.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The Group's financial statements are presented in US Dollars, the currency which the Group has elected to use as its presentation currency.

In the financial statements of the Group and its individual subsidiaries, transactions in currencies other than a company's functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to profit and loss in the Group income statement.

Emissions liabilities

The Group operates in an energy intensive industry and is therefore required to partake in emission trading schemes ('ETS') (2021: UK ETS, 2020: EU ETS). The Group recognises an emission liability in line with the production of emissions that give rise to the obligation. To the extent the liability is covered by allowances held, the liability is recognised at the cost of these allowances held and if insufficient allowances are held, the remaining uncovered portion is measured at the spot market price of allowances at the balance sheet date. The expense is presented within 'production costs' under 'cost of sales' and the accrual is presented in 'trade and other payables'. Any allowance purchased to settle the Group's liability is recognised on the balance sheet as an intangible asset. Both the emission allowances and the emission liability are derecognised upon settling the liability with the respective regulator.

Use of judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The accounting judgements and estimates that have a significant impact on the results of the Group are set out below and should be read in conjunction with the information provided in the Notes to the financial statements. Judgements and estimates, not all of which are significant, made in assessing the impact of climate change and the transition to a lower-carbon economy on the consolidated financial statements are also set out below. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, this is specifically noted.

2. Basis of preparation continued

Climate change and energy transition

As covered in our principal risks on oil and gas prices on page 47, the Group recognises that the energy transition is likely to impact the demand, and hence the future prices, of commodities such as oil and natural gas. This in turn may affect the recoverable amount of property, plant and equipment, and goodwill in the oil and gas industry. The Group acknowledges that there are a range of possible energy transition scenarios that may indicate different outcomes for oil prices. There are inherent limitations with scenario analysis and it is difficult to predict which, if any, of the scenarios might eventuate.

The Group has assessed the potential impacts of climate change and the transition to a lower-carbon economy in preparing the consolidated financial statements, including the Group's current assumptions relating to demand for oil and natural gas and their impact on the Group's long-term price assumptions. See Recoverability of asset carrying values: Oil prices.

While the pace of transition to a lower-carbon economy is uncertain, oil and natural gas demand is expected to remain a key element of the energy mix for many years based on stated policies, commitments and announced pledges to reduce emissions. Therefore, given the useful lives of the Group's current portfolio of oil and gas assets, a material adverse change is not expected to the carrying values of EnQuest's assets and liabilities as a result of climate change and the transition to a lower-carbon economy.

Management will continue to review price assumptions as the energy transition progresses and this may result in impairment charges or reversals in the future.

Critical accounting judgements and key sources of estimation uncertainty

The Group has considered its critical accounting judgements and key sources of estimation uncertainty, and these are set out below.

Recoverability of asset carrying values

Judgements: The Group assesses each asset or cash-generating unit ('CGU') (excluding goodwill, which is assessed annually regardless of indicators) in each reporting period to determine whether any indication of impairment exists. Assessment of indicators of impairment or impairment reversal and the determination of the appropriate grouping of assets into a CGU or the appropriate grouping of CGUs for impairment purposes require significant management judgement. For example, individual oil and gas properties may form separate CGUs whilst certain oil and gas properties with shared infrastructure may be grouped together to form a single CGU. Alternative groupings of assets or CGUs may result in a different outcome from impairment testing. See note 11 for details on how these groupings have been determined in relation to the impairment testing of goodwill.

Estimates: Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to dispose ('FVLCD') and value in use ('VIU'). The assessments require the use of estimates and assumptions such as the effects of inflation and deflation on operating expenses, discount rates, capital expenditure, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil and natural gas.

As described above, the recoverable amount of an asset is the higher of its VIU and its FVLCD. When the recoverable amount is measured by reference to FVLCD, in the absence of quoted market prices or binding sale agreement, estimates are made regarding the present value of future post-tax cash flows. These estimates are made from the perspective of a market participant and include prices, future production volumes, operating costs, capital expenditure, decommissioning costs, tax attributes, risking factors applied to cash flows and discount rates. Reserves and resources are included in the assessment of FVLCD to the extent that it is considered probable that a market participant would attribute value to them.

Details of impairment charges and reversals recognised in the income statement and details on the carrying amounts of assets are shown in note 10, note 11 and note 12.

The estimates for assumptions made in impairment tests in 2021 relating to discount rates and oil prices are discussed below. Changes in the economic environment or other facts and circumstances may necessitate revisions to these assumptions and could result in a material change to the carrying values of the Group's assets within the next financial year.

Discount rates

For discounted cash flow calculations, future cash flows are adjusted for risks specific to the CGU. Fair value less costs of disposal discounted cash flow calculations use the post-tax discount rate. The discount rate is derived using the weighted average cost of capital methodology. The discount rates applied in impairment tests are reassessed each year and, in 2021, the post-tax discount rate was 10% (2020: 10%).

Oil prices

The price assumptions used for FVLCD impairment testing were based on latest internal forecasts as at 31 December 2021, which assume short-term market prices will revert to the Group's assessment of long-term price. These price forecasts reflect EnQuest's long-term views of global supply and demand, including the potential financial impacts on the Group of climate change and the transition to a low-carbon economy as outlined in the Basis of Preparation, and are benchmarked with external sources of information such as analyst forecasts. The Group's price forecasts are reviewed and approved by management and challenged by the Audit Committee.

EnQuest revised its oil price assumptions for FVLCD impairment testing compared to those used in 2020. The assumptions up to 2024 were increased to reflect an improved demand outlook as at the end of 2021. Oil prices rose 51% in 2021 from 2020 due to a strong rebound in oil demand as the impact of COVID-19 eased and there were measured increases in OPEC+ supply combined with continued capital discipline across the industry impacting supply. A summary of the Group's revised price assumptions is provided below. These assumptions, which represent management's best estimate of future prices, sit within the range of external forecasts and are considered by EnQuest to be broadly in line with a range of transition paths consistent with the Paris climate goals. However, they do not correspond to any specific Paris-consistent scenario. An inflation rate of 2% (2020: 2%) is applied from 2025 onwards to determine the price assumptions in nominal terms. Discounts or premiums are applied to price assumptions based on the characteristics of the oil produced and of the terms of the relevant sales contracts.

	2022	2023	2024	2025>
Brent oil ($/bbl)	75.0	70.0	70.0	60.0

The increase in oil prices in the first quarter of 2022 relating to the Russia-Ukraine conflict is a result of conditions that arose after the balance sheet date. As such, the Group's future oil price assumptions used in impairment tests to assess the recoverable amount of assets at the balance sheet date have not been adjusted.

A net impairment reversal was recognised in 2021. See note 10 for further information.

The price assumptions used in 2020 were $47.0/bbl (2021), $55.0/bbl (2022), $60.0/bbl (2023) and $60.0/bbl real thereafter, inflated at 2.0% per annum from 2024.

Oil and natural gas reserves

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The business of the Group is to enhance hydrocarbon recovery and extend the useful lives of mature and underdeveloped assets and associated infrastructure in a profitable and responsible manner. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity and drilling of new wells all impact on the determination of the Group's estimates of its oil and gas reserves and result in different future production profiles affecting prospectively the discounted cash flows used in impairment testing and the calculation of contingent consideration, the anticipated date of decommissioning and the depletion charges in accordance with the unit of production method, as well as the going concern assessment. Economic assumptions used to estimate reserves change from period to period as additional technical and operational data is generated. This process may require complex and difficult geological judgements to interpret the data.

The Group uses proven and probable ('2P') reserves (see page 24) as the basis for calculations of expected future cash flows from underlying assets because this represents the reserves management intends to develop and it is probable that a market participant would attribute value to them. Third-party audits of EnQuest's reserves and resources are conducted annually.

Sensitivity analyses

Management tested the impact of a change in cash flows in FVLCD impairment testing arising from a 10% reduction in price assumptions.

Price reductions of this magnitude in isolation could indicatively lead to a reduction in the carrying amount of EnQuest's oil and gas properties by approximately $283.5 million, which is approximately 10% of the net book value of property, plant and equipment as at 31 December 2021.

The oil price sensitivity analysis above does not, however, represent management's best estimate of any impairments that might be recognised as they do not fully incorporate consequential changes that may arise, such as reductions in costs and changes to business plans, phasing of development, levels of reserves and resources, and production volumes. As the extent of a price reduction increases, the more likely it is that costs would decrease across the industry. The oil price sensitivity analysis therefore does not reflect a linear relationship between price and value that can be extrapolated.

Management also tested the impact of a one percentage point change in the discount rate used for FVLCD impairment testing of oil and gas properties. If the discount rate was one percentage point higher across all tests performed, the net impairment reversal recognised in 2021 would have been approximately $35.1 million lower. If the discount rate was one percentage point lower, the net impairment reversal recognised would have been approximately $38.3 million higher.

Goodwill

Irrespective of whether there is any indication of impairment, EnQuest is required to test annually for impairment of goodwill acquired in business combinations. The Group carries goodwill of approximately $134.4 million on its balance sheet (2020: $134.4 million), principally relating to the Magnus oil field transactions. Sensitivities and additional information relating to impairment testing of goodwill are provided in note 11.

Deferred tax

The Group assesses the recoverability of its deferred tax assets at each period end. Sensitivities and additional information relating to deferred tax assets/liabilities are provided in note 7(d).

2. Basis of preparation continued

75% Magnus acquisition contingent consideration
Sensitivities and additional information relating to the 75% Magnus acquisition contingent consideration are provided in note 22.

Provisions
Estimates: Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's oil and gas production facilities and pipelines. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques and experience at other production sites. The expected timing, extent and amount of expenditure may also change, for example, in response to changes in oil and gas reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

The timing and amount of future expenditures relating to decommissioning and environmental liabilities are reviewed annually. The interest rate used in discounting the cash flows is reviewed half-yearly. The nominal interest rate used to determine the balance sheet obligations at the end of 2021 was 2% (2020: 2%). The weighted average period over which decommissioning costs are generally expected to be incurred is estimated to be approximately ten years. Costs at future prices are determined by applying an inflation rate of 2% (2020: 2%) to decommissioning costs.

Further information about the Group's provisions is provided in note 23. Changes in assumptions in relation to the Group's provisions could result in a material change in their carrying amounts within the next financial year. A 0.5 percentage point decrease in the nominal discount rate applied could increase the Group's provision balances by approximately $40.9 million (2020: $38.4 million). The pre-tax impact on the Group income statement would be a charge of approximately $5.9 million.

Intangible oil and gas assets
Judgements: The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

3. Segment information

The Group's organisational structure reflects the various activities in which EnQuest is engaged. Management has considered the requirements of IFRS 8 Operating Segments in regard to the determination of operating segments and concluded that at 31 December 2021, the Group had two significant operating segments: the North Sea and Malaysia. Operations are managed by location and all information is presented per geographical segment. The Group's segmental reporting structure remained in place throughout 2021. The North Sea's activities include Upstream operations, Decommissioning and Infrastructure & New Energy. Malaysia's activities include Upstream operations. The Group's reportable segments may change in the future depending on the way that resources may be allocated and performance assessed by the Chief Operating Decision Maker, who for EnQuest is the Chief Executive. The information reported to the Chief Operating Decision Maker does not include an analysis of assets and liabilities, and accordingly this information is not presented.

Year ended 31 December 2021 $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations(i)	Consolidated
Revenue:						
Revenue from contracts with customers	1,283,939	99,959	–	1,383,898	–	1,383,898
Other operating income	3,811	–	235	4,046	(122,130)	(118,084)
Total revenue and other operating income	1,287,750	99,959	235	1,387,944	(122,130)	1,265,814
Income/(expenses) line items:						
Depreciation and depletion	(299,324)	(13,612)	(134)	(313,070)	–	(313,070)
Net impairment (charge)/reversal to oil and gas assets	39,715	–	–	39,715	–	39,715
Segment profit/(loss)(ii)	653,301	35,625	(291)	688,635	(108,576)	580,059
Other disclosures:						
Capital expenditure(iii)	459,302	17,419	314	477,035	–	477,035

Restated Year ended 31 December 2020[iv] $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations[i]	Consolidated
Revenue:						
Revenue from contracts with customers	792,508	62,917	–	855,425	–	855,425
Other operating income	5,428	–	280	5,708	2,719	8,427
Total revenue and other operating income	797,936	62,917	280	862,929	2,719	863,852
Income/(expenses) line items:						
Depreciation and depletion	(430,169)	(15,638)	(56)	(445,863)	–	(445,863)
Net impairment (charge)/reversal to oil and gas assets	(422,495)	–	–	(422,495)	–	(422,495)
Segment profit/(loss)[ii]	(318,952)	4,153	3,372	(311,427)	1,358	(310,069)
Other disclosures:						
Capital expenditure[iii]	81,504	2,144	–	83,648	–	83,648

(i) Finance income and costs and gains and losses on derivatives are not allocated to individual segments as the underlying instruments are managed on a Group basis
(ii) Inter-segment revenues are eliminated on consolidation. All other adjustments are part of the reconciliations presented further below
(iii) Capital expenditure consists of property, plant and equipment and intangible exploration and appraisal assets
(iv) Comparative information for 2020 has been restated for the changes to the presentation of rental income effective 1 January 2021. For more information, see note 2 Basis of preparation – Restatements

Reconciliation of profit/(loss):

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Segment profit/(loss)	**688,635**	(311,427)
Finance costs	**(227,846)**	(257,077)
Finance income	**228**	1,171
Gain/(loss) on oil and foreign exchange derivatives[i]	**(108,576)**	1,358
Profit/(loss) before tax	**352,441**	(565,975)

(i) Includes $54.6 million realised losses on derivatives and $54.0 million unrealised losses on derivatives

Revenue from two customers relating to the North Sea operating segment each exceeds 10% of the Group's consolidated revenue arising from sales of crude oil, with amounts of $241.7 million and $150.6 million per each single customer (2020: four customers; $188.9 million, $143.4 million, $113.1 million and $84.9 million per each single customer).

4. Remeasurements and exceptional items

Accounting policy

As permitted by IAS 1 (Revised) Presentation of Financial Statements, certain items of income or expense which are material are presented separately. Additional line items, headings, sub-totals and disclosures of the nature and amount are presented to provide relevant understanding of the Group's financial performance.

Remeasurements and exceptional items are items that management considers not to be part of underlying Business performance and are disclosed in order to enable shareholders to understand better and evaluate the Group's reported financial performance. The items that the Group separately presents as exceptional on the face of the Group income statement are those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Remeasurements relate to those items which are remeasured on a periodic basis and are applied consistently year-on-year. If an item is assessed as a remeasurement or exceptional item, then subsequent accounting to completion of the item is also taken through remeasurement and exceptional items. Management has exercised judgement in assessing the relevant material items disclosed as exceptional.

The following items are classified as remeasurements and exceptional items ('exceptional'):

- Unrealised mark-to-market changes in the remeasurement of open derivative contracts at each period end are recognised within remeasurements, with the recycling of realised amounts from remeasurements into Business performance income when a derivative instrument matures;
- Impairments on assets, including other non-routine write-offs/write-downs where deemed material, are remeasurements and are deemed to be exceptional in nature;
- Fair value accounting arising in relation to business combinations is deemed as exceptional in nature, as these transactions do not relate to the principal activities and day-to-day Business performance of the Group. The subsequent remeasurements of contingent assets and liabilities arising on acquisitions, including contingent consideration, are presented within remeasurements and are presented consistently year-on-year; and
- Other items that arise from time to time that are reviewed by management as non-Business performance and are disclosed further below.

4. Remeasurements and exceptional items continued

Year ended 31 December 2021 $'000	Fair value remeasurement(i)	Impairments and write offs(ii)	Other(iii)	Total
Revenue and other operating income	(54,451)	–	–	(54,451)
Cost of sales	472	–	(7,673)	(7,201)
Net impairment (charge)/reversal on oil and gas assets	–	39,715	–	39,715
Other income	140,079	–	22,568	162,647
Other expense	–	–	(3,832)	(3,832)
Finance costs	–	–	(58,395)	(58,395)
	86,100	39,715	(47,332)	78,483
Tax on items above	(36,518)	(14,722)	24,915	(26,325)
Recognition of undiscounted deferred tax asset(iv)	–	104,546	–	104,546
	49,582	129,539	(22,417)	156,704

Restated Year ended 31 December 2020 $'000	Fair value remeasurement(i)	Impairments and write offs(ii)	Other(iii)	Total
Revenue and other operating income	8,778	–	–	8,778
Cost of sales	(1,932)	–	(11,694)	(13,626)
Net impairment (charge)/reversal on oil and gas assets	–	(422,495)	–	(422,495)
Other income	138,249	–	–	138,249
Other expenses	–	–	(956)	(956)
Finance costs	–	–	(77,259)	(77,259)
	145,095	(422,495)	(89,909)	(367,309)
Tax on items above	(57,687)	163,267	33,175	138,755
Derecognition of undiscounted deferred tax asset (restated)(iv)	–	(215,204)	–	(215,204)
	87,408	(474,432)	(56,734)	(443,758)

(i) Fair value remeasurements include unrealised mark-to-market movements on derivative contracts and other financial instruments and the impact of recycled realised gains and losses out of 'Remeasurements and exceptional items' and into Business performance profit or loss of $(54.0) million. Other income relates to the fair value remeasurement of contingent consideration relating to the acquisition of Magnus and associated infrastructure of $140.1 million (note 22) (2020: $138.2 million)

(ii) Impairments and write offs include a net impairment reversal of tangible oil and gas assets and right-of-use assets totalling $39.7 million (note 10) (2020: impairment of $422.5 million)

(iii) Other items are made up of the following: Cost of sales includes $7.7 million mainly related to a provision for a dispute with a third-party contractor. In 2020 cost of sales included $11.7 million for the provision on the PM8/Seligi riser repair and redundancy costs in relation to the Group's transformation programme. Other income in 2021 of $22.6 million (2020: nil) includes the finalisation of previous asset acquisitions, $12.0 million, and the recognition of insurance income, $9.0 million, related to the PM8/Seligi riser incident. Other expense of $3.8 million relates to expenses incurred on the repayment of the BP vendor loan and Finance costs relates to Magnus contingent consideration of $58.3 million (note 22) (2020: $77.3 million). These are largely non-cash items

(iv) Non-cash deferred tax recognition (2020 restated see note 2 Basis of preparation – Restatements) following the Group's acquisition of Golden Eagle and the Group's higher oil price assumptions

5. Revenue and expenses

(a) Revenue and other operating income

Accounting policy

Revenue from contracts with customers

The Group generates revenue through the sale of crude oil, gas and condensate to third parties, and through the provision of infrastructure to its customers for tariff income. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The normal credit term is 30 days or less upon performance of the obligation.

Sale of crude oil, gas and condensate

The Group sells crude oil, gas and condensate directly to customers. The sale represents a single performance obligation, being the sale of barrels equivalent to the customer on taking physical possession or on delivery of the commodity into an infrastructure. At this point the title passes to the customer and revenue is recognised. The Group principally satisfies its performance obligations at a point in time; the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Transaction prices are referenced to quoted prices, plus or minus an agreed fixed discount rate to an appropriate benchmark, if applicable.

Tariff revenue for the use of Group infrastructure

Tariffs are charged to customers for the use of infrastructure owned by the Group. The revenue represents the performance of an obligation for the use of Group assets over the life of the contract. The use of the assets is not separable as they are interdependent in order to fulfil the contract and no one item of infrastructure can be individually isolated. Revenue is recognised as the performance obligations are satisfied over the period of the contract, generally a period of 12 months or less, on a monthly basis based on throughput at the agreed contracted rates.

Other operating income

Other revenue includes rental income from vessels, which is recognised to the extent that it is probable economic benefits will flow to the Group and the revenue can be reliably measured.

The Group enters into oil derivative trading transactions which can be settled net in cash. Accordingly, any gains or losses are not considered to constitute revenue from contracts with customers in accordance with the requirements of IFRS 15 and are included within other operating income (see note 19).

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 restated $'000
Revenue from contracts with customers:		
Revenue from crude oil sales	**1,139,171**	779,865
Revenue from gas and condensate sales(i)	**244,073**	60,486
Tariff revenue	**654**	15,074
Total revenue from contracts with customers	**1,383,898**	855,425
Rental income from vessels(ii)	**702**	3,910
Realised (losses)/gains on oil derivative contracts (see note 19)	**(67,679)**	(6,059)
Other	**3,344**	1,798
Business performance revenue and other operating income	**1,320,265**	855,074
Unrealised (losses)/gains on oil derivative contracts(iii) (see note 19)	**(54,451)**	8,778
Total revenue and other operating income	**1,265,814**	863,852

(i) Includes onward sale of third-party gas purchases not required for injection activities at Magnus
(ii) Comparative information for 2020 has been restated for the changes to the presentation of rental income effective 1 January 2021. For more information, see note 2 Basis of preparation – Restatements
(iii) Unrealised gains and losses on oil derivative contracts are disclosed as fair value remeasurement items in the income statement (see note 4)

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2021 $'000		Year ended 31 December 2020 $'000	
	North Sea	**Malaysia**	North Sea	Malaysia
Revenue from contracts with customers:				
Revenue from crude oil sales	**1,040,577**	**98,594**	719,504	60,361
Revenue from gas and condensate sales(i)	**242,708**	**1,365**	57,930	2,556
Tariff revenue	**654**	**–**	15,074	–
Total revenue from contracts with customers	**1,283,939**	**99,959**	792,508	62,917

(i) Includes onward sale of third-party gas purchases not required for injection activities at Magnus

5. Revenue and expenses continued

(b) Cost of sales

Accounting policy

Production imbalances, movements in under/over-lift and movements in inventory are included in cost of sales. The over-lift liability is recorded at the cost of the production imbalance to represent a provision for production costs attributable to the volumes sold in excess of entitlement. The under-lift asset is recorded at the lower of cost and net realisable value, consistent with IAS 2, to represent a right to additional physical inventory. An under-lift of production from a field is included in current receivables and an over-lift of production from a field is included in current liabilities.

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Production costs	292,252	265,529
Tariff and transportation expenses	39,414	63,685
Realised loss/(gain) on derivative contracts related to operating costs (see note 19)	(10,693)	(572)
Change in lifting position	62,868	(31,508)
Crude oil inventory movement	(561)	(3,293)
Depletion of oil and gas assets[(i)]	305,578	438,247
Other cost of operations[(ii)]	211,575	53,367
Business performance cost of sales	900,433	785,455
Unrealised (gains)/losses on derivative contracts related to operating costs[(iii)] (see note 19)	(472)	1,932
Movement in other provisions	7,673	11,694
Total cost of sales	907,634	799,081

(i) Includes $45.7 million (2020: $68.5 million) Kraken FPSO right-of-use asset depreciation charge and $14.3 million (2020: $10.5 million) of other right-of-use assets depreciation charge
(ii) Includes $199.6 million of purchases and associated costs of third-party gas not required for injection activities at Magnus which is sold on (2020: $24.7 million of inventory provisions and also includes purchases of third-party gas not required for injection activities at Magnus which is sold on)
(iii) Unrealised gains and losses on derivative contracts are disclosed as fair value remeasurement in the income statement (see note 4)

(c) General and administration expenses

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Staff costs (see note 5(f))	80,098	85,813
Depreciation[(i)]	7,492	7,616
Other general and administration costs	21,322	21,831
Recharge of costs to operations and joint venture partners	(108,549)	(109,155)
Total general and administration expenses	363	6,105

(i) Includes $4.0 million (2020: $3.7 million) right-of-use assets depreciation charge on buildings

(d) Other income

	Year ended 31 December 2021 $'000	Year ended 31 December restated[(i)] 2020 $'000
Net foreign exchange gains	391	–
Gain on termination of Tanjong Baram risk service contract	–	10,209
Change in decommissioning provisions	19,327	–
Rental income from office sublease[(i)]	1,702	1,796
Other	9,570	6,095
Business performance other income	30,990	18,100
Fair value changes in contingent consideration (see note 22)	140,079	138,249
Other non-Business performance	22,568	–
Total other income	193,637	156,349

(i) Comparative information for 2020 has been restated for the changes to the presentation of rental income effective 1 January 2021. For more information, see note 2 Basis of preparation – Restatements

(e) Other expenses

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Net foreign exchange losses	–	4,625
Change in decommissioning provisions	–	83,199
Change in Thistle decommissioning provisions (note 23)	**6,184**	11,998
Other	**1,094**	1,811
Business performance other expenses	**7,278**	101,633
Loss on derecognition of assets related to the Seligi riser detachment	–	956
Other non-Business performance	**3,832**	–
Total other expenses	**11,110**	102,589

(f) Staff costs

Accounting policy

Short-term employee benefits, such as salaries, social premiums and holiday pay, are expensed when incurred.

The Group's pension obligations consist of defined contribution plans. The Group pays fixed contributions with no further payment obligations once the contributions have been paid. The amount charged to the Group income statement in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the balance sheet.

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Wages and salaries	**71,391**	85,913
Social security costs	**7,120**	9,118
Defined contribution pension costs	**5,464**	6,871
Expense of share-based payments (see note 21)	**6,351**	3,401
Other staff costs	**12,475**	12,781
Total employee costs	**102,801**	118,084
Contractor costs	**33,871**	39,371
Total staff costs	**136,672**	157,455
General and administration staff costs (see note 5(c))	**80,098**	85,813
Non-general and administration costs	**56,574**	71,642
Total staff costs	**136,672**	157,455

The average number of persons, excluding contractors, employed by the Group during the year was 734, with 339 in the general and administration staff costs and 395 directly attributable to assets (2020: 885 of which 383 in general and administration and 502 directly attributable to assets). Compensation of key management personnel is disclosed in note 26 and in the remuneration report on page 76.

5. Revenue and expenses continued

(g) Auditor's remuneration

The following amounts for the year ended 31 December 2021 and for the comparative year ended 31 December 2020 were payable by the Group to Deloitte:

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Fees payable to the Company's auditor for the audit of the parent company and Group financial statements	847	649
The audit of the Company's subsidiaries	145	178
Total audit	992	827
Audit-related assurance services(i)	1,419	180
Total audit and audit-related assurance services	2,411	1,007
Tax services	–	10
Total auditor's remuneration	**2,411**	1,017

(i) Audit-related assurance services include the review of the Group's interim results and audit and assurance work in respect of the Group's Golden Eagle acquisition

6. Finance costs/income

Accounting policy

Borrowing costs are recognised as interest payable within finance costs in accordance with the effective interest method.

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Finance costs:		
Loan interest payable	20,206	32,791
Bond interest payable	69,085	73,476
Unwinding of discount on decommissioning provisions (see note 23)	15,856	14,512
Unwinding of discount on other provisions (see note 23)	1,061	796
Finance charges payable under leases	45,359	50,851
Amortisation of finance fees on loans and bonds	13,623	5,417
Other financial expenses	4,261	1,975
Business performance finance expenses	**169,451**	179,818
Finance costs on Magnus-related contingent consideration (see note 22)	58,395	77,259
Total finance costs	**227,846**	257,077
Finance income:		
Bank interest receivable	228	896
Unwinding of discount on financial asset (see note 19(f))	–	275
Total finance income	**228**	1,171

7. Income tax

(a) Income tax

Accounting policy

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

The Group's operations are subject to a number of specific tax rules which apply to exploration, development and production. In addition, the tax provision is prepared before the relevant companies have filed their tax returns with the relevant tax authorities and, significantly, before these have been agreed. As a result of these factors, the tax provision process necessarily involves the use of a number of estimates and judgements including those required in calculating the effective tax rate. In considering the tax on exceptional items, the Group applies the appropriate statutory tax rate to each item to calculate the relevant tax charge on exceptional items.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured on an undiscounted basis using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legal right exists to offset current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Production taxes

In addition to corporate income taxes, the Group's financial statements also include and disclose production taxes on net income determined from oil and gas production.

Production tax relates to Petroleum Revenue Tax ('PRT') within the UK and is accounted for under IAS 12 Income Taxes since it has the characteristics of an income tax as it is imposed under government authority and the amount payable is based on taxable profits of the relevant fields. Current and deferred PRT is provided on the same basis as described above for income taxes.

Investment allowance

The UK taxation regime provides for a reduction in ring-fence supplementary charge tax where investment in new or existing UK assets qualify for a relief known as investment allowance. Investment allowance must be activated by commercial production from the same field before it can be claimed. The Group has both unactivated and activated investment allowances which could reduce future supplementary charge taxation. The Group's policy is that investment allowance is recognised as a reduction in the charge to taxation in the years claimed.

The major components of income tax (credit)/expense are as follows:

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 restated $'000
Current UK income tax		
Current income tax charge	**3,559**	–
Adjustments in respect of current income tax of previous years	**199**	140
Current overseas income tax		
Current income tax charge	**18,050**	2,424
Adjustments in respect of current income tax of previous years	**(221)**	(295)
Total current income tax	**21,587**	2,269
Deferred UK income tax		
Relating to origination and reversal of temporary differences	**(43,325)**	(97,673)
Adjustments in respect of changes in tax rates	**–**	1
Adjustments in respect of deferred income tax of previous years	**157**	2,660
Deferred overseas income tax		
Relating to origination and reversal of temporary differences	**(5,320)**	(5,135)
Adjustments in respect of deferred income tax of previous years	**2,354**	1,848
Total deferred income tax	**(46,134)**	(98,299)
Income tax (credit)/expense reported in profit or loss	**(24,547)**	(96,030)

7. Income tax continued

(b) Reconciliation of total income tax charge

A reconciliation between the income tax charge and the product of accounting profit multiplied by the UK statutory tax rate is as follows:

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 restated(i) $'000
Profit/(loss) before tax	**352,441**	(565,975)
UK statutory tax rate applying to North Sea oil and gas activities of 40% (2020: 40%)	**140,976**	(226,390)
Supplementary corporation tax non-deductible expenditure	**4,331**	17,761
Petroleum revenue tax (net of income tax benefit)	**2,548**	(2,548)
Non-deductible expenditure/income	**(1,442)**	(3,449)
North Sea tax reliefs	**(113,593)**	(106,685)
Tax in respect of non-ring-fence trade	**23,378**	3,222
Deferred tax asset (recognition)/impairment in respect of non-ring-fence trade	**21,241**	3,515
Deferred tax asset (recognition)/impairment in respect of ring-fence trade	**(104,546)**	215,204
Adjustments in respect of prior years	**2,489**	4,352
Overseas tax rate differences	**(594)**	(1,250)
Share-based payments	**1,526**	1,097
Other differences	**(861)**	(859)
At the effective income tax rate of 7% (2020: 17%)	**(24,547)**	(96,030)

(c) Deferred income tax

Deferred income tax relates to the following:

	Group balance sheet		(Credit)/charge for the year recognised in profit or loss	
	2021 $'000	2020 restated(i) $'000	2021 $'000	2020 restated(i) $'000
Deferred tax liability				
Accelerated capital allowances	**768,630**	821,253	**(52,623)**	(236,551)
	768,630	821,253		
Deferred tax asset				
Losses	**(1,017,107)**	(981,445)	**(35,653)**	121,089
Decommissioning liability	**(286,045)**	(310,697)	**24,652**	(26,640)
Other temporary differences	**(165,030)**	(182,529)	**17,490**	43,803
	(1,468,182)	(1,474,671)	**(46,133)**	(98,299)
Net deferred tax (assets)	**(699,552)**	(653,418)		
Reflected in the balance sheet as follows:				
Deferred tax assets	**(702,970)**	(659,803)		
Deferred tax liabilities	**3,418**	6,385		
Net deferred tax (assets)	**(699,552)**	(653,418)		

Reconciliation of net deferred tax assets/(liabilities)

	2021 $'000	2020 restated(i) $'000
At 1 January	**653,418**	555,119
Tax income/(expense) during the period recognised in profit or loss	**46,134**	98,299
At 31 December	**699,552**	653,418

(i) Comparative information for 2020 has been restated for the changes to the presentation of rental income effective 1 January 2021. For more information, see note 2 Basis of preparation – Restatements

(d) Tax losses

The Group's deferred tax assets at 31 December 2021 are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised. A $127.6 million tax credit has been recognised as an exceptional item, reflecting the reversal of the previous deferred tax asset derecognition. In accordance with IAS 12 Income Taxes, the Group assesses the recoverability of its deferred tax assets at each period end. Sensitivities have been run on the oil price assumption, with a 10% change being considered a reasonable possible change for the purposes of sensitivity analysis (see note 2). A 10% reduction in oil price would result in a deferred tax asset derecognition of $318.6 million and a 10% increase in oil price would result in an increase in deferred tax asset recognition of $107.9 million.

The Group has unused UK mainstream corporation tax losses of $431.7 million (2020: $320.7 million), and ring-fence tax losses of $957.8 million associated with the Bentley acquisition, for which no deferred tax asset has been recognised at the balance sheet date as recovery of these losses is to be established. In addition, the Group has not recognised a deferred tax asset for the adjustment to bond valuations on the adoption of IFRS 9. The benefit of this deduction is taken over ten years, with a deduction of $2.2 million being taken in the current period and the remaining benefit of $12.9 million (2020: $15.1 million) remaining unrecognised.

The Group has unused overseas tax losses in Canada of approximately CAD$13.5 million (2020: CAD$13.5 million) for which no deferred tax asset has been recognised at the balance sheet date. The tax losses in Canada have expiry periods of 20 years, none of which expire in 2021, and which arose following the change in control of the Stratic Group in 2010.

The Group has unused Malaysian income tax losses of $15.7 million (2020: $14.3 million) arising in respect of the Tanjong Baram RSC for which no deferred tax asset has been recognised at the balance sheet date due to uncertainty of recovery of these losses.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries. The Finance Act 2009 exempted foreign dividends from the scope of UK corporation tax where certain conditions are satisfied.

(e) Changes in legislation

The Finance Act 2020 enacted a change in the mainstream corporation tax rate to 19% with effect from 1 April 2020. As all UK mainstream corporation tax losses are not recognised there is minimal impact in 2020 resulting from this change. In the Budget statement on 3 March 2021, it was announced that the corporation tax rate will increase to 25% from 1 April 2023. This change is expected to have no impact.

8. Earnings per share

The calculation of earnings per share is based on the profit after tax and on the weighted average number of Ordinary shares in issue during the period. Diluted earnings per share is adjusted for the effects of Ordinary shares granted under the share-based payment plans, which are held in the Employee Benefit Trust, unless it has the effect of increasing the profit or decreasing the loss attributable to each share.

Basic and diluted earnings per share are calculated as follows:

	Profit/(loss) after tax		Weighted average number of Ordinary shares		Earnings per share	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2021 $'000	2020 restated(ii) $'000	**2021 million**	2020 million	**2021 $**	2020 restated(ii) $
Basic	**376,988**	(469,945)	**1,736.4**	1,655.0	**0.217**	(0.290)
Dilutive potential of Ordinary shares granted under share-based incentive schemes	**–**	–	**24.7**	15.1	**–**	–
Diluted(i)	**376,988**	(469,945)	**1,761.1**	1,670.1	**0.214**	(0.290)
Basic (excluding remeasurements and exceptional items)	**220,284**	(26,187)	**1,736.4**	1,655.0	**0.127**	(0.016)
Diluted (excluding remeasurements and exceptional items)(i)	**220,284**	(26,187)	**1,761.1**	1,670.1	**0.125**	(0.016)

(i) Potential Ordinary shares are not treated as dilutive when they would decrease a loss per share
(ii) 2020 comparative restated, see note 2 Basis of preparation – Restatements

9. Dividends paid and proposed

The Company paid no dividends during the year ended 31 December 2021 (2020: none). At 31 December 2021, there are no proposed dividends (2020: none).

10. Property, plant and equipment

Accounting policy

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment charges.

Cost

Cost comprises the purchase price or cost relating to development, including the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells and any other costs directly attributable to making that asset capable of operating as intended by management. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the other operating income or expense line item in the Group income statement when the asset is derecognised.

Development assets

Expenditure relating to development of assets including the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells, is capitalised within property, plant and equipment.

Carry arrangements

Where amounts are paid on behalf of a carried party these are capitalised. Where there is an obligation to make payments on behalf of a carried party and the timing and amount are uncertain, a provision is recognised. Where the payment is a fixed monetary amount, a financial liability is recognised.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are capitalised during the development phase of the project until such time as the assets are substantially ready for their intended use.

Depletion and depreciation

Oil and gas assets are depleted, on a field-by-field basis, using the unit of production method based on entitlement to proven and probable reserves, taking account of estimated future development expenditure relating to those reserves. Changes in factors which affect unit of production calculations are dealt with prospectively. Depletion of oil and gas assets is taken through cost of sales.

Depreciation on other elements of property, plant and equipment is provided on a straight-line basis, and taken through general and administration expenses, at the following rates:

Office furniture and equipment	Five years
Fixtures and fittings	Ten years
Right-of-use assets*	Lease term

* Excludes Kraken FPSO which is depleted using the unit of production method in accordance with the related oil and gas assets

Each asset's estimated useful life, residual value and method of depreciation is reviewed and adjusted if appropriate at each financial year end. No depreciation is charged on assets under construction.

Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, the Group assesses assets or groups of assets, called cash-generating units ('CGUs'), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Discounted cash flow models comprising asset-by-asset life of field projections and risks specific to assets, using Level 3 inputs (based on IFRS 13 fair value hierarchy), have been used to determine the recoverable amounts. The life of a field depends on the interaction of a number of variables such as the recoverable quantity of hydrocarbons, the production profile of the hydrocarbons, the capex necessary to recover the hydrocarbons, production costs and the selling price of the hydrocarbons produced. Estimated production volumes and cash flows up to the date of cessation of production on a field-by-field basis, including operating and capital expenditure, are derived from the Group's business plan. Oil price assumptions and discount rate assumptions used were as disclosed in note 2. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Group income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Group income statement.

	Oil and gas assets $'000	Office furniture, fixtures and fittings $'000	Right-of-use assets (note 24) $'000	Total $'000
Cost:				
At 1 January 2020	8,547,769	62,453	857,089	9,467,311
Additions	78,926	1,910	2,812	83,648
Change in decommissioning provision	10,200	–	–	10,200
Disposals and termination of Tanjong Baram risk service contract	(84,724)	(143)	(1,412)	(86,279)
At 1 January 2021	**8,552,171**	**64,220**	**858,489**	**9,474,880**
Acquisition	**386,210**	**–**	**–**	**386,210**
Additions	**61,704**	**1,165**	**17,815**	**80,684**
Change in decommissioning provision	**(2,732)**	**–**	**–**	**(2,732)**
Disposal	**–**	**–**	**(8,411)**	**(8,411)**
At 31 December 2021	**8,997,353**	**65,385**	**867,893**	**9,930,631**
Accumulated depreciation, depletion and impairment:				
At 1 January 2020	5,797,924	46,568	171,890	6,016,382
Charge for the year	359,258	3,902	82,703	445,863
Disposals and termination of Tanjong Baram risk service contract	(42,958)	(113)	(706)	(43,777)
Impairment charge for the year	314,335	–	108,160	422,495
At 1 January 2021	**6,428,559**	**50,357**	**362,047**	**6,840,963**
Charge for the year	**245,645**	**3,472**	**63,953**	**313,070**
Net impairment reversal for the year	**(24,046)**	**–**	**(15,669)**	**(39,715)**
Disposal	**–**	**–**	**(5,831)**	**(5,831)**
Other	**146**	**–**	**–**	**146**
At 31 December 2021	**6,650,304**	**53,829**	**404,500**	**7,108,633**
Net carrying amount:				
At 31 December 2021	**2,347,049**	**11,556**	**463,393**	**2,821,998**
At 31 December 2020	2,123,612	13,863	496,442	2,633,917
At 1 January 2020	2,749,845	15,885	685,199	3,450,929

The amount of borrowing costs capitalised during the year ended 31 December 2021 was nil (2020: nil).

Acquisitions

The Group acquired a 26.69% non-operated interest in the producing Golden Eagle area from Suncor Energy UK on 22 October 2021. The Group applied the optional concentration test for this transaction in accordance with IFRS 3. Accordingly, it has been concluded that as substantially all of the value arising from the transaction relates to the producing oil and gas asset, the acquired assets do not represent a business and therefore the transaction has been accounted for as an asset acquisition at cost. Consideration included cash of $249.7 million and a contingent payment based on the average oil price between July 2021 and June 2023. The net present value of the contingent payment has been valued at $44.7 million and has been included within contingent consideration (see note 22). Other directly attributable costs of $10.4 million were also included in the cost of the acquisition. The total oil and gas asset recognised in relation to the acquisition is $386.2 million. A decommissioning liability of $119.3 million was also recognised as part of the acquisition (see note 23).

Impairments

Impairments to the Group's producing assets and reversals of impairments are set out in the table below:

	Impairment (charge)/reversal		Recoverable amount[i]	
	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000	**31 December 2021 $'000**	31 December 2020 $'000
North Sea	**39,715**	(422,495)	**1,496,219**	1,518,832
Net pre-tax impairment reversal/(charge)	**39,715**	(422,495)		

(i) Recoverable amount has been determined on a fair value less costs of disposal basis (see note 2 for further details of judgements, estimates and assumptions made in relation to impairments). The amounts disclosed above are in respect of assets where an impairment (or reversal) has been recorded. Assets which did not have any impairment or reversal are excluded from the amounts disclosed

10. Property, plant and equipment continued

For information on judgements, estimates and assumptions made in relation to impairments see 'Use of judgements, estimates and assumptions' within note 2.

The 2021 net impairment reversal of $39.7 million relates to producing assets in the UK North Sea. Impairment reversals were primarily driven by an increase in EnQuest's near-term future oil price assumptions. The CGUs on which impairment reversals relate were $53.7 million for Kraken and $6.1 million for Alba. In addition, impairment losses of $20.1 million were incurred relating to the GKA and Scolty/Crathes CGU, primarily as a result of forecast increased costs and lower production.

The 2020 impairment charge of $422.5 million related to producing assets in the UK North Sea. Impairment losses were primarily driven by a reduction in EnQuest's future oil price assumptions and the decision to cease production at Dons. The principal CGUs on which significant impairment losses were incurred in 2020 were $380.3 million for Kraken, $28.2 million for Alba and $14.6 million for Dons.

11. Goodwill

Accounting policy

Cost

Goodwill arising on a business combination is initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss.

Impairment of goodwill

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. In accordance with IAS 36 Impairment of Assets, goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the CGU to which the goodwill relates should be assessed.

For the purposes of impairment testing, goodwill acquired is allocated to the CGU that is expected to benefit from the synergies of the combination. Each unit or units to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount of the CGU containing goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. For information on significant estimates and judgements made in relation to impairments see Use of judgements, estimates and assumptions: recoverability of asset carrying values within note 2.

A summary of goodwill is presented below:

	2021 $'000	2020 $'000
Cost and net carrying amount		
At 1 January	**134,400**	134,400
At 31 December	**134,400**	134,400

The majority of the goodwill, $94.6 million, relates to the 75% acquisition of the Magnus oil field and associated interests. The remaining goodwill balance arose from the acquisition of Stratic and PEDL in 2010 and the Greater Kittiwake Area asset in 2014.

Impairment testing of goodwill

Goodwill, which has been acquired through business combinations, has been allocated to the UK North Sea segment CGU, and this is therefore the lowest level at which goodwill is reviewed. The UK North Sea is a combination of oil and gas assets, as detailed within property, plant and equipment (note 10).

The recoverable amounts of the CGU and fields have been determined on a fair value less costs of disposal basis. Discounted cash flow models comprising asset-by-asset life of field projections, based on current estimates of reserves and resources, and risks specific to assets, using Level 3 inputs (based on IFRS 13 fair value hierarchy), have been used to determine the recoverable amounts. The life of a field depends on the interaction of a number of variables such as the recoverable quantity of hydrocarbons, the production profile of the hydrocarbons, the capex necessary to recover the hydrocarbons, production costs and the selling price of the hydrocarbons produced. Estimated production volumes and cash flows up to the date of cessation of production on a field-by-field basis, including operating and capital expenditure, are derived from the Group's business plan. Oil price assumptions and discount rate assumptions used were as disclosed in note 2. An impairment charge of nil was taken in 2021 (2020: nil) based on a fair value less costs to dispose valuation of the North Sea CGU, as described above.

Sensitivity to changes in assumptions
The Group's recoverable value of assets is highly sensitive, inter alia, to oil price achieved and production volumes. A sensitivity has been run on the oil price assumption, with a 10% change being considered to be a reasonable possible change for the purposes of sensitivity analysis (see note 2). A 10% reduction in oil price would result in a net impairment of $54.7 million (2020: 10% reduction would result in a net impairment of $14.0 million). A 20% reduction in oil price would fully impair goodwill (2020: 13%).

12. Intangible assets

Accounting policy

Exploration and appraisal assets
Exploration and appraisal assets have indefinite useful lives and are accounted for using the successful efforts method of accounting. Pre-licence costs are expensed in the period in which they are incurred. Expenditure directly associated with exploration, evaluation or appraisal activities is initially capitalised as an intangible asset. Such costs include the costs of acquiring an interest, appraisal well drilling costs, payments to contractors and an appropriate share of directly attributable overheads incurred during the evaluation phase. For such appraisal activity, which may require drilling of further wells, costs continue to be carried as an asset whilst related hydrocarbons are considered capable of commercial development. Such costs are subject to technical, commercial and management review to confirm the continued intent to develop, or otherwise extract value. When this is no longer the case, the costs are written off as exploration and evaluation expenses in the Group income statement. When exploration licences are relinquished without further development, any previous impairment loss is reversed and the carrying costs are written off through the Group income statement. When assets are declared part of a commercial development, related costs are transferred to property, plant and equipment. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the Group income statement.

During the year ended 31 December 2021, there was no impairment of historical exploration and appraisal expenditures (2020: nil).

Other intangibles
UK emissions allowances ('UKAs') purchased to settle the Group's liability related to emissions are recognised on the balance sheet as an intangible asset at cost. The UKAs will be derecognised upon settling the liability with the respective regulator.

	Exploration and appraisal assets $'000	UK emissions allowances $'000	**Total $'000**
Cost:			
At 1 January 2020	174,964	–	174,964
Write-off of relinquished licences previously impaired	(12,645)	–	(12,645)
Other	(7)	–	(7)
At 1 January 2021	**162,312**	**–**	**162,312**
Additions	**10,141**	**10,052**	**20,193**
Write-off of relinquished licences previously impaired	**(72)**	**–**	**(72)**
At 31 December 2021	**172,381**	**10,052**	**182,433**
Accumulated impairment:			
At 1 January 2020	(147,411)	–	(147,411)
Write-off of relinquished licences previously impaired	12,645	–	12,645
At 1 January 2021	**(134,766)**	**–**	**(134,766)**
At 31 December 2021	**(134,766)**	**–**	**(134,766)**
Net carrying amount:			
At 31 December 2021	**37,615**	**10,052**	**47,667**
At 31 December 2020	27,546	–	27,546
At 1 January 2020	27,553	–	27,553

13. Inventories

Accounting policy

Inventories of consumable well supplies and inventories of hydrocarbons are stated at the lower of cost and NRV, cost being determined on an average cost basis.

	2021 $'000	2020 $'000
Hydrocarbon inventories	**22,835**	20,509
Well supplies	**50,188**	39,275
	73,023	59,784

During 2021, a net gain of $0.4 million was recognised within cost of sales in the Group income statement relating to inventory (2020: charge of $21.6 million).

The inventory valuation at 31 December 2021 is stated net of a provision of $43.2 million (2020: $56.7 million) to write down well supplies to their estimated net realisable value. During the year a portion of the provided for well supplies was disposed of, resulting in a net charge to the income statement of $0.2 million (2020: $24.9 million).

14. Cash and cash equivalents

Accounting policy

Cash and cash equivalents includes cash at bank, cash in hand, outstanding bank overdrafts and highly liquid interest-bearing securities with original maturities of three months or fewer.

	2021 $'000	2020 $'000
Available cash	**276,970**	221,155
Restricted cash	**9,691**	1,675
Cash and cash equivalents	**286,661**	22,830

The carrying value of the Group's cash and cash equivalents is considered to be a reasonable approximation to their fair value due to their short-term maturities.

Restricted cash

Included within the cash balance at 31 December 2021 is restricted cash of $9.7 million. This includes $8.2 million on deposit relating to bank guarantees for the Group's Malaysian assets and $1.5 million related to cash collateralised letters of credit. In 2020, the restricted cash balance of $1.7 million related to cash held in escrow in respect of the unwound acquisition of the Tunisian assets of PA resources. This balance was fully collected in 2021.

15. Financial instruments and fair value measurement

Accounting policy

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 instruments are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are offset and the net amount is reported in the Group balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

Financial assets

Financial assets are classified, at initial recognition, as amortised cost, fair value through other comprehensive income ('FVOCI'), or fair value through profit or loss ('FVPL'). The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them. The Group does not currently hold any financial assets at FVOCI, i.e. debt financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial assets at amortised cost
Trade receivables, other receivables and joint operation receivables are measured initially at fair value and subsequently recorded at amortised cost, using the effective interest rate ('EIR') method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired and EIR amortisation is included within finance costs.
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Impairment of financial assets
The Group recognises a provision for expected credit loss ('ECL'), where material, for all financial assets held at the balance sheet date. ECLs are based on the difference between the contractual cash flows due to the Group, and the discounted actual cash flows that are expected to be received. Where there has been no significant increase in credit risk since initial recognition, the loss allowance is equal to 12-month expected credit losses. Where the increase in credit risk is considered significant, lifetime credit losses are provided. For trade receivables, a lifetime credit loss is recognised on initial recognition where material.

The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating) and are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are joint venture partners and there are no indications of change in risk. Generally, trade receivables are written off when they become past due for more than one year and are not subject to enforcement activity.

Financial liabilities
Financial liabilities are classified, at initial recognition, as amortised cost or at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Group income statement.

Financial liabilities at amortised cost
Loans and borrowings, trade payables and other creditors are measured initially at fair value net of directly attributable transaction costs and subsequently recorded at amortised cost, using the EIR method. Loans and borrowings are interest bearing. Gains and losses are recognised in profit or loss when the liability is derecognised and EIR amortisation is included within finance costs.

Financial instruments at fair value through profit or loss
The Group holds derivative financial instruments classified as held for trading, not designated as effective hedging instruments. The derivative financial instruments include forward currency contracts and commodity contracts, to address the respective risks; see note 27. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Financial instruments at FVPL are carried in the Group balance sheet at fair value with net changes in fair value recognised in the Group income statement. Unrealised mark-to-market changes in the remeasurement of open derivative contracts at each period end are recognised within remeasurements, with the recycling of realised amounts from remeasurements into Business performance income when a derivative instrument matures. Option premium received or paid for commodity derivatives are recognised in remeasurements.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. Financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group also holds contingent consideration (see note 22) and a listed equity investment (see note 19). The movements of both are recognised within remeasurements in the Group income statement.

15. Financial instruments and fair value measurement continued

Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

31 December 2021	Notes	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Financial assets measured at fair value:					
Derivative financial assets measured at FVPL					
Forward UKAs contracts		**90**	**–**	**90**	**–**
Forward foreign currency contracts		**382**	**–**	**382**	**–**
Other financial assets measured at FVPL					
Quoted equity shares		**6**	**6**	**–**	**–**
Total financial assets measured at fair value		**478**	**6**	**472**	**–**
Liabilities measured at fair value:					
Derivative financial liabilities measured at FVPL					
Oil commodity derivative contracts	19	**55,247**	**–**	**55,247**	**–**
Other financial liabilities measured at FVPL					
Contingent consideration	22	**410,778**	**–**	**–**	**410,778**
Total liabilities measured at fair value		**466,025**	**–**	**55,247**	**410,778**
Liabilities measured at amortised cost for which fair values are disclosed below:					
Interest-bearing loans and borrowings	18	**424,864**	**–**	**–**	**424,864**
Obligations under leases	24	**570,781**	**–**	**–**	**570,781**
Retail bond	18	**244,387**	**244,387**	**–**	**–**
High yield bond	18	**773,499**	**773,499**	**–**	**–**
Total liabilities measured at amortised cost for which fair values are disclosed		**2,013,531**	**1,017,886**	**–**	**995,645**

31 December 2020	Notes	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Financial assets measured at fair value:					
Other financial assets at FVPL					
Quoted equity shares		7	7	–	–
Total financial assets measured at fair value		7	7	–	–
Liabilities measured at fair value:					
Derivative financial liabilities at FVPL					
Oil commodity derivative contracts	19	2,007	–	2,007	–
Other financial liabilities measured at FVPL					
Contingent consideration	22	522,261	–	–	522,261
Total liabilities measured at fair value		524,268		2,007	522,261
Liabilities measured at amortised cost for which fair values are disclosed below:					
Interest-bearing loans and borrowings	18	454,209	–	–	454,209
Obligations under leases	24	647,846	–	–	647,846
Retail bond	18	225,943	225,943	–	–
High yield bond	18	537,602	537,602	–	–
Total liabilities measured at amortised cost for which fair values are disclosed		1,865,600	763,545	–	1,102,055

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. as prices) or indirectly (i.e. derived from prices) observable;
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Derivative financial instruments are valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data (Level 2). Contingent consideration is measured at FVPL using the Level 3 valuation processes disclosed in note 22. There have been no transfers between Level 1 and Level 2 during the period (2020: no transfers).

For the financial liabilities measured at amortised cost but for which fair value disclosures are required, the fair value of the bonds classified as Level 1 was derived from quoted prices for that financial instrument. Both interest-bearing loans and borrowings and obligations under finance leases were calculated using the discounted cash flow method to capture the present value (Level 3).

16. Trade and other receivables

	2021 $'000	2020 $'000
Current		
Trade receivables	**94,992**	24,604
Joint venture receivables	**68,157**	53,121
Under-lift position	**35,769**	15,690
VAT receivable	**–**	10,307
Other receivables	**11,703**	1,441
	210,621	105,163
Prepayments and accrued income	**85,447**	13,552
	296,068	118,715

The carrying values of the Group's trade, joint venture and other receivables as stated above are considered to be a reasonable approximation to their fair value largely due to their short-term maturities. Under-lift is valued at the lower of cost or NRV at the prevailing balance sheet date (note 5(b)).

Trade receivables are non-interest-bearing and are generally on 15 to 30-day terms. Joint venture receivables relate to amounts billable to, or recoverable from, joint venture partners. Receivables are reported net of any ECL with no losses recognised as at 31 December 2021 or 2020. The Group's ECL estimates were not significantly impacted by COVID-19 during 2021.

17. Trade and other payables

	2021 $'000	2020 $'000
Current		
Trade payables	**49,701**	41,090
Accrued expenses	**297,744**	179,590
Over-lift position	**53,742**	12,732
Joint venture creditors	**10,852**	16,647
VAT payable	**7,561**	–
Other payables	**944**	5,096
	420,544	255,155

The carrying value of the Group's trade and other payables as stated above is considered to be a reasonable approximation to their fair value largely due to the short-term maturities. Certain trade and other payables will be settled in currencies other than the reporting currency of the Group, mainly in Sterling. Trade payables are normally non-interest-bearing and settled on terms of between 10 and 30 days.

Accrued expenses include accruals for capital and operating expenditure in relation to the oil and gas assets and interest accruals.

18. Loans and borrowings

	2021 $'000	2020 $'000
Borrowings	**401,614**	452,284
Bonds	**1,081,596**	1,045,041
	1,483,210	1,497,325

(a) Borrowings

The Group's borrowings are carried at amortised cost as follows:

	2021			2020		
	Principal $'000	Fees $'000	Total $'000	Principal $'000	Fees $'000	Total $'000
RBL	**415,000**	**(23,250)**	**391,750**	–	–	–
Credit facility	**–**	**–**	**–**	377,270	–	377,270
Sculptor Capital facility	**–**	**–**	**–**	67,701	(1,925)	65,776
SVT working capital facility	**9,864**	**–**	**9,864**	9,238	–	9,238
Total borrowings	**424,864**	**(23,250)**	**401,614**	454,209	(1,925)	452,284
Due within one year			**210,505**			414,430
Due after more than one year			**191,109**			37,854
Total borrowings			**401,614**			452,284

See liquidity risk – note 27 for the timing of cash outflows relating to loans and borrowings.

RBL facility

On 11 June 2021, the Group signed a new RBL facility of approximately $600.0 million and an additional amount of $150.0 million for letters of credit for up to seven years. Upon refinancing of the Group's existing high yield bonds, the maturity of the new facility is extended to the earlier of seven years from its signing date, or the point at which the remaining economic reserves for all borrowing base assets are projected to fall below 25% of the initial economic reserves forecast. In the event the maturity of the new facility is not extended, any amounts drawn amortise such that they are fully repaid by the end of September 2023. In 2021 interest accrued at a rate of 4.25% plus USD LIBOR. From 1 January 2022, following the LIBOR transition, interest will accrue at a rate of 4.25% plus a margin. The margin will be a combination of a fixed rate based on the interest period and SOFR. From October 2022, the fixed rate percentage will increase from 4.25% to 4.50%.

During 2021 the Group utilised $485.0 million of the RBL, $360.0 million in July and $125.0 million in October. In December 2021, the Group voluntarily repaid $70.0 million ahead of the planned amortisation schedule. As at 31 December 2021, the carrying value of the facility was $391.8 million, comprising the principal of $415.0 million and unamortised fees of $23.3 million.

At 31 December 2021, after allowing for letter of credit utilisation of $53.0 million, $32.0 million remained available for drawdown under the credit facility.

Credit facility

During the period, the Group repaid its outstanding debt on the Credit facility of $378.1 million.

Sculptor Capital facility

During the period, the Group repaid its outstanding debt on the Sculptor Capital facility of $67.7 million.

SVT working capital facility

On 1 December 2020, EnQuest extended, for a further three years, the £42.0 million revolving loan facility with a joint operator partner to fund the short-term working capital cash requirements on the acquisition of SVT and associated interests. The facility is guaranteed by BP EOC Limited. The facility is able to be drawn down against, in instalments, and accrues interest at 1.0% per annum plus GBP LIBOR.

(b) Bonds

The Group's bonds are carried at amortised cost as follows:

	2021			2020		
	Principal $'000	Fees $'000	Total $'000	Principal $'000	Fees $'000	Total $'000
High yield bond	**827,166**	**(1,725)**	**825,441**	799,194	(2,666)	796,528
Retail bond	**256,574**	**(419)**	**256,155**	249,161	(648)	248,513
Total bonds due after more than one year	**1,083,740**	**(2,144)**	**1,081,596**	1,048,355	(3,314)	1,045,041

High yield bond

In April 2014, the Group issued a $650.0 million high yield bond. On 21 November 2016, the high yield bond was amended pursuant to a scheme of arrangement whereby all existing notes were exchanged for new notes. The new high yield notes continue to accrue a fixed coupon of 7.0% payable semi-annually in arrears. The interest is only payable in cash if the 'Cash Payment Condition' is satisfied, being the average of the Daily Brent Oil Prices during the period of six calendar months immediately preceding the 'Cash Payment Condition Determination Date' is equal to or above $65/bbl. The 'Cash Payment Condition Determination Date' is the date falling one calendar month prior to the relevant interest payment date. If the 'Cash Payment Condition' is not satisfied, interest will not be paid in cash but instead will be capitalised and satisfied through the issue of additional high yield notes ('Additional HY Notes'). $27.5 million of accrued, unpaid interest as at the restructuring date was capitalised and added to the principal amount of the new high yield notes issued pursuant to the scheme.

During 2020, the maturity date of the new high yield notes was automatically extended to 15 October 2023 as the credit facility had not been repaid or refinanced in full prior to 15 October 2020.

The above carrying value of the bond as at 31 December 2021 is $825.4 million (2020: $796.5 million). This includes bond principal of $827.2 million (2020: $799.2 million) less unamortised fees of $1.7 million (2020: $2.7 million). The high yield bond does not include accrued interest of $12.2 million (2020: $11.8 million) and liability for the IFRS 9 Financial Instruments loss on modification of $2.6 million (2020: $4.6 million), which are reported within trade and other payables. The fair value of the high yield bond is disclosed in note 15.

Retail bond

In 2013, the Group issued a £155.0 million retail bond. On 21 November 2016, the retail bond was amended pursuant to a scheme of arrangement whereby all existing notes were exchanged for new notes. The new retail notes continue to accrue a fixed coupon of 7.0% payable semi-annually in arrears. The interest is only payable in cash if the 'Cash Payment Condition' is satisfied, being the average of the Daily Brent Oil Prices during the period of six calendar months immediately preceding the 'Cash Payment Condition Determination Date' is equal to or above $65/bbl. The 'Cash Payment Condition Determination Date' is the date falling one calendar month prior to the relevant interest payment date. If the 'Cash Payment Condition' is not satisfied, interest will not be paid in cash but instead will be capitalised and satisfied through the issue of additional retail notes ('Additional Retail Notes').

During 2020, the maturity date of the new high yield notes was automatically extended to 15 October 2023 as the credit facility had not been repaid or refinanced in full prior to 15 October 2020.

The above carrying value of the bond as at 31 December 2021 is $256.2 million (2020: $248.5 million). This includes bond principal of $256.6 million (2020: $249.2 million) less unamortised fees of $0.4 million (2020: $0.6 million). The retail yield bond does not include accrued interest of $6.2 million (2020: $6.3 million) and liability for the IFRS 9 Financial Instruments loss on modification of $7.4 million (2020: $11.9 million), which are reported within trade and other payables. The fair value of the retail bond is disclosed in note 15.

19. Other financial assets and financial liabilities

(a) Summary as at year end

	2021		2020	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Fair value through profit or loss:				
Derivative commodity contracts	–	55,245	–	2,007
Derivative foreign exchange contracts	382	–	–	–
Commodity futures	–	2	–	–
Derivative UKAs contracts	90	–	–	–
Total current	472	55,247	–	2,007
Fair value through profit or loss:				
Quoted equity shares	6	–	7	–
Total non-current	6	–	7	–

19. Other financial assets and financial liabilities continued

(b) Income statement impact

The income/(expense) recognised for derivatives are as follows:

Year ended 31 December 2021	Revenue and other operating income Realised $'000	Revenue and other operating income Unrealised $'000	Cost of sales Realised $'000	Cost of sales Unrealised $'000
Commodity options	(62,016)	(55,570)	–	–
Commodity swaps	(4,258)	1,121	–	–
Commodity futures	985	(2)	–	–
Foreign exchange contracts	–	–	(4)	382
UKA contracts	–	–	10,697	90
	(65,289)	(54,451)	10,693	472

Year ended 31 December 2020	Revenue and other operating income Realised $'000	Revenue and other operating income Unrealised $'000	Cost of sales Realised $'000	Cost of sales Unrealised $'000
Commodity options	24,659	(136)	–	–
Commodity swaps	(36,912)	8,941	–	–
Commodity futures	6,194	(27)	–	–
Foreign exchange contracts	–	–	572	(1,932)
	(6,059)	8,778	572	(1,932)

(c) Commodity contracts

The Group uses derivative financial instruments to manage its exposure to the oil price, including put and call options, swap contracts and futures.

For the year ended 31 December 2021, losses totalling $119.7 million (2020: gains of $2.7 million) were recognised in respect of commodity contracts designated as FVPL. This included losses totalling $65.3 million (2020: losses of $6.1 million) realised on contracts that matured during the year, and mark-to-market unrealised losses totalling $54.5 million (2020: gains of $8.8 million). Of the realised amounts recognised during the year, a loss of $1.0 million (2020: gain of $6.2 million) was realised in Business performance revenue in respect of the premium expense received on sale of these options.

The mark-to-market value of the Group's open commodity contracts as at 31 December 2021 was a liability of $55.2 million (2020: liability of $2.0 million).

(d) Foreign currency contracts

The Group enters into a variety of foreign currency contracts, primarily in relation to Sterling. During the year ended 31 December 2021, gains totalling $0.4 million (2020: losses of $1.4 million) were recognised in the Group income statement. This included realised gains totalling $0.1 million (2020: gains of $0.6 million) on contracts that matured in the year.

The mark-to-market value of the Group's open contracts as at 31 December 2021 was $0.4 million (2020: nil).

(e) UK emissions allowance forward contracts

The Group enters into forward contracts for the purchase of UKAs to manage its exposure to price. In 2020 these contracts were treated as own use contracts and not accounted for as derivatives. During 2021 a number of open contracts were closed out early. The result of this was the Group no longer being able to account for UKAs forwards as own use and recognising them as derivatives. During the year ended 31 December 2021, gains totalling $10.8 million (2020: nil) were recognised in the income statement. This included realised gains totalling $10.7 million (2020: nil) on contracts that matured in the year.

The mark-to-market value of the Group's open contracts as at 31 December 2021 was $0.1 million (2020: nil).

(f) Other receivables

	2021 $'000	2020 $'000
At 1 January	**7**	6,874
Change in fair value	**(1)**	(4)
Utilised during the year	**–**	(7,138)
Unwinding of discount	**–**	275
At 31 December	**6**	7
Non-current	**6**	7
	6	7

20. Share capital and premium

Accounting policy

Share capital and share premium

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of registered share capital of the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

Retained earnings

Retained earnings contain the accumulated profits/(losses) of the Group.

Share-based payments reserve

Equity-settled share-based payment transactions are measured at the fair value of the services received, and the corresponding increase in equity is recorded. EnQuest PLC shares held by the Group in the Employee Benefit Trust are recognised at cost and are deducted from the share-based payments reserve. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to reserves. No gain or loss is recognised in the Group income statement on the purchase, sale, issue or cancellation of equity shares.

Authorised, issued and fully paid	Ordinary shares of £0.05 each Number	Share capital $'000	Share premium $'000	Total $'000
At 1 January 2021	1,695,801,955	118,271	227,149	345,420
Issuance of equity shares	190,122,384	13,379	37,346	50,725
Expenses of issuance of equity shares	–	–	(3,949)	(3,949)
At 31 December 2021	**1,885,924,339**	**131,650**	**260,546**	**392,196**

At 31 December 2021, there were 39,718,323 shares held by the Employee Benefit Trust (2020: 46,492,546). On 26 July 2021, 2,159,903 shares were acquired by the Employee Benefit Trust pursuant to the firm placing, placing and open offer. The remaining movement in the year was due to shares used to satisfy awards made under the Company's share-based incentive schemes.

On 26 July 2021, the Group completed a firm placing, placing and open offer pursuant to which 190,122,384 new Ordinary shares were issued at a price of £0.19 per share, generating gross aggregate proceeds of $50.7 million. Following the admission to the market of an additional 190,122,384 Ordinary shares on 26 July 2021, there were 1,885,924,339 Ordinary shares in issue at the end of the year.

21. Share-based payment plans

Accounting policy

Eligible employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares of EnQuest PLC.

Information on these plans for Directors is shown in the Directors' Remuneration Report on pages 86 to 88.

The cost of these equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value of awards is calculated in reference to the scheme rules at the market value, being the average middle market quotation of a share for the three immediately preceding dealing days as derived from the Daily Official List of the London Stock Exchange, provided such dealing days do not fall within any period when dealings in shares are prohibited because of any dealing restriction.

21. Share-based payment plans continued

The cost of equity-settled transactions is recognised over the vesting period in which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Group income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In valuing the transactions, no account is taken of any service or performance conditions, other than conditions linked to the price of the shares of EnQuest PLC (market conditions) or 'non-vesting' conditions, if applicable. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. Equity awards cancelled are treated as vesting immediately on the date of cancellation, and any expense not previously recognised for the award at that date is recognised in the Group income statement.

The Group operates a number of equity-settled employee share plans under which share units are granted to the Group's senior leaders and certain other employees. These plans typically have a three-year performance or restricted period. Leaving employment will normally preclude the conversion of units into shares, but special arrangements apply for participants that leave for qualifying reasons.

The share-based payment expense recognised for each scheme was as follows:

	2021 $'000	2020 $'000
Performance Share Plan	**5,241**	3,277
Other performance share plans	**135**	364
Sharesave Plan	**975**	(240)
	6,351	3,401

The following table shows the number of shares potentially issuable under equity-settled employee share plans, including the number of options outstanding and the number of options exercisable at the end of each year.

Share plans	**2021 Number**	2020 Number
Outstanding at 1 January	**110,263,670**	77,374,961
Granted during the year	**35,552,383**	53,223,408
Exercised during the year	**(8,056,525)**	(6,288,132)
Forfeited during the year	**(12,265,533)**	(14,046,567)
Outstanding at 31 December	**125,493,995**	110,263,670
Exercisable at 31 December	**14,249,920**	11,894,904

In addition, the Group operates an approved savings-related share option scheme (the Sharesave Plan). The plan is based on eligible employees being granted options and their agreement to opening a Sharesave account with a nominated savings carrier and to save over a specified period, either three or five years. The right to exercise the option is at the employee's discretion at the end of the period previously chosen, for a period of six months.

The following table shows the number of shares potentially issuable under equity-settled employee share option plans, including the number of options outstanding, the number of options exercisable at the end of each year and the corresponding weighted average exercise prices.

	2021		2020	
Share options	**Number**	**Weighted average exercise price $**	Number	Weighted average exercise price $
Outstanding at 1 January	**42,383,654**	**0.13**	42,589,522	0.16
Granted during the year	**1,370,748**	**0.25**	34,719,941	0.13
Exercised during the year	**(885,646)**	**0.10**	(452,545)	0.14
Forfeited during the year	**(5,349,829)**	**0.15**	(34,473,264)	0.17
Outstanding at 31 December	**37,518,927**	**0.14**	42,383,654	0.13
Exercisable at 31 December	**422,981**	**0.16**	449,912	0.15

22. Contingent consideration

Accounting policy

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Any contingent consideration included in the consideration payable for an asset acquisition is recorded at fair value at the date of acquisition and included in the initial measurement of cost. Subsequent measurement changes relating to the variable consideration are capitalised as part of the asset value if it is probable that future economic benefits associated with the asset will flow to the Group and can be measured reliably.

	Magnus 75% $'000	Magnus decommissioning-linked liability $'000	Golden Eagle $'000	Total $'000
At 31 December 2020	**507,660**	**14,601**	**–**	**522,261**
Additions	–	–	44,668	44,668
Change in fair value (see note 5(d))	(145,273)	5,194	–	(140,079)
Unwinding of discount (see note 6)	50,766	1,460	507	52,733
Interest on vendor loan (see note 6)	6,169	–	–	6,169
Utilisation	(74,695)	(279)	–	(74,974)
At 31 December 2021	**344,627**	**20,976**	**45,175**	**410,778**
Classified as:				
Current	26,225	4,252	–	30,477
Non-current	318,402	16,724	45,175	380,301
	344,627	20,976	45,175	410,778

75% Magnus acquisition contingent consideration

On 1 December 2018, EnQuest completed the acquisition of the additional 75% interest in the Magnus oil field ('Magnus') and associated interests (collectively the 'Transaction assets') which was part funded through a vendor loan and profit share arrangement with BP. This acquisition followed on from the acquisition of initial interests completed in December 2017.

The consideration for the acquisition was $300.0 million, consisting of $100.0 million cash contribution, paid from the funds received through the rights issue undertaken in October 2018, and $200.0 million deferred consideration financed by BP. The deferred consideration financed by BP was fully settled in June 2021. The consideration also included a contingent profit-sharing arrangement whereby EnQuest and BP share the net cash flow generated by the 75% interest on a 50:50 basis, subject to a cap of $1 billion received by BP. Together, the deferred consideration and contingent profit-sharing arrangement are known as contingent consideration. The contingent consideration is a financial liability classified as measured at fair value through profit or loss. The fair value of contingent consideration has been determined by calculating the present value of the future expected cash flows expected to be paid and is considered a level 3 valuation under the fair value hierarchy. Future cash flows are estimated based on inputs including future oil prices, production volumes and operating costs. Oil price assumptions and discount rate assumptions used were as disclosed in Use of judgements, estimates and assumptions within note 2. The contingent consideration was fair valued at 31 December 2021, which resulted in a decrease in fair value of $145.3 million (2020: decrease of $137.4 million). The decrease in fair value in 2021 is a result of revised operating cost assumptions. The decrease in 2020 reflected the change in oil price assumptions. The fair value accounting effect and finance costs of $57.0 million (2020: $77.3 million) on the contingent consideration were recognised through remeasurements and exceptional items in the Group income statement. The contingent profit-sharing arrangement cap of $1 billion was not met in 2021 in the present value calculations (2020: cap was not met). Within the statement of cash flows the profit share element of the repayment, $1.0 million (2020: $41.1 million), is disclosed separately under investing activities; the repayment of the vendor loan, $73.7 million (2020: $20.7 million), is disclosed under financing activities; and the interest paid on the vendor loan, $6.2 million (2020: $10.3 million), is included within interest paid under financing activities. As part of the Golden Eagle area transaction, the repayment of the vendor loan was completed in July 2021. At 31 December 2021, the contingent consideration for Magnus was $344.6 million (31 December 2020: $507.7 million).

22. Contingent consideration continued

Management has considered alternative scenarios to assess the valuation of the contingent consideration including, but not limited to, the key accounting estimate relating to the oil price and the interrelationship with production and the profit share arrangement. As detailed in key accounting estimates, a reduction or increase in the price assumptions of 10% are considered to be reasonably possible changes, resulting in a reduction of $85.1 million or an increase of $85.1 million to the contingent consideration, respectively (2020: reduction of $91.7 million and increase of $91.7 million, respectively). The change in value represents a change in timing of cash flows, with the contingent profit-sharing arrangement cap of $1 billion not met in either sensitivity.

The payment of contingent consideration is limited to cash flows generated from Magnus. Therefore, no contingent consideration is payable if insufficient cash flows are generated over and above the requirements to operate the asset. By reference to the conditions existing at 31 December 2021, the maturity analysis of the loan is disclosed in Risk management and financial instruments – liquidity risk (note 27).

Magnus decommissioning-linked contingent consideration

As part of the Magnus and associated interests acquisition, BP retained the decommissioning liability in respect of the existing wells and infrastructure and EnQuest agreed to pay additional consideration in relation to the management of the physical decommissioning costs of Magnus. At 31 December 2021, the amount due to BP calculated on an after-tax basis by reference to 30% of BP's decommissioning costs on Magnus was $21.0 million (2020: $14.6 million).

Golden Eagle contingent consideration

On 22 October 2021, the Group completed the acquisition of the entire 26.69% non-operated working interest in the Golden Eagle Area Development, comprising the producing Golden Eagle, Peregrine and Solitaire fields (see note 10). The consideration for the acquisition included an amount that was contingent on the average oil price between July 2021 and June 2023. The contingent consideration is payable in the second half of 2023, if between July 2021 and June 2023 the Dated Brent average crude price equals or exceeds $55/bbl, upon which $25.0 million is payable, or if the Dated Brent average crude price equals or exceeds $65/bbl, upon which $50.0 million is payable. The contingent consideration liability is discounted at 7% and is calculated principally based on the oil price assumptions as disclosed in note 2. At 31 December 2021, the contingent consideration was valued at $45.2 million.

23. Provisions

Accounting policy

Decommissioning

Provision for future decommissioning costs is made in full when the Group has an obligation: to dismantle and remove a facility or an item of plant; to restore the site on which it is located; and when a reasonable estimate of that liability can be made. The Group's provision primarily relates to the future decommissioning of production facilities and pipelines.

A decommissioning asset and liability are recognised, within property, plant and equipment and provisions respectively, at the present value of the estimated future decommissioning costs. The decommissioning asset is amortised over the life of the underlying asset on a unit of production basis over proven and probable reserves, included within depletion in the Group income statement. Any change in the present value of estimated future decommissioning costs is reflected as an adjustment to the provision and the oil and gas asset for producing assets. For assets that have ceased production, the change in estimate is reflected as an adjustment to the provision and the Group Income Statement, via other income or expense. The unwinding of the decommissioning liability is included under finance costs in the Group income statement.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning liabilities is likely to depend on the dates when the fields cease to be economically viable. This in turn depends on future oil prices, which are inherently uncertain. See Use of judgements, estimates and assumptions: provisions within note 2.

Other
Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

	Decommissioning provision $'000	Thistle decommissioning provision $'000	Other provisions $'000	Total $'000
At 31 December 2020	778,204	53,066	9,137	840,407
Additions during the year	119,312	–	13,390	132,702
Changes in estimates	(22,059)	6,184	(264)	(16,139)
Unwinding of discount	15,856	1,061	–	16,917
Utilisation	(55,594)	(16,553)	(6,970)	(79,117)
Foreign exchange	2	172	(2)	172
At 31 December 2021	835,721	43,930	15,291	894,942
Classified as:				
Current	116,229	9,156	15,291	140,676
Non-current	719,492	34,774	–	754,266
	835,721	43,930	15,291	894,942

Decommissioning provision
The Group's total provision represents the present value of decommissioning costs which are expected to be incurred up to 2048, assuming no further development of the Group's assets. Additions during the year relate to the decommissioning provision recognised as part of the Golden Eagle acquisition. At 31 December 2021, an estimated $409.6 million is expected to be utilised between one and five years (2020: $329.2 million), $81.4 million within six to ten years (2020: $145.1 million), and the remainder in later periods.

The Group enters into surety bonds principally to provide security for its decommissioning obligations. The surety bond facilities which expired in December 2020 were renewed for 12 months, subject to ongoing compliance with the terms of the Group's borrowings. At 31 December 2021, the Group held surety bonds totalling $240.8 million (2020: $151.7 million).

Thistle decommissioning provision
In 2017, EnQuest had the option to receive $50.0 million from BP in exchange for undertaking the management of the physical decommissioning activities for Thistle and Deveron and making payments by reference to 7.5% of BP's share of decommissioning costs of Thistle and Deveron fields. The option was exercised in full during 2018 and the liability recognised within provisions. At 31 December 2021, the amount due to BP by reference to 7.5% of BP's decommissioning costs on Thistle and Deveron was $43.9 million (2020: $53.1 million). Unwinding of discount of $1.1 million is included within finance income for the year ended 31 December 2021 (2020: $0.8 million).

Other provisions
During 2020, a riser at the Seligi Alpha platform which provides gas lift and injection to the Seligi Bravo platform detached. A provision with respect to required repairs to remedy the damage caused was established. During 2021, $4.4 million was utilised and at 31 December 2021, the provision was $1.5 million (31 December 2020: $5.9 million).

During 2021, the Group recognised $8.2 million in relation to disputes with third-party contractors. The Group expects the dispute to be settled in 2022.

Other provisions from 31 December 2020 were fully utilised in the year. These included a redundancy provision in relation to the transformation programme undertaken during 2020/2021 (31 December 2020: $1.2 million) and payment of partners' share of pipeline oil stock following cessation of production at Heather (31 December 2020: $1.5 million).

24. Leases
Accounting policy
As a lessee
The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease, or, if that rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate is the rate that the Group would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. The incremental borrowing rate is determined based on a series of inputs including: the term, the risk-free rate based on government bond rates and a credit risk adjustment based on EnQuest bond yields.

24. Leases continued

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently recorded at amortised cost, using the effective interest rate method. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group did not make any such adjustments during the periods presented.

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included within 'cost of sales' or 'general and administration expenses' in the Group income statement.

For leases within joint ventures, the Group assesses on a lease-by-lease basis the facts and circumstances. This relates mainly to leases of vessels. Where all parties to a joint operation jointly have the right to control the use of the identified asset and all parties have a legal obligation to make lease payments to the lessor, the Group's share of the right-of-use asset and its share of the lease liability will be recognised on the Group balance sheet. This may arise in cases where the lease is signed by all parties to the joint operation or the joint operation partners are named within the lease. However, in cases where EnQuest is the only party with the legal obligation to make lease payments to the lessor, the full lease liability and right-of-use asset will be recognised on the Group balance sheet. This may be the case if, for example, EnQuest, as operator of the joint operation, is the sole signatory to the lease. If the underlying asset is used for the performance of the joint operation agreement, EnQuest will recharge the associated costs in line with joint operating agreement.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head-lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Right-of-use assets and lease liabilities

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets $'000	Lease liabilities $'000
As at 31 December 2019	685,199	716,166
Additions in the period	2,812	2,812
Depreciation expense	(82,703)	–
Impairment	(108,160)	–
Disposal	(706)	(726)
Interest expense	–	50,851
Payments	–	(123,001)
Foreign exchange movements	–	1,744
As at 31 December 2020	**496,442**	**647,846**
Additions in the period (see note 10)	**17,815**	**17,815**
Depreciation expense (see note 10)	**(63,953)**	**–**
Impairment reversal (see note 10)	**15,669**	**–**
Disposal	**(2,580)**	**(3,121)**
Interest expense	**–**	**45,359**
Payments	**–**	**(136,651)**
Foreign exchange movements	**–**	**(467)**
As at 31 December 2021	**463,393**	**570,781**
Current		**128,281**
Non-current		**442,500**
		570,781

The Group leases assets including the Kraken FPSO, property and oil and gas vessels, with a weighted average lease term of five years. The maturity analysis of lease liabilities is disclosed in note 27.

Amounts recognised in profit or loss

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Depreciation expense of right-of-use assets	**63,953**	82,703
Interest expense on lease liabilities	**45,359**	50,851
Rent expense – short-term leases	**1,028**	12,736
Rent expense – leases of low-value assets	**5**	43
Total amounts recognised in profit or loss	**110,345**	146,333

Amounts recognised in statement of cash flows

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Total cash outflow for leases	**136,651**	123,001

Leases as lessor

The Group sub-leases part of Annan House, the Aberdeen office. The sub-lease is classified as an operating lease, as all the risks and rewards incidental to the ownership of the right-of-use asset are not all substantially transferred to the lessee. Rental income recognised by the Group during 2021 was $1.7 million (2020: $1.7 million).

24. Leases continued

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2021 $'000	2020 $'000
Less than one year	**2,206**	2,211
One to two years	**2,206**	2,211
Two to three years	**2,206**	2,211
Three to four years	**2,206**	2,211
Four to five years	**2,206**	1,508
More than five years	**1,204**	1,093
Total undiscounted lease payments	**12,234**	11,444

25. Commitments and contingencies

Capital commitments

At 31 December 2021, the Group had capital commitments amounting to $1.9 million (2020: nil).

Other commitments

In the normal course of business, the Group will obtain surety bonds, letters of credit and guarantees. At 31 December 2021, the Group held surety bonds totalling $240.8 million (2020: $151.7 million) to provide security for its decommissioning obligations. See note 23 for further details.

Contingencies

The Group becomes involved from time to time in various claims and lawsuits arising in the ordinary course of its business. The Group is not, nor has been during the past 12 months, involved in any governmental, legal or arbitration proceedings which, either individually or in the aggregate, have had, or are expected to have, a material adverse effect on the Group balance sheet or profitability, nor, so far as the Group is aware, are any such proceedings pending or threatened.

26. Related party transactions

The Group financial statements include the financial statements of EnQuest PLC and its subsidiaries. A list of the Group's principal subsidiaries is contained in note 28 to these Group financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

All sales to and purchases from related parties are made at normal market prices and the pricing policies and terms of these transactions are approved by the Group's management. With the exception of the transactions disclosed below, there have been no transactions with related parties who are not members of the Group during the year ended 31 December 2021 (2020: none).

Office sub-lease

During the year ended 31 December 2021, the Group recognised nil (2020: $0.1 million) rental income in respect of an office sub-lease arrangement with Levendi Investment Management Limited, a company where 72% of the issued share capital is held by Amjad Bseisu.

Compensation of key management personnel

The following table details remuneration of key management personnel of the Group. Key management personnel comprise of Executive and Non-Executive Directors of the Company and the Executive Committee.

	2021 $'000	2020 $'000
Short-term employee benefits	**6,890**	7,576
Share-based payments	**810**	107
Post-employment pension benefits	**215**	224
	7,915	7,907

27. Risk management and financial instruments

Risk management objectives and policies

The Group's principal financial assets and liabilities comprise trade and other receivables, cash and cash equivalents, interest-bearing loans, borrowings and finance leases, derivative financial instruments and trade and other payables. The main purpose of the financial instruments is to manage short-term cash flow and raise finance for the Group's capital expenditure programme.

The Group's activities expose it to various financial risks particularly associated with fluctuations in oil price, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks, which are summarised below. Also presented below is a sensitivity analysis to indicate sensitivity to changes in market variables on the Group's financial instruments and to show the impact on profit and shareholders' equity, where applicable. The sensitivity has been prepared for periods ended 31 December 2021 and 2020, using the amounts of debt and other financial assets and liabilities held at those reporting dates.

Commodity price risk – oil prices

The Group is exposed to the impact of changes in Brent oil prices on its revenues and profits generated from sales of crude oil.

The Group's policy is to have the ability to hedge oil prices up to a maximum of 75% of the next 12 months' production on a rolling annual basis, up to 60% in the following 12-month period and 50% in the subsequent 12-month period. On a rolling quarterly basis, under the RBL, the Group is required to hedge a minimum of 60% of volumes of net entitlement production expected to be produced in the next 12 months, 40% of volumes of net entitlement produced expected for following 12 months and 10% of volumes of net entitlement production expected to be produced in the subsequent period. This requirement ceases at the end date of the facility.

Details of the commodity derivative contracts entered into during and open at the end of 2021 are disclosed in note 19. As of 31 December 2021, the Group held financial instruments (options and swaps) related to crude oil that covered 8.0 MMbbls of 2022 production and 3.5 MMbbls of 2023 production. The instruments have an effective average floor price of around $62.5/bbl in 2022 and $57.5/bbl in 2023. The Group utilises multiple benchmarks when hedging production to achieve optimal results for the Group. No derivatives were designated in hedging relationships at 31 December 2021.

The following table summarises the impact on the Group's pre-tax profit of a reasonably possible change in the Brent oil price, on the fair value of derivative financial instruments, with all other variables held constant. The impact in equity is the same as the impact on profit before tax.

	Pre-tax profit	
	+$10/bbl increase $'000	**-$10/bbl decrease $'000**
31 December 2021	**(91,755)**	**55,267**
31 December 2020	(8,020)	1,365

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from movements in currency exchange rates. Such exposure arises from sales or purchases in currencies other than the Group's functional currency and the retail bond which is denominated in Sterling. To mitigate the risks of large fluctuations in the currency markets, the hedging policy agreed by the Board allows for up to 70% of the non-US Dollar portion of the Group's annual capital budget and operating expenditure to be hedged. For specific contracted capital expenditure projects, up to 100% can be hedged. Approximately 18% (2020: 8%) of the Group's sales and 89% (2020: 86%) of costs (including operating and capital expenditure and general and administration costs) are denominated in currencies other than the functional currency.

The Group also enters into foreign currency swap contracts from time to time to manage short-term exposures. The following tables summarise the Group's financial assets and liabilities exposure to foreign currency.

Year ended 31 December 2021	**GBP $'000**	**MYR $'000**	**Other $'000**	**Total $'000**
Total financial assets	**103,253**	**34,255**	**3,967**	**141,475**
Total financial liabilities	**635,840**	**21,058**	**839**	**657,737**

Year ended 31 December 2020	GBP $'000	MYR $'000	Other $'000	Total $'000
Total financial assets	32,150	11,735	2,777	46,662
Total financial liabilities	519,060	23,931	869	543,860

27. Risk management and financial instruments continued

The following table summarises the sensitivity to a reasonably possible change in the US Dollar to Sterling foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date. The impact in equity is the same as the impact on profit before tax. The Group's exposure to foreign currency changes for all other currencies is not material:

	Pre-tax profit	
	+$10% rate increase $'000	-$10% rate decrease $'000
31 December 2021	**(50,695)**	**50,695**
31 December 2020	(46,183)	46,183

Credit risk

Credit risk is managed on a Group basis. Credit risk in financial instruments arises from cash and cash equivalents and derivative financial instruments where the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. For banks and financial institutions, only those rated with an A-/A3 credit rating or better are accepted. Cash balances can be invested in short-term bank deposits and AAA-rated liquidity funds, subject to Board-approved limits and with a view to minimising counterparty credit risks.

In addition, there are credit risks of commercial counterparties including exposures in respect of outstanding receivables. The Group trades only with recognised international oil and gas companies, commodity traders and shipping companies and at 31 December 2021 there were $0.2 million of trade receivables past due (2020: $2.6 million) and nil of joint venture receivables past due (2020: $2.5 million) but not impaired. Subsequent to the year end, $0.1 million of these outstanding balances have been collected (2020: $4.4 million). Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary. The impact of ECL is disclosed in note 16.

Ageing of past due but not impaired receivables	2021 $'000	2020 $'000
Less than 30 days	–	2,974
30–60 days	**30**	1,335
60–90 days	**146**	164
90–120 days	–	271
120+ days	–	383
	176	5,127

At 31 December 2021, the Group had one customer accounting for 84% of outstanding trade receivables (2020: three customers, 77%) and one joint venture partner accounting for 20% of outstanding joint venture receivables (2020: one joint venture partner, 16%).

Liquidity risk

The Group monitors its risk of a shortage of funds by reviewing its cash flow requirements on a regular basis relative to its existing bank facilities and the maturity profile of its borrowings. Specifically, the Group's policy is to ensure that sufficient liquidity or committed facilities exist within the Group to meet its operational funding requirements and to ensure the Group can service its debt and adhere to its financial covenants. At 31 December 2021, $32.0 million (2020: $61.2 million) was available for drawdown under the Group's facilities (see note 18).

The following tables detail the maturity profiles of the Group's non-derivative financial liabilities including projected interest thereon. The amounts in these tables are different from the balance sheet as the table is prepared on a contractual undiscounted cash flow basis and includes future interest payments.

The payment of contingent consideration is limited to cash flows generated from Magnus (see note 22). Therefore, no contingent consideration is payable if insufficient cash flows are generated over and above the requirements to operate the asset and there is no exposure to liquidity risk. By reference to the conditions existing at the reporting period end, the maturity analysis of the loan is disclosed below. All of the Group's liabilities, except for the RBL, are unsecured.

Year ended 31 December 2021	On demand $'000	Up to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Loans and borrowings	–	241,937	204,081	–	–	446,018
Bonds[(i)]	–	75,862	1,162,595	–	–	1,238,457
Contingent considerations	–	26,225	68,947	115,485	183,969	394,626
Obligations under finance leases	–	125,374	95,464	311,276	35,844	567,958
Trade and other payables	–	420,543	–	–	–	420,543
	–	889,941	1,531,087	426,761	219,813	3,067,602

Year ended 31 December 2020	On demand $'000	Up to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Loans and borrowings	–	430,289	39,778	–	–	470,067
Bonds(i)	–	–	–	1,255,474	–	1,255,474
Contingent considerations	–	78,219	77,055	254,319	401,259	810,852
Obligations under finance leases	–	133,765	130,667	337,177	217,013	818,622
Trade and other payables	–	249,111	117	–	–	249,228
	–	891,384	247,617	1,846,970	618,272	3,604,243

(i) Maturity analysis profile for the Group's bonds includes semi-annual coupon interest. This interest is only payable in cash if the average dated Brent oil price is equal to or greater than $65/bbl for the six months preceding one month before the coupon payment date (see note 18)

The following tables detail the Group's expected maturity of payables for its derivative financial instruments. The amounts in these tables are different from the balance sheet as the table is prepared on a contractual undiscounted cash flow basis. When the amount receivable or payable is not fixed, the amount disclosed has been determined by reference to a projected forward curve at the reporting date.

Year ended 31 December 2021	**On demand $'000**	**Less than 3 months $'000**	**3 to 12 months $'000**	**1 to 2 years $'000**	**Over 2 years $'000**	**Total $'000**
Commodity derivative contracts	**4,450**	**17,288**	**24,035**	**15,746**	**–**	**61,519**
	4,450	**17,288**	**24,035**	**15,746**	**–**	**61,519**

Year ended 31 December 2020	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 2 years $'000	Over 2 years $'000	Total $'000
Commodity derivative contracts	3,108	2,007	–	–	–	5,115
	3,108	2,007	–	–	–	5,115

Capital management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as in the Group statement of changes in equity.

The primary objective of the Group's capital management is to optimise the return on investment, by managing its capital structure to achieve capital efficiency whilst also maintaining flexibility. The Group regularly monitors the capital requirements of the business over the short, medium and long term, in order to enable it to foresee when additional capital will be required.

The Group has approval from the Board to hedge external risks, see Commodity price risk – oil prices and Foreign exchange risk. This is designed to reduce the risk of adverse movements in exchange rates and market prices eroding the return on the Group's projects and operations.

The Board regularly reassesses the existing dividend policy to ensure that shareholder value is maximised. Any future payment of dividends is expected to depend on the earnings and financial condition of the Company and such other factors as the Board considers appropriate.

The Group monitors capital using the gearing ratio and return on shareholders' equity as follows. Further information relating to the movement year-on-year is provided within the relevant notes and within the Financial review (pages 26 to 31).

	2021 $'000	2020 restated $'000
Loans, borrowings and bond(i) (A) (see note 18)	**1,508,604**	1,502,564
Cash and short-term deposits (see note 14)	**(286,661)**	(222,830)
Net debt (B)	**1,221,943**	1,279,734
Equity attributable to EnQuest PLC shareholders (C)	**543,766**	(207,377)
Profit/(loss) for the year attributable to EnQuest PLC shareholders (D)	**376,988**	(469,927)
Profit/(loss) for the year attributable to EnQuest PLC shareholders excluding exceptionals (E)	**220,284**	(26,187)
Adjusted EBITDA (F)	**742,868**	550,606
Gross gearing ratio (A/C)	**2.8**	n/a
Net gearing ratio (B/C)	**2.2**	n/a
Net debt/Adjusted EBITDA (B/F)	**1.6**	2.3
Shareholders' return on investment (D/C)	**74%**	n/a
Shareholders' return on investment excluding exceptionals (E/C)	**41%**	n/a

(i) Principal amounts drawn, excludes netting off of fees (see note 18)

Notes to the Group Financial Statements continued

For the year ended 31 December 2021

28. Subsidiaries

At 31 December 2021, EnQuest PLC had investments in the following subsidiaries:

Name of company	Principal activity	Country of incorporation	Proportion of nominal value of issued shares controlled by the Group
EnQuest Britain Limited	Intermediate holding company and provision of Group manpower and contracting/procurement services	England	100%
EnQuest Heather Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Thistle Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
Stratic UK (Holdings) Limited(i)	Intermediate holding company	England	100%
Grove Energy Limited[1]	Intermediate holding company	Canada	100%
EnQuest ENS Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest UKCS Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Heather Leasing Limited(i)	Leasing	England	100%
EQ Petroleum Sabah Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Dons Leasing Limited(i)	Dormant	England	100%
EnQuest Energy Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Production Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Global Limited	Intermediate holding company	England	100%
EnQuest NWO Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EQ Petroleum Production Malaysia Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
NSIP (GKA) Limited[2]	Construction, ownership and operation of an oil pipeline	Scotland	100%
EnQuest Global Services Limited(i)[3]	Provision of Group manpower and contracting/procurement services for the international business	Jersey	100%
EnQuest Marketing and Trading Limited	Marketing and trading of crude oil	England	100%
NorthWestOctober Limited(i)	Dormant	England	100%
EnQuest UK Limited(i)	Dormant	England	100%
EnQuest Petroleum Developments Malaysia SDN. BHD(i)[4]	Exploration, extraction and production of hydrocarbons	Malaysia	100%
EnQuest NNS Holdings Limited(i)	Intermediate holding company	England	100%
EnQuest NNS Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Advance Holdings Limited(i)	Intermediate holding company	England	100%
EnQuest Advance Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Forward Holdings Limited(i)	Intermediate holding company	England	100%
EnQuest Forward Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Progress Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
North Sea (Golden Eagle) Resources Ltd	Exploration, extraction and production of hydrocarbons	England	100%

(i) Held by subsidiary undertaking

The Group has two branches outside the UK (all held by subsidiary undertakings): EnQuest Global Services Limited (Dubai) and EnQuest Petroleum Production Malaysia Limited (Malaysia).

Registered office addresses:
1 Suite 2200, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9
2 Annan House, Palmerston Road, Aberdeen, Scotland, AB11 5QP, United Kingdom
3 Ground Floor, Colomberie House, St Helier, JE4 0RX, Jersey
4 c/o TMF, 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia

29. Cash flow information

Cash generated from operations

	Notes	Year ended 31 December 2021 $'000	Year ended 31 December 2020 restated[(i)] $'000
Profit/(loss) before tax		**352,441**	(565,975)
Depreciation	5(c)	**7,492**	7,616
Depletion	5(b)	**305,578**	438,247
Net impairment (reversal)/charge to oil and gas assets	4	**(39,715)**	422,495
Write down of inventory		**151**	24,940
Change in fair value of investments		**1**	4
Share-based payment charge	5(f)	**6,351**	3,401
Gain on termination of Tanjong Baram risk service contract	5(d)	**–**	(10,209)
Loss on derecognition of assets related to the Seligi riser detachment	5(e)	**–**	956
Change in Magnus related contingent consideration	22	**(81,684)**	(60,991)
Change in provisions	23	**16,900**	119,642
Other non-cash income	5(d)	**(22,568)**	–
Other expense on final settlement relating to the Magnus acquisition	5(e)	**3,832**	–
Change in Golden Eagle related contingent consideration	22	**507**	–
Option premiums	19	**1,030**	(6,226)
Unrealised (gain)/loss on commodity financial instruments	5(a)	**54,451**	(8,778)
Unrealised (gain)/loss on other financial instruments	5(b)	**(472)**	1,932
Unrealised exchange loss/(gain)		**(425)**	5,067
Net finance expense		**152,306**	163,339
Operating profit before working capital changes		**756,176**	535,460
Decrease/(increase) in trade and other receivables		**(171,946)**	184,560
(Increase)/decrease in inventories		**(13,496)**	(5,438)
(Decrease)/increase in trade and other payables		**186,194**	(147,417)
Cash generated from operations		**756,928**	567,165

(i) 2020 comparative restated. See note 2 Basis of preparation – Restatements

Changes in liabilities arising from financing activities

	Loans and borrowings $'000	Bonds $'000	Lease liabilities $'000	Total $'000
At 1 January 2020	(661,282)	(995,983)	(716,166)	(2,373,431)
Cash movements:				
Repayments of loans and borrowings	210,671	–	–	210,671
Repayment of lease liabilities	–	–	123,001	123,001
Cash interest paid in year	31,056	–	–	31,056
Non-cash movements:				
Additions	–	–	(2,812)	(2,812)
Interest/finance charge payable	(32,791)	(73,476)	(50,851)	(157,118)
Fee amortisation	(849)	(2,261)	–	(3,110)
Foreign exchange adjustments	(77)	(7,923)	(1,744)	(9,744)
Disposal	–	–	726	726
Other non-cash movements	498	(49)	–	449
At 31 December 2020	**(452,774)**	**(1,079,692)**	**(647,846)**	**(2,180,312)**
Cash movements:				
Repayments of loans and borrowings	**184,276**	**–**	**–**	**184,276**
Drawdowns of loans and borrowings	**(125,000)**			**(125,000)**
Repayment of lease liabilities	**–**	**–**	**136,651**	**136,651**
Cash interest paid in year	**19,428**	**38,154**	**–**	**57,582**
Non-cash movements:				
Additions	**2,082**	**–**	**(17,815)**	**(15,733)**
Interest/finance charge payable	**(20,206)**	**(69,085)**	**(45,359)**	**(134,650)**
Fee amortisation	**(9,857)**	**(1,173)**	**–**	**(11,030)**
Disposal	**–**	**–**	**3,121**	**3,121**
Foreign exchange and other non-cash movements	**(14)**	**1,876**	**467**	**2,329**
At 31 December 2021	**(402,065)**	**(1,109,920)**	**(570,781)**	**(2,082,766)**

29. Cash flow information continued

Reconciliation of carrying value

	Loans and borrowings (see note 18) $'000	Bonds (see note 18) $'000	Lease liabilities (see note 24) $'000	Total $'000
Principal	(454,209)	(1,048,355)	(647,846)	(2,150,410)
Unamortised fees	1,925	3,314	–	5,239
Accrued interest (note 17)	(490)	(34,651)	–	(35,141)
At 31 December 2020	(452,774)	(1,079,692)	(647,846)	(2,180,312)
Principal	**(424,864)**	**(1,083,740)**	**(570,781)**	**(2,079,385)**
Unamortised fees	**23,250**	**2,144**	**–**	**25,394**
Accrued interest (note 17)	**(451)**	**(28,324)**	**–**	**(28,775)**
At 31 December 2021	**(402,065)**	**(1,109,920)**	**(570,781)**	**(2,082,766)**

Statement of Directors' Responsibilities
for the Parent Company Financial Statements

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Company 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.

Company Balance Sheet (Registered number: 07140891)
At 31 December 2021

	Notes	2021 $'000	2020 $'000
Fixed assets			
Investments	3	**396,731**	71,351
Current assets			
Trade and other receivables			
– due within one year	4	**9**	7,340
– due after one year	4	**1,178,379**	1,046,013
Cash at bank and in hand		**317**	140
		1,178,705	1,053,493
Trade and other payables: amounts falling due within one year	6	**(35,472)**	(42,204)
Net current assets		**1,143,233**	1,011,289
Total assets less current liabilities		**1,539,964**	1,082,640
Trade and other payables: amounts falling due after one year	7	**(1,081,596)**	(1,045,041)
Net assets		**458,368**	37,599
Share capital and reserves			
Share capital and premium	8	**392,196**	345,420
Other reserve		**40,143**	40,143
Share-based payment reserve		**6,791**	1,016
Profit and loss account		**19,238**	(348,980)
Shareholders' funds		**458,368**	37,599

The attached notes 1 to 11 form part of these Company financial statements.

The Company reported a profit for the financial year ended 31 December 2021 of $368.2 million (2020: loss of $1,121.5 million). There were no other recognised gains or losses in the period (2020: $nil).

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2022 and signed on its behalf by:

Jonathan Swinney
Chief Financial Officer

Company Statement of Changes in Equity
For the year ended 31 December 2021

	Share capital and share premium $'000	Merger reserve $'000	Other reserve $'000	Share-based payments reserve $'000	Profit and loss account $'000	Total $'000
At 31 December 2019	345,420	661,817	40,143	(1,085)	110,732	1,157,027
Profit/(loss) for the year	–	–	–	–	(1,121,529)	(1,121,529)
Total comprehensive income for the year	–	–	–	–	(1,121,529)	(1,121,529)
Share-based payment charge	–	–	–	3,401	–	3,401
Shares purchased on behalf of Employee Benefit Trust	–	–	–	(1,300)	–	(1,300)
Impairment of subsidiary undertakings	–	(661,817)	–	–	661,817	–
At 31 December 2020	**345,420**	**–**	**40,143**	**1,016**	**(348,980)**	**37,599**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**368,218**	**368,218**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**368,218**	**368,218**
Issue of share capital net of expenses	**46,200**	**–**	**–**	**–**	**–**	**46,200**
Share-based payment charge	**–**	**–**	**–**	**6,351**	**–**	**6,351**
Shares purchased on behalf of Employee Benefit Trust	**576**	**–**	**–**	**(576)**	**–**	**–**
At 31 December 2021	**392,196**	**–**	**40,143**	**6,791**	**19,238**	**458,368**

Notes to the Financial Statements
For the year ended 31 December 2021

1. Corporate information
The separate parent company financial statements of EnQuest PLC (the 'Company') for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 23 March 2022.

EnQuest PLC ('EnQuest' or the 'Company') is a public limited company incorporated and registered in England and is the holding company for the Group of EnQuest subsidiaries (together the 'Group'). The Company address can be found on page 174.

2. Summary of significant accounting policies
Basis of preparation
These separate financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100, 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council. The Company has previously notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

These financial statements are prepared under the historical cost basis, except for the fair value remeasurement of certain financial instruments as set out in the accounting policies below. The functional and presentation currency of the separate financial statements is US Dollars and all values in the separate financial statements are rounded to the nearest thousand ($'000) except where otherwise stated.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, fair value measurement, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the parent company. The parent company's accounts present information about it as an individual undertaking and not about its Group.

Going concern
The Directors' assessment of going concern concludes that the use of the going concern basis is appropriate and the Directors have a reasonable expectation that the Group, and therefore the Company, will be able to continue in operation and meet its commitments as they fall due over the going concern period. See note 2 of the Group financial statements for further details.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

Critical accounting estimates and judgements
The management of the Group has to make estimates and judgements when preparing the financial statements of the Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Group's results. The most important estimates in relation thereto are:

Impairment of investments in subsidiaries
Determination of whether investments have suffered any impairment requires an estimation of the assets' recoverable value. The recoverable value is based on the discounted cash flows expected to arise from the subsidiaries' oil and gas assets, using asset-by-asset life of field projections as part of the Group's assessment for the impairment of the oil and gas assets. The Company's investment in subsidiaries is tested for impairment annually. See Group critical accounting estimates and judgements.

Foreign currencies
Transactions in currencies other than the Company's functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to the statement of comprehensive income.

3. Investments
Accounting policy
Investments in subsidiaries are accounted for at cost less any provision for impairment.

(a) Summary

	2021 $'000	2020 $'000
Subsidiary undertakings	**396,725**	71,344
Other financial assets at FVPL	**6**	7
Total	**396,731**	71,351

(b) Subsidiary undertakings

	Subsidiary undertakings $'000
Cost	
At 1 January 2020	1,385,024
Additions	2,783
At 31 December 2020	1,387,807
Additions	**6,350**
At 31 December 2021	**1,394,157**
Provision for impairment	
At 1 January 2020	244,073
Impairment charge/(reversal) for the year	1,072,390
At 31 December 2020	1,316,463
Impairment charge/(reversal) for the year	**(319,031)**
At 31 December 2021	**997,432**
Net book value	
At 31 December 2021	**396,725**
At 31 December 2020	71,344
At 31 December 2019	1,140,951

The Company has recognised an impairment reversal of its investment in subsidiary undertakings of $319.0 million (2020: impairment of $1,072.4 million). The impairment reversal for the year ended 31 December 2021 is primarily attributable to the value added from the Golden Eagle acquisition and the change in oil price assumptions during the year.

The Group's recoverable value of its investments is highly sensitive, inter alia, to oil price achieved. A sensitivity has been run on the oil price assumption, with a 10.0% change being considered to be a reasonable possible change for the purposes of sensitivity analysis (see note 2 of the Group accounts). A 10.0% decrease in oil price would have decreased the impairment reversal by $285.1 million.

The oil price sensitivity analysis does not, however, represent management's best estimate of any impairments that might be recognised as they do not fully incorporate consequential changes that may arise, such as reductions in costs and changes to business plans, phasing of development, levels of reserves and resources, and production volumes. As the extent of a price reduction increases, the more likely it is that costs would decrease across the industry. The oil price sensitivity analysis therefore does not reflect a linear relationship between price and value that can be extrapolated.

Details of the Company's subsidiaries at 31 December 2021 are provided in note 28 of the Group financial statements.

(c) Other financial assets at FVPL

The interest in other listed investments at the end of the year is part of the Group's investment in the Ordinary share capital of Ascent Resources plc, which is incorporated in the United Kingdom and registered in England and Wales.

4. Trade and other receivables

Financial assets

Financial assets are classified, at initial recognition, as amortised cost, fair value through other comprehensive income ('FVOCI'), or fair value through profit or loss ('FVPL'). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Company does not currently hold any financial assets at FVOCI, i.e. debt financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial assets at amortised cost

Trade receivables, other receivables and joint operation receivables are measured initially at fair value and subsequently recorded at amortised cost, using the effective interest rate ('EIR') method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired and EIR amortisation is included within finance costs.

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. Trade and other receivables continued

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

Impairment of financial assets

The Company recognises a provision for expected credit loss ('ECL'), where material, for all financial assets held at the balance sheet date. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. ECLs are based on 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. For trade receivables, a lifetime credit loss is recognised on initial recognition where material.

The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating) and are based on their historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company evaluates the concentration of risk with respect to intercompany receivables as low, as its customers are intercompany ventures, and has considered the risk relating to the probability of default on loans that are repayable on demand. The Company has evaluated an expected credit loss of $2.8 million for the year ended 31 December 2021, as required by IFRS 9's expected credit loss model (2020: $46.7 million).

	2021 $'000	2020 $'000
Due within one year		
Amounts due from subsidiaries	–	7,290
Prepayments	9	50
	9	7,340
Due after one year		
Amounts due from subsidiaries	1,178,379	1,046,013

Included within the amounts due from Group undertakings are balances of $1,138.1 million (2020: $1,031.3 million) on which interest was charged at between 7.0-7.12% (2020: 7.0-7.7%). All other balances are interest free.

All amounts owed by Group undertakings are unsecured and repayable on demand. However, the Company does not expect such amounts to be repaid within one year from the balance sheet date.

5. Deferred tax

The Company has unused UK mainstream corporation tax losses of $57.1 million (2020: $63.3 million) for which no deferred tax asset has been recognised at the balance sheet date due to the uncertainty of recovery of these losses.

6. Trade and other payables: amounts falling due within one year

Accounting policy

Financial liabilities

Financial liabilities are classified, at initial recognition, as amortised cost or at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Group income statement.

Financial liabilities at amortised cost

Loans and borrowings, trade payables and other creditors are measured initially at fair value net of directly attributable transaction costs and subsequently recorded at amortised cost, using the effective interest rate method. Loans and borrowings are interest bearing. Gains and losses are recognised in profit or loss when the liability is derecognised and EIR amortisation is included within finance costs.

	2021 $'000	2020 $'000
Bond interest	18,658	18,105
Other interest	9,959	16,569
Amounts due to subsidiaries	6,699	7,345
Accruals	156	185
	35,472	42,204

All amounts owed to Group undertakings are unsecured and repayable on demand. No interest was paid on short-term amounts due to subsidiaries (2020: nil)

7. Trade and other payables: amounts falling due after one year

	2021 $'000	2020 $'000
Bonds	**1,081,596**	1,045,041

At 31 December 2021, bonds comprise a high yield bond with principal of $825.4 million (2020: $799.1 million) and a retail bond with principal of $256.2 million (2020: $249.2 million). The bonds mature in October 2023 and pay a coupon of 7.0% bi-annually. See note 18 of the Group financial statements. The maturity profile of the bonds is disclosed in note 27 of the Group financial statements.

8. Share capital and share premium

The movement in the share capital and share premium of the Company was as follows:

Authorised, issued and fully paid	Ordinary shares of £0.05 each Number	Share capital $'000	Share premium $'000	Total $'000
At 1 January 2021	1,695,801,955	118,271	227,149	345,420
Issuance of equity shares	**190,122,384**	**13,379**	**37,346**	**50,725**
Expenses of issuance of equity shares	**–**	**–**	**(3,949)**	**(3,949)**
At 31 December 2021	**1,885,924,339**	**131,650**	**260,546**	**392,196**

The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

At 31 December 2021, there were 39,718,323 shares held by the Employee Benefit Trust (2020: 46,492,546). On 26 July 2021, 2,159,903 shares were acquired by the Employee Benefit Trust pursuant to the firm placing, placing and open offer. The remaining movement in the year was due to shares used to satisfy awards made under the Company's share-based incentive schemes.

On 26 July 2021, the Company completed firm placing, placing and open offer pursuant to which 190,122,384 new Ordinary shares were issued at a price of £0.19 per share, generating gross aggregate proceeds of $50.7 million. Following the admission to the market of an additional 190,122,384 Ordinary shares on 26 July 2021, there were 1,885,924,339 Ordinary shares in issue at the end of the year.

9. Reserves

Share capital and share premium

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of registered share capital of the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

Other reserve

The other reserve is used to record any other transactions taken straight to reserves as non-distributable.

Share-based payments reserve

The reserve for share-based payments is used to record the value of equity-settled share-based payments awards to employees and the balance of the shares held by the Company's Employee Benefit Trust. Transfers out of this reserve are made upon vesting of the original share awards. Share-based payment plan information is disclosed in note 21 of the Group financial statements.

10. Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company and Group financial statements are disclosed in note 5(g) of the Group financial statements.

11. Directors' remuneration

The emoluments of the Directors are paid to them in their capacity as Directors of the Company for qualifying services to the Company and the EnQuest Group. Further information is provided in the Directors' Remuneration Report on pages 76 and 93.

Glossary – Non-GAAP measures

The Group uses Alternative Performance Measures ('APMs') when assessing and discussing the Group's financial performance, balance sheet and cash flows that are not defined or specified under IFRS. The Group uses these APMs, which are not considered to be a substitute for or superior to IFRS measures, to provide stakeholders with additional useful information by adjusting for exceptional items and certain remeasurements which impact upon IFRS measures or, by defining new measures, to aid the understanding of the Group's financial performance, balance sheet and cash flows.

The use of the Business performance APM is explained in note 2 of the Group's consolidated financial statements on page 122.

Business performance net profit attributable to EnQuest PLC shareholders	2021 $'000	2020 restated $'000
Reported net profit/(loss) (A)	**376,988**	(469,945)
Adjustments – remeasurements and exceptional items (note 4):		
Unrealised (losses)/gains on derivative contracts (note 19)	**(53,979)**	6,846
Net impairment (charge)/reversal to oil and gas assets (note 10, note 11 and note 12)	**39,715**	(422,495)
Finance costs on Magnus contingent consideration (note 6)	**(58,395)**	(77,259)
Change in Magnus contingent consideration (note 5(d))	**140,079**	138,249
Movement in other provisions	**(7,673)**	(11,694)
Loss on derecognition of assets related to the Seligi riser detachment (note 5(e))	**–**	(956)
Other exceptional income (note 5(d))	**22,568**	–
Other exceptional expenses (note 5(e))	**(3,832)**	–
Pre-tax remeasurements and exceptional items (B)	**78,483**	(367,309)
Tax on remeasurements and exceptional items (C)	**78,221**	(76,449)
Post-tax remeasurements and exceptional items (D = B + C)	**156,704**	(443,758)
Business performance net profit attributable to EnQuest PLC shareholders (A – D)	**220,284**	(26,187)

Adjusted EBITDA is a measure of profitability. It provides a metric to show earnings before the influence of accounting (i.e. depletion and depreciation) and financial deductions (i.e. borrowing interest). For the Group, this is a useful metric as a measure to evaluate the Group's underlying operating performance and is a component of a covenant measure under the Group's RBL facility. It is commonly used by stakeholders as a comparable metric of core profitability and can be used as an indicator of cash flows available to pay down debt. Due to the adjustment made to reach adjusted EBITDA, the Group notes the metric should not be used in isolation. The nearest equivalent measure on an IFRS basis is profit or loss before interest and tax.

Adjusted EBITDA	2021 $'000	2020 $'000
Reported profit/(loss) from operations before tax and finance income/(costs)	**580,059**	(310,069)
Adjustments:		
Remeasurements and exceptional items (note 4)	**(136,878)**	290,050
Depletion and depreciation (note 5(b) and note 5(c))	**313,070**	445,863
Inventory revaluation	**151**	24,940
Change in provision (note 5(d) and note 5(e))	**(13,143)**	95,197
Net foreign exchange (gain)/loss (note 5(d) and note 5(e))	**(391)**	4,625
Adjusted EBITDA (E)	**742,868**	550,606

Total cash and available facilities is a measure of the Group's liquidity at the end of the reporting period. The Group believes this is a useful metric as it is an important reference point for the Group's going concern and viability assessments, see page 30 to 31.

Total cash and available facilities	2021 $'000	2020 $'000
Available cash	**276,970**	221,155
Restricted cash	**9,691**	1,675
Total cash and cash equivalents (F) (note 14)	**286,661**	222,830
Available credit facilities	**500,000**	450,000
Credit facility – drawn down	**(415,000)**	(360,000)
Letter of credit (note 18)	**(53,000)**	(28,778)
Available undrawn facility (G)	**32,000**	61,222
Total cash and available facilities (F + G)	**318,661**	284,052

Net debt is a liquidity measure that shows how much debt a company has on its balance sheet compared to its cash and cash equivalents. With de-leveraging a strategic priority, the Group believes this is a useful metric to demonstrate progress in this regard. It is also an important reference point for the Group's going concern and viability assessments, see page 30 to 31.

Net debt	2021 $'000	2020 $'000
Borrowings (note 18):		
RBL	**391,750**	–
Credit facility	**–**	377,270
Sculptor Capital facility	**–**	65,776
SVT working capital facility	**9,864**	9,238
Borrowings (H)	**401,614**	452,284
Bonds (note 18):		
High yield bond	**825,441**	796,528
Retail bond	**256,155**	248,513
Bonds (I)	**1,081,596**	1,045,041
Non-cash accounting adjustments (note 18):		
Unamortised fees on loans and borrowings	**23,250**	1,925
Unamortised fees on bonds	**2,144**	3,314
Non-cash accounting adjustments (J)	**25,394**	5,239
Debt (H + I + J) (K)	**1,508,604**	1,502,564
Less: Cash and cash equivalents (note 14) (E)	**286,661**	222,830
Net debt/(cash) (K – F) (L)	**1,221,943**	1,279,734

The Net debt/Adjusted EBITDA metric is a ratio that provides management and users of the Group's consolidated financial statements with an indication of how many years it would take to service the Group's debt. This is a helpful metric to monitor the Group's progress against its strategic objective of de-leveraging.

Net debt/Adjusted EBITDA	2021 $'000	2020 $'000
Net debt (L)	**1,221,943**	1,279,734
Adjusted EBITDA (E)	**742,868**	550,606
Net debt/Adjusted EBITDA (L/E)	**1.6**	2.3

Cash capex monitors investing activities on a cash basis, while cash abandonment monitors the Group's cash spend on investing and decommissioning activities. The Group provides guidance to the financial markets for both these metrics given the focus on the Group's liquidity position and ability to reduce its debt.

Cash capex and Cash capital and abandonment expense	2021 $'000	2020 $'000
Reported net cash flows (used in)/from investing activities	**(321,230)**	(120,597)
Adjustments:		
Purchase of other intangible assets	**10,052**	–
Repayment of Magnus contingent consideration – profit share	**968**	41,071
Net cash received on termination of Tanjong Baram risk service contract	**–**	(51,054)
Acquisition costs	**258,627**	–
Interest received	**(256)**	(796)
Cash capex	**(51,839)**	(131,376)
Decommissioning spend	**(65,791)**	(41,605)
Cash capital and abandonment expense	**(117,630)**	(172,981)

Free cash flow ('FCF') represents the cash a company generates, after accounting for cash outflows to support operations, to maintain its capital assets. Currently this metric is useful to management and users to assess the Group's ability to reduce its debt.

During 2021, the Group updated the definition of FCF to adjust for the impact of share issues and acquisitions. The definition of free cash flow is now net cash flow adjusted for net repayment/proceeds of loans and borrowings, net proceeds of share issues and cost of acquisitions.

Glossary – Non-GAAP measures continued

In 2021, the Group made an accelerated repayment of the Magnus vendor loan of $58.7 million. As the repayment was made out of Group cash flows rather than as part of the Magnus-related waterfall mechanism, the Group has adjusted for this accelerated repayment for the purpose of calculating FCF.

Free cash flow	2021 $'000	2020 restated $'000
Net cash flows from/(used in) operating activities	**674,138**	521,420
Net cash flows from/(used in) investing activities	**(321,230)**	(120,597)
Net cash flows from/(used in) financing activities	**(285,474)**	(401,014)
Adjustments:		
Proceeds of loans and borrowings	**(125,000)**	–
Repayment of loans and borrowings	**184,276**	210,671
Acquisitions	**258,627**	–
Repayment of Magnus contingent consideration – vendor loan[i]	**58,668**	–
Net proceeds from share issue	**(47,782)**	–
Shares purchased by Employee Benefit Trust	**576**	–
Free cash flow	**396,799**	210,480

(i) Related to the accelerated vendor loan repayment

Revenue sales	2021 $'000	2020 $'000
Revenue from crude oil sales (note 5(a)) (M)	**1,139,171**	779,865
Revenue from gas and condensate sales (note 5(a)) (N)	**244,073**	60,486
Realised (losses)/gains on oil derivative contracts (note 5(a)) (P)	**(67,679)**	(6,059)

Barrels equivalent sales	2021 kboe	2020 kboe
Sales of crude oil (Q)	**15,609**	18,758
Sales of gas and condensate[i]	**2,829**	3,471
Total sales (R)	**18,438**	22,229

(i) Includes volumes related to onward sale of third-party gas purchases not required for injection activities at Magnus

Average realised price is a measure of the revenue earned per barrel sold. The Group believes this is a useful metric for comparing performance to the market and to give the user, both internally and externally, the ability to understand the drivers impacting the Group's revenue.

Average realised prices	2021 $/Boe	2020 $/Boe
Average realised oil price, excluding hedging (M/Q)	**73.0**	41.6
Average realised oil price, including hedging ((M + P)/Q)	**68.6**	41.3
Average realised blended price, excluding hedging ((M + N)/R)	**75.0**	37.8
Average realised blended price, including hedging ((M + N + P)/R)	**71.4**	37.5

Operating costs ('opex') is a measure of the Group's cost management performance. Opex is a key measure to monitor the Group's alignment to its strategic pillars of financial discipline and value enhancement and is required in order to calculate opex per barrel (see below).

Operating costs	2021 $'000	2020 $'000
Reported cost of sales (note 5(b))	**907,634**	799,081
Adjustments:		
Remeasurements and exceptional items (note 5(b))	**(7,201)**	(13,626)
Depletion of oil and gas assets (note 5(b))	**(305,578)**	(438,247)
(Credit)/charge relating to the Group's lifting position and inventory (note 5(b))	**(62,307)**	34,801
Other cost of operations (note 5(b))	**(211,575)**	(53,367)
Operating costs	**320,973**	328,642
Less realised (gain)/loss on derivative contracts (S) (note 5(b))	**10,693**	572
Operating costs directly attributable to production	**331,666**	329,214
Comprising of:		
Production costs (T) (note 5(b))	**292,252**	265,529
Tariff and transportation expenses (U) (note 5(b))	**39,414**	63,685
Operating costs directly attributable to production	**331,666**	329,214

Barrels equivalent produced	2021 kboe	2020 kboe
Total produced (working interest) (V)	**16,211**	21,636

Unit opex is the operating expenditure per barrel of oil equivalent produced. This metric is useful as it is an industry standard metric allowing comparability between oil and gas companies. Unit opex including hedging includes the effect of realised gains and losses on derivatives related to foreign currency and emissions allowances. This is a useful measure for investors because it demonstrates how the Group manages its risk to market price movements.

Unit opex	2021 $/Boe	2020 $/Boe
Production costs (T/V)	**18.1**	12.3
Tariff and transportation expenses (U/V)	**2.4**	2.9
Total unit opex ((T + U)/V)	**20.5**	15.2
Realised (gain)/loss on derivative contracts (S/V)	**(0.7)**	–
Total unit opex including hedging ((S + T+ U)/V)	**19.8**	15.2

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19 May 2022: Annual General Meeting
06 September 2022: Half year results (subject to change)

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Forward-looking statements:
This announcement may contain certain forward-looking statements with respect to EnQuest's expectations and plans, strategy, management's objectives, future performance, production, reserves, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this announcement should be construed as a profit forecast. Past share performance cannot be relied upon as a guide to future performance.

Notes

Notes

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