ENQUEST PLC ANNUAL REPORT AND ACCOUNTS 2021

Providing creative solutions through **the energy transition**

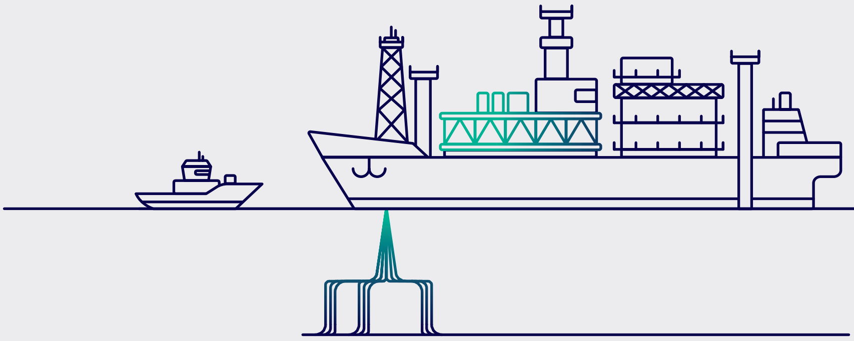
The energy transition

EnQuest is well positioned to play an important role in the energy transition. It will do so by responsibly optimising production, leveraging existing infrastructure, delivering a strong decommissioning performance and exploring new energy and further decarbonisation opportunities.

Upstream

Safely and efficiently extracting existing oil and gas resources through established infrastructure while minimising emissions remains our core business.

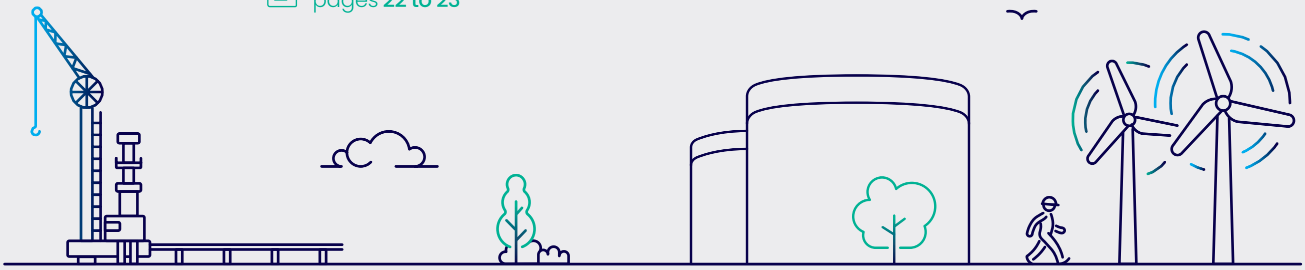
Read more about our performance on pages **16 to 19**



Infrastructure and New Energy

Maintaining high-quality services at the lowest cost and transforming strategically positioned existing infrastructure into a hub for renewable energy.

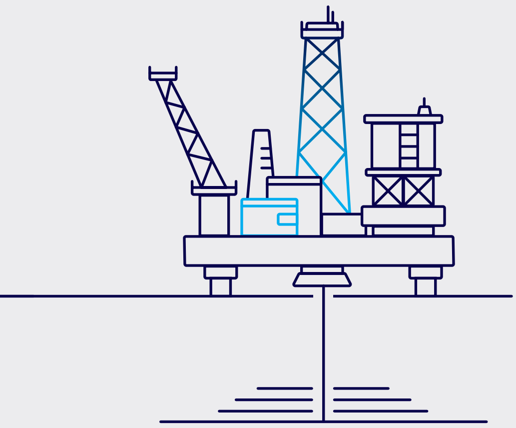
Read more about our opportunities on pages **22 to 23**



Decommissioning

Managing end-of-life production and delivering safe, cost efficient and low-carbon decommissioning is a natural next phase to our Upstream operations.

Read more about our capability on pages **20 to 21**



Find out more online
www.enquest.com
For a description of the Group's segmental reporting see note 3 Segment information on page 128.

Highlights

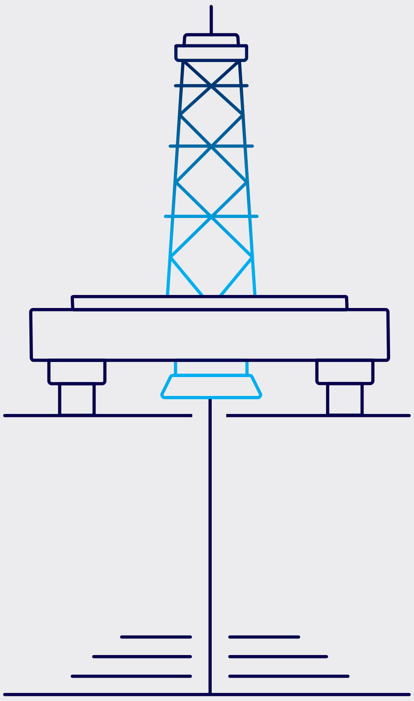
Strong free cash flow generation, a value-enhancing acquisition and continued debt reduction.

Production in the year was primarily impacted by a combination of well and topside integrity-related outages at Magnus and natural declines across the portfolio.

The Group's adjusted EBITDA increased 34.9% to $742.9 million, primarily reflecting materially higher revenue. Profit before tax of $352.4 million is primarily driven by higher crude oil revenue and a net non-cash impairment reversal (2020: loss before tax of $566.0 million primarily driven by a non-cash impairment charge).

The material increase in realised oil price underpinned strong free cash flow generation, which enabled the payment of $249.7 million cash consideration for the Golden Eagle acquisition, repayments of the BP vendor loan and Sculptor Capital facility and an overall reduction in net debt to $1,222.0 million.

The Golden Eagle acquisition has strengthened the portfolio, adding significant cash generating capability to the Group, while the Bressay and Bentley acquisitions provide EnQuest with longer-term potential development opportunities.



ALTERNATIVE PERFORMANCE MEASURES[1]

Operating costs
($ million)

321.0
−2.3%

Adjusted EBITDA
($ million)

742.9
+34.9%

Free cash flow
($ million)

396.8
+88.5%

Read more in the Finance review
See page 26

STATUTORY PERFORMANCE MEASURES

Revenue and other operating income ($ million)[2]

1,265.8
+46.5%
2020 (restated): 863.9

Profit/(loss) before tax ($ million)

352.4

2020: (566.0)

Basic earnings/(loss) per share
(cents)[2]

21.7

2020 (restated): (29.0)

Net cash flow from operating activities
($ million)[2]

674.1
+29.3%
2020 (restated): 521.4

Net assets/(liabilities) ($ million)[2]

520.8
+471.1%
2020 (restated): 91.2

Read more in the Financial statements
See page 118

Notes:
1 See reconciliation of alternative performance measures within the 'Glossary - Non-GAAP measures' starting on page 170. In 2020, the Group highlighted free cash flow per barrel of oil equivalent as an alternative performance measure to enable a reader to assess the Group's resilience in the unusually low oil price that prevailed in the immediate aftermath of the COVID-19 pandemic
2 Comparative information for 2020 has been restated. For more information, see note 2 Basis of preparation – Restatements

Key performance indicators

A: HSEA
Group Lost Time Incident frequency rate[1]

−4.5%

2021	0.21
2020	0.22
2019	0.57

In occupational safety, Lost Time Incident ('LTI') performance was good, with many assets recording an LTI-free year.

D: Cash generated by operations
$ million

+33.5%

2021	756.9
2020	567.2
2019	993.4

Strong cash generated by operations was driven by higher revenue reflecting higher realised oil prices.

G: Net 2P reserves
MMboe

+2.6%

2021	194
2020	189
2019	213

During the year, the Group produced 8.2% of its year-end 2020 2P reserves base. This reduction was more than offset by the 2P reserves added through the Golden Eagle acquisition.

B: Net production
Boepd

−24.9%

2021	44,415
2020	59,116
2019	68,606

Production at Kraken and PM8/Seligi was in line with expectations, but Group performance was impacted by well integrity and topside issues at Magnus, outages due to planned maintenance and a subsea power umbilical failure at the Greater Kittiwake Area, the impact of the detached riser at PM8/Seligi and natural declines across the Upstream portfolio. This was partially offset by the contribution from Golden Eagle.

E: Cash capital[2] and abandonment expense
$ million

−32.0%

2021	117.6
2020	173.0
2019	248.6

Cash capital expenditure in 2021 primarily related to licence to operate activities, the Magnus production enhancement campaign and pipeline replacement costs at PM8/Seligi.

Cash abandonment expenditure increased, reflecting decommissioning activities at Heather, Thistle and the Dons.

H: Scope 1 and 2 emissions
tCO_2e[3]

−14.7%

2021	1,145,273
2020	1,342,765
2019	1,511,650

With power generation and flaring major sources of emissions, lower production does not always lead to reduced emissions. In 2021, emissions were reduced through operational improvements, such as: compressor remapping at Kittiwake reducing flaring; and the commissioning of a waste heat recovery unit at Kraken reducing diesel usage.

C: Unit opex[2]
$/Boe

+34.9%

2021	20.5
2020	15.2
2019	20.6

Average unit operating costs were primarily impacted by lower production. Absolute operating costs were broadly in line with 2020, with increased maintenance and integrity spend at Magnus, lower lease charter credits at Kraken and higher emissions trading scheme costs offset by lower tariff and transportation costs.

F: Net debt[2]
$ million

−4.5%

2021	1,222.0
2020	1,279.7
2019	1,413.0

Strong free cash flow generation was partially offset by consideration paid for the acquisition of Golden Eagle and the early voluntary repayment of the BP vendor loan. The Group has continued voluntarily to make early repayments of its senior secured credit facility.

Notes:
1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)
2 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 170
3 tCO_2e: tonnes of CO_2 equivalent

We are EnQuest

An independent energy company with operations in the UK and Malaysia. We aim to extend the useful lives of existing infrastructure in a responsible manner, helping fulfil energy demand requirements as part of the transition to a low-carbon world.

ASSETS

Our people

Our people are critical to our success. With diversity and inclusion central to our ways of working, we aim to attract, retain and develop a wide range of talent in the organisation. We pursue growth and learning opportunities to unlock our full potential as individuals, teams and the Group as a whole. We have an experienced and long-tenured management team with a proven track record of value creation and growth.

Read more in our People, Board of Directors and Executive Committee sections
See pages 40 to 41, and 58 to 61

Established infrastructure

With our focus on responsibly managing existing assets, we aim to optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and explore new energy and decarbonisation opportunities.

We have five core offshore producing hubs (four of which we operate), one strategically advantaged onshore processing terminal and are responsible for decommissioning four non-producing assets.

Read more in our Operating review
See pages 16 to 23

Capital providers

We have supportive equity and debt investors who provide capital through traditional and innovative financing structures to enable management to execute the Group's strategy in a responsible manner.

Read more in our Finance review, Director's report and notes to the accounts
See pages 26 to 31, 100 to 104, and 122 to 162

Partners and suppliers

We aim to build long-term relationships with suppliers based on respect and collaboration, including the development of mutually beneficial creative solutions. We work with suppliers who maintain the highest level of HSE leadership, exceed our expectations in delivering the best quality at competitive pricing, and are committed to our corporate code of business conduct.

STRATEGIC PILLARS

Operational excellence

This underpins everything we do, with a focus on SAFE Results.

In our Upstream operations, we strive to responsibly enhance production efficiency and oil and gas recovery through focused improvement programmes.

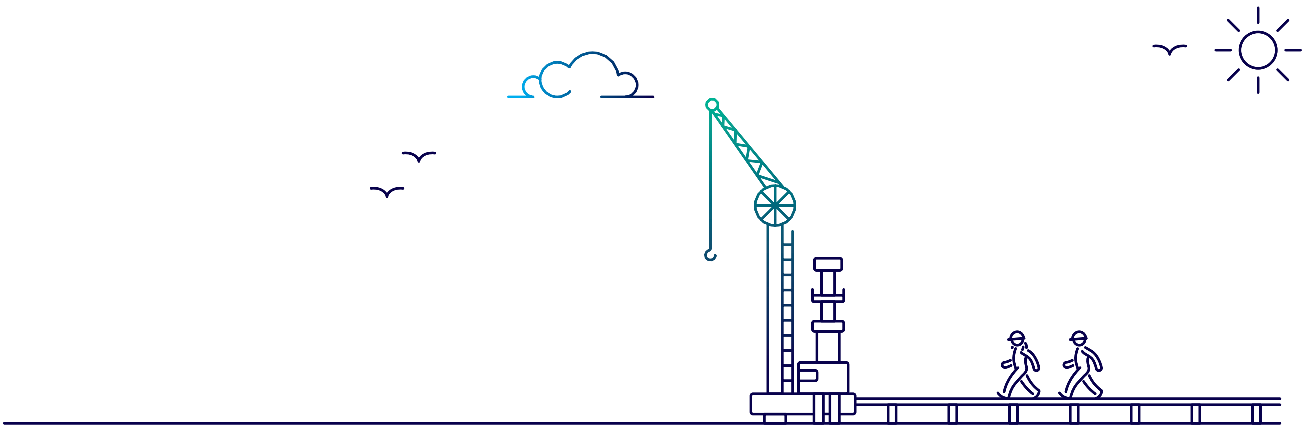
In our Decommissioning directorate, we aspire to be the experts in managing end-of-field life production and the delivery of safe, cost-efficient and low-carbon decommissioning programmes.

In our Infrastructure and New Energy business, we aim for safe and reliable performance at the Sullom Voe Terminal and its related infrastructure.

Differential capability

We have significant in-house technical and operating experience across Upstream, Infrastructure and Decommissioning operations.

As an industry leader in drilling and subsea tie-backs, we are able to realise value from existing producing assets by adding reserves and extending their useful lives.



Financial discipline

We focus on capital allocation that prioritises positive cash flow generative investment and the effective management of EnQuest's capital structure and liquidity, including an active hedging strategy that underpins resilient cash flows even at lower oil prices.

With a focus on short-cycle projects, we can adjust our capital allocation decisions to match the prevailing oil demand and price environment, balancing debt reduction, the development of our existing portfolio, the acquisition of suitable growth opportunities and returns to shareholders.

Value enhancement

We employ a cost conscious approach and implement innovative initiatives to add value to our operations. Innovative transaction structures facilitate getting the right assets into the right hands.

We are also exploring opportunities to leverage the existing infrastructure in the pursuit of renewable and decarbonisation opportunities.

We are disciplined in our assessment of acquisition opportunities, taking our time to find the right ones that fit our portfolio and capabilities at the right price.

VALUE CREATION IN 2021

Our people

Employee and contractor staff costs ($ million)
137

Employee and contractor staff (#)
734

Growth and learning opportunities included conscious inclusion, leadership and job-specific training.

Investors

Free cash flow generation[1] ($ million)
397

Cash interest and net debt repayments ($ million)
122

Governments, regulators and communities

Scope 1 and 2 emission reductions ($ktCO_2e$[2])
197

Charitable donations ($000)
184

Suppliers and customers

Operating expenditures[1] ($ million)
321

Capital and abandonment expenditures[1] ($ million)
118

Sales volumes[1,3] (MMboe)
18.4

Notes:
1 See reconciliation of alternative performance measures within the 'Glossary - Non-GAAP measures' starting on page 170
2 $ktCO_2e$: thousand tonnes of CO_2 equivalent
3 Includes volumes related to onward sale of third-party gas purchases not required for injection activities at Magnus

Stakeholder engagement

Section 172 Statement

The Directors have always had regard for the potential impact of the Group's activities on its various stakeholders. In the majority of cases, information and feedback is provided throughout the year to the Directors by the Group's Executive Directors, senior and functional management and external advisers through a variety of Board reports, presentations and ad hoc correspondence. When appropriate, the Directors may advise further engagement is required, which could potentially be direct engagement by the relevant Director, and/or request additional information to ensure they have a full appreciation of a given situation prior to making any decisions. As such, the Directors are able to assess the impact of business decisions on stakeholders and fulfil their duty to promote the long-term success of the Company.

The Directors consider principal decisions (outlined on the following page) on the basis of materiality with regard to the incremental impact these are anticipated to have on the Company's stakeholders and/or the Company itself.

Stakeholder groups	Direct Board level	Other engagement activities in 2021
A. Our people Our employee and contractor workforce is critical to the delivery of SAFE Results and EnQuest's success. As such, we are committed to ensuring EnQuest remains a great place to work. We have a strong set of Values that underpin our way of working and provide a rewarding work environment, with opportunities for growth and learning while contributing to the delivery of our strategy.	Global employee forum meetings with designated Non-Executive Directors; video messages; subject matter expert virtual and physical attendance at Board and Board Committee meetings; physical and virtual safety leadership engagement visits; and interactive virtual town halls.	See the accompanying principal decisions on page 7 and pages 40 to 41 of the ESG section which detail the various people-related initiatives implemented during the year, including the employee survey and those related to our people's safety and wellbeing.
B. Investors Our investors support management in the execution of EnQuest's business strategy, including the provision of capital for management to develop the business in order to deliver returns in a responsible manner.	Virtual and physical meetings (including the Annual General Meeting and multiple investor conferences), calls and direct correspondence with a wide range of equity and debt investors in relation to the Group's delivery against its strategic objectives.	See the accompanying principal decisions on page 7 and the Strategic report on pages 2 to 57, which explains the Group's performance and investment decisions during 2021. Pages 66 to 67 of the Corporate governance statement outline in more detail how the Group engages with its investors.
C. Partners We collaborate with our joint venture partners, securing their support to deliver our asset plans. We value their contribution to the effective operational and financial management of our assets as we deliver on our business strategy.	Virtual and physical meetings and calls.	The Group has regular engagement with its joint venture partners on day-to-day asset management and the execution of the longer-term asset strategy. This occurs through a combination of formal interactions, governed by joint operating agreements, and via informal engagement. See pages 16 to 23 of the Strategic report for further details on operational and financial activities and decisions undertaken across our assets. Joint venture partners are recognised as one of the Group's Principal risks and uncertainties on page 52.
D. Host governments and regulators EnQuest works closely with the host governments and regulators in the jurisdictions in which it operates. The Group complies with the necessary regulatory requirements, including those related to environmental matters such as reducing emissions, to ensure the Group maintains a positive reputation and licence to operate, enabling the effective delivery of the Group's strategy.	Video meetings and calls with the North Sea Transition Authority ('NSTA') Authority in the UK and Malaysian Petroleum Management in Malaysia.	See the Strategic report on pages 2 to 41 and the Group's Principal risks and uncertainties on pages 42 to 53, which outline EnQuest's strong relationships with governments and regulators. Pages 36, 38 and 57 of the ESG section and pages 100 to 105 of the Directors' report outline further details on the Group's regulatory compliance activities.
E. Suppliers EnQuest relies on its suppliers to provide specialist equipment and services, including skilled manpower, to assist in the delivery of SAFE Results.	None	The Group has continued its active and positive engagement with its suppliers through various supplier forums, performance reviews, ad hoc virtual meetings and industry events. The Group continues to monitor and report its supplier payment performance. Please also see the Group's Principal risks and uncertainties on pages 42 to 53, a number of which are impacted by the Group's supplier relationships.
F. Communities Making a positive contribution and appropriately managing our environmental impact in the communities in which we live and work around the world remains a key part of our activities. Our communities provide a potential source of employees, contractors and support services, and are important in supporting EnQuest's social licence to operate and maintaining a positive reputation.	A virtual presentation from the Chairman of the MyKasih Foundation in Malaysia was held during the year.	See the accompanying principal decisions on page 7 and pages 32 to 35, and 39 of the ESG section which outline the Group's community engagement activities and environmental considerations, with the importance of maintaining a positive reputation outlined in the Group's Principal risks and uncertainties on page 52.
G. Customers Our customers help facilitate the provision of hydrocarbon-related products to meet a variety of consumer demands and, as such, require a reliable supply of hydrocarbons to meet their needs.	None	The Group has maintained strong relationships with its existing customers, including fuel oil blenders to whom it supplies Kraken oil as an unrefined constituent of IMO 2020 compliant low-sulphur bunker fuel.

Principal decision and impacted stakeholders	Stakeholder considerations and impact on the long-term sustainable success of the Company
Refinancing the Group's senior secured lending facility with a new reserves-based lending ('RBL') facility Impacted stakeholders: A, B, C, E and G	Historically, significant leverage has been used to fund the Group's growth, which has included periods of low oil prices, and this has enabled the Group to maintain liquidity to fund capital expenditure and working capital. The Group has materially reduced its overall debt position since the peak of 2017. Around the end of 2020, the Group was assessing the Golden Eagle asset acquisition, which would require funding from both the lending market and the equity market. Consequently, the Board considered the most appropriate debt structure that would best allow the Group to meet these needs. The agreed RBL facility ensured that the Group was able to meet its maturity obligations with previous lenders, simplify its overall debt structure, underpin the Golden Eagle acquisition to generate material value for equity shareholders and ensure that the Group maintained adequate liquidity to meet its ongoing working capital and capital expenditure requirements. For further information, see pages 26 to 31 of this Strategic report and note 18 to the financial statements.
Golden Eagle acquisition Impacted stakeholders: A, B, C, D, E and G	EnQuest's growth since inception has been through a combination of organic developments and strategic, disciplined acquisitions. In considering the acquisition, the Directors demonstrated it would provide the Group with the opportunity to gain a material interest in a high-quality, low-cost, mid-life asset with a strong safety record and low emissions intensity that would materially enhance production and cash generation and accelerate the partial use of the Group's significant UK tax assets. The funding of the acquisition was undertaken through a combination of proceeds raised from the new RBL facility, equity investors, existing cash balances and interim period post-tax cash flows from the Golden Eagle asset. The Directors considered that the firm placing, placing and open offer would result in some equity dilution to those shareholders who were not able to, or chose not to, participate in the offer, but that all shareholders would be able to benefit from material value creation expected from the acquisition, with post-acquisition net present value estimated at c.$170 million[1]. The Board was also cognisant that the acquisition diversified the Group's production base without requiring significant changes to the organisation to manage the Golden Eagle asset. Working alongside an established UK North Sea operator, CNOOC, EnQuest's employees will have the opportunity to contribute to the existing joint venture partnership through their proven expertise and capabilities in drilling and subsea tie-backs. Since completion of the acquisition, the Golden Eagle asset has contributed to the Group's performance and with a supportive macro environment is anticipated to deliver enhanced cash flows and value, contributing to a rapid reduction in the Group's overall debt position. For more information, see pages 10 to 31 of this Strategic report and note 10 of the Financial Statements.
Diversity strategy and associated policy Impacted stakeholders: A, B, C, D and F	EnQuest's Values incorporate Respect and Openness and the Group is committed to providing an inclusive culture that enables the development of creative solutions to deliver performance and value, allowing employees to have enjoyable and fulfilling careers. The Board recognises that successful companies are diverse and inclusive, where different perspectives are proactively sought and heard and agreed that implementing a formal strategy and associated policy will embed actions into the Group's workplace policies and procedures to drive positive change. Clear targets for improving the organisation's diversity, which at a Board level are aligned to the recommendations of the original recommendations of the FTSE Women Leaders (formerly known as Hampton-Alexander) and Parker reviews, demonstrate to current and future employees and other stakeholders the Group's commitment in this regard. For more information, see the 'Our people' section on pages 40 to 41.
Establishment of an Infrastructure and New Energy business Impacted stakeholders: A, B, C, D, E, F and G	The establishment of the Infrastructure and New Energy business, with responsibility for EnQuest's existing operations at SVT, delivering the Group's emissions reduction targets and unlocking long-term renewable energy and decarbonisation opportunities, is aligned to the Group's purpose. The new business will focus on strengthening and extending the life of operations at SVT and assessing and delivering new energy opportunities through innovative commercial structures over the medium to long term to create a hub of growth in infrastructure and renewables at SVT. The Board considered this an important step in attracting and retaining investment and talent, potentially providing long-term employment opportunities in Shetland. For more information, see the 'Infrastructure and New Energy' section on pages 22 to 23.
Setting a Scope 1 and 2 absolute emissions reduction target Impacted stakeholders: A, B, C, D and F	To balance many stakeholder interests, EnQuest believes in a measured approach to absolute emissions reductions from its operated assets. As such, the Group set a target, linked to Executive Directors' and applicable employees' reward, to reduce absolute Scope 1 and 2 CO_2 equivalent emissions from its existing operations by 10% over the period 2021 to 2023. For more information, see the 'Environment' section on pages 34 to 35.

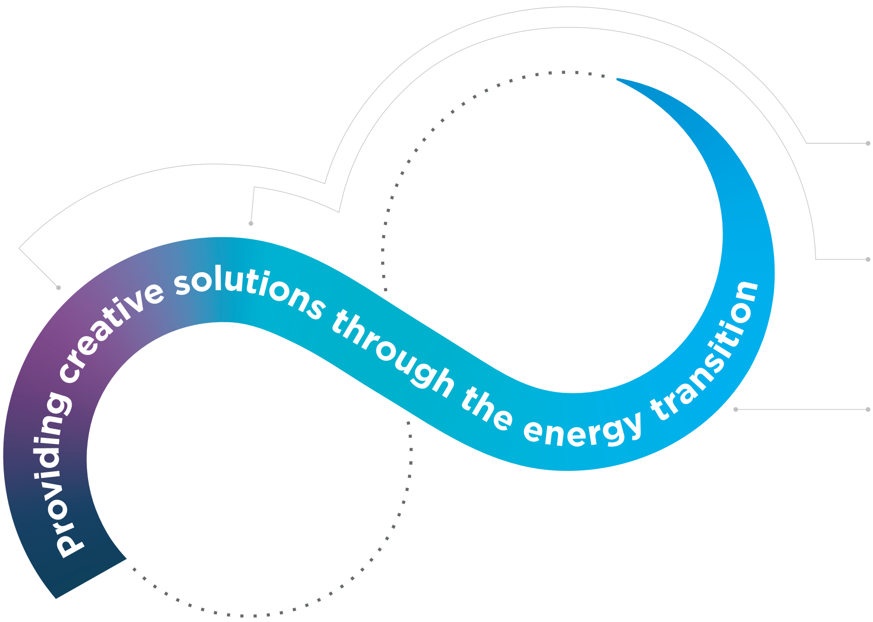
1 Per Gaffney, Cline & Associates Competent Persons Report estimates and oil price assumptions of: 2021: $51/bbl, 2022: $54/bbl, 2023: $57/bbl, 2024+: $60/bbl

Our purpose

Providing creative solutions through the energy transition is what EnQuest focuses on across all its operations.

Through harnessing the creative energy from all its staff, the Group will safely and sustainably produce existing oil and gas resources through established infrastructure, develop a world-class decommissioning capability and advance new energy and other decarbonisation opportunities.

OUR PURPOSE



As an oil and gas company we are focused on **providing** the **energy** society needs.

We think **creatively** across our business... from operations... to contracts and procurement... to asset transactions.
We focus on SAFE Results and reducing our environmental impact as society **transitions** to a cleaner world.

PURPOSE IN ACTION

In recognition of the creative solutions our teams can produce, EnQuest launched the Purpose in Action Award in March 2021, announcing two winners at the Global Town Hall in September.

Accelerated Seligi B wells reinstatement
The offshore team adopted an innovative approach to provide an alternative gas lift source to enable production to be restored well ahead of the planned Seligi A to B riser replacement.

Kraken tether replacement
A multi-function team implemented a creative approach to the riser tether replacement programme at Kraken which resulted in no impact to production and reduced vessel support time, saving millions of pounds and avoiding the deferral of 30 kbbls of production.

OUR VALUES

Our Values embody everything the Company stands for and our purpose is intrinsically linked with our Values.

Safety sits at the core of everything we do as we strive for SAFE Results with no harm to people and respect for the environment. We conduct our business and our professional relationships with respect and openness, ensuring a diverse range of ideas are shared and considered. We work collaboratively to achieve strong results, driving a focused business to achieve success, always pursuing growth and learning opportunities to unlock our full potential as individuals, teams and the Group as a whole.

Well positioned

Overview

Our rapid response to the challenges of 2020 ensured the Group entered 2021 in a good position to capitalise on the positive momentum in macroeconomic conditions throughout the year. Global restrictions relating to the COVID-19 pandemic were eased, resulting in increasing global oil demand. At the same time, strong levels of supply agreement compliance by OPEC+, reduced inventory levels and limited other spare capacity saw oil prices increase materially, reaching a high of c.$86/bbl in October 2021. The improved oil price enabled EnQuest to generate material free cash flow, facilitating the Golden Eagle acquisition and a further reduction in the Group's net debt. This strong cash flow performance also allowed the Group to simplify the debt structure, to draw down less than was anticipated from our new reserve-based lending facility and make early voluntary repayments in line with our strategic objective of deleveraging.

Operationally, the Group faced some challenges, particularly with the Magnus asset and the backdrop of the COVID-19 pandemic, which required our people to be focused and flexible in the formulation and execution of work scopes across our operations. While there was a general easing of COVID-19 related restrictions, we remained dedicated to protecting both our people and our operations, aligning procedures to the evolving government and industry guidance and maintaining robust working practices to minimise risk.

In what was another busy and productive year, I would like to thank our people for their ongoing commitment and professionalism throughout.

Reducing emissions

2021 saw a continuation of stakeholder and regulator focus on the need for companies to do more to decarbonise society. With the COP 26 being held in Scotland, the UK Government, working alongside the industry body Offshore Energies UK, announced a series of Scope 1 and 2 emission reduction targets through to 2030 against which we are committed to deliver. As you will read later in this report, at the end of 2021, we were ahead of both our own internal reward-linked emission reduction targets and those set out in the UK Government's North Sea Transition Deal. In support of the Group's long-term energy transition ambitions, an Infrastructure and New Energy business was established during 2021 with overall responsibility for delivering the Group's emission reduction targets and assessing potential decarbonisation opportunities.

EnQuest remains fully committed to playing its part in the drive towards global decarbonisation.

Committed to improving diversity

There also remained a drive for companies to be more diverse and inclusive, from the Boardroom to the workforce, and I am pleased with the progress we have made in this respect.

There is a strong commitment across the organisation to creating a more diverse workplace and EnQuest was recognised for its efforts in this area as a finalist at the 2021 OGUK awards in the category of Diversity and Inclusion.

Diversity has always been a key consideration for our recruitment and, during 2021, the Board approved the Group's diversity and inclusion strategy and associated policy, within which several diversity targets have been set at both Board and senior leadership levels to be achieved by 2025. The Board has voluntarily adopted the original recommendations of the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) and the recommendations of the Parker Review. As part of our succession planning process, we will continue to review the composition of our Board, taking account of evolving stakeholder guidelines.

Governing well

The externally facilitated Board evaluation showed the Board continues to be effective and performs well. In particular, the skills and diversity of the Board were highlighted as a positive. This reflects positively on our succession planning process, which remains an important part of both the Governance and Nomination Committee and the Board's deliberations. In February 2021, we welcomed Liv Monica Stubholt to our Board and in January 2022 we have been joined by Rani Koya. As part of our orderly succession planning, Philip Holland will be leaving the Board in May 2022. On behalf of the Board, I would like to thank Philip for his valuable contribution to the Group, particularly in his role as Chair of the Safety, Climate and Risk Committee where he has overseen improvements to our risk management processes and our response to the various climate change-related risks faced by the Group. Following Philip's departure, the Board will be in line with the original recommendations of the FTSE Women Leaders Review recommendations, noting it already meets targets set by the Parker Review.

Martin Houston
Chairman

The Sullom Voe Terminal

Board female members (%)

Board members of colour (%)

Looking ahead

The start of 2022 has seen another dramatic change in the global geopolitical landscape with the unfolding tragedy in Ukraine. The ensuing humanitarian crisis is an atrocity and our thoughts are with all those affected. As a responsible company, we have reviewed our commercial arrangements and do not consider we have any adverse exposure to the situation. We will continue to monitor our position to ensure we remain compliant with, and support, any sanctions in place.

This crisis has further heightened awareness around the need for affordable and secure energy supplies, coming so swiftly after the rapid escalation in gas prices over the winter. While such drivers of change are not those anyone wanted to see, it is important there is a more balanced debate with regard to the energy transition. There is now an increasing recognition of the part the oil and gas industry will play in a responsible transition to a lower-carbon society. EnQuest is well positioned as a transition company, operating responsibly across upstream and decommissioning while developing options within the new energy landscape. I am confident the energy transition will provide us with several opportunities to create value for our stakeholders. We will continue to be disciplined in our assessment of these opportunities, taking our time to find the right ones that fit our portfolio and capabilities at the right price.

The acquisition of Golden Eagle has strengthened the business, adding a highly cash-generative asset to the portfolio. At prevailing oil prices, we have the ability to balance investment in our existing asset base while further accelerating the Group's debt reduction objectives. As part of this, we continue to explore options to refinance our retail and high yield bonds ahead of maturity in October 2023.

I am excited about our future.

Martin Houston
Chairman

> "Steering energy companies in today's environment requires great skill, patience and determination. At EnQuest, we are well positioned for the challenges ahead and we will continue to focus on being the best we can possibly be, for all our stakeholders."

A transition company

Overview

We continued to make good progress against our strategic objectives of deliver, de-lever and grow. The acquisition of the Golden Eagle asset has further strengthened our portfolio, while the low-cost acquisitions of material resources at Bressay and Bentley provide us with future near-field development opportunities that can utilise our heavy oil expertise and differential capability in subsea drilling and tie-backs. Production in the year was primarily impacted by a combination of well and topside integrity-related outages at Magnus and natural declines across the portfolio. At Kraken, the floating production, storage and offloading vessel continued to perform well and production at PM8/Seligi was in line with expectations. We demonstrated our decommissioning project capability with significant levels of activity throughout 2021 and have established an Infrastructure and New Energy business with overall responsibility for advancing renewable energy and decarbonisation opportunities. During 2021, the Group also made excellent progress in reducing its absolute Scope 1 and 2 emissions, with CO_2 equivalent emissions reduced by 14.7%. Since 2018, UK Scope 1 and 2 emissions have been reduced by 43.5%, which is significantly ahead of the UK Government's near-term North Sea Transition Deal targets.

As always, the safety of EnQuest's people and assets remained an absolute priority. I was particularly pleased to see the Group's Lost Time Incident ('LTI') performance remained 'top quartile' with a Group LTI frequency[1] of 0.21.

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

We also continued to evolve our approach to managing COVID-19 to keep our people safe. However, we received a number of improvement notices from the UK Health & Safety Executive ('HSE') relating to our Magnus and SVT operations. We continue to improve further our process safety arrangements and all notices have been or will be fully complied with in accordance with the agreed activity set and timetable.

2021 also saw strong demand for oil which, when combined with supply-side constraints, led to oil prices recovering strongly. The Group's average realised oil price in 2021, including the impact of its commodity hedge programme, was \$68.6/bbl, up 66.4% from \$41.3/bbl in 2020. This improved commodity price environment enabled the Group to generate strong free cash flow of \$396.8 million, an increase of \$186.3 million from 2020, and lower net debt to \$1,222.0 million, its lowest level since 2014.

Operational performance

EnQuest's average production decreased by 24.9% to 44,415 Boepd, primarily driven by topside and well integrity related outages at Magnus and expected natural declines across the portfolio, partially offset by the contribution from Golden Eagle following completion of the acquisition on 22 October 2021. The natural declines were to a large extent a consequence of the necessary pause in the Group's drilling programme following materially lower oil prices experienced in 2020 and into 2021.

Kraken continued to perform well, delivering top quartile production efficiency of 88% and gross production in line with guidance. During the fourth quarter of 2021, the asset reached the milestone of more than 50 MMbbls (gross) produced since first oil; a great achievement by the combined EnQuest and Bumi Armada team. The 3D seismic gathered during the summer will allow the Group to evaluate fully the development potential of the western area of the field in addition to supporting ongoing optimisation of the main Kraken field, including potential infill opportunities. At PM8/Seligi, initial production recovery activities were accelerated, offsetting the delayed riser replacement, while at the Greater Kittiwake Area the power umbilical supporting the Mallard and Gadwall wells was successfully replaced in September, restoring both wells to production. However, production at Magnus was disappointing. Performance was impacted by well integrity and topside issues, an unplanned third-party outage and natural decline. During the year, a production enhancement programme was undertaken, restoring four wells to production, although a compressor gearbox failure in September resulted in single compression train operations for much of the fourth quarter.

Amjad Bseisu
Chief Executive

Kraken FPSO vessel

Production
Boepd

44,415

Free cash flow
$ million

396.8

Net debt
$ million

1,222.0

During the year, we produced 8.2% of our year-end 2020 2P reserves base. However, with the acquisition of Golden Eagle adding c.18 MMboe at the end of 2021, the Group's 2P reserves at the end the year were around 194 MMboe, marginally higher than the c.189 MMboe at the end of 2020. Following the acquisitions of interests in the Bressay field and the Bentley discovery in the UK, 2C resources increased by 145.1% from the end of 2020 to around 402 MMboe, with both fields each adding more than 100 MMboe of net 2C resources. Other material 2C resources are located at Magnus and Kraken in the UK and PM8/Seligi and PM409, offshore Malaysia.

Following our decisions in 2020 to permanently cease production at several of our highest cost assets, 2021 saw an associated increase in decommissioning activity enabling the Group to demonstrate its decommissioning project capability. Activities were focused on well abandonments at Heather, platform re-habitation and other preparatory activities ahead of the planned well abandonment programme at Thistle, and cessation of production at the Dons field, including the removal of the Northern Producer Floating Production Facility.

In August, the Group established an Infrastructure and New Energy business to support the ongoing transformation of SVT and EnQuest's energy transition ambitions. The new business will focus on strengthening and extending the life of operations and assessing and delivering new energy opportunities over the medium to long term to create a hub of growth in infrastructure and renewables at SVT. Constructive initial engagement with a variety of stakeholders, including potential technical and financial partners, is ongoing.

Financial performance

The Group's adjusted EBITDA and statutory gross profit increased by 34.9% to $742.9 million and 453.0% to $358.2 million, respectively, reflecting the material increase in realised oil prices partially offset by lower production. Operating costs for the year of $321.0 million were slightly lower than 2020, although reflected higher emissions trading scheme costs and additional remediation expenditures at Magnus. Unit operating costs increased to $20.5/Boe primarily reflecting lower production. Cash generated by operations increased to $756.9 million, up 33.4% compared to 2020, with free cash flow generation of $396.8 million.

During the year, we successfully refinanced our previous senior credit facility ('RCF') into a new senior secured debt facility ('RBL') of up to $750.0 million. The strong cash flow performance and refinancing ultimately led to a simplified debt structure, with a lower than expected utilisation of the facility, an early voluntary repayment of $70.0 million, repayments of the BP vendor loan and Sculptor Capital facility, and enabled the payment of $249.7 million cash consideration for the Golden Eagle acquisition.

Environmental, Social and Governance

Environmental

Managing existing assets in a responsible and sustainable manner is a key part of the energy transition. We recognise that industry, alongside other key stakeholders such as governments, regulators and consumers, must contribute to reducing the impact on climate change of carbon-related emissions. We are committed to playing our part in the achievement of national emissions reduction targets, with the Infrastructure and New Energy business having overall responsibility for delivering the Group's emission reduction objectives. As outlined earlier, we have made excellent progress in reducing absolute Scope 1 and 2 emissions during the year and are significantly ahead of the Group's targets and those set by the UK Government's North Sea Transition Deal. We continue to optimise sales of Kraken cargoes directly to the shipping fuel market, avoiding emissions related to refining and helping reduce sulphur emissions in accordance with the IMO 2020 regulations.

EnQuest's Infrastructure and New Energy business is assessing renewable energy and decarbonisation opportunities using the existing infrastructure at the Sullom Voe Terminal. We are working collaboratively with Shetland Island Council, Project ORION and the Net Zero Technology Centre, to better understand how we can contribute further to the industry approach to achieving net-zero, whilst remaining aligned with EnQuest's strategy and Values.

Social – Health and safety

EnQuest's absolute priority has consistently been SAFE Results, no harm to our people and respect for the environment, and there remains a strong safety culture throughout the organisation, clearly evidenced by recording a Group LTI frequency[1] of 0.21, an improvement on 2021 and slightly better than the International Association of Oil and Gas Producers benchmark of 0.22. We also continued to reduce the number of reportable hydrocarbon releases in both the UK and Malaysia. The Group-wide asset integrity review has brought additional focus to cost allocation in key risk areas that could impact asset integrity.

Social – People

Improving workforce diversity and inclusion ('D&I') across the organisation remains a key focus area for the Group. Good progress has been made with the Group-wide D&I strategy and associated policy now embedded in the overall strategy of the business. The D&I strategy includes several targets to improve female and ethnic minority representation in leadership and executive roles by 2025. A number of initiatives continued throughout the year and I was delighted to see EnQuest nominated as one of three finalists for the 2021 OGUK Diversity & Inclusion Award. Recognition as a finalist has further reinforced our commitment to our strategy and direction of travel in relation to D&I.

Social – Communities

In 2021, we extended the remit of the Remuneration Committee to include social responsibility, covering the Group's external support of charitable works and education initiatives. In Malaysia, we continued to sponsor university students to study STEM-related subjects and supported the 'IChemE' accreditation of the Chemical and Process Engineering programme at the National University of Malaysia. We also sponsored and participated in the programme to replant 380 mangrove trees covering an approximate wetland area of 900m^2 within the Kuala Selangor Nature Park. In the UK, local community support included financial contributions to charitable organisations throughout the year and the provision of internship placements in roles from Upstream to Communications to young student engineers connected to the Association for Black and Minority Ethnic Engineers. We also extended our partnership with the University of Bradford's Professor of Practice in Sustainability and Energy Futures within the School of Management, Law and Social Sciences.

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

Richard Hall, Managing Director - Malaysia, with team members on the Seligi Alpha platform

Production guidance
Boepd

44,000 – 51,000

2022 performance and outlook
Production performance to the end of February was 50,408 Boepd. Our full year net production guidance of between 44,000 and 51,000 Boepd is underpinned by our largest well programme since 2014, including infill drilling and workover campaigns at Magnus, Golden Eagle and PM8/Seligi which are expected largely to mitigate natural declines at these fields.

With an enlarged portfolio, increased activity set and higher emissions and diesel costs as a result of higher market prices, operating costs are expected to be approximately $430 million, while capital expenditure is expected to be around $165 million. Abandonment expense is expected to total approximately $75 million, primarily reflecting well P&A decommissioning programmes at the Heather/Broom and Thistle/Deveron fields.

"The acquisition of the Golden Eagle asset has further strengthened our portfolio, while the low-cost acquisitions of material resources at Bressay and Bentley provide us with future near-field development opportunities linked to our core capabilities."

Longer-term development

EnQuest's business has been strengthened by the acquisition of the Golden Eagle asset which has added significant cash-generating capability to the Group, while the supportive macro environment and higher oil prices provide the opportunity for continued debt reduction while selectively investing in its low-cost, short-cycle, quick payback well portfolio to offset natural declines. The acquisitions of Bressay and Bentley have added almost 250 MMboe of 2C resources, adding to those already in place at Magnus, Kraken, PM8/Seligi and PM409, providing EnQuest with longer-term potential development opportunities. At the same time, the Group will continue to be disciplined with respect to M&A opportunities to grow the business further.

With a focus on short-cycle projects, EnQuest can adjust its capital allocation decisions to match the prevailing oil demand and price environment, balancing debt reduction, the development of its existing portfolio, the acquisition of suitable growth opportunities and returns to shareholders. EnQuest's business is strongly positioned to play an important role in the energy transition by responsibly optimising production, leveraging existing infrastructure, delivering a strong decommissioning performance and exploring new energy and further decarbonisation opportunities.

Amjad Bseisu
Chief Executive

Upstream operations

UK Upstream operations[1]

Daily average net production:
Boepd

39,220

-22%

(2020: 50,334)

1 Includes Magnus, Kraken, Golden Eagle, the Greater Kittiwake Area including Scolty/Crathes and Alba

2021 Group performance summary
Production of 44,415 Boepd reflected a strong performance at Kraken and the contribution from Golden Eagle following completion of the acquisition, offset by topside and well integrity related outages at Magnus, planned maintenance and a subsea power umbilical failure at the Greater Kittiwake Area ('GKA') and expected natural declines across the portfolio. The natural declines were to a large extent a consequence of the necessary pause in the Group's drilling programme following materially lower oil prices experienced in 2020 and into 2021.

UK operations

Magnus

2021 performance summary
Production in 2021 was lower than expected at 11,870 Boepd. Performance was impacted by well integrity issues, topside power and compression failures, third-party infrastructure outages and natural decline. A production enhancement programme was undertaken in the second quarter, including a coil tubing campaign, returning four wells to service. Repairs to a compressor gearbox failure which resulted in single train operations during much of the fourth quarter of 2021 were completed, bringing both trains back into operation.

2022 outlook
A shutdown of around three to four weeks is planned in the third quarter to complete scheduled safety-critical activities along with plant equipment upgrades, while further asset integrity maintenance and plant opportunities will continue to be assessed and implemented throughout the year.

It is anticipated that three wells will be drilled in 2022, largely mitigating natural decline at the field, with a further two wells expected to be drilled during 2023. With 2C resources of c.35 MMboe, Magnus offers the Group significant low-cost, quick pay-back drilling opportunities in the medium term.

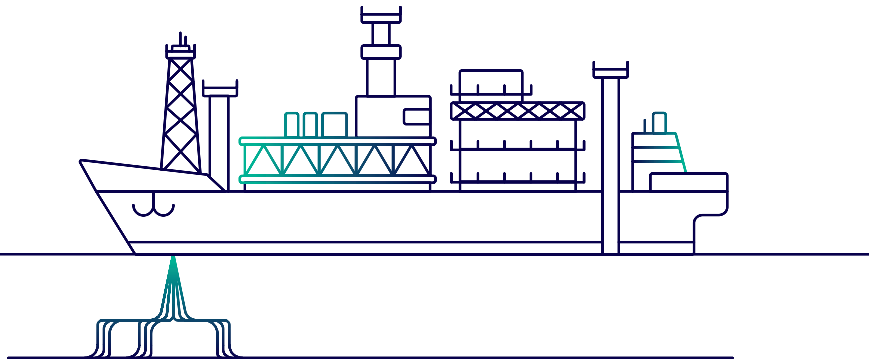
Kraken

2021 performance summary
Average gross production was within the Group's guidance range at 31,155 Boepd (21,964 Boepd net). Overall subsurface and well performance was good with aggregate water cut evolution remaining in line with expectations and the Floating, Production, Storage and Offloading ('FPSO') vessel continued to perform well throughout the year, with top quartile production and water injection efficiency at 88% and 89%, respectively. During the first half of the year, a number of opportunistic maintenance activities were successfully undertaken, allowing for the deferral of the planned shutdown to 2022. However, production was impacted by short duration shutdowns related to the repair of a subsea tether, an oil heater failure and natural decline.

During the fourth quarter of 2021, Kraken production reached the milestones of over 50 million barrels (gross) produced since inception and the 100th cargo offload.

The Group continues to optimise Kraken cargo sales into the shipping fuel market with Kraken oil a key component of IMO 2020 compliant low-sulphur fuel oil. As such, the Group has benefited from strong pricing in the market and avoids refining-related emissions.

Near-field drilling and subsea tie-back opportunities continue to be assessed. A successful 3D seismic campaign was completed in July, providing valuable data for the Group



Golden Eagle

to evaluate fully the development potential of the western area of the field, in addition to supporting ongoing optimisation of the main Kraken field, including potential infill opportunities.

2022 outlook
Over the summer, a two-week shutdown is planned to undertake safety-critical maintenance work.

For the full year, Kraken production is expected to be between 22,000 Boepd and 26,000 Boepd (15,500 Boepd to 18,500 Boepd net), reflecting the planned shutdown and natural decline.

Evaluation of the 3D seismic is ongoing. The Group is currently assessing main field side-track drilling opportunities along with further opportunities within the Pembroke and Maureen sands.

Golden Eagle

2021 performance summary
The acquisition of a 26.69% interest in Golden Eagle was completed on 22 October 2021, contributing 1,701 Boepd to EnQuest on an annualised basis (10,220 Boepd on a pro forma basis). This reflected high uptime and continued good well performance following the infill drilling campaign earlier in the year.

2022 outlook
A two-well drilling campaign is scheduled late in the year and preparations are being undertaken for further infill drilling in 2023. The asset offers further development opportunities subsea and platform infill drilling.

Other Upstream assets

2021 performance summary
Production in 2021 averaged 3,685 Boepd, slightly below expectations. At GKA, which includes Scolty/Crathes, the reduction was driven by a planned four-week shutdown, the failure of a power umbilical to the Mallard and Gadwall wells, gas compression outages and natural decline. The power umbilical was successfully replaced as planned in September, restoring Mallard and Gadwall to production.

At Alba, performance continued in line with the Group's expectations.

At Bressay, detailed analysis of existing reservoir data and an assessment of potential development options, one of which is a potential tie-back to Kraken, continued with strong partner engagement throughout.

2022 outlook
At GKA, a two-week shutdown is planned during the second quarter, in line with a short shutdown of related infrastructure.

At Alba, the partners expect to begin a continuous 2022-2024 drilling programme during the third quarter of 2022. The first wells from this programme are expected to come online during 2023.

At Bressay, it is expected that a field development plan will be developed during 2022, while at Bentley, initial evaluation of the development potential are due to commence in the first quarter of 2022.

Malaysia operations

2021 performance summary

In Malaysia, average production of 5,028 Boepd was 21.9% lower than 2020. This reduction primarily reflected the continued impacts of the detached riser system at the Seligi Alpha platform and the impact of COVID-19 on the execution of various work scopes, although production was in line with expectations following an acceleration of initial production recovery activities in the early part of the year.

In December, the new riser pipeline was successfully laid on the seabed, although final completions were delayed by the late arrival and subsequent availability of the third-party dive support vessel ('DSV'). The riser pipeline was fully installed and commissioned in the first quarter of 2022.

On Block PM409, an area containing several undeveloped discoveries and situated close to the Group's existing PM8/Seligi PSC hub, geotechnical studies have been completed in preparation for future appraisal drilling.

2022 outlook

A two-week shutdown at Seligi to undertake asset integrity and maintenance activities is planned for the summer, which will help to improve reliability and efficiency at the field.

EnQuest has significant 2P reserves and 2C resources of c.20 MMboe and c.86 MMboe, respectively. With a number of low-cost drilling and workover targets having been identified at PM8/Seligi, the Group is expected to drill four infill wells and four workovers during 2022 and plans an annual drilling and workover programme for a number of years thereafter. The Group continues to assess the opportunity to develop the additional gas resource at PM8/Seligi to meet forecast Malaysian demand. At PM409, a well proposal for drilling in 2023 is being developed for approval by the partnership, while a site survey and other associated preparatory activities will also be undertaken.

> "Having restored the Seligi riser in early 2022 and with extensive drilling and workover programmes planned, we are confident we will meet our 2022 targets."
>
> **Richard Hall**
> Managing Director, Malaysia

Decommissioning

2021 performance summary
Average production of 167 Boepd reflected the decision to cease production at the Dons in March 2021. In April 2021, the Northern Producer Floating Production Facility departed the Dons and was handed back to its owners.

At Heather/Broom, the well plug and abandonment ('P&A') programme continued on schedule, while the topsides decommissioning programme was approved by the Secretary of State and topside removal contractors submitted initial tenders in the fourth quarter.

At Thistle/Deveron, the first phase of the platform re-habitation was successfully completed in June, in line with expectations. The subsea integrity campaign concluded in September and platform reactivation and hydrocarbon removal was completed in October.

The EnQuest Producer FPSO remains in warm stack at Nigg while the Group continues to evaluate options.

2022 outlook
At Heather, the well P&A programme is ongoing, with 16 well abandonments scheduled during the year. The drilling rig at Thistle will shortly be reactivated, with 16 wells also anticipated to be abandoned as part of this year's well P&A programme which is planned to start in April. It is expected that topsides and jacket removal contracts will be awarded for both Heather and Thistle later in 2022.

Following Cessation of Production ('CoP') at Alma/Galia, the Dons and Broom, preparations continue ahead of the anticipated commencement of subsea well P&A and infrastructure removal at all three fields, with the target to be execution-ready by the end of 2023.

Q&A

Jon Allan
Decommissioning Director

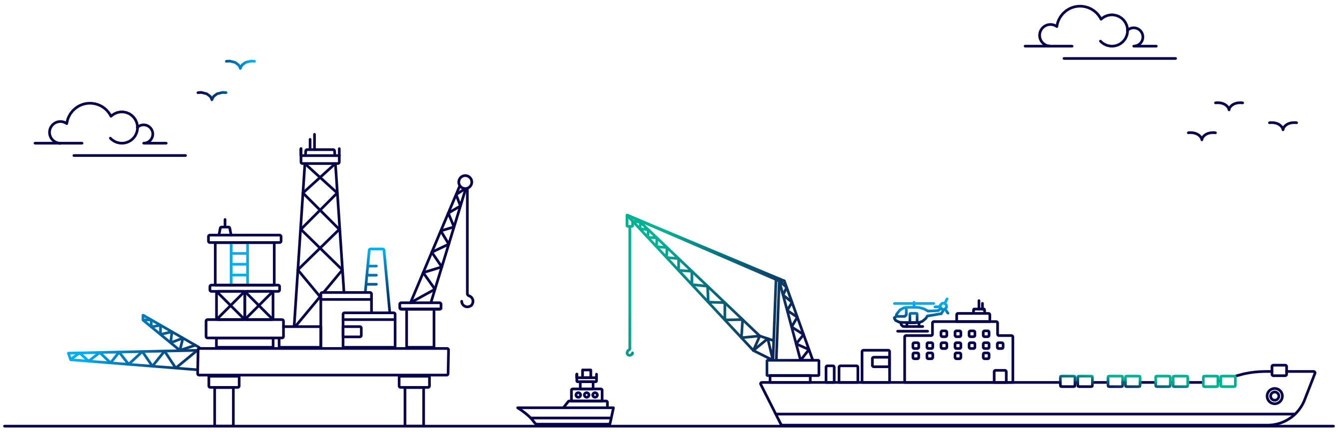
Q: Why is EnQuest building a decommissioning business?
A: We are already a proven operator of late-life assets. Decommissioning is the natural next phase in an asset's life-cycle for us to manage. Looking ahead, the business opportunity is vast and fast approaching. According to Offshore Energies UK, there is c.£16 billion of decommissioning work to be undertaken in the UK North Sea over the next decade and it will take more than £50 billion to decommission the whole UK North Sea basin. Internationally, the market will be even larger, creating an opportunity for a company with proven experience in the UK North Sea.

Q: What is EnQuest's decommissioning strategy?
A: Our vision is to build a world-class decommissioning capability that will add value to any portfolio of projects. Our strategy is to industrialise decommissioning as we move through the energy transition, where we deliver an efficient programme of work across assets driving down both cost and carbon emissions. We want to be the partner of choice for decommissioning, managing end-of-field life production, working closely with former owners and partners to transition into safe, cost-efficient and low-carbon decommissioning.

Q: What are EnQuest's credentials?
A: Decommissioning is a key element of EnQuest's portfolio and a significant part of the natural cycle of a company that aims to manage sustainably and efficiently existing assets and natural resources. The Group operated for ten years before any of its assets ceased production, but now has a number of fields and two large platforms in the East Shetland basin where infrastructure needs to be decommissioned.

We already have a differential capability in drilling, and it is estimated that 40-50% of the UK North Sea's decommissioning costs relate to the plugging and abandonment ('P&A') of wells.

We continue to build our credibility by delivering on the two major projects, Heather and Thistle, which are currently in the execution phase with extensive well P&A programmes planned. We have demonstrated capability in removing our two floating production facilities which entered the decommissioning phase in 2020 and 2021. Both were delivered on schedule and under budget. EnQuest is creating a vision where we become the experts in delivering safe, low-cost, low-emission decommissioning.



Q: What approach does EnQuest take in decommissioning its assets?
A: At EnQuest we have three goals for our decommissioning projects: no harm to people or the environment; delivering at the lowest possible cost; and minimising associated carbon emissions. Our tactics focus on timing, scope and execution driven by a culture of continuous improvement.

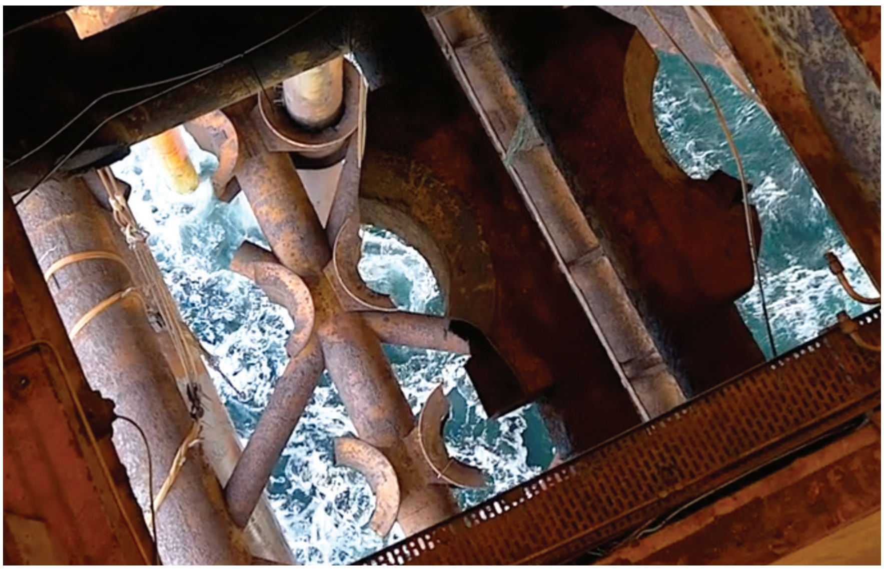
Timing is about planning the cessation of production ('CoP') and optimising the well P&A programme around a fixed CoP date. This minimises pre-CoP operating costs and post-CoP abandonment expenditures. Controlling scope means we challenge every activity. This is not normal production operations and hence requires a different mindset in terms of maintenance, integrity and preparation for removals. Finally, execution excellence requires our teams to work together, be aligned on delivering clear project goals, develop an understanding of where they can contribute to achieving these goals and be committed about delivery. This is supported by a continuous improvement culture. Decommissioning consists of various repetitive activities like multiple well abandonments. We learn from each well, identifying marginal gains with every operation and take those learnings from one asset to the next.

Q: How does decommissioning fit into the wider energy transition?
A: Decommissioning plays a significant part in the energy transition as the world seeks new sources of energy and safely removes the extensive existing hydrocarbon infrastructure. At EnQuest, we aim to minimise diesel usage and deliver the most efficient decommissioning work programmes. We also look for opportunities to recycle and reuse. Millions of tonnes of steel will be coming ashore as UK North Sea assets are decommissioned and we are working to find creative ways to recycle and repurpose in line with the principles of the circular economy.

Planned well abandonments

16

at each of Heather and Thistle



Infrastructure and New Energy

To support the ongoing transformation of SVT and EnQuest's energy transition ambitions, the Group established an Infrastructure and New Energy business division in August 2021. You can read more about this new business in the accompanying Q&A on this page.

2021 performance summary
At the Sullom Voe Terminal ('SVT') and its related infrastructure, the delivery of safe and reliable performance enabled 99.9% service availability during the year. The Group continued to work in close collaboration with its stakeholders to ensure the terminal meets existing and future customer needs, while remaining focused on simplification and cost management.

In pipelines, good progress was made undertaking planned repair and remediation work on delivery infrastructure relating to Kraken, Magnus and Thistle, in addition to in-line pipeline inspection evaluations at GKA. These activities will ensure continued smooth operations across the Group's assets.

2022 outlook
EnQuest remains focused on maintaining safe and reliable operations at the terminal and in its pipeline operations, with a significant asset integrity programme planned. Working closely with SVT co-owners and other stakeholders, EnQuest is developing cost-effective and efficient plans to prepare and repurpose the site in line with the Group's new energy ambitions. Engagement with a variety of stakeholders, including potential technical and financial partners, Shetland Island Council, Project ORION and the Net Zero Technology Centre is ongoing.

Q&A

Salman Malik
MD Corporate Development, Infrastructure and New Energy

Q: What is EnQuest's Infrastructure and New Energy business?
A: EnQuest's Infrastructure and New Energy operations are uniquely positioned to deliver our new energy ambitions and help support the energy transition. The division was created to focus on three main areas:

- Strengthening and extending the longevity of our existing operations at the SVT by maintaining safe and cost-efficient operations and securing new business;
- Delivering the Group's emission reduction objectives in line with Group and industry targets; and
- Leveraging our existing infrastructure at SVT to unlock renewable energy and decarbonisation opportunities through innovative commercial structures.

Q: Why build a New Energy business at SVT?
A: The Shetland Islands are among the windiest places in Europe. We believe we have a unique offering across the renewable energy landscape, adapting this strategically important site to realise the ambition of creating a renewable energy hub servicing not only Shetland but Scotland, the United Kingdom and Europe.

EnQuest has an opportunity to transform the existing site and its infrastructure into a new hub for renewable energy. An engaged and adaptable workforce with an appetite for working in new energy, the availability of deep-water jetties and a pipeline network, together with the desirability from both a practical and environmental perspective of reusing the existing industrial site, makes SVT, under EnQuest's stewardship, the right place to build a green energy hub.

Q: Why should EnQuest do this work?
A: EnQuest has operated the SVT since 2018. We are uniquely positioned to understand both the potential of the site and the complexity involved in transforming it into a renewable energy hub. Our team of highly skilled engineers and project managers, combined with our culture of providing creative solutions through the energy transition, means that EnQuest, working with the support of potential partners, can make this a reality.

We will apply our proven ability to create value through innovative structures, as well as our effective cost control and capital discipline to transform the site, while operational excellence will underpin everything we do.

Q: What are the renewable energy and decarbonisation opportunities at SVT?
A: EnQuest is now taking the first practical steps to progress new renewable energy and decarbonisation opportunities at SVT. These are multi-year projects that are at varied stages of maturity, and will take several years to progress. EnQuest is already planning the necessary project to replace our current power system at the site with a renewable energy alternative and is aiming to: develop other renewable energy opportunities, including the production of green hydrogen from wind energy and the electrification of offshore assets; while also assessing decarbonisation opportunities such as carbon capture and storage ('CCS') in depleted offshore oil and gas fields using the pipeline network it operates.

We are actively exploring CCS opportunities around SVT, with existing jetty facilities potentially enabling the import of CO_2 from emitters in the UK or Europe and pipeline links to several offshore reservoirs that could provide storage opportunities.

We will continue to work closely with our co-owners and other stakeholders at site to ensure the necessary work to prepare and repurpose this industrial location to accommodate New Energy infrastructure is done efficiently and cost effectively. EnQuest is engaged with a wide variety of potential partners, both technical and financial, to help us realise our goal of a sustainable energy hub for Shetland at SVT.

Emissions performance

Scope 1 and 2 emissions
ktCO_2e[1]

1,145

−15%

(2020: 1,343)

1 ktCO_2e: thousand tonnes of CO_2 equivalent

Oil and gas reserves and resources

ENQUEST OIL AND GAS RESERVES AND RESOURCES

	UKCS		Other regions		Total
	MMboe	MMboe	MMboe	MMboe	MMboe
Proven and probable reserves[1, 2, 3, 4]					
At 31 December 2020		166		22	189
Acquisitions and disposals[5]	19		–		19
Revisions of previous estimates	–		(1)		(1)
Transfers from contingent resources[6]	3		1		4
		22		(0)	22
Production:					
Export meter	(14)		(2)		(16)
Volume adjustments[7]	0		–		
		(14)		(2)	(16)
Total proven and probable reserves at 31 December 2021[8]		**174**		**20**	**194**
Contingent resources[1, 2, 9]					
At 31 December 2020		77		87	164
Acquisitions and disposals[10]		249		–	249
Revisions of previous estimates		(6)		(1)	(7)
Promoted to reserves[11]		(3)		(1)	(4)
Total contingent resources at 31 December 2021		**316**		**86**	**402**

Notes:
1 Reserves are quoted on a net entitlement basis, resources are quoted on a working interest basis
2 Proven and probable reserves and contingent resources have been assessed by the Group's internal reservoir engineers, utilising geological, geophysical, engineering and financial data
3 The Group's proven and probable reserves have been audited by a recognised Competent Person in accordance with the definitions set out under the 2018 Petroleum Resources Management System and supporting guidelines issued by the Society of Petroleum Engineers
4 All UKCS volumes are presented pre-SVT value adjustment
5 Acquisition of 26.69% non-operated interest in Golden Eagle
6 Transfers from 2C resources at Kraken, Magnus and PM8/Seligi
7 Correction of export to sales volumes
8 The above proven and probable reserves include volumes that will be consumed as fuel gas; including c.7 MMboe at Magnus, c.1 MMboe at Kraken and c.1 MMboe at Golden Eagle
9 Contingent resources relate to technically recoverable hydrocarbons for which commerciality has not yet been determined and are stated on a best technical case or '2C' basis
10 Acquisition of 40.81% interest in Bressay, 100.00% interest in Bentley and 26.69% non-operated interest in Golden Eagle
11 Kraken, Magnus and PM8/Seligi opportunity maturation
12 Rounding may apply

Hydrocarbon assets

ENQUEST'S ASSET BASE AS AT 31 DECEMBER 2021

Licence	Block(s)	Working interest (%)	Name	Decommissioning obligation (%)
UK North Sea Upstream production and development				
P193	211/7a & 211/12a	100.0[1]	Magnus	30.0[2]
P1077	9/2b	70.5	Kraken & Kraken North	70.5
P1107/P1617	21/8a, 21/12c & 21/13a	50.0	Scolty/Crathes	50.0
P238	21/18a, 21/19a & 21/19b	50.0	Kittiwake	25.0
		50.0	Mallard	30.9
		50.0	Grouse & Gadwall	50.0
		100.0	Eagle	n/a
P073	21/12a	50.0	Goosander	50.0
P213	16/26a	8.0	Alba	8.0
P234/P493/P920/P977	3/28a, 3/28b, 3/27b, 9/2a & 9/3a	40.8	Bressay	n/a[3]
P1078	9/3b	100.0	Bentley	n/a[3]
P300/P928[4]	14/26a & 20/1a	26.7	Golden Eagle	26.7
UK North Sea Decommissioning				
n/a	n/a	n/a	Heather	37.5
n/a	n/a	n/a	Broom	63.0
P475	211/19s	n/a	Thistle	6.1[5]
P236	211/18a	n/a	Thistle/Deveron	6.1[5]
P236	211/18c[6]	n/a	Don SW & Conrie	60.0
P236	211/18b[6]	n/a	West Don	78.6
n/a	n/a	n/a	Ythan	60.0
n/a	n/a	n/a	Alma/Galia	65.0
Other UK North Sea licences				
P090[4]	9/15a	33.3		n/a
P2531	21/18c	100.0		n/a
P2599	211/12b	100.0		n/a
Malaysia production and development				
PM8/Seligi[7]	PM8 Extension	50.0	Seligi, North & South Raya, Lawang, Langat, Yong & Serudon	see note 8 50.0
PM409 PSC	PM409	85.0	Kecubung, Tinggi Timur, Payung, NW Pinang, Tg. Pulai, Ophir	n/a

Notes:
1 BP is entitled to 37.5% of free cash flow from the assets subject to the terms of the transaction documents between BP and EnQuest
2 BP has retained the decommissioning liability in respect of the existing Magnus wells and infrastructure. EnQuest will pay BP additional deferred consideration by reference to 30% of BP's actual decommissioning costs on an after-tax basis, which EnQuest estimates will result in a payment equivalent to approximately 9% of the gross estimated decommissioning costs. The additional consideration payable is capped at the amount of cumulative positive cash flows received by EnQuest from Magnus, SVT and the associated infrastructure assets
3 Unsanctioned – no decommissioning liability currently realised
4 Non-operated
5 EnQuest is liable for the decommissioning costs associated with investment since it assumed operatorship, with the balance remaining with the former owners. Following the exercise of the Thistle decommissioning options in January and October 2018, EnQuest will undertake the management of the physical decommissioning of Thistle and Deveron and is liable to make payments to BP by reference to 7.5% of BP's decommissioning costs of Thistle and Deveron, which equates to 6.1% of the gross decommissioning costs
6 Licence areas relinquished on 13 January 2022
7 Official reference PM-8 Extension PSC, commonly referred to elsewhere as PM8/Seligi
8 EnQuest is liable for legacy (pre-2014) Seligi petroleum facilities decommissioning of 1.8% of the actual decommissioning cost during the PSC term. For newly installed petroleum facilities, EnQuest is liable in line with working interest. Decommissioning costs will be drawn down from the abandonment cess fund

Strong cash generation

All figures quoted are in US Dollars and relate to Business performance unless otherwise stated. Please note the below overview includes restated comparatives. See note 2 for further details.

The Group made good progress on its strategic aims during 2021. Supported by higher oil prices and capital discipline, EnQuest generated strong free cash flow of $396.8 million, up 88.5% compared to 2020, which, along with the signing of a new senior secured credit facility ('RBL'), enabled the Group to simplify its capital structure, facilitate the Golden Eagle acquisition and reduce overall net debt.

Production on a working interest basis decreased by 24.9% to 44,415 Boepd, compared to 59,116 Boepd in 2020. High uptime at Kraken, the contribution from Golden Eagle and the accelerated recovery of wells at PM8/Seligi was offset by underperformance at Magnus.

Revenue for 2021 was $1,320.3 million, 54.4% higher than in 2020 ($855.1 million) reflecting the materially higher realised prices partially offset by lower volumes. The Group's commodity hedge programme resulted in realised losses of $67.7 million in 2021 (2020: losses of $6.1 million). See note 27 for further information on the Group's hedging programmes.

The Group's operating expenditures of $321.0 million were marginally lower than 2020 ($328.6 million), although unit operating costs (excluding hedging) increased to $20.5/Boe (2020: $15.2/Boe) reflecting lower production.

Other costs of operations of $211.5 million were materially higher than in 2020 ($53.5 million), principally as a result of higher Magnus-related third-party gas purchases following the increase in associated market prices.

With the Group moving into an overlift position during the year, a charge relating to the Group's lifting position and inventory of $62.3 million was recognised (2020: credit of $34.8 million).

Adjusted EBITDA for 2021 was $742.9 million, up 34.9% compared to 2020 ($550.6 million), primarily as a result of higher revenue.

	2021 $ million	2020 $ million
Profit/(loss) from operations before tax and finance income/(costs)	**443.2**	(20.0)
Depletion and depreciation	**313.1**	445.9
Change in provisions	**(13.1)**	95.2
Change in well inventories	**0.1**	24.9
Net foreign exchange (gain)/loss	**(0.4)**	4.6
Adjusted EBITDA	**742.9**	550.6

EnQuest's net debt decreased by $57.7 million to $1,222.0 million at 31 December 2021 (31 December 2020: $1,279.7 million). This includes $225.0 million of payment in kind ('PIK') interest that has been capitalised to the principal of the facilities pursuant to the terms of the Group's November 2016 refinancing (31 December 2020: $205.8 million) (see note 18 for further details).

	Net debt/(cash)[1]	
	31 December 2021 $ million	31 December 2020 $ million
Bonds	**1,083.8**	1,048.3
Multi-currency revolving credit facility ('RCF')	**–**	377.3
Sculptor Capital facility	**–**	67.7
Senior secured debt facility ('RBL')	**415.0**	–
SVT working capital facility	**9.9**	9.2
Cash and cash equivalents	**(286.7)**	(222.8)
Net debt	**1,222.0**	1,279.7

Note:
1 See reconciliation of net debt within the 'Glossary – Non-GAAP measures' starting on page 170

In June, the Group announced that it had signed a new RBL of $600.0 million with an additional amount of $150.0 million for letters of credit for up to seven years, subject to the timing of the refinancing of the bonds. Also in June, the Group repaid the outstanding principal and interest on the Sculptor Capital facility from free cash flow.

Jonathan Swinney
Chief Financial Officer

In July 2021, $360.0 million was drawn down from the Group's new RBL facility. The proceeds were used to repay the entire outstanding balance on the RCF, which at the time of repayment was $354.5 million, including PIK and accrued interest. Also in July, $58.7 million, representing the full amount of the outstanding principal and interest on the Magnus vendor loan, was repaid and the Group successfully completed an equity raise with net proceeds of $47.2 million.

In October 2021 and following shareholder approval of the Golden Eagle acquisition, a further $125.0 million was drawn down against the RBL, partially to fund the $249.7 million cash consideration.

In December 2021, EnQuest made a voluntary early repayment of $70.0 million on the RBL, with further early voluntary repayments totalling $85.3 million made in the first quarter of 2022.

The Group continues to have unrestricted access to its UK North Sea corporate tax losses, subject only to generating suitable future profits, which at the end of the year decreased to $3,011.0 million (2020: $3,183.9 million). The Group paid cash corporate income tax following the acquisition of Golden Eagle by the Group and on the Malaysian assets, which will continue throughout the life of the Production Sharing Contract. In the current environment, no significant corporation tax or supplementary charge is expected to be paid on UK operational activities for the foreseeable future.

> "The Group made good progress on its strategic aims during the year, generating material free cash flow, acquiring the Golden Eagle asset and reducing net debt."
>
> Jonathan Swinney
> Chief Financial Officer

Income statement

Revenue

On average, market prices for crude oil in 2021 were significantly higher than in 2020. The Group's average realised oil price excluding the impact of hedging was $73.0/bbl, 75.5% higher than in 2020 ($41.6/bbl). Revenue is predominantly derived from crude oil sales, which totalled $1,139.2 million, 46.1% higher than in 2020 ($779.9 million), reflecting the significantly higher oil prices, offset by lower production. Revenue from the sale of condensate and gas, primarily in relation to the onward sale of third-party gas purchases not required for injection activities at Magnus, was $244.1 million (2020: $60.5 million), as a result of the significantly higher gas prices. Tariffs and other income generated $4.7 million (2020: $20.8 million). The Group's commodity hedges and other oil derivatives contributed $67.7 million of realised losses (2020: losses of $6.1 million). The Group's average realised oil price including the impact of hedging was $68.6/bbl in 2021, 66.4% higher than 2020 ($41.3/bbl).

Note: For the reconciliation of realised oil prices see 'Glossary – Non-GAAP measures' starting on page 170

Cost of sales[1]

	2021 $ million	2020 $ million
Production costs	**292.3**	265.5
Tariff and transportation expenses	**39.4**	63.7
Realised (gain)/loss on derivatives related to operating costs	**(10.7)**	(0.6)
Operating costs	**321.0**	328.6
(Credit)/charge relating to the Group's lifting position and inventory	**62.3**	(34.8)
Depletion of oil and gas assets	**305.6**	438.2
Other cost of operations	**211.5**	53.5
Cost of sales	**900.4**	785.5
Unit operating cost[2]	**$/Boe**	$/Boe
– Production costs	**18.1**	12.3
– Tariff and transportation expenses	**2.4**	2.9
Average unit operating cost	**20.5**	15.2

Notes:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 170
2 Calculated on a working interest basis

Cost of sales were $900.4 million for the year ended 31 December 2021, 14.6% higher than in 2020 ($785.5 million).

Operating costs decreased by $7.6 million, primarily reflecting reduced tariff and transportation costs due to lower production in 2021. This was largely offset by higher production costs driven by materially higher emission allowances costs, lower lease charter credits reflecting higher uptime at Kraken as a result of the continued strong performance of the FPSO, and remediation costs at Magnus. Unit operating costs (excluding hedging) increased by 34.9% to $20.5/Boe (2020: $15.2/Boe), reflecting lower production. Unit operating costs including hedging were $19.8/Boe (2020: $15.2/Boe).

The charge relating to the Group's lifting position and inventory was $62.3 million (2020: credit of $34.8 million). This reflects a switch to an $18.0 million net overlift position at 31 December 2021 from a $3.0 million net underlift position at 31 December 2020. The charge for the year is also impacted by the post-acquisition revaluation of the underlift position at Golden Eagle. Depletion expense of $305.6 million was 30.3% lower than in 2020 ($438.2 million), mainly reflecting lower production.

Other cost of operations of $211.5 million were materially higher than in 2020 ($53.5 million), principally as a result of higher Magnus-related third-party gas purchase cost following the increase in associated market prices, offset by a partial release of the inventory provision.

Other income and expenses
Net other income of $23.7 million (2020: net other expense of $85.3 million) is primarily due to a net decrease of $13.1 million related to the decommissioning provision of the fully impaired non-producing assets.

Finance costs
Finance costs of $169.5 million were 5.7% lower than in 2020 ($179.8 million). This decrease was primarily due to a reduction of $12.6 million in interest charges associated with the Group's loans (2021: $20.2 million; 2020: $32.8 million) and a $4.4 million decrease in bond interest (2021: $69.1 million; 2020: $73.5 million). Other finance costs included lease liability interest of $45.4 million (2020: $50.9 million), $16.9 million on unwinding of discount on decommissioning and other provisions (2020: $15.3 million), $13.6 million amortisation of arrangement fees for financing facilities and bonds, reflecting the accelerated amortisation of the Sculptor Capital facility fees and the fees associated with the Group's RBL facility (2020: $5.4 million) and other financial expenses of $4.3 million (2020: $2.0 million), primarily being the cost for surety bonds to provide security for decommissioning liabilities.

Taxation
The tax charge for 2021 of $53.7 million (2020: $172.5 million tax credit), excluding remeasurements and exceptional items, is mainly due to the taxable profits generated in the year exceeding the Ring Fence Expenditure Supplement ('RFES') on UK activities generated in the year.

Remeasurements and exceptional items
Remeasurements and exceptional items resulting in a post-tax net gain of $156.7 million have been disclosed separately for the year ended 31 December 2021 (2020: loss of $443.8 million).

Revenue included unrealised losses of $54.5 million in respect of the mark-to-market movement on the Group's commodity contracts (2020: unrealised gains of $8.8 million). Cost of sales included expenses of $7.3 million in relation to a provision for a contract dispute with a third-party contractor.

Non-cash net impairment reversal of $39.7 million (2020: $422.5 million charge) on the Group's oil and gas assets arises from an increase in the near and medium-term oil price and updated asset profiles.

Other income included a $140.1 million gain in relation to the fair value recalculation of the Magnus contingent consideration reflecting a forecast reduction in Magnus future cash flows (2020: $138.2 million gain). Other finance costs mainly relate to the unwinding of contingent consideration from the acquisition of Magnus and associated infrastructure and interest charged on the vendor loan of $58.4 million (2020: $77.3 million).

A net tax credit of $78.2 million (2020: charge of $76.4 million) has been presented as exceptional, representing the non-cash recognition of undiscounted deferred tax assets of $104.5 million given the Group's acquisition of Golden Eagle and the Group's higher oil price assumptions, partially offset by the tax impact of the remeasurements and exceptional items. EnQuest continues to have unrestricted access to its UK North Sea corporate tax losses of $3,011.0 million at 31 December 2021, subject only to generating suitable future profits.

IFRS results
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 Remeasurements and exceptional items, both of which are explained above.

IFRS revenue reflects Business performance revenue, but it is adjusted for the impact of unrealised movements on derivative commodity contracts. Business performance cost of sales is similarly adjusted for the impact of unrealised movements on derivative contracts, together with various exceptional provisions as noted previously. Taking account of these items, and the other exceptional items included within the Group income statement which are principally related to impairment charges and the change in fair value of contingent consideration payable, the Group's IFRS profit from operations before tax and finance costs was $580.0 million (2020: loss of $310.1 million), IFRS profit before tax was $352.4 million (2020: loss of $566.0 million), and IFRS profit after tax of $377.0 million (2020: loss of $469.9 million).

Earnings per share
The Group's Business performance basic earnings per share was 12.7 cents (2020 loss per share: 1.6 cents) and diluted earnings per share was 12.5 cents (2020 loss per share: 1.6 cents).

The Group's reported basic earnings per share was 21.7 cents (2020 loss per share: 29.0 cents) and reported diluted earnings per share was 21.4 cents (2020 loss per share: 29.0 cents).

Cash flow and liquidity

Net debt at 31 December 2021 amounted to $1,222.0 million, including PIK of $225.0 million, compared with net debt of $1,279.7 million at 31 December 2020, including PIK of $205.8 million. The movement in net debt was as follows:

	$ million
Net debt 1 January 2021	**(1,279.7)**
Net cash flows from operating activities	674.1
Cash capital expenditure	(51.8)
Acquisition costs	(258.6)
Repayments on Magnus financing and profit share	(74.7)
Finance lease payments	(136.7)
Net interest and finance costs paid	(62.8)
Non-cash capitalisation of interest	(36.4)
Fees related to the RBL facility	(29.1)
Net equity raise proceeds	47.2
Other movements	(13.5)
Net debt 31 December 2021[1]	**(1,222.0)**

Note:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 170

The Group's reported net cash flows from operating activities for the year ended 31 December 2021 were $674.1 million, up 29.3% compared to 2020 ($521.4 million). The main drivers for this increase were materially higher oil revenue offset by lower production and increased decommissioning spend.

Cash outflow on capital expenditure is set out in the table below:

	Year ended 31 December 2021 $ million	Year ended 31 December 2020 $ million
North Sea	**35.9**	127.0
Malaysia	**14.8**	4.4
Exploration and evaluation	**1.1**	–
	51.8	131.4

Cash capital expenditure in 2021 primarily related to Magnus production enhancement campaigns and the PM8/Seligi pipeline replacement.

Balance sheet

The Group's total asset value has increased by $503.0 million to $4,365.6 million at 31 December 2021 (2020: $3,862.6 million), mainly due to the acquisition of Golden Eagle and an increase in trade and other receivables. Net current liabilities have decreased to $333.1 million as at 31 December 2021 (2020: $536.9 million). Included in the Group's net current liabilities are $30.5 million of estimated future obligations where settlement is subject to the financial performance of Magnus (2020: $73.9 million).

Property, plant and equipment ('PP&E')

PP&E has increased by $188.1 million to $2,822.0 million at 31 December 2021 from $2,633.9 million at 31 December 2020 (see note 10). This increase encompasses the Golden Eagle asset acquisition of $386.2 million, other capital additions to PP&E of $80.7 million, and non-cash net impairment reversals of $39.7 million, offset by depletion and depreciation charges of $313.0 million and a net decrease of $2.7 million for changes in estimates for decommissioning and other provisions.

The PP&E capital additions during the year, including capitalised interest, are set out in the table below:

	$ million
North Sea	**449.5**
Malaysia	**17.4**
	466.9

Trade and other receivables

Trade and other receivables increased by $177.4 million to $296.1 million at 31 December 2021 (2020: $118.7 million). The increase is mainly attributable to the timing of receipts for cargoes lifted in December and the impact of gas prices on accrued gas sales.

Cash and net debt

The Group had $286.7 million of cash and cash equivalents at 31 December 2021 and $1,222.0 million of net debt, including PIK of $225.0 million (2020: $222.8 million, $1,279.7 million and $214.2 million, respectively).

Net debt comprises the following liabilities:

- $256.2 million principal outstanding on the £155.0 million retail bond, including interest capitalised as PIK of $47.9 million (2020: $249.2 million and $39.4 million, respectively);
- $827.2 million principal outstanding on the high yield bond, including interest capitalised as PIK of $177.2 million (2020: $799.2 million and $149.2 million, respectively);
- $415.0 million drawn down on the RBL (2020: $377.3 million of the RCF, comprising amounts drawn down of $360.0 million and interest capitalised as PIK of $17.3 million); and
- $9.9 million relating to the SVT working capital facility (2020: $9.2 million).

Provisions

The Group's decommissioning provision increased by $57.5 million to $835.7 million at 31 December 2021 (2020: $778.2 million). The movement is due to $119.3 million of additions relating to the Golden Eagle acquisition and $15.9 million unwinding of discount, partially offset by utilisation of $55.6 million for decommissioning carried out in the year and a reduction in estimates of $22.1 million.

Other provisions, including the Thistle decommissioning provision, decreased by $3.0 million in 2021 to $59.2 million (2020: $62.2 million). The Thistle decommissioning provision of $43.9 million (2020: $53.1 million) is in relation to EnQuest's obligation to make payments to BP by reference to 7.5% of BP's decommissioning costs of the Thistle and Deveron fields.

Contingent consideration

The contingent consideration related to the Magnus acquisition decreased by $156.7 million. In 2021, EnQuest paid $75.0 million to BP (2020: $74.0 million), which included the early repayment of the entire $74.7 million outstanding balance (including interest) of the 75% interest vendor loan. A change in fair value estimate credit of $140.1 million (2020: $138.2 million) and finance costs of $58.4 million (2020: $77.3 million) were recognised in the year.

The Group recognised $44.7 million contingent consideration payable associated with the acquisition of Golden Eagle which completed in October 2021. The balance increased to $45.2 million at 31 December 2021.

Income tax

The Group had a net income tax payable of $3.6 million (2020: $5.6 million receivable) related to the net of corporate income tax on Malaysian assets and North Sea Research and Development Expenditure Credits.

Deferred tax

The Group's net deferred tax asset has increased from $653.4 million at 31 December 2020 to $699.6 million at 31 December 2021. This is driven by non-cash recognition of undiscounted deferred tax assets due to increased future taxable profits following the acquisition of Golden Eagle. EnQuest continues to have unrestricted access to its UK corporate tax losses carried forward at 31 December 2021 amounting to $3,011.0 million (31 December 2020: $3,189.9 million), subject only to generating suitable future profits. During the year the Group restated the 2020 deferred tax asset position, see note 2 for further details.

Trade and other payables

Trade and other payables of $420.5 million at 31 December 2021 are $165.4 million higher than at 31 December 2020 ($255.2 million). The full balance of $420.5 million is payable within one year. This increase is driven by the increase in the Group's overlift position and the impact of higher market prices on UK emission allowances and Magnus-related gas purchases.

Financial risk management

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. The disclosures in relation to financial risk management objectives and policies, including the policy for hedging, and the disclosures in relation to exposure to oil price, foreign currency and credit and liquidity risk, are included in note 27 of the financial statements.

Going concern disclosure

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.

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% 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 breakeven 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.

Viability statement

The Directors have assessed the viability of the Group over a three-year period to March 2025. The viability assumptions are consistent with the going concern assessment, with the additional inclusion of an oil price of $70.0/bbl for the remainder of 2023 and 2024, a longer-term price of $60.0/bbl from 2025 and refinancing of both the High Yield and Retail Bonds in the second quarter of 2023. This assessment has taken into account the Group's financial position as at March 2022, its future projections and the Group's principal risks and uncertainties. The Directors' approach to risk management, their assessment of the Group's principal risks and uncertainties, which includes potential impacts from climate change concerns and related regulatory developments, and the actions management are taking to mitigate these risks are outlined on pages 42 to 53. The period of three years is deemed appropriate as it is the time horizon across which management constructs a detailed plan against which business performance is measured and includes the maturation of both its High Yield and Retail bonds. Based on the Group's projections, including refinancing of both the High Yield and Retail bonds, the Directors have a reasonable expectation that the Group can continue in operation and meet its liabilities as they fall due over the period to March 2025.

The Base Case has further been stress tested to understand the impact on the Group's liquidity and financial position of reasonably possible changes in these risks and/or assumptions.

For the current assessment, the Directors also draw attention to the specific principal risks and uncertainties (and mitigants) identified below, which, individually or collectively, could have a material impact on the Group's viability during the period of review. In forming this view, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. The impact of these risks and uncertainties has been reviewed on both an individual and combined basis by the Directors, while considering the effectiveness and achievability of potential mitigating actions.

Oil price volatility

A decline in oil prices would adversely affect the Group's operations and financial condition. To mitigate oil price volatility, the Directors have hedged a total of 8.6 MMbbls for 2022 primarily using costless collars, with an average floor price of c.$63.0/bbl and an average ceiling price of c.$77.9/bbl. For 2023, the Group has hedged a total of 3.5 MMbbls with an average floor price of c.$57.5/bbl and an average ceiling of c.$77.1/bbl. The Directors, in line with Group policy and the terms of its RBL facility, will continue to pursue hedging at the appropriate time and price.

Access to funding

Prolonged low oil prices, cost increases and production delays or outages could threaten the Group's liquidity and/or ability to refinance the bonds.

The maturity date of the existing $827 million High Yield Bond and the £190 million Retail Bonds (both figures at year end 2021) is October 2023. The application of the current amortisation schedule on the RBL ensures this is fully repaid by June 2023. In assessing viability, the Directors recognise that refinancing would be required at or before the maturity date of the bonds and believe this would be achievable subject to market conditions at that time. Under the Base Case oil price assumptions outlined above, the total amount of the High Yield Bond and Retail Bonds outstanding at October 2023 would be unchanged from year end 2021, as interest is payable in cash if 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 $65.0/bbl. If oil prices were to be lower than the Group's assumptions, then a refinancing may require asset sales or other financing or funding options.

Notwithstanding the principal risks and uncertainties described above, after making 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 can continue in operation and meet its commitments as they fall due over the viability period ending March 2025. Accordingly, the Directors therefore support this viability statement.

Jonathan Swinney
Chief Financial Officer

Environmental, Social and Governance

An accountable and responsible approach

Environmental, Social and Governance ('ESG') factors continue to grow in importance for companies, reflecting the focus on company purpose, widespread concerns about climate change, the importance of stakeholder considerations and the emphasis on long-term value enhancement. The identification, measurement and management of relevant ESG factors enables companies to demonstrate they are operating in a responsible and sustainable manner. EnQuest has reviewed the extensive ESG landscape and identified those factors which are relevant and applicable to its purpose and business model, ensuring its approach is clear, appropriate and easily understood by its stakeholders.

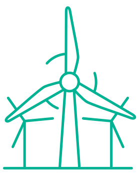
As a responsible oil and gas company, EnQuest recognises the need for a social licence to operate. Since its inception, EnQuest has prioritised SAFE Results, with no harm to people and respect for the environment. This respect for the environment includes climate change and emissions reductions, which are clear areas of focus for the Group. EnQuest also recognises the importance of a diverse and inclusive culture in driving Group performance.

> "EnQuest is an oil and gas company, focused on safely improving the operating, financial and environmental performance of assets for the benefit of its stakeholders."

As such, the Group's core ESG areas of focus are: health and safety, including asset integrity; the pursuit of emission reduction opportunities in order to contribute positively towards the achievement of national emissions targets; looking after our people and positively impacting the communities in which we operate; and upholding our robust risk management framework while acting with the highest standards of integrity in all that we do. Performance against specific ESG factors is also included in Executive Director and applicable employee short-term and long-term reward schemes, with various Board Committees having responsibility for monitoring the Group's progress against these objectives (see pages 65 to 66 for more information).

ENQUEST'S ESG FOCUS AREAS

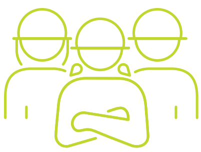
Environmental



- Committed to contributing positively towards the drive to net-zero
- Focused on absolute Scope 1 and 2 emission reductions in existing and acquired assets; three-year Group target linked to reward
- Incorporates carbon costs into investment evaluations

Read more
See pages 34 to 35

Social



- SAFE Results with no harm to our people and respect for the environment remains a key priority
- Recognises our people are critical to EnQuest's success
- Committed to operating with a strong culture and Values, in line with the Group's purpose
- Committed to improving workforce diversity and inclusion
- Aim to impact positively the communities in which we operate

Read more
See pages 36 to 41

Governance

- Committed to operating with high standards of integrity in line with the Group's Code of Conduct
- Apply the Group's established risk management framework and operate within the Board-approved statement of risk appetite
- Reward is linked to ESG performance

Read more
See pages 42 to 57

Aerial view of the Sullom Voe Terminal

Thistle Decommissioning team member makes maintenance checks

Group non-financial information statement

The following information is prepared in accordance with Section 414CB(1) of the Companies Act 2006. Further information on each of the areas set out below, including the Group's policies where relevant, can be found in the following pages of this section of the report. The Group's key performance indicators can be found on page 03.

Environment (see pages 34 to 35, and 55 to 57)

- EnQuest's priority is delivering SAFE Results, with no harm to our people and respect for the environment
- Our Environmental Management System ensures our activities are conducted in such a way that we manage and mitigate our impact on the environment, which includes permitted hydrocarbon releases and discharges. Non-compliant releases and discharges from the Group's operations carry adverse reputational, financial and other consequences
- EnQuest recognises that industry, alongside other key stakeholders such as governments, regulators and consumers, must contribute to reducing the impact on climate change of carbon-related emissions. The Group focuses on absolute Scope 1 and 2 emission reductions. At present, EnQuest does not record Scope 3 emissions given the complexity and scope of EnQuest's value chain
- EnQuest has reported on all of the emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013
- The Group continues to evolve its disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures

Our people (see pages 40 to 41)

- We are committed to ensuring that EnQuest is a great place to work
- Employee engagement and wellbeing were key focus areas throughout 2021 as the Group adjusted its ways of working in response to the ongoing COVID-19 pandemic, continuing to inform and support colleagues working in offshore and onshore environments. The Group has adopted a flexible working approach onshore to promote strong productivity and business performance facilitated by an engaged workforce
- EnQuest remains committed to improving workforce diversity and inclusion ('D&I'), with the D&I strategy embedded in the overall strategy of the business. Diversity-related targets have been set in relation to women and ethnic minorities achieving senior management and executive leadership roles by 2025. In addition, EnQuest was short-listed as a finalist for the OEUK's Diversity & Inclusion Awards for the commitment it has shown in this important area

Community (see page 39)

- EnQuest is fully committed to active community engagement programmes and encourages and supports charitable donations in the areas of improving health, education and welfare within the communities in which it works
- Throughout 2021, the Group continued to provide support to a wide range of local organisations and communities in the UK
- Despite the pandemic-related restrictions in Malaysia, our teams were able to support an active programme of local community initiatives and charities alongside ongoing sponsorship programmes for internships and university students
- In addition, EnQuest has continued to partner with the Institute of Chemical Engineers to offer accreditation of the Universiti Kebangsaan Malaysia Chemical and Process Engineering Programme

Business conduct (see page 54)

- The Group has a Code of Conduct that sets out the behaviour which the organisation expects of its Directors, managers and employees, and of our suppliers, contractors, agents and partners
- This code addresses the Group's requirements in a number of areas, including the importance of health and safety and environmental protection, compliance with applicable law, anti-corruption, anti-facilitation of tax evasion, anti-slavery, addressing conflicts of interest, ensuring equal opportunities, combatting bullying and harassment and the protection of privacy

Environmental

Managing emissions from existing operations and advancing new energy opportunities.

A responsible operator with a strong culture and management framework

At the core of EnQuest's Values is SAFE Results with no harm to people and respect for the environment. As an oil and gas company, safely improving the operating, financial and environmental performance of mature and late-life assets remains a key focus. EnQuest recognises the importance of good governance and transparency in relation to climate change and, the Group's reporting against the Task Force on Climate-related Financial Disclosure recommendations can be found on pages 55 to 57. In addition, the Group outlines its assessment of associated potential risks to the execution of its strategy within the risks and uncertainties section of this report (see page 45).

EnQuest's Environmental Management System ('EMS') ensures the Group's activities are undertaken in such a way that it manages and mitigates its impact on the environment. The EMS meets the requirements of the OSPAR recommendation 2003/5, is aligned with the requirements of the International Organisation for Standardisation's environmental management system standard – ISO 14001 – and is independently verified every two years. In the UK, the Group publishes its annual Environmental Statement in line with the regulatory requirement under the OSPAR recommendation 2003/5 (see the Environmental, Social and Governance section on the Group's website, www.enquest.com). These statements are an open and transparent representation of EnQuest's environmental performance across all its UK offshore operations. In Malaysia, environmental management and reporting is undertaken through PETRONAS Malaysia Petroleum Management ('MPM') and addressed as part of the EnQuest Malaysia Management System and in line with ISO 14001.

The Group has been a member of Oil Spill Response Limited and the Petroleum Industry of Malaysia Mutual Aid Group for several years and remains a supporter of Shetland Oil Terminal Environmental Advisory Group.

"The Infrastructure and New Energy business is responsible for delivering the Group's emission reduction objectives through optimising performance of existing assets and advancing renewable energy and decarbonisation opportunities."

Salman Malik
Managing Director,
Infrastructure and New Energy

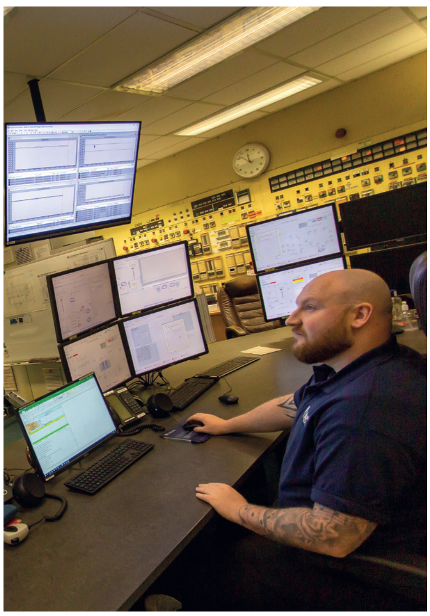
Lowering CO_2e emissions through the energy transition

EnQuest recognises that industry, alongside other key stakeholders such as governments, regulators and consumers, must contribute to reducing the impact on climate change of carbon-related emissions. The Group is committed to playing its part in the achievement of national emissions reduction targets and the drive to 'net-zero', with the Infrastructure and New Energy business having overall responsibility for delivering the Group's emission reduction objectives.

EnQuest believes a measured approach to absolute Scope 1 and 2 emissions reductions, which involves credible targets and the pursuit of economic emission reduction opportunities, is appropriate for its existing operated asset base. At present, EnQuest does not record Scope 3 emissions given the complexity and scope of EnQuest's value chain. For the longer term, the Infrastructure and New Energy business is advancing renewable energy and decarbonisation opportunities (see page 22 for more information).

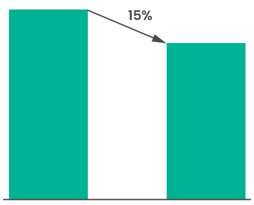
A clear target for the existing portfolio linked to reward

In 2021, the Group set a target of reducing its absolute Scope 1 and 2 CO_2 equivalent emissions by 10% by 2023. This target is a key performance metric in the Group's 2021 long-term incentive scheme for Executive Directors and applicable

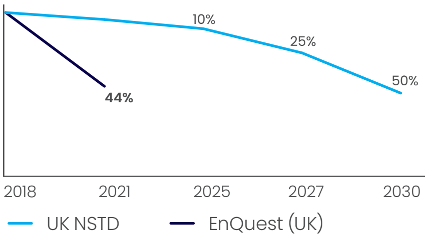


Excellent emissions reduction performance

Group emissions reduction



UK NSTD emission reduction targets



Reduction in Group Scope 1 and 2 emissions

15%

vs 2020 baseline

Reduction in UK Scope 1 and 2 emissions

44%

vs 2018 NSTD baseline

1 $kgCO_2e/bbl$ = kilograms of CO_2 equivalent per produced barrel
2 Based on the University of Calgary PRELIM model recognised by California Air Resources Board, US Energy Tech. Laboratory, US DOE Office of Energy Efficiency and Renewable Energy, Carnegie Endowment for International Peace and the US Environmental Protection Agency

employees and is linked to appropriate targets within the Group's short-term incentive plan. Improving the Group's environmental performance is an ongoing process and, as such, workforce engagement and development of technological improvements will continue to ensure economically viable emissions reduction initiatives across the Group are identified and implemented.

Significant reductions achieved

The Group has made good progress in reducing its absolute Scope 1 and 2 emissions during the year, with CO_2 equivalent emissions reduced by 14.7%, reflecting operational improvements and increased workforce awareness primarily driving lower flaring and diesel usage. Since 2018, UK emissions have reduced by 43.5%, driven by the decisions to cease production at a number of the Group's assets and the reductions achieved in 2021, which is significantly ahead of the UK Government's North Sea Transition Deal target of achieving a 10% reduction in Scope 1 and 2 CO_2 equivalent emissions by 2025.

In addition to reducing upstream-related emissions, the Group has continued to optimise sales of Kraken cargoes directly to the shipping fuel market, thereby avoiding the significant emissions related to refining – estimated to be c.32–36$kgCO_2e/bbl$[1,2] for a typical North Sea crude and helping to reduce sulphur emissions in accordance with the International Maritime Organisation ('IMO') 2020 regulations.

Looking to the future

As majors and other operators continue to shift their focus from mature basins within various geographies, it is expected there will be further opportunities for the Group to access additional oil and gas resources. However, time and careful consideration will be taken to find the right opportunities where EnQuest can deliver incremental emission reductions relative to the carbon footprint in the hands of the seller. The Group also factors in an appropriate associated carbon price into the acquisition economics, even in markets where no carbon trading or pricing mechanism exists. The Group can make a positive contribution towards the future of North Sea oil and gas through doing its part in ensuring that each asset is in the right hands. In Malaysia, the Group continues to limit voluntarily emissions below the regulatory limit.

Emissions management is an important feature during the decommissioning phase of an asset's life-cycle. During this phase, wells will need to be plugged and abandoned, while the production and processing facilities and any relevant infrastructure will need to be removed. Given the extent of this work, it will take place over an extended period and require careful project management. EnQuest's UK Decommissioning directorate will oversee the safe and efficient execution of these work programmes and is committed to delivering them in a responsible manner. This includes minimising emissions and maximising the recycle and reuse of recovered materials. The UK Decommissioning directorate continues to work with a variety of stakeholders to identify creative ways, such as alternative power generation options, in which emissions associated with decommissioning activities can be kept to a minimum.

EnQuest's Infrastructure and New Energy business is assessing renewable energy and decarbonisation opportunities that would leverage the Group's existing infrastructure at the SVT. The Group is working with the Shetland Islands Council, Project ORION, the Net Zero Technology Centre ('NZTC') and other stakeholders on initiatives focused on carbon capture and storage, renewable electricity and hydrogen.

EnQuest continues to engage with entities such as Offshore Energies UK, the NZTC and the North Sea Transition Authority, to better understand how it can contribute further to the industry approach to achieving net-zero, whilst remaining aligned with EnQuest's strategy and Values.

Atmospheric emissions

The Group seeks to use energy efficiently within its facilities for extracting, processing and exporting oil and gas, continually looking to identify opportunities that may reduce emissions from its operations.

> **"Managing existing assets in a responsible and sustainable manner is a key part of the energy transition."**
>
> **Salman Malik**
> Managing Director, Infrastructure and New Energy

Social

Our culture defines how we approach safety and ensures that our people, our most important asset, go home safe and well.

Health and safety

Underpinning the Group's licence to operate is its health and safety performance. As such, the Group's priority is to deliver SAFE Results without compromising its standards to meet other business objectives. To achieve this, the business is managed in accordance with the Group-wide Health, Safety, Environment and Assurance ('HSEA') policy, the key components of which can be found on the Group's website, www.enquest.com, under Environmental, Social and Governance.

Culture

Safety is at the heart of EnQuest's Values. The Group undertakes continuous improvement activities in support of the delivery of SAFE behaviours aligned to four key pillars of:

- Standards - following rules and procedures;
- Awareness - understanding the hazards and controls;
- Fairness - adopting the correct behaviours; and
- Engagement - communicating effectively.

The outcome of continuous improvement activities is to ensure that the Group's health and safety culture continues to grow with a focus on the prevention of personal injuries, dangerous occurrences and hydrocarbon releases.

During 2021, a Group-wide asset integrity review was undertaken. The purpose of this review was to look at the way asset integrity is managed from a people, plant, process and technology perspective in order to identify strengths and opportunities for improvement. The asset integrity review has had independent input with a focus on how EnQuest manages risk, allocate resources and deliver via capable and competent people. The outcome is an improved approach to asset integrity from a visibility and cost allocation perspective allowing for improved risk-based decision making.

"SAFE behaviours are fundamental to our safety culture and contribute to the delivery of SAFE Results. These behaviours map across all areas of health, safety, environment and assurance to ensure that we contribute positively to the business goals."

Peter Hepburn
HSEA Director

The uncertainty and challenge of operating in an environment impacted by COVID-19 continued into 2021, with the Group experiencing some impacts to operations reflecting both the availability of personnel and the necessary actions to ensure a safe operating environment is maintained. The Group's proactive approach in providing practical support and guidance to its offshore and onshore workforce, following best practice and government and industry policy has, however, minimised the risk in relation to the health and safety of its people.

The Group's health and safety performance has continued to be strong from a leading and lagging perspective and there has been further development of the continuous improvement culture.

Several other activities have been undertaken in 2021 that will enable further health and safety culture enhancements:

- Development of a Group-wide process safety management policy signed by the Chief Executive and Managing Directors, supported by leadership training by the Institute of Chemical Engineers;
- An HSEA capability review across the North Sea and Malaysia to align HSEA support across the Group to allow for future career development and HSEA process synergies;
- Continued to contribute positively to the industry organisations Offshore Energies UK and Step Change in Safety; and

A visit from decommissioning partners on the Thistle platform

Environmental, Social and Governance continued

Top-quartile LTI frequency[1] performance

0.21

Reportable hydrocarbon releases across the Group

2

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

- Exceeded the target for site safety-leadership visits, a leading safety indicator, for both physical and virtual engagement, while also seeing a reduction in high risk safety and environmental critical element repair orders, which has lowered the risk profile across the Group.

During 2021, the Group highlighted the emphasis it places on maintaining a strong safety culture through the presentation of two SAFE Results 'Values awards' and two safety observation card awards at Global Town Hall events.

Health

During 2021, the Group's approach to COVID-19, developed upon the principles of safety and welfare of people and security of supply, has continued to evolve, receiving positive comments from regulatory bodies and from those within the EnQuest supply chain. The controls continue to be reviewed and, as such, there is a high level of resilience in relation to minimising the impact of COVID-19.

With many of the onshore team working from home during 2021, the health and wellbeing of the EnQuest workforce has continued to be a focus area, with various initiatives focused on both physical and mental health being successfully delivered (see pages 40 to 41 for more information).

Personal safety

Despite the challenges and uncertainties of 2021 and managing late-life assets through production operations and decommissioning activities, the Group's Lost Time Incident ('LTI') performance remained relatively stable, with a Group LTI frequency[1] of 0.21 (2020: 0.22). Various notable milestones were achieved across the Group's asset base:

- The UK North Sea recorded an LTI frequency rate of zero against a United Kingdom Continental Shelf benchmark of 1.45 and an International Association of Oil and Gas Producers benchmark of 0.22, placing the business' performance in the upper quartile;
- One lost time injury was reported across the Group against a backdrop of 4,805,492 million hours worked; and
- Our team at Kittiwake recorded 16 years LTI free.

Process safety

Process safety has been a focus in 2021 with a drive to bring design and engineering, asset integrity and operating integrity collectively under the title of process safety. In conjunction with the asset integrity review, there has been progress achieved in risk review processes, such as the automation of the major accident hazard barrier model, allowing for the extraction of real time inspection and maintenance data. This has been further supported by a focus at the monthly asset Process Safety Review and Improvement Boards to generate open and transparent discussions about key threats and control arrangements:

- For those assets in a decommissioning phase and not processing hydrocarbons, asset integrity is being assured to deliver safe decommissioning activities, while the management of safety-critical repair orders is being tailored to reflect the specific circumstances of each asset;
- HSEA systems have continued to be reviewed and the use of data visualisation tools is better informing HSEA performance and ensuring that any response to changing HSEA processes is supported by reliable data sources taken from automated systems;
- The adoption of a learning team approach has allowed for similar HSE events to be investigated in a way that quickly identifies learnings and increases the understanding of the event to a wider audience, preventing recurrence of similar HSE events;
- In both Malaysia and the UK, regulator interaction continues in an open and transparent manner, allowing for collaboration on key issues; and
- Reportable hydrocarbon releases across UK operated assets decreased to one in 2021 (2020: four; 2019: 11), with those in Malaysia also decreasing to one in 2021 (2020: two; 2019: five).

At SVT, two improvement notices were issued by the Health and Safety Executive ('HSE') in relation to asset integrity issues in redundant pipework, one of which was closed in-year. At Magnus, the HSE issued two improvement notices in relation to the draining of liquid hydrocarbons and the asset's assurance processes. All improvement notices have already been, or will be, complied with in accordance with the action plans and timelines agreed with the HSE. All of these improvement notices provide the Group with the opportunity to further improve process safety arrangements, prevent future hydrocarbon releases and increase assurance across the Group.

Community

Board committee oversight

In 2021, EnQuest extended the remit of the Remuneration Committee to include social responsibility, covering our external support of charitable works and education initiatives, and the working environment within EnQuest. The Committee will further develop its work in 2022 to establish a more structured approach to budgeting for social and charitable projects as well as developing a set of principles which underpin the experience of employment with EnQuest to better support attracting and retaining the best talent.

As the global COVID-19 pandemic continued to impact communities everywhere, EnQuest maintained its strong commitment to directly support the local communities in which it operates worldwide.

UK

- Offshore and at the Sullom Voe Terminal ('SVT'), charitable donations are linked to strong health and safety performance. Through these schemes, EnQuest was able to donate to a wide variety of charities, including Children's Hospices Across Scotland ('CHAS'), The Scottish Association for Mental Health, rural Scottish health charity, Sandpiper Trust, CLAN Cancer Support, Shetland MS Society, and Shetland Rape Crisis
- SVT owners also sponsored Island events in 2021, including the Shetland Recreational Trust's Outdoor Family Fun day, which provided an opportunity for all families across Shetland to socialise, play and reconnect with others after a challenging and socially isolated year
- Commitment to our two core corporate charities in Aberdeen, Archway's and CLAN Cancer Support, was maintained throughout the year, although our usual activities were necessarily curtailed by the impact of the pandemic
- Separately, EnQuest in Aberdeen supported a wide variety of other charitable causes. These included a remarkably courageous long-time EnQuest contractor and prostate cancer sufferer, Maurice Bevin, in a sponsored walk from Scotland to Cornwall to raise awareness about this disease
- With a lull in the severity of COVID-19 over the summer months, EnQuest was able to offer five internship placements in roles from Upstream to Communications to young student engineers connected to the Association for Black and Minority Ethnic Engineers. This scheme proved very successful, with several participants having successfully found permanent placements in the industry
- The Trustees of the Sullom Voe Terminal Participants' Tenth Anniversary Education Trust, which was established to promote and encourage the education of Shetland residents who will be studying a discipline likely to contribute to the social or economic development of Shetland, sponsored ten educational awards for the academic year 2021/2022. Some of the participants were given the opportunity to spend time on site working on projects for the terminal, providing them with necessary experience to complement the degrees they are pursuing

Malaysia

In Malaysia, we continued to support a very active programme of local community initiatives, charitable donations and educational sponsorship:

- Fundraising by EnQuest staff in Malaysia provided financial support for a number of onshore and offshore staff affected by the monsoon season. The fund was matched in full by EnQuest
- Continued support of the Sungai Pergam Orang Asli Primary School in Terengganu focusing on a student bursary programme entitled 'Love My School'. EnQuest Malaysia has supported the programme since June 2019, providing 70 students with funds to pay for school meals and learning essentials
- Selecting 11 local university students for internship placements in a variety of disciplines, including Operations and HSE, as part of a graduate recruitment process
- Continuing to partner with the Institute of Chemical Engineers ('IChemE') to offer accreditation of the Universiti Kebangsaan Malaysia Chemical and Process Engineering Programme
- Continuing the sponsorship by EnQuest and The Amjad and Suha Bseisu Foundation of six undergraduate students in geology, chemical, mechanical and petroleum engineering from Universiti Malaya and Universiti Teknologi Malaysia
- Collaborating with the Malaysian Institute of Engineers ('IEM') in sponsoring the IEM Science Speak Out 2021, for a STEM (science, technology, engineering and mathematics) public speaking competition in the Selangor and Federal Territory Kuala Lumpur states for children aged between nine and 12 years
- Sponsoring and participating in the programme to replant 380 mangrove trees covering an approximate wetland area of 900m² within the Kuala Selangor Nature Park in collaboration with the Majilis Perbandaran Kuala Selangor (Kuala Selangor Town Hall) and Malaysian Nature Society

Charitable donations in 2021 ($000)

c.184

2025 targets:
Women in leadership and management roles

30%

Ethnic minority representation in Executive leadership roles

15–20%

Our people

Charitable donations in 2021

EnQuest remains committed to providing an inclusive culture that recognises and celebrates difference, encourages diversity of thought and embraces new ways of working to create an environment that enables the development of creative solutions to deliver performance and value. The Group-wide diversity and inclusion ('D&I') strategy, developed during the first quarter of 2021, is now embedded in the overall strategy of the business, alongside the D&I policy. The policy, which can be found on the Group's website (www.enquest.com), outlines seven key commitments:

- Challenge our personal bias;
- Understand the diversity of our workforce;
- We will resource, ensuring diversity matters;
- Engage and educate our workforce on D&I;
- Learn from each other by providing reverse mentoring;
- Consider suppliers who are diverse and inclusive; and
- Learn and continuously improve.

'Conscious inclusion' training has been provided to managers to help them recognise and overcome bias, while recruitment processes are being evolved to encourage a broad spectrum of applicants. The Group's EnQlusion committee promoted a number of initiatives during 2021, including continued support for becoming an active member of the Association for Black and Minority Ethnic Engineers, International Women in Engineering Day and the UK's AXIS Network. EnQuest was delighted to be nominated as one of three finalists for the 2021 OGUK Diversity & Inclusion Award, from over 90 applications submitted from across the industry. Recognition as a finalist has further reinforced our commitment to the D&I strategy and our direction of travel. An employee 'pulse' survey was conducted over the summer focusing on D&I at EnQuest. Metrics relating to inclusion scored more strongly than those directly related to diversity, demonstrating that a continued focus is required to ensure a truly diverse workforce. A further D&I survey is planned for 2022 to measure the Group's progress.

Targets have also been set for gender and ethnicity representation in leadership with a target of 30% women in both leadership roles and management grades across the business, and 15-20% minority ethnic representation in Executive leadership roles, with targets to be achieved by 2025 (see page 96 of the Governance and Nomination Committee report for our gender diversity statistics).

With D&I central to ways of working, the Group continues to challenge its recruitment, employment and training policies and how they attract, retain and develop a wide range of talent in the organisation.

EnQuest also remains committed to fair treatment of people with disabilities in relation to job applications. Full consideration is given to applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. As set out in the Equal Opportunities & Dignity at Work Policy, the Group encourages individuals with a disability, or who develop a disability at any time during their employment, to speak to their line manager about their condition. This will enable the Group to provide support and access to the necessary training for the relevant individual.

Ways of working and engagement

The restrictions imposed during 2020 and into 2021 as a result of the COVID-19 pandemic required EnQuest to continue to provide practical support and guidance to its offshore and onshore workforce, following best practice and government and industry policy. As society gradually emerges from restrictions, the way the Group operates continues to be a focus, with EnQuest considering the appropriate balance for its onshore teams between site, office and home working, to promote strong productivity and business performance facilitated by an engaged workforce.

To help us understand employee engagement levels, a Group-wide employee survey concluded in early 2022, with a participation rate of over 71%. The results were communicated to teams and managers across the business, with progress against existing action plans reviewed and updates made to those plans to address areas where there is identified scope for improvement.

In addition to engagement surveys, the EnQuest global employee forum, chaired by two formally designated Non-Executive Directors (as required under the UK Corporate Governance Code), met four times throughout 2021. Areas discussed and reviewed during the year included:

- Flexible working arrangements;
- Employee communications and recognition;
- Women in leadership;
- Mentoring programmes;
- Environmental responsibility; and
- Diversity.

Further details of how the Company engages with its workforce can be found in the Corporate governance statement on page 66.

A focus on wellbeing

The mental and physical welfare of all employees has been, and continues to be, a major focus for the business. Mental health awareness has remained an important aspect of wellbeing, particularly in light of the changing landscape relating to COVID restrictions and safeguards. We continue to promote a third-party digital platform offering tools and techniques to support wellbeing and have delivered targeted awareness initiatives on mental health, stress awareness, workload and prioritisation, resilience, and suicide awareness. We use our internal communication channels to promote these initiatives alongside those targeted at physical health, including Pilates and nutrition, and those with a competitive aspect, like the 'rig-run' and 'step count' challenges, throughout the year.

Continued growth and learning

To support our new D&I strategy, 'Creating an Inclusive Culture' training was delivered globally to all supervisors and leaders. These sessions set the scene for the new D&I strategy and focused on creating a psychologically safe working environment, including recognition of microaggressions, privilege and unconscious bias.

Following the rollout of our Management Expectations document (a set of 11 key expectations for all managers at EnQuest), supervisors and leaders across EnQuest were offered training to provide them with tools to enhance their leadership capability. The training covered areas such as clear goal setting, motivating and communicating with teams, addressing increased workload and living and working with COVID-related restrictions.
In line with UK legislation, EnQuest contributes to the UK Apprenticeship Levy each year. Contributions to the Levy can be reclaimed for specific training initiatives and EnQuest has partnered with FutureStart to launch a Vocational Leadership Programme during 2021. Over 100 employees have expressed an interest, and more than 60 employees have commenced work on this 18-month programme which, once completed, will deliver a vocational qualification in leadership to participating employees.

In Malaysia, the e-Learning platform was used to ensure continued learning and development despite in-country COVID-related restrictions. The platform registered a participation rate of more than 80%, with a total of 287 courses completed, 107 in progress and 211 new courses registered.

In 2021, we have continued to develop high potential employees and succession planning for business-critical roles. We have a regular programme of review to ensure the direction, focus and development of those identified remains relevant and on track. The Group has also continued its programme of job-specific training throughout 2021 to maintain levels of skills and competence, particularly in relation to safety-critical roles.

Gender pay gap

Since reporting commenced in 2017, there has been a significant narrowing of the Group's gender pay gap statistics, with the gap related to the average rate of total pay for women reducing from 38.7% in 2017 to 22.0% in 2021. Although it is disappointing that between 2020 and 2021 the gap widened slightly, from 20.8% to 22.0%, this was a direct result of the strategic business transformation process undertaken during 2020 and the resulting change in the shape of the workforce in line with business needs.

The Group remains committed to narrowing the gender pay gap and continues to provide equal pay for equal jobs. This will be achieved through an ongoing focus on D&I in all aspects of the business. In addition to a fair and balanced recruitment and promotion process with regular skills assessments, appropriate action is taken from feedback received from the employee forum and the global employee engagement survey results, as we continue to embed our D&I strategy throughout the organisation.

The Group's people and organisational strategy is to ensure that it has the right people, in the right roles, driving performance and delivering efficiencies as it continues to pursue its strategy. As such, it ensures that its processes are open and transparent, providing equal opportunities for all. EnQuest will continue with this approach, recruiting individuals based on merit and their suitability for the role.

> "At EnQuest, we expect to have an inclusive culture, where everyone can be themselves, express their views and offer their opinions. Opening up the creativity in our Group will help strengthen us, adapt and grow."
>
> **Janice Mair**
> Director People, Culture & Diversity

Governance

Robust risk management framework

Risks and uncertainties

Management of risks and uncertainties

Consistent with the Group's purpose, the Board has articulated EnQuest's strategic vision to be the operator of choice for maturing and underdeveloped hydrocarbon assets. EnQuest aims to responsibly optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and explore new energy and further decarbonisation opportunities. It is focused on delivering on its targets, driving future growth and managing its capital structure and liquidity.

EnQuest seeks to balance its risk position between investing in activities that can achieve its near-term targets, including those associated with reducing emissions, and those which can drive future growth with the appropriate returns, including any appropriate market opportunities that may present themselves, and the continuing need to remain financially disciplined. This combination drives cost efficiency and cash flow generation, facilitating the continued reduction in the Group's debt.

In pursuit of its strategy, EnQuest has to manage a variety of risks. Accordingly, the Board has established a Risk Management Framework ('RMF') to enhance effective risk management within the following Board-approved overarching statements of risk appetite:

- The Group makes investments and manages the asset portfolio against agreed key performance indicators consistent with the strategic objectives of enhancing net cash flow, reducing leverage, reducing emissions, managing costs and diversifying its asset base;
- The Group seeks to embed a culture of risk management within the organisation corresponding to the risk appetite which is articulated for each of its principal risks;
- The Group seeks to avoid reputational risk by ensuring that its operational and HSEA processes, policies and practices reduce the potential for error and harm to the greatest extent practicable by means of a variety of controls to prevent or mitigate occurrence; and
- The Group sets clear tolerances for all material operational risks to minimise overall operational losses, with zero tolerance for criminal conduct.

The Board reviews the Group's risk appetite annually in light of changing market conditions and the Group's performance and strategic focus. The Executive Committee periodically reviews and updates the Group Risk Register based on the individual risk registers of the business. The Group Risk Register, along with an assurance mapping and controls review exercise; a risk report (focused on identifying and mitigating the most critical and emerging risks through a systematic analysis of the Group's business, its industry and the global risk environment); and a continuous improvement plan, is periodically reviewed by the Board (with senior management) to ensure that key issues are being adequately identified and actively managed. In addition, the Group's Safety, Climate and Risk Committee (a sub-Committee of the Board) provides a forum for the Board to review selected individual risk areas in greater depth (for further information, please see the Safety, Climate and Risk Committee report on pages 97 to 98).

As part of its strategic, business planning and risk processes, the Group considers how a number of macroeconomic themes may influence its principal risks. These are factors which the Group should be cognisant of when developing its strategy. They include, for example, long-term supply and demand trends for oil and gas and renewable energy, developments in technology, demographics, the financial and physical risks associated with climate change and how markets and the regulatory environment may respond, and the decommissioning of infrastructure in the UK North Sea and other mature basins. These themes are relevant to the Group's assessments across a number of its principal risks. The Group will continue to monitor these themes and the relevant developing policy environment at an international and national level, adapting its strategy accordingly. For example, the Group has established an Infrastructure and New Energy business to assess new energy and decarbonisation opportunities, initially focused on using the existing infrastructure at the Sullom Voe Terminal. The Group is also conscious that as an operator of mature producing assets with limited appetite for exploration, it has limited exposure to investments which do not deliver near-term returns and is therefore in a position to adapt and calibrate its exposure to new investments according to developments in relevant markets. This flexibility also ensures the Group has mitigation against the potential impact of 'stranded assets'.

Environmental, Social and Governance continued

As part of its evolution of the Group's RMF, the Safety, Climate and Risk Committee has refreshed its views on all risk areas faced by the Group (categorising these into a 'Risk Library' of 19 overarching risks). For each risk area, the Committee reviewed 'Risk Bowties' that identified risk causes and impacts and mapped these to preventative and containment controls used to manage the risks to acceptable levels (see diagram to the right).

The Board, supported by the Audit Committee and the Safety, Climate and Risk Committee, has reviewed the Group's system of risk management and internal control for the period from 1 January 2021 to the date of this report and carried out a robust assessment of the Group's emerging and principal risks and the procedures in place to identify and mitigate these risks. The Board confirms that the Group complies in this respect with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

ENQUEST RISK MANAGEMENT FRAMEWORK

What we monitor

Enterprise risk register
A summary of the Group's key risks and prepared by combining key risks identified from the asset and functional risk registers with Group-level risks.

Asset and functional risk registers
A compilation of risks (including threats and opportunities) and mitigating controls being managed at an operational/functional level on a day-to-day basis.

Quarterly RMF performance report
Reviewed by leadership teams before being presented to the Safety, Climate and Risk Committee and uploaded to the Board portal.

Continuous Improvement Plan
A summary of the key actions planned for continual improvement of the risk management framework.

Risk landscape inputs/considerations
Comprises:
(a) long-term macro factors such as political risk; supply and demand trends; climate change-related financial, physical and transition risks; and the decommissioning of infrastructure; and
(b) near-term, emerging and principal risks. These are considered holistically on a backwards and forward-looking basis, alongside outputs from relevant strategic reviews, and summarised in an annual Risk Report presented to the Safety, Climate and Risk Committee.

Assessment
Risk causes; likelihood and impact; gross impact; mitigating controls (preventative and containment); net impact; risk appetite; improvement actions; and risk owner.

Identified risks
14 principal risks mapped from a 'Risk Library' of 19 overarching risks.

How we monitor

Board of Directors (pages 58 to 59)
Responsible for providing oversight of the Group's control and risk management systems, reviewing key risks and mitigating controls periodically. Approves the Group's risk appetite annually and approves the Group's going concern and viability statements.

Audit Committee (pages 69 to 75)
- Reviews the effectiveness of the Group's internal controls and risk management systems;
- Reviews the internal audit assurance map against principal risks; and
- Reviews and recommends for approval by the Board the Group's going concern and viability statements.

Supported by the Group's Internal Audit function.

Safety, Climate and Risk Committee (pages 97 to 98)
- Supports the implementation and progression of the Group's RMF;
- Monitors the adequacy of containment and mitigating controls, and progression of mitigation of risks;
- Undertakes in-depth analysis of specific risks and considers existing and potential new controls; and
- Conducts detailed reviews of key non-financial risks not reviewed within the Audit Committee.

Operations Committee
- Regularly reviews the Group's operating performance against stretching targets and agreed KPIs; and
- Regularly reviews the Group's asset risk registers and considers the results of assurance audits over operational controls.

Executive Committee
- Frequently reviews Group performance, including financial, operating and HSE performance; and
- Periodically reviews the Group's risk register and RMF performance report.

HSEA Directorate
- Regularly reviews the Group's HSE performance against stretching targets, agreed KPIs and industry benchmarks; and
- Regularly reviews the HSE risk register and considers the results of assurance audits over HSE controls.

Key Performance Indicators ('KPIs'):
A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million)
E: Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Near-term and emerging risks

As outlined above, the Group's RMF is embedded in all levels of the organisation with asset risk registers, regional and functional risk registers and ultimately an enterprise-level 'Risk Library'. This integration enables the Group to identify quickly, escalate and appropriately manage emerging risks.

During 2021, work was continued to enhance the integration of these risk registers and automate the process to allow management to understand better the various asset risks and how these ultimately impact on the enterprise-level risk and their associated 'Risk Bowties'. In turn, this ensures that the preventative and containment controls in place for a given risk are reviewed and robust based upon the identified risk profile. It also drives the required prioritisation of deep dives to be undertaken by the Safety, Climate and Risk Committee, which are now integrated into the Group's internal audit programme for review.

The most relevant near-term and emerging risks, along with the Group's assessment of their potential impact on the business and associated required mitigations, have been recognised as follows:

Risk

COVID-19

As a responsible operator, EnQuest continues to monitor the evolving situation and consequent risks with regard to the COVID-19 pandemic, recognising it could impact a number of the Group's principal risks, such as human resources and oil price, which are disclosed later in the key business risks section of this report.

At the time of publication of EnQuest's full-year results, the Group's day-to-day operations continue without being materially affected.

Appetite

The Group's risk appetite for COVID-19 is reported against the Group's impacted principal risks.

Mitigation

The Group continues to work 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 biggest risk related to COVID-19 is the impact on oil prices if movement restrictions impact the demand for oil. See 'Oil and gas price' risk on page 47 for more information on how the Group mitigates against price risk.

Risk

Climate change

The Group recognises that climate change concerns and related regulatory developments could impact a number of the Group's principal risks, such as oil price, financial, reputational and fiscal and government take risks, which are disclosed later in this report.

Appetite

EnQuest recognises that the oil and gas industry, alongside other key stakeholders such as governments, regulators and consumers, must all play a part in reducing the impact of carbon-related emissions on climate change, and is committed to contributing positively towards the drive to net-zero.

The Group's risk appetite for climate change risk is reported against the Group's impacted principal risks.

Mitigation

Mitigations against the Group's principal risks potentially impacted by climate change are reported later in this report.

The Group endeavours to reduce emissions through improving operational performance, minimising flaring and venting where possible, and applying appropriate and economic improvement initiatives, noting the ability to reduce carbon emissions will be constrained by the original design of later-life assets.

EnQuest has reported on all of the greenhouse gas emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (see pages 103 to 104 for more information).

The Group has committed to a 10% reduction in Scope 1 and 2 emissions over three years, from a year-end 2020 baseline, with the achievement linked to reward. Progress is reported to the Safety, Climate and Risk Committee of the Board in relation to progress of emission reductions, identification of economically viable emissions savings opportunities across the Group's portfolio of assets, aligned to the emissions management strategy.

During 2021, the Group established an Infrastructure and New Energy business that is responsible for delivering the Group's emission reduction objectives in line with Group and industry targets and advancing new energy and decarbonisation opportunities.

The Group's focus on short-cycle investments drives an inherent mitigation against the potential impact of 'stranded assets'.

Evolving geopolitical situation

Having assessed its commercial and IT security arrangements, the Group does not consider it has a material adverse exposure to the geopolitical situation with respect to the sanctions imposed on Russia, although recognises the evolving situation is causing oil price volatility. The Group will continue to monitor its position to ensure it remains compliant with any sanctions in place.

Key business risks

The Group's principal risks (identified from the 'Risk Library') are those which could prevent the business from executing its strategy and creating value for shareholders or lead to a significant loss of reputation. The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Cognisant of the Group's purpose and strategy, the Board is satisfied that the Group's risk management system works effectively in assessing and managing the Group's risk appetite and has supported a robust assessment by the Directors of the principal risks facing the Group.

Set out on the following pages are:
- the principal risks and mitigations;
- an estimate of the potential impact and likelihood of occurrence after the mitigation actions, along with how these have changed in the past year and which of the Group's KPIs could be impacted by this risk (see page 03 for an explanation of the KPI symbols); and
- an articulation of the Group's risk appetite for each of these principal risks.

Amongst these, the key risks the Group currently faces are materially lower oil prices for an extended period (see 'Oil and gas prices' risk on page 47), which may impact our ability to refinance debt and/or execute growth opportunities, and/or a materially lower than expected production performance for a prolonged period (see 'Production' risk on pages 47 to 48 and 'Subsurface risk and reserves replacement' on page 50).

Risk

Health, Safety and Environment ('HSE')

Oil and gas development, production and exploration activities are by their very nature complex, with HSE risks covering many areas, including major accident hazards, personal health and safety, compliance with regulatory requirements, asset integrity issues and potential environmental impacts, including those associated with climate change.

Potential impact
Medium (2020 Medium)

Likelihood
Medium (2020 Medium)

There has been no material change in the potential impact or likelihood of this risk. The Group has a strong, open and transparent reporting culture and monitors both leading and lagging indicators and incurs substantial costs in complying with HSE requirements. The Group's overall record on HSE has been strong, albeit impacted by regulatory challenges in relation to the management of the annual flare consent on Magnus and the receipt of improvement notices from the Health and Safety Executive.

There remains a risk to the availability of competent people given the potential impacts of COVID-19.

Related KPIs – A, B, C, D, E, F, H

Appetite

The Group's principal aim is SAFE Results with no harm to people and respect for the environment. Should operational results and safety ever come into conflict, employees have a responsibility to choose safety over operational results. Employees are empowered to stop operations for safety-related reasons.

The Group's desire is to maintain upper quartile HSE performance measured against suitable industry metrics. In 2021, EnQuest achieved a top quartile Lost Time Incident frequency rate and hydrocarbon release frequency rate in the UK.

Mitigation

The Group maintains, in conjunction with its core contractors, a comprehensive programme of assurance activities and has undertaken a series of deep dives into the Risk Bowties that have demonstrated the robustness of the management process and identified opportunities for improvement. A Group-aligned HSE continuous improvement programme is in place, promoting a culture of engagement and transparency in relation to HSE matters. HSE performance is discussed at each Board meeting and the mitigation of HSE risk continues to be a core responsibility of the Safety, Climate and Risk Committee. During 2021, the Group continued to focus on the control of major accident hazards and 'SAFE Behaviours'.

In addition, the Group has positive and transparent relationships with the UK Health and Safety Executive and Department for Business, Energy & Industrial Strategy, and the Malaysian regulator, Malaysia Petroleum Management.

EnQuest's HSE Policy is fully integrated across its operated sites and this has enabled an increased focus on HSE. There is a strong assurance programme in place to ensure EnQuest complies with its Policy and principles and regulatory commitments.

In 2021, an independent asset integrity review was undertaken across the Group. This allowed for a deep review of asset integrity looking at people, plant and process aspects in relation to the management of risk. The outcome was a more transparent and robust approach to cost allocation to key risk threats that could impact asset integrity.

The Group continues to monitor the evolving situation with regard to the impacts of COVID-19 in conjunction with a variety of stakeholders, including industry and medical organisations. Appropriate actions will continue to be implemented in accordance with expert advice and the level of risk.

Key Performance Indicators ('KPIs'):
A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million)
E: Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Risk
Oil and gas prices

A material decline in oil and gas prices adversely affects the Group's operations and financial condition as the Group's revenue depends substantially on oil prices.

Potential impact
High (2020 High)

Likelihood
High (2020 High)

The potential impact and likelihood remain high, reflecting the uncertain economic outlook, including possible impacts from COVID-19, and the potential acceleration of 'peak oil' demand.

The Group recognises that climate change concerns and related regulatory developments are likely to reduce demand for hydrocarbons over time. This may be mitigated by correlated constraints on the development of new supply. Further, oil and gas will remain an important part of the energy mix, especially in developing regions.

Related KPIs – B, D, E, F, G

Appetite
The Group recognises that considerable exposure to this risk is inherent to its business but is committed to protecting cash flows in line with the terms of its reserve based lending facility.

Mitigation
This risk is being mitigated by a number of measures.

As an operator of mature producing assets with limited appetite for exploration, the Group has limited exposure to investments which do not deliver near-term returns and is therefore in a position to adapt and calibrate its exposure to new investments according to developments in relevant markets.

The Group monitors oil price sensitivity relative to its capital commitments. The terms of the Group's reserve based lending facility also requires hedging of its production (see page 157). The Group has a policy which allows hedging of its production (see page 157). As at 23 March 2022, the Group had hedged approximately 12.1 MMbbls for 2022 and 2023. This ensures that the Group will receive a minimum oil price for some of its production.

In order to develop its resources, the Group needs to be able to fund the required investment. The Group will therefore regularly review and implement suitable policies to hedge against the possible negative impact of changes in oil prices.

The Group has an established in-house trading and marketing function to enable it to enhance its ability to mitigate the exposure to volatility in oil prices.

Further, as described previously, the Group's focus on production efficiency supports mitigation of a low oil price environment.

Risk
Production

The Group's production is critical to its success and is subject to a variety of risks, including: subsurface uncertainties; operating in a mature field environment; potential for significant unexpected shutdowns; and unplanned expenditure (particularly where remediation may be dependent on suitable weather conditions offshore).

Lower than expected reservoir performance or insufficient addition of new resources may have a material impact on the Group's future growth.

The Group's delivery infrastructure in the UK North Sea is, to a significant extent, dependent on the Sullom Voe Terminal.

Longer-term production is threatened if low oil prices or prolonged field shutdowns and/or underperformance requiring high-cost remediation bring forward decommissioning timelines.

Potential impact
High (2020 High)

Likelihood
Medium (2020 Medium)

There has been no material change in the potential impact or likelihood. Operational issues at Magnus, which resulted in the Group lowering its production guidance for 2021, have been offset by the Group acquiring a non-operated interest in the Golden Eagle area in the UK North Sea.

Related KPIs – B, C, D, E, G, H

Appetite
Since production efficiency and meeting production targets are core to EnQuest's business, the Group seeks to maintain a high degree of operational control over production assets in its portfolio. EnQuest has a very low tolerance for operational risks to its production (or the support systems that underpin production).

Mitigation
The Group's programme of asset integrity and assurance activities provide leading indicators of significant potential issues, which may result in unplanned shutdowns, or which may in other respects have the potential to undermine asset availability and uptime. The Group continually assesses the condition of its assets and operates extensive maintenance and inspection programmes designed to minimise the risk of unplanned shutdowns and expenditure.

The Group monitors both leading and lagging KPIs in relation to its maintenance activities and liaises closely with its downstream operators to minimise pipeline and terminal production impacts.

Production efficiency is continually monitored with losses being identified and remedial and improvement opportunities undertaken as required. A continual, rigorous cost focus is also maintained.

Life of asset production profiles are audited by independent reserves auditors. The Group also undertakes regular internal reviews. The Group's forecasts of production are risked to reflect appropriate production uncertainties.

The Sullom Voe Terminal has a good safety record, and its safety and operational performance levels are regularly monitored and challenged by the Group and other terminal owners and users to ensure that operational integrity is maintained. Further, EnQuest is committed to transforming the Sullom Voe Terminal to ensure it remains competitive and well placed to maximise its useful economic life and support the future of the North Sea.

The Group actively continues to explore the potential of alternative transport options and developing hubs that may provide both risk mitigation and cost savings.

The Group also continues to consider new opportunities for expanding production.

Risk

Financial

Inability to fund financial commitments or maintain adequate cash flow and liquidity and/or reduce costs.

Significant reductions in the oil price or material reductions in production will likely have a material impact on the Group's ability to repay or refinance its existing credit facilities. Prolonged low oil prices, cost increases, including those related to an environmental incident, and production delays or outages, could threaten the Group's liquidity and/or ability to comply with relevant covenants. Similar conditions could impact the Group's ability to refinance the bonds ahead of maturity in October 2023. Further information is contained in the Financial review, particularly within the going concern and viability disclosures on pages 30 and 31.

Potential impact
High (2020 High)

Likelihood
High (2020 High)

There is no change to the potential impact or likelihood, reflecting the continued economic uncertainty and potential impact of oil price fluctuations.

The Group successfully refinanced its existing term loan and revolving credit facility during 2021 and completed the Golden Eagle area acquisition.

There is potential for the availability and cost of capital to increase and insurance availability to erode, as factors such as climate change and other ESG concerns and oil price volatility may reduce investors' and insurers' acceptable levels of oil and gas sector exposure, and the cost of emissions trading certificates may continue to trend higher along with insurers' reluctance to provide surety bonds for decommissioning, thereby requiring the Group to fund decommissioning security through its balance sheet.

Related KPIs – B, C, E, F, G, H

Appetite

The Group recognises that significant leverage was required to fund its growth as low oil prices impacted revenues. However, it is intent on further reducing its leverage levels, maintaining liquidity, controlling costs and complying with its obligations to finance providers while delivering shareholder value, recognising that reasonable assumptions relating to external risks need to be made in transacting with finance providers.

Mitigation

Debt reduction is a strategic priority. During 2021, the Group refinanced its secured credit facility, enabling the acquisition of the Golden Eagle area. Strong cash generation enabled the Group to finance a larger portion of the Golden Eagle acquisition from cash flow, resulting in a lower than expected drawdown on the Group's RBL facility. At 23 March 2022, the RBL facility was drawn to $330 million, with voluntary early repayments ensuring the Group remains ahead of the facility amortisation schedule.

Ongoing compliance with the financial covenants under the Group's reserve based lending facility is actively monitored and reviewed.

EnQuest generates operating cash inflow from the Group's producing assets. The Group reviews its cash flow requirements on an ongoing basis to ensure it has adequate resources for its needs.

Where costs are incurred by external service providers, the Group actively challenges operating costs. The Group also maintains a framework of internal controls.

The Group continues to explore options to refinance its retail and high yield bonds ahead of maturity in October 2023.

These steps, together with other mitigating actions available to management, are expected to provide the Group with sufficient liquidity to strengthen its balance sheet further.

Risk

Competition

The Group operates in a competitive environment across many areas, including the acquisition of oil and gas assets, the marketing of oil and gas, the procurement of oil and gas services and access to human resources.

Potential impact
High (2020 High)

Likelihood
High (2020 High)

The potential impact and likelihood remain unchanged, with a number of competitors assessing the acquisition of available oil and gas assets and the rising potential for consolidation (e.g. through reverse mergers).

Related KPIs – C, D, E, F, G

Appetite

The Group operates in a mature industry with well-established competitors and aims to be the leading operator in the sector.

Key Performance Indicators ('KPIs'):
A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million)
E: Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Mitigation

The Group has strong technical, commercial and business development capabilities to ensure that it is well positioned to identify and execute potential acquisition opportunities, utilising innovative structures as may be appropriate.

The Group maintains good relations with oil and gas service providers and constantly keeps the market under review. EnQuest has a dedicated marketing and trading group of experienced professionals responsible for maintaining relationships across relevant energy markets, thereby ensuring the Group achieves the highest possible value for its production.

In addition, the marketing and trading group is responsible for the Group's commodity price risk management activities in accordance with the Group's business strategy.

Risk

IT security and resilience

The Group is exposed to risks arising from interruption to, or failure of, IT infrastructure. The risks of disruption to normal operations range from loss in functionality of generic systems (such as email and internet access) to the compromising of more sophisticated systems that support the Group's operational activities. These risks could result from malicious interventions such as cyber-attacks or phishing exercises.

Potential impact
Medium (2020 Medium)

Likelihood
Medium (2020 Medium)

There has been no change to the potential impact or likelihood, with the Group enhancing its IT security in light of the evolving geopolitical situation.

Related KPIs – A, B, H

Appetite

The Group endeavours to provide a secure IT environment that is able to resist and withstand any attacks or unintentional disruption that may compromise sensitive data, impact operations, or destabilise its financial systems; it has a very low appetite for this risk.

Mitigation

The Group has established IT capabilities and endeavours to be in a position to defend its systems against disruption or attack.

A number of tools to strengthen employee awareness continue to be utilised, including videos, presentations, 'Yammer' posts and poster campaigns.

The Safety, Climate and Risk Committee undertook additional analyses of cyber-security risks in 2021. The Group has a dedicated cyber-security manager and work on assessing the cyber-security environment and implementing improvements as necessary will continue during 2022.

Risk

Portfolio concentration

The Group's assets are primarily concentrated in the UK North Sea around a limited number of infrastructure hubs and existing production (principally oil) is from mature fields. This amplifies exposure to key infrastructure (including ageing pipelines and terminals), political/fiscal changes and oil price movements.

Potential impact
High (2020 High)

Likelihood
High (2020 High)

The Group is currently focused on oil production and does not have significant exposure to gas or other sources of income. The decisions taken to accelerate cessation of production at a number of the Group's assets has further reduced the number of producing assets and so increased portfolio concentration.

During 2021, the Group acquired a 26.69% non-operated equity interest in the Golden Eagle area, a 40.81% operating interest in the Bressay heavy-oil field and 100.00% equity interest in the P1078 licence in the UK North Sea containing the proven Bentley heavy-oil discovery.

The Group continues to assess acquisition growth opportunities with a view to improving its asset diversity over time.

The Group also established an Infrastructure and New Energy business to unlock renewable energy and decarbonisation opportunities in the medium to long term.

Related KPIs – B, C, D

Appetite

Although the extent of portfolio concentration is moderated by production generated in Malaysia, the majority of the Group's assets remain relatively concentrated in the UK North Sea and therefore this risk remains intrinsic to the Group.

Mitigation

This risk is mitigated in part through acquisitions. For all acquisitions, the Group uses a number of business development resources, both in the UK and internationally, to liaise with vendors/governments and evaluate and transact acquisitions. This includes performing extensive due diligence (using in-house and external personnel) and actively involving executive management in reviewing commercial, technical and other business risks together with mitigation measures.

The Group also constantly keeps its portfolio under rigorous review and, accordingly, actively considers the potential for making disposals and divesting, executing development projects, making international acquisitions, expanding hubs and potentially investing in gas assets, export capability or renewable energy and decarbonisation projects where such opportunities are consistent with the Group's focus on enhancing net revenues, generating cash flow and strengthening the balance sheet.

Risk

Subsurface risk and reserves replacement

Failure to develop its contingent and prospective resources or secure new licences and/or asset acquisitions and realise their expected value.

Potential impact
High (2020 High)

Likelihood
Medium (2020 Medium)

There has been no material change in the potential impact or likelihood.

Low oil prices or prolonged field shutdowns requiring high-cost remediation which accelerate cessation of production can potentially affect development of contingent and prospective resources and/or reserves certifications.

Related KPIs – B, C, D, E, F, G

Appetite

Reserves replacement is an element of the sustainability of the Group and its ability to grow. The Group has some tolerance for the assumption of risk in relation to the key activities required to deliver reserves growth, such as drilling and acquisitions.

Mitigation

The Group puts a strong emphasis on subsurface analysis and employs industry-leading professionals. The Group continues to recruit in a variety of technical positions which enables it to manage existing assets and evaluate the acquisition of new assets and licences.

All analysis is subject to internal and, where appropriate, external review and relevant stage gate processes. All reserves are currently externally reviewed by a Competent Person.

The Group has material reserves and resources at Magnus, Kraken, Golden Eagle and PM8/Seligi that it believes can primarily be accessed through low-cost subsea drilling and tie-backs to existing infrastructure. EnQuest continues to evaluate the substantial 2C resources at Bressay, Bentley and PM409 to identify future drilling prospects. Bressay and Bentley are located close to the Group's Kraken development, while PM409 is contiguous to the Group's existing PM8/Seligi PSC, providing low-cost tie-back opportunities.

The Group continues to consider potential opportunities to acquire new production resources that meet its investment criteria.

Risk

Project execution and delivery

The Group's success will be partially dependent upon the successful execution and delivery of potential future projects, including decommissioning and Infrastructure and New Energy opportunities in the UK, that are undertaken.

Potential impact
Medium (2020 Medium)

Likelihood
Low (2020 Low)

The potential impact and likelihood remain unchanged. As the Group focuses on reducing its debt, its current appetite is to pursue short-cycle development projects and to manage its UK decommissioning and Infrastructure and New Energy projects over an extended period of time.

Related KPIs – A, B, D, E, F, G, H

Appetite

The efficient delivery of projects has been a key feature of the Group's long-term strategy. The Group's appetite is to identify and implement short-cycle development projects such as infill drilling and near-field tie-backs in its Upstream business, industrialise decommissioning projects to ensure cost efficiency and unlock new energy and decarbonisation opportunities through innovative commercial structures. While the Group necessarily assumes significant risk when it sanctions a new project (for example, by incurring costs against oil price assumptions), or a decommissioning programme, it requires that risks to efficient project delivery are minimised.

Mitigation

The Group has teams which are responsible for the planning and execution of new projects with a dedicated team for each project. The Group has detailed controls, systems and monitoring processes in place, notably the Capital Projects Delivery Process, to ensure that deadlines are met, costs are controlled and that design concepts and the Field Development Plan are adhered to and implemented. These are modified when circumstances require and only through a controlled management of change process and with the necessary internal and external authorisation and communication. The Group's UK decommissioning programmes are managed by a dedicated directorate with an experienced team who are driven to deliver projects safely at the lowest possible cost and associated emissions.

In Infrastructure and New Energy, the Group intends to work with experienced third-party organisations and utilise innovative commercial structures to develop new energy and decarbonisation opportunities.

The Group also engages third-party assurance experts to review, challenge and, where appropriate, make recommendations to improve the processes for project management, cost control and governance of major projects. EnQuest ensures that responsibility for delivering time-critical supplier obligations and lead times are fully understood, acknowledged and proactively managed by the most senior levels within supplier organisations.

Key Performance Indicators ('KPIs'):
A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million)
E: Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Risk

Fiscal risk and government take

Unanticipated changes in the regulatory or fiscal environment can affect the Group's ability to deliver its strategy/business plan and potentially impact revenue and future developments.

Potential impact
High (2020 High)

Likelihood
Medium (2020 Medium)

There has been no material change in the potential impact or likelihood, although the exit of the UK from the European Union has impacted the regulatory environment going forward, for example by affecting the cost of emissions trading certificates through the smaller UK emissions trading scheme.

Related KPIs – D, F

Appetite

The Group faces an uncertain macroeconomic and regulatory environment.

Due to the nature of such risks and their relative unpredictability, it must be tolerant of certain inherent exposure.

Mitigation

It is difficult for the Group to predict the timing or severity of such changes. However, through Offshore Energies UK and other industry associations, the Group engages with government and other appropriate organisations in order to keep abreast of expected and potential changes; the Group also takes an active role in making appropriate representations.

All business development or investment activities recognise potential tax implications and the Group maintains relevant internal tax expertise.

At an operational level, the Group has procedures to identify impending changes in relevant regulations to ensure legislative compliance.

Risk

International business

While the majority of the Group's activities and assets are in the UK, the international business is still material. The Group's international business is subject to the same risks as the UK business (e.g. HSEA, production and project execution); however, there are additional risks that the Group faces, including security of staff and assets, political, foreign exchange and currency control, taxation, legal and regulatory, cultural and language barriers and corruption.

Potential impact
Medium (2020 Medium)

Likelihood
Medium (2020 Medium)

There has been no material change in the impact or likelihood.

Related KPIs – A, B, D, E, F, G, H

Appetite

In light of its long-term growth strategy, the Group seeks to expand and diversify its production (geographically and in terms of quantum); as such, it is tolerant of assuming certain commercial risks which may accompany the opportunities it pursues.

However, such tolerance does not impair the Group's commitment to comply with legislative and regulatory requirements in the jurisdictions in which it operates. Opportunities should enhance net revenues and facilitate strengthening of the balance sheet.

Mitigation

Prior to entering a new country, EnQuest evaluates the host country to assess whether there is an adequate and established legal and political framework in place to protect and safeguard first its expatriate and local staff and, second, any investment within the country in question.

When evaluating international business risks, executive management reviews commercial, technical, ethical and other business risks, together with mitigation and how risks can be managed by the business on an ongoing basis.

EnQuest looks to employ suitably qualified host country staff and work with good-quality local advisers to ensure it complies with national legislation, business practices and cultural norms, while at all times ensuring that staff, contractors and advisers comply with EnQuest's business principles, including those on financial control, cost management, fraud and corruption.

Where appropriate, the risks may be mitigated by entering into a joint venture with partners with local knowledge and experience.

After country entry, EnQuest maintains a dialogue with local and regional government, particularly with those responsible for oil, energy and fiscal matters, and may obtain support from appropriate risk consultancies. When there is a significant change in the risk to people or assets within a country, the Group takes appropriate action to safeguard people and assets.

Risk

Joint venture partners

Failure by joint venture parties to fund their obligations.

Dependence on other parties where the Group is non-operator.

Potential impact
Medium (2020 Medium)

Likelihood
Low (2020 Low)

There has been no material change in the potential impact or likelihood.

Related KPIs – B, C, D, E, F, G

Appetite
The Group requires partners of high integrity. It recognises that it must accept a degree of exposure to the creditworthiness of partners and evaluates this aspect carefully as part of every investment decision.

Mitigation
The Group operates regular cash call and billing arrangements with its co-venturers to mitigate the Group's credit exposure at any one point in time and keeps in regular dialogue with each of these parties to ensure payment. Risk of default is mitigated by joint operating agreements allowing the Group to take over any defaulting party's share in an operated asset and rigorous and continual assessment of the financial situation of partners.

The Group generally prefers to be the operator. The Group maintains regular dialogue with its partners to ensure alignment of interests and to maximise the value of joint venture assets, taking account of the impact of any wider developments.

Risk

Reputation

The reputational and commercial exposures to a major offshore incident, including those related to an environmental incident, or non-compliance with applicable law and regulation and/or related climate change disclosures, are significant. Similarly, it is increasingly important EnQuest clearly articulates its approach to and benchmarks its performance against relevant and material ESG factors.

Potential impact
High (2020 High)

Likelihood
Low (2020 Low)

There has been no material change in the potential impact or likelihood.

Related KPIs – A, C, D, E, F, G, H

Appetite
The Group has no tolerance for conduct which may compromise its reputation for integrity and competence.

Mitigation
All activities are conducted in accordance with approved policies, standards and procedures. Interface agreements are agreed with all core contractors.

The Group requires adherence to its Code of Conduct and runs compliance programmes to provide assurance on conformity with relevant legal and ethical requirements.

The Group undertakes regular audit activities to provide assurance on compliance with established policies, standards and procedures.

All EnQuest personnel and contractors are required to pass an annual anti-bribery, corruption and anti-facilitation of tax evasion course.

All personnel are authorised to shut down production for safety-related reasons. As an example, the Group acted promptly in temporarily shutting down the Magnus platform when it was clear its flaring consent would be breached.

The Group has a clear ESG strategy, with a focus on health and safety (including asset integrity), emissions reductions, looking after its employees, positively impacting the communities in which the Group operates, upholding a robust RMF and acting with high standards of integrity. The Group is successfully implementing this strategy.

Key Performance Indicators ('KPIs'):
A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million)
E: Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Risk

Human resources

The Group's success continues to be dependent upon its ability to attract and retain key personnel and develop organisational capability to deliver strategic growth. Industrial action across the sector, or the availability of competent people given the potential impacts of COVID-19, could also impact the operations of the Group.

Potential impact
Medium (2020 Medium)

Likelihood
Medium (2020 Medium)

There has been no material change to potential impact or likelihood.

Related KPIs – A, B, C, D, E, F, G, H

Appetite

As a low-cost, lean organisation, the Group relies on motivated and high-quality employees to achieve its targets and manage its risks.

The Group recognises that the benefits of a lean, flexible and diverse organisation requires creativity and agility to protect against the risk of skills shortages.

Mitigation

The Group has established an able and competent employee base to execute its principal activities. In addition, the Group seeks to maintain good relationships with its employees and contractor companies and regularly monitors the employment market to provide remuneration packages, bonus plans and long-term share-based incentive plans that incentivise performance and long-term commitment from employees to the Group.

The Group recognises that its people are critical to its success and so is continually evolving EnQuest's end-to-end people management processes, including recruitment and selection, career development and performance management. This ensures that EnQuest has the right person for the job and that appropriate training, support and development opportunities are provided, with feedback collated to drive continuous improvement whilst delivering SAFE Results. The culture of the Group is an area of ongoing focus and employee surveys and forums have been undertaken to understand employees' views on areas, including diversity and inclusion, in order to develop appropriate action plans.

EnQuest is considering the appropriate balance for its onshore teams between site, office and home working to promote strong productivity and business performance facilitated by an engaged workforce. The Group also maintains market-competitive contracts with key suppliers to support the execution of work where the necessary skills do not exist within the Group's employee base.

The Group recognises that there is a gender pay gap within the organisation but that there is no issue with equal pay for the same tasks. EnQuest also recognises that fewer young people may join the industry due to climate change-related factors. EnQuest aims to attract the best talent, recognising the value and importance of diversity.

To ensure improved diversity in the Group's leadership, various targets have been implemented during 2021. Further details on these are set out on page 40.

Executive and senior management retention, succession planning and development remain important priorities for the Board. It is a Board-level priority that executive and senior management possess the appropriate mix of skills and experience to realise the Group's strategy.

Following its introduction in 2019, the Group's global employee forum has continued to add to EnQuest's employee communication and engagement strategy, improving interaction between the workforce and the Board.

The Group continues to monitor the evolving situation with regard to the impacts of COVID-19 in conjunction with a variety of stakeholders, including industry and medical organisations. Appropriate actions will continue to be implemented in accordance with expert advice and the prevailing level of risk.

Business conduct

"We are committed to acting with high standards of integrity in all that we do, conducting our business in accordance with our Values and in compliance with applicable law."

EnQuest has a Code of Conduct which it requires all personnel to be familiar with. The EnQuest Code of Conduct sets out the behaviour which the organisation expects of its Directors, managers and employees and of our suppliers, contractors, agents and partners. We are committed to conducting ourselves ethically, with integrity and to complying with all applicable legal requirements; we routinely remind those who work with or for us of our obligations in this respect.

Our employees and everyone we work with help to create and support our reputation, which in turn underpins our ability to succeed. This code addresses our requirements in a number of areas, including the importance of health and safety and environmental protection, compliance with applicable law, anti-corruption, anti-facilitation of tax evasion, anti-slavery, addressing conflicts of interest, ensuring equal opportunities, combatting bullying and harassment and the protection of privacy.

The Group's induction procedures cover the Code of Conduct and the Group runs both ad hoc and scheduled periodic training for personnel to refresh their familiarity with relevant aspects of the Code of Conduct and specific policies and procedures which support it (such as the Group's anti-corruption programme).

As part of the Group's Risk Management Framework, the Board is supplied annually with an 'assurance map' that provides an insight into the status of the main sources of controls and assurance in respect of the Group's key risk areas (see pages 42 to 53 for further information on how the Group manages its key risk areas). Whilst this provides some formal assurance as to how the Group reinforces its requirements in respect of business conduct, the Board also recognises the importance of promoting the right culture within the Group and this remains an area of focus for the Group.

The Code of Conduct also includes details of the independent reporting line through which any concerns related to the Group's practices, or any suspected breaches of the Group's policies and procedures, can be raised anonymously and encourages personnel to report any concerns to the legal department and/or the General Counsel. Where concerns are raised (whether through the reporting line or otherwise), the General Counsel, reporting for this purpose to the Chairman of the Audit Committee, is required to look into the relevant concern, investigate and take appropriate action. Concerns raised in relation to potential conflicts of interest and safety practices, as well as more routine interfaces with regulatory authorities, are also reported to the Board and addressed appropriately.

The Code of Conduct includes a confirmation of EnQuest's commitments to adhere to applicable tax laws (including the corporate offence of failure to prevent the criminal facilitation of tax evasion) as well as the Group's stance against slavery and human trafficking. The Group has zero tolerance for such practices and expects the same of all with whom it has business dealings; for example, in relation to procurement, by requiring suppliers to confirm their commitment to anti-slavery before being qualified to supply the Group. The Group has supplemented its procedures to provide further assurance that it is able to identify and manage human rights risks in its supply chain. EnQuest publishes its modern slavery statement on its website at www.enquest.com, under the Environmental, Social and Governance section, where further detail on EnQuest's corporate responsibility policies and activities, including the area of business conduct, is also available.

Task Force on Climate-related Financial Disclosures

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Group welcomes initiatives for increased governance and transparency in general, and specifically in relation to climate change. The Board recognises the societal and investor focus on climate change, and the desire to understand potential impacts on the oil and gas industry through improved disclosure, such as those proposed by the Task Force on Climate-related Financial Disclosures ('TCFD'). EnQuest PLC has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations except for in relation to the disclosure of Scope 3 emissions within the metrics and targets section. Scope 3 emissions are not yet measured given the uncertainty and impracticality in accurately measuring such emissions throughout the value chain. The Group will continue to assess how it may measure Scope 3 emissions for the next phase of TCFD implementation, but, until such time, will remain non-compliant in this respect.

TCFD framework	EnQuest disclosures	Reference
Governance • Describe the Board's oversight of climate-related risks and opportunities. • Describe management's role in assessing and managing climate-related risks and opportunities.	EnQuest's purpose is to provide creative solutions through the energy transition. The Board is focused on a strategy which recognises that hydrocarbons will remain a key element of the global energy mix for many years and through which the Group can pursue a business model which helps to fulfil energy demand as part of the transition to a sustainable lower-carbon world while reducing carbon emissions from its own business where practicable and ensuring a robust risk management framework ('RMF') is in place. As set out in the risk management section below, climate change is recognised as a standalone risk area in its own right and climate-related issues feature within a number of the Group's principal risks and are prioritised and managed accordingly. Reflecting the importance the Group places on evolving climate change-related matters, the RMF process is overseen by the Safety, Climate and Risk Committee, a dedicated sub-Committee of the Board whose terms of reference enable it to support the Board with increased oversight of decarbonisation, including monitoring progress towards the Group's three-year emission reduction target and climate change-related risk matters. The Board and management keep appraised of the evolving risk and opportunity landscape and its potential impacts on the Company's business. In doing so, they consult as appropriate with the Group's advisers and appropriate third-party institutions, including fund managers, investors and industry associations such as Offshore Energies UK. During 2021, a discrete Group-wide emissions reduction target was approved (see the Metrics and targets section below). In support of this, the Group has an energy management system governance document setting out how it approaches the measurement and reporting of emissions. It also sets out how the Group will assess and select emission reduction opportunities, with a working group dedicated to the identification and implementation of economically viable emissions savings opportunities across the Group's portfolio of assets. This group reports to the Executive Committee and the Safety, Climate and Risk Committee on a regular basis.	Pages 42 to 53, 69 to 93, and 97 to 98

Task Force on Climate-related Financial Disclosures continued

TCFD framework	EnQuest disclosures	Reference
Strategy • Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. • Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. • Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	EnQuest's business model is distinct from companies that have a material exploration component to their business and it is, therefore, less exposed to the much longer duration of exploration, discovery, development and production. EnQuest primarily acquires mature and underdeveloped assets from other industry participants and drives performance improvements, including emission reductions, through short-cycle, quick payback investments. EnQuest's UK Decommissioning directorate is responsible for the safe and efficient execution of the decommissioning work programmes and is committed to delivering them in a responsible manner, which also includes minimising emissions alongside maximising the recycle and reuse of recovered materials. EnQuest considers within one-year to be short term, one to three years to be medium term (both of which are in line with the Group's assessment of going concern and viability, respectively) and the longer term to be beyond three years. The Group continues to assess a number of climate-related risks and opportunities. As majors and other operators continue to shift their focus from mature basins such as the North Sea and Malaysia, there will be further opportunities for the Company to access additional resources. The timing of such events is uncertain. In 2021, the Group established an Infrastructure and New Energy business with responsibility for delivering the Group's short and medium-term emission reduction objectives and advancing longer-term renewable energy and decarbonisation opportunities. Other financial risks of climate change considered include access to, and cost of, capital, insurance and decommissioning surety bonds as investors' and insurers' appetite for exposure to the oil and gas sector reduces across all timeframes. In addition, the cost of emissions trading allowances may trend higher over time. With respect to physical risks of climate change to EnQuest's business, the Group is aware of potential longer-term risks associated with rising sea levels, tidal impacts and extreme weather events which could cause damage and destruction to its ageing offshore assets, particularly as these events become more regular and extreme in nature, but considers these risks to be low given the Group's focus on asset integrity and the expected remaining life of these mature assets. The Group considers as part of its strategic, business planning and risk processes how a number of macroeconomic themes may influence its principal risks. The most material risk factor to EnQuest's business model is the oil price, and climate change is one of many potential influencing factors on the oil price. EnQuest's planning and investment decision processes cater for low oil price scenarios and include a carbon cost associated with forecast emissions. Where new assets are acquired, there will be a clear emissions reduction plan for any such asset for which EnQuest assumes operatorship, relative to the carbon footprint in the hands of the seller, and the Group factors in an associated carbon price into the acquisition economics, even in markets where no carbon trading or pricing mechanism exists. In the short to medium term, EnQuest reviews the impact of different oil prices in its going concern and viability statements. EnQuest is also monitoring progress against the UK NSTD goals which contribute to the UK Government's target of net zero by 2050. The Group has measured the resilience of its existing portfolio and future development plans using oil price and cost of emissions assumptions based on the International Energy Agency's Sustainable Development ('SDS'), and Net Zero Emissions ('NZE') Scenarios. The Group continues to generate positive free cash flow when using assumptions based on the SDS, although cash flow becomes negative when using assumptions based on the NZE. However, should oil price and emission costs prevail similar to those assumed under the NZE, EnQuest's business model will enable it to adapt to a rapidly changing external environment as its short-cycle investments reduce the risk of 'stranded assets'.	Pages 02 to 23, 34 to 35, and 42 to 53

TCFD framework	EnQuest disclosures	Reference
Risk management • Describe the organisation's processes for identifying and assessing climate-related risks. • Describe the organisation's processes for managing climate-related risks. • Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	The Group has robust risk management and business planning processes that are overseen by the Board, the Safety, Climate and Risk Committee and the Executive Committee in order to identify, assess and manage climate-related risks. The risk landscape inputs and considerations are outlined on page 45 and cover long-term macro factors and near-term and emerging risks. The Group's RMF is embedded in all levels of the organisation with asset, regional and functional risk registers aggregating to an enterprise risk register identifying relevant threats and how they are mitigated, whilst the adequacy and efficacy of controls in place are themselves also monitored. This integration enables the Group to quickly identify, escalate and appropriately manage emerging risks, with a quarterly RMF report reviewed by leadership teams and presented to the Safety, Climate and Risk Committee. The Safety, Climate and Risk Committee also provides a forum for the Board to review selected individual risk areas in greater depth. Climate change is categorised as a standalone risk area within the Group's 'Risk Library' allowing the application of EnQuest's RMF to underpin its approach in this important area. For each risk area, the Safety, Climate and Risk Committee reviews 'Risk Bowties' that identify risk causes and impacts and maps these to preventative and containment controls used to manage the risks to acceptable levels. Climate change-related issues are also considered within the context and review of a number of other risk areas.	Pages 42 to 53 and 97 to 98
Metrics and targets • Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. • Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks. • Describe the targets used by the organisation to manage climate-related risks and opportunities, and performance against targets.	At EnQuest, the financial or strategic impact of a risk is assessed and measured based on the potential net present value ('NPV') negative impact of the particular risk. Specifically, a substantive financial or strategic impact would be defined as a risk with a potential impact of greater than £50 million NPV, on a post mitigation basis. EnQuest has also defined criteria for screening and ranking emissions reduction opportunities, including: the potential contribution to the Group's targets; economic indicators; the chance of success; time to implement; and any risks to the Group's production. EnQuest has reported on all of the emission sources within its operational control, as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. This information can be found in the Directors report. In the UK, EnQuest publishes its annual Environmental Statement in line with the regulatory requirement under the OSPAR recommendation 2003/5. These statements, which can be found in the Environmental, Social and Governance section on the Group's website, www.enquest.com, are an open and transparent representation of the environmental performance across EnQuest's UK operations. The Group recognises that the ability to reduce carbon emissions is constrained by the original design of its later-life assets where the main sources of atmospheric emissions come from combustion associated with power generation and flaring. The Board's goal is to be as ambitious as it can in setting decarbonisation targets, whilst balancing the economic realities of operating late life assets. As such, in 2021 the Board approved a targeted 10% reduction in EnQuest's absolute Scope 1 and 2 emissions from its existing portfolio over three years, from a year-end 2020 baseline, with the achievement of this target linked to reward. In addition, the Group is committed to playing its part in delivering on the UK Government's North Sea Transition Deal emission reduction targets.	Pages 03, 05, 07, 10, 12, 14, 23, 33 to 35, and 103 to 104

Stefan Ricketts
Company Secretary

The Strategic report was approved by the Board and signed on its behalf by the Company Secretary on 23 March 2022.

Board of Directors

G R T

Martin Houston
Non-Executive Chairman
Appointed 1 October 2019

Key strengths and experience
- In-depth knowledge of the energy industry and a wealth of board-level and international business experience

Martin joined BG Group plc in 1983 and enjoyed a 32-year career before retiring as chief operating officer and a member of the board of directors. He holds, and has held, many FTSE and international board or senior advisory positions. Martin's other interests include being a council member of the National Petroleum Council of the United States of America and a Fellow of the Geological Society of London.

Principal external appointments
Co-founder and vice-chairman of Tellurian Inc. Non-executive director of CC Energy (a private company). Non-executive director of BUPA Arabia, listed in Saudi Arabia. In an advisory capacity, he is the global energy chairman of Moelis & Company.

G

Amjad Bseisu
Chief Executive
Appointed 22 February 2010

Key strengths and experience
- Extensive energy industry and leadership experience

Amjad worked for the Atlantic Richfield Company ('ARCO') from 1984 to 1998, eventually becoming president of ARCO Petroleum Ventures. In 1998, he founded and was the chief executive of Petrofac Resources International Limited which merged into Petrofac PLC in 2003. In 2010, Amjad formed EnQuest PLC, having previously been a founding non-executive chairman of Serica Energy plc and a founding partner of Stratic Energy Corporation. Amjad was chairman of Enviromena Ltd., the largest solar power engineering company in the MENA region, until its sale in 2017 and was British Business Ambassador for Energy from 2013 to 2015.

Principal external appointments
Chairman of the independent energy community for the World Economic Forum since 2016. Director of The Amjad and Suha Bseisu Foundation since 2011.

Jonathan Swinney
Chief Financial Officer
Appointed 29 March 2010

Key strengths and experience
- Significant capital markets and merger and acquisition transactional experience

Jonathan is a qualified chartered accountant and a member of the Institute of Chartered Accountants of England and Wales. He is also a qualified solicitor and worked in roles with a focus on acquisition finance. Jonathan's previous roles include Credit Suisse and then Lehman Brothers, advising on a wide range of transactions with equity advisory, before joining Petrofac Limited in April 2008 as head of mergers and acquisitions for the Petrofac Group. Jonathan joined EnQuest PLC in 2010 as Chief Financial Officer.

Principal external appointments
None.

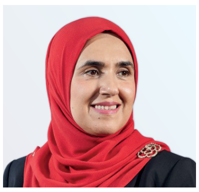
R A G T

Howard Paver
Senior Independent Director
Appointed 1 May 2019

Key strengths and experience
- 40 years' global experience in E&P, including 20 years at senior executive level

Howard is a petroleum engineer and began his professional career at Schlumberger before moving to Mobil and then BHP Petroleum, where he was regional president, Europe, Russia, Africa & Middle East, before becoming president, global exploration & alliance development. He most recently served as SVP, strategy, commercial & business development at Hess, a role he took up in July 2013, having joined the company in 2000 as SVP, north sea/international. Between 2005 and 2013 he held the position of SVP, global new business development.

Principal external appointments
Non-executive director of OGL Geothermal Ltd.



A R

Farina Khan
Non-Executive Director
Appointed 1 November 2020

Key strengths and experience
- Strong energy industry and financial experience, as well as deep insights into Malaysia

Farina is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. She started her career in 1994 with Coopers & Lybrand, Australia, before returning to Malaysia in 1997 to join PETRONAS, where she held various senior positions. Farina was chief financial officer of PETRONAS Carigali Sdn. Bhd, one of the largest subsidiaries of PETRONAS with operations in over 20 countries, and has also been chief financial officer at PETRONAS Exploration and Production. From 2013, Farina was the chief financial officer of PETRONAS Chemical Group Berhad, the largest listed entity of PETRONAS. Farina left PETRONAS in 2015 to pursue non-executive opportunities.

Principal external appointments
Member of the boards of the following Malaysian listed companies: PETRONAS Gas Berhad, KLCC Property Holdings Berhad, AMMB Holdings Berhad and Icon Offshore Berhad.

Committees key

A Audit
G Governance and Nomination
R Remuneration and Social Responsibility
S Safety, Climate and Risk
T Technical and Reserves
Denotes Committee Chair

S T

Philip Holland

Non-Executive Director
Appointed 1 August 2015

Key strengths and experience

- Significant experience in managing large-scale oil and gas projects around the globe

Philip joined Bechtel Corporation in 1980 and managed major oil and gas projects in a wide range of international locations. In 2004, he joined Shell where, in 2009, he became executive vice-president downstream projects in Shell's newly formed projects and technology business. In 2010, he was appointed as project director for Shell's Kashagan phase 2 project in Kazakhstan, and subsequently the Shell/QP Al Karaana petrochemicals project. Since 2013, he has operated as an independent project management consultant.

Principal external appointments

Chairman of Velocys plc and non-executive director of KazMunayGas.

A S

Carl Hughes

Non-Executive Director
Appointed 1 January 2017

Key strengths and experience

- Substantial audit and accounting experience in the energy sector

Carl is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Energy Institute. Carl joined Arthur Andersen in 1983 and became a partner in 1993. Throughout his professional career he specialised in the oil and gas, mining and utilities sectors, becoming the head of the UK energy and resources industry practice of Andersen in 1999 and subsequently of Deloitte in 2002. When Carl retired from the partnership of Deloitte in 2015, he was a vice-chairman, senior audit partner and leader of the firm's energy and resources business globally.

Principal external appointments

Non-executive director and chairman of the audit and risk committee of EN+ Group IPJSC. Member of the finance and audit committee of the Energy Institute. Board member of the Audit Committee Chairs' Independent Forum. Member of the General Synod of the Church of England. Deputy chairman of the finance committee of The Archbishops' Council.

T

Rani Koya

Non-Executive Director
Appointed 1 January 2022

Key strengths and experience

- A variety of technical, project management and executive management roles in major energy companies across the globe

Rani has more than 20 years' experience working within large multinational, independent and start-up energy companies. These include Shell International, Hess and Tullow and have involved a variety of technical, project management and executive management roles across Europe, Asia, the Americas and Africa. Between 2017 and 2020 Rani was chief petroleum engineer at Tullow. She has led multi-billion dollar projects across the globe, from unconventional shales in the US to oil developments in East Africa.

Principal external appointments

CEO of OGL Geothermal Ltd., a geothermal development company focused on Europe, the Middle East and Africa. Fellow of the Institution of Mechanical Engineers. Trustee for the Oxford Food Hub, Director of South Essex College and the International Women's Forum UK.

A S

Liv Monica Stubholt

Non-Executive Director
Appointed 15 February 2021

Key strengths and experience

- Extensive experience of the energy industry, public policy and governance

Liv Monica has 20 years' experience as a corporate lawyer. She started her career as an attorney before becoming political adviser to the Centre Party Finance Parliamentary Group. From 1997, she spent two years as a legal adviser to an industry alliance for private ownership before becoming a partner at her original law firm. In 2005, Liv Monica moved back into politics and was Norway's Deputy Minister of Foreign Affairs for two years, followed by two years as Deputy Minister of Petroleum and Energy. Liv Monica rejoined the private sector in 2009 and held four top executive industry positions within the Aker Group in Norway, including as EVP in the listed EPC contractor Kværner, before moving back into law.

Principal external appointments

Partner at the Oslo-based law firm Selmer. Sits on a number of private company boards, industrial boards and academic committees, including as chairperson of Fortum Oslo Varme and Silex Gas Norway.

T S

John Winterman

Non-Executive Director
Appointed 7 September 2017

Key strengths and experience

- Extensive technical leadership experience in global exploration, business development and asset management

John is a member of the American Association of Petroleum Geologists. He joined Occidental in 1981 as a geologist with the company and had a strong record of exploration success globally, with over two billion barrels of oil equivalent discovered in the Philippines, Indonesia, Bangladesh, Malaysia, Russia, the US and Yemen. After a 20+ year technical career, John moved into executive roles, including high-level executive leadership positions. John left Occidental in 2013 and since then has provided strategic advice to international oil and gas companies.

Principal external appointments

Non-executive director of CC Energy.

Executive Committee

Bob Davenport

Managing Director – North Sea

Key strengths and experience

- Extensive international experience leading large upstream development projects
- Strong operational and engineering experience

Bob joined EnQuest in 2015 and is currently responsible for the Group's UK North Sea business. He has extensive international experience in upstream, with prior roles including: Managing Director – Malaysia, leading the Group's Malaysia business; and operations director – North Sea and managing director – Khalda JV at Apache Corporation, where he led the largest oil and gas producer in Egypt's western desert.

Richard Hall

Managing Director – Malaysia

Key strengths and experience

- Significant international experience
- Senior positions held in operations, field development and project roles for both operators and service companies

Richard rejoined EnQuest in December 2020 and has overall responsibility for EnQuest's Malaysian business, having previously worked for EnQuest as part of the Executive Committee as Head of Major Capital Projects, where he was instrumental in taking Kraken from project concept stage through to production. Previously, Richard held roles at Petrofac, including: vice president of operations & developments; and general manager in Malaysia, where he started Petrofac Malaysia. Richard went on to be co-founder and CEO of Malaysia-focused Nio Petroleum and has also been chairman and CEO of the private equity backed service company Influit. He was also one of four founders and operations director of the service company UWG Ltd.

Salman Malik

Managing Director, Corporate Development, Infrastructure and New Energy

Key strengths and experience

- Corporate strategy, corporate finance, investment management, and mergers and acquisitions experience across the energy value chain
- Chartered Financial Analyst Charterholder

Salman joined EnQuest in 2013 and is responsible for the Infrastructure and New Energy business, in addition to the Group's strategy, corporate finance and mergers and acquisitions. He has extensive experience in structured finance, acquisitions, post-acquisition management and divestitures across the energy value chain. He has also held several positions in the private equity and investment banking industry.

Janice Mair

Director of People, Culture & Diversity

Key strengths and experience

- Strong experience in the energy sector
- A Fellow of the Chartered Institute of Personnel and Development

Janice joined the Executive Committee in August 2020 after two years as UK Head of Human Resources. She has held HR leadership roles in a variety of sectors, including oil and gas and transportation. Prior to joining EnQuest, Janice was head of HR for Repsol Sinopec Resources. She also holds a masters of law degree in employment law and a BA in hospitality management.

Stefan Ricketts

Commercial and Legal Director. Company Secretary

Key strengths and experience

- Extensive international legal and commercial experience in energy and natural resources in all phases of development and operations
- Transaction management across corporate finance, debt finance, mergers and acquisitions and project development

Stefan joined EnQuest in 2012. He is a solicitor and has previously been a partner in a major international law firm and a General Counsel in a FTSE 100 energy company. He has responsibility for the commercial and legal affairs of the Group, and holds the offices of General Counsel, Company Secretary and Chief Risk Officer.

Martin Mentiply

Business Development Director

Key strengths and experience

- Over 20 years' experience in senior technical and commercial roles
- Extensive geographical experience

Martin joined EnQuest in 2016 and is responsible for all business development-related activities across the Group. He has over 20 years of broad international oil and gas operator experience. Throughout his career he has gained significant technical and commercial expertise in field development planning, project execution, reservoir management and investment assurance across the value chain, from upstream through to LNG.

EnQuest's Aberdeen office, Annan House

Chairman's letter

"Corporate governance is an essential part of our overall framework, supporting both risk management and the Group's core values."

Martin Houston
Chairman

Dear fellow shareholder

On behalf of the Board of Directors (the 'Board'), I am pleased to introduce EnQuest's Corporate Governance Report. Due to the ongoing impact of COVID-19, 2021 proved to be another year with much work taking place virtually. However, the Board members were able to meet in person in October 2021 for two days, comprising a strategy session and a Board meeting. This finally allowed our new Directors to meet their fellow Board members in person for the first time since appointment. This year I hope that our shareholders will also have the opportunity to meet with the Directors at the Company's Annual General Meeting ('AGM'), due to be held on 19 May 2022 at Sofitel London St James.

A lot of the Board's time in 2021 was spent discussing the acquisition of Golden Eagle and the new reserves based lending facility for the Group. I was impressed with the focus of our workforce in completing the transaction against the backdrop of the pandemic, which has continued to significantly impact working patterns. I congratulate and thank all staff involved in making this happen and of course my Board colleagues for their continued input and counsel.

The Governance and Nomination Committee, on behalf of the Board, has continued its work on Board composition and both Board and Executive succession planning over the past year. In January 2022 we welcomed Rani Koya to the Board. Rani has extensive energy industry experience and is the CEO of a UK-based renewable energy company, which will be of great help as we look at lower-carbon opportunities for EnQuest. As reported in the 2020 Annual Report and Accounts, Laurie Fitch stepped down as a Director in January 2021 and Liv Monica Stubholt joined in the same month.

This year, as part of our planned rotation of Directors, Philip Holland will be leaving the Board in May 2022 and will therefore not be offered for re-election at the AGM. Philip is the Chair of the Safety, Climate and Risk Committee, a post he has successfully steered since its inception in 2016. Liv Monica will be assuming the role of Chair. In respect of senior management succession planning, we held a full Board discussion in October 2021 and evaluated the internal talent pipeline and the capabilities within the organisation.

With respect to diversity, the Board has formally adopted the recommendations of both the Hampton-Alexander and Parker Reviews and set targets reflecting these reports. I am pleased that the Board already adheres to the Parker recommendations and will, on Philip Holland's departure, also be in line with the original Hampton-Alexander recommendations. Diversity has always been a key consideration for our recruitment, both at the workforce and Board levels, so appropriate targets have been set at leadership level and emerging targets, such as those of the FTSE Women Leaders Review, are monitored.

EnQuest was recognised for its efforts through its nomination as in a finalist at the 2021 OGUK awards in the category of Diversity and Inclusion. More details, including the results of an employee survey to gauge staff sentiment, can be found on page 40.

This year, the Board evaluation was facilitated externally. It concluded that the Board continues to be effective and performs well. In particular, the skills and diversity of the Board were highlighted as very positive. The results of the evaluation can be found on page 95.

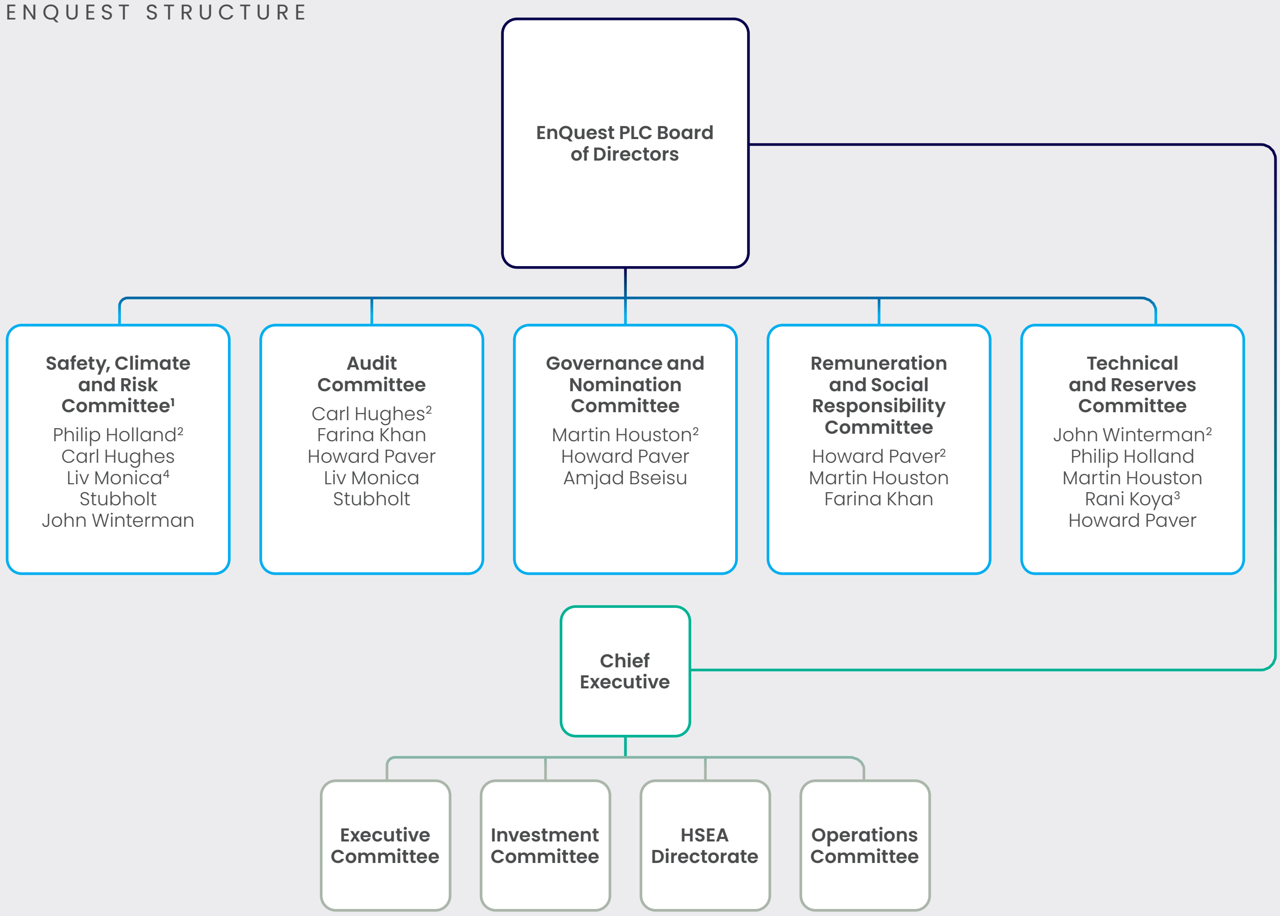
Corporate governance is an essential part of our overall governance framework, supporting both risk management and the Group's core Values. This framework also contains non-Board Committees which provide advice and support to the Chief Executive on the development, implementation and monitoring of the Group's strategy. Further information relating to the operation of the Board and its Committees can be found in the following governance pages of this Annual Report and Accounts. Individual Committee reports are on pages 69 to 75 (Audit), pages 76 to 93 (Remuneration and Social Responsibility), pages 94 to 96 (Governance and Nomination), pages 97 to 98 (Safety, Climate and Risk) and page 99 (Technical and Reserves). During 2021 the Committees of the Board, which had expanded their remits towards the end of 2020, enhanced their activities in their areas of increased delegation. In particular, the Safety, Climate and Risk Committee had a particular focus on asset integrity and EnQuest's emissions reduction efforts, while the Remuneration and Social Responsibility Committee oversaw the Group's external engagement in the areas of sustainability and supporting education.

Martin Houston
Chairman
23 March 2022

Key corporate governance activities in 2021

Succession planning and Board composition	Appointments of Liv Monica Stubholt and Rani Koya Senior leadership succession planning
Transactional activities	Acquisitions of Golden Eagle and Bentley New reserves based lending facility
Stakeholder engagement	Presentation by EnQuest charitable beneficiary to the Board Investor perceptions study presented to the Board Chairman meetings with shareholders
Employee workforce and employee culture	Annual survey and separate diversity survey Streamlining staff training and staff compliance activities Regular reports from the Employee Forum

ENQUEST STRUCTURE



1 Farina Khan stepped down from the Safety, Climate and Risk Committee on 2 February 2022
2 Committee Chair
3 Rani Koya was appointed as a Non-Executive Director of the Board on 1 January 2022
4 Liv Monica Stubholt will become Chair of the Safety, Climate and Risk Committee in May 2022

Corporate governance statement

Statement of compliance

The Board believes that the manner in which it conducts its business is important and it is committed to delivering the highest standards of corporate governance for the benefit of all of its stakeholders. The Directors are cognisant of their duties to stakeholders under Section 172 of the Companies Act 2006 and considerations related to stakeholders are reflected throughout this Annual Report and Accounts. The Section 172 Statement can be found on page 6. The Company complies with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code 2018 (the 'Code') which was effective for accounting periods beginning on or after 1 January 2019. The Code can be found on the Financial Reporting Council's website at www.frc.org.uk. Detailed below is EnQuest's application of, and compliance with, the Code. In order to avoid duplication, cross-references to appropriate sections within the Annual Report and Accounts ('2021 ARA') are provided.

The manner in which the Company has applied the principles of the Code can be found in the following sections:

Board leadership and company purpose	• Corporate Governance (page 64) • Strategic report (page 8)
Division of responsibilities	• Corporate Governance (page 67)
Composition, succession and evaluation	• Governance and Nomination Committee report (page 95)
Audit, risk and internal control	• Strategic report (page 42) • Audit Committee report (page 69) • Safety, Climate and Risk Committee report (page 97)
Remuneration	• Directors' Remuneration Report (page 76)

Board leadership and company purpose

The Board takes seriously its roles in promoting the long-term success of the Company, generating value for shareholders, having regard to the interests of other stakeholders and contributing to wider society. How the Company manages these areas can be found in the Strategic report, in particular on pages 4 to 10.

The Board is responsible for:
- The Group's overall purpose and strategy;
- Health, safety and environmental performance;
- Review of business plans and trading performance;
- Approval of major capital investment projects;
- Acquisition and divestment opportunities;
- Review of significant financial and operational issues;
- Review and approval of the Group's financial statements;
- Oversight of control and risk management systems;
- Succession planning and appointments; and
- Oversight of employee culture.

Board agenda and key activities throughout 2021

During 2021, the majority of Board meetings were held by videoconference. However, an in-person meeting was convened in October 2021.

Directors' attendance at Board meetings in 2021

	Meetings attended
Scheduled meetings 2021	6
Executive Directors	
Amjad Bseisu	6
Jonathan Swinney	6
Non-Executive Directors	
Martin Houston	6
Farina Khan	6
Howard Paver	6
Philip Holland	6
Carl Hughes	6
Liv Monica Stubholt[1]	5/5
John Winterman	6

1 Liv Monica Stubholt was appointed a Director on 15 February 2021

The table below sets out matters that the Board discuss at each meeting and the key activities that have taken place throughout this period.

Matters considered at each meeting	Key activities for the Board throughout 2021			
	Strategy	Operations	Governance	Stakeholders
• HSEA • Key project status and progress • Responses to oil price movements • Strategy • Key transactions • Financial reports and statements • Production • Operational issues and highlights • HR issues and developments • Key legal updates • Assurance and risk management • Investor relations and capital markets update • Liquidity • Employee Forum activities	• Strategy session held in October • Growth opportunities • ESG strategy and emissions reduction • Financing • Golden Eagle transaction • Organisational effectiveness • Infrastructure and New Energy	• COVID-19 considerations • 2021 performance and 2022 budget reviews • Compliance with debt covenants and liquidity • Sullom Voe Terminal operations • Decommissioning activities • Asset integrity review	• Risk, going concern and long-term viability review • Risk Management Framework • Annual anti-corruption review • Succession planning • Periodic updates on corporate regulatory changes and reporting requirements • Board and employee diversity, including strategy • S.172 principal decisions • Board evaluation • Board composition	• Employee matters such as training, diversity and succession • Charitable activities • Shareholder considerations in relation to Golden Eagle • Structuring debt for banks, sureties and bondholders • Shareholder approval of the equity raise • Relations with Petronas in Malaysia • Change of co-venturer in Kraken • UK NSTA interactions

Committees

The Board has five Committees which meet on a regular basis and report back to the Directors at each Board meeting. This allows for the Board to be apprised of important Committee business and, if necessary, to discuss issues should they need to be escalated to Board level. There are formal terms of reference for each Committee which set out the scope of authority of the Committee, satisfy the requirements of the Code and are reviewed and approved on an ongoing basis by the Board. Copies of the terms of reference are available on the Group's website, www.enquest.com. Membership of each Committee can be found on page 63 and the dedicated Committee pages, details of which are found below:

Governance and Nomination Committee

The Governance and Nomination Committee leads the process for appointments and regularly reviews the structure, size and composition of the Board. It also considers succession planning for the Executive Committee and has expanded its remit to cover all aspects of the Governance Code. The work of the Governance and Nomination Committee, including information regarding the Board's diversity and associated policy, recruitment and the Board annual evaluation process, is on pages 94 to 96.

Audit Committee

The work of the Audit Committee is on pages 69 to 75.

The Audit Committee is responsible for the following internal control and risk management related tasks:

- Reviewing the effectiveness of the Group's internal controls and risk management systems;
- Reviewing and approving the statements to be included in the Annual Report concerning internal controls and risk management; and
- Monitoring and reviewing the effectiveness of the Group's internal audit capability in the context of the Group's overall risk management system.

Remuneration and Social Responsibility Committee
The Remuneration and Social Responsibility Committee has assessed the Group's performance for 2021 in determining the appropriate performance-related compensation and has continued its assessment of institutional shareholder guidelines. In 2021, it received shareholder approval for the updated Remuneration Policy. The Committee has also reviewed the Group's social responsibility programme, both outward-looking (how the Group engages in its communities) and within (employee engagement and a positive workforce culture). The work of the Remuneration and Social Responsibility Committee is set out on pages 76 to 93.

Safety, Climate and Risk Committee
The Safety, Climate and Risk Committee continues to progress its comprehensive Risk Management Framework and has had oversight of the asset integrity review and conducted a robust assessment of the principal risks facing the Group; see pages 36 to 38 of the Strategic report for further information. The work of the Committee, which includes monitoring HSEA issues and oversight of decarbonisation matters, is on pages 97 to 98.

Technical and Reserves Committee
The Technical and Reserves Committee provides the Board with additional technical insight when making Board decisions. The work of the Committee can be found on page 99.

Culture
The Board ensures that the culture of the Group is aligned with its purpose, Values and strategy. EnQuest's Values embody the ethos of the Group and the Board carefully monitors and promotes a positive culture. The Board believes that engaged and committed employees are integral to the delivery of the Group's business plan and, to assist this, an employee survey is held on a regular basis. The survey is used by the Board as a baseline from which to enhance and improve the culture of the Group. In addition, the Employee Forum, which was established in 2019 to ensure continued engagement with the workforce, met several times over the year. The Board receives updates following each Forum meeting from Farina Khan and Philip Holland, who attend as the designated Board representatives. In 2022, Rani Koya will replace Farina Khan as a representative. Over the past year, the Board has discussed return-to-work requirements and workload matters as a result of the Forum meetings, directing management to address as appropriate. The output from these meetings and other culture activities is reported on pages 40 to 41 of this 2021 ARA.

EnQuest's Code of Conduct underpins the governance and ethos of the Group. All personnel are required to be familiar with the Code of Conduct, which sets out the behaviours that the organisation expects of those who work at and with the Group. The Group's Values complement the behaviours contained within the Code and are a key part of the Group's identity. They guide the workforce as they pursue EnQuest's strategy and delivery of SAFE Results.

Workforce concerns
Through the Employee Forum, regular briefings, which include an opportunity for the workforce to ask questions to management, the promotion of its Code of Conduct and Values and various communication media, the Group seeks to set positive, appropriate standards of conduct for its people within an open, dynamic and inclusive culture. The Group encourages all employees to escalate any concerns and, as part of its whistleblowing procedure, provides an external 'speak-up' reporting line which is available to all employees, allowing for anonymous reporting through an independent third party. Where concerns are raised, these are investigated by the Group's General Counsel and reported to the Chairman of the Audit Committee, with follow-up action taken as soon as practicable thereafter.

Conflicts of interest and compliance
The Group has procedures in place which identify and, where appropriate, manage conflicts or potential conflicts of interest with the Group's interests. In accordance with the provisions relating to Directors' interests in the Companies Act 2006, all Directors are required to submit details to the Company Secretary of any situations which may give rise to a conflict or potential conflict. The Board is satisfied that formal procedures are in place to ensure that authorisation for potential and actual conflicts of interest are operated efficiently. Directors are required to obtain Board approval before accepting any further external appointments and demands on a Director's time are taken into account before approval is given.

The Group is committed to behaving fairly and ethically in all of its endeavours and has policies which cover anti-bribery, anti-corruption and tax evasion. The anti-bribery and corruption programme is reviewed annually by the Board and a compulsory online anti-corruption training course is required to be completed by all staff. Additional information can be found on page 54 and in the Code of Conduct which is available on the Group's website.

Board education
All Directors receive an induction pack and meet with management on joining the Company. They are also offered director training and memberships of organisations which deliver knowledge and training to Non-Executive Directors. Education is provided from time to time by the Company Secretary; for example, a session was held with external counsel to discuss the Board's specific responsibilities in relation to the Golden Eagle transaction and separate training has been provided on corporate governance matters pertinent to the discharge of their duties.

Stakeholder engagement
As COVID-19-related restrictions have continued to impact on face-to-face meetings, engagement activities were primarily conducted virtually through the use of video and telephone conference calls. EnQuest continued to have an active and constructive dialogue with its shareholders throughout the year.

This was conducted through a planned programme of investor relations activities, including meetings with:

- significant shareholders with regard to the Group's acquisition of the Golden Eagle assets and associated equity fund raise and refinancing of its secured debt facility, performance against guidance and its overall debt management strategy;
- several of the Group's shareholders who were invited to participate in an independent investor perception study undertaken by Rothschild & Co. The findings were reported to the Board, and provided useful insights which will be incorporated into future programmes of investor relations activities; and
- a selection of the Group's larger shareholders who were invited to meet with the Group's Chairman.

Throughout 2021, a number of equity and debt investor and research analyst engagements were undertaken. The Group also delivered presentations alongside its half-year and full-year results, copies of which are available on the dedicated section of the Group's website, which can be found under 'Investors' at www.enquest.com, as well as ad hoc presentations at investor conferences. The Group's results meetings are followed by investor roadshows with existing and potential new investors. These meetings, which take place throughout the year, other than during closed periods, are organised directly by the Company, via brokers and in response to direct investor requests.

EnQuest's Investor Relations team and Company Secretarial department respond to queries from shareholders, debt holders, analysts and other stakeholders, all of whom can register on the website to receive email alerts of relevant Group news. EnQuest's registrar, Link Group, also has a team available to answer shareholder queries in relation to technical and administrative aspects of their holdings. The Board is routinely kept informed of investor feedback, broker and analyst views and industry news in a paper submitted at each Board meeting by the Group's Investor Relations team and as required on an ad hoc basis.

The Board is also kept informed of relevant developments relating to other stakeholder groups such as suppliers, regulators, partners and governments, as required by the Executive Directors and/or the appropriate functional management, and considers potential impacts on these groups of principal decisions made during the course of the year (see pages 06 to 07 for more details).

2021 Annual Report and Accounts

The Directors are responsible for preparing the 2021 ARA and consider that, taken as a whole, the 2021 ARA are fair, balanced and understandable, and provide the necessary information for shareholders to assess the Company and Group's position and performance, business model and strategy.

Annual General Meeting ('AGM')

The Company's AGM is ordinarily attended by the Directors and executive and senior management and is open to all EnQuest shareholders to attend.

Division of responsibilities

There is a clear division of responsibilities between the leadership of the Board and the executive leadership of EnQuest. The roles of the Chairman and Chief Executive are not exercised by the same individual.

Chairman

The Chairman is responsible for the leadership of the Board, setting the Board agenda and ensuring the overall effective working of the Board. The Chairman holds regular one-to-one and group meetings with the Non-Executive Directors, without the Executive Directors present.

Chief Executive

The Chief Executive is accountable and reports to the Board. His role is to develop strategy in consultation with the Board, to execute that strategy following presentation to, and consideration and approval by, the Board and to oversee the operational management of the business.

Senior Independent Director

The Senior Independent Director ('SID') is available to shareholders if they have concerns where contact through the normal channels of the Chairman or the Executive Directors has failed to resolve an issue, or where such contact is inappropriate. The SID acts as a sounding board for the Chairman and also conducts the Chairman's evaluation on an annual basis.

Non-Executive Directors

The Non-Executive Directors combine broad business and commercial experience from oil and gas and other industry sectors. They bring independence, external skills and objective judgement, and constructively challenge the actions of executive and senior management. This is critical for providing assurance that the Executive Directors are exercising good judgement in delivery of strategy, risk management and decision making. They receive a monthly report on Group performance and updates on major projects, irrespective of a meeting taking place, which allows them to monitor performance regularly. In addition, they hold to account the performance of management and individual Directors against agreed objectives and assess and monitor the culture of the Company. All Directors of EnQuest have been determined to have sufficient time to meet their responsibilities and this is monitored on a regular basis. At the date of this report there are ten Directors, consisting of two Executive Directors and eight Non-Executive Directors (including the Chairman).

Corporate governance statement continued

Company Secretary

The Company Secretary is responsible for advising the Board, through the Chairman, on all Board procedures and governance matters. In addition, each Director has access to the advice and services of the Company Secretary. The Company Secretary assists with the ongoing training and development of the Board and is instrumental in facilitating the induction of new Directors. The appointment and removal of the Company Secretary is a Board matter. The Company Secretary supports the Chairman in the provision of accurate and timely information. Board agendas are drawn up by the Company Secretary in conjunction with the Chairman and with agreement from the Chief Executive. All Board papers are published via an online Board portal system which offers a fast, secure and reliable method of distribution.

Independence

The Chairman was independent on appointment and the Board considers that all the Non-Executive Directors and newly appointed Directors continue to remain independent and free from any relationship that could affect, or appear to affect, their independent judgement. Information on the skills and experience of the Non-Executive Directors can be found in the Board biographies on pages 58 to 59.

Audit Committee report

"The Committee continued to focus on the integrity of the Group's disclosures in light of climate change and macro-environment uncertainty, as well as monitoring the Group's system of internal control, risk management and work of key functions."

Carl Hughes
Chairman of the Audit Committee

Dear fellow shareholder

I am pleased to present the Audit Committee report for the year ended 31 December 2021, covering our activities over the course of the year.

The Audit Committee oversees and monitors the Group's financial reporting (including reporting on the financial aspects related to climate change), external and internal audit, the effectiveness of the risk management framework and system of internal controls.

More information on the role and responsibilities of the Committee and its terms of reference can be found at www.enquest.com/investors/corporate-governance.

In addition to the standing agenda items for the year, the Committee also considered a variety of other focus areas, including: refinancing of the Group's senior debt facility, reviewing the accounting for the Golden Eagle acquisition, responding to the BEIS consultation 'Restoring trust in audit and corporate governance', a review of the internal control processes of the marketing and trading function, enhancing climate change disclosures in financial reporting and monitoring the impacts of COVID-19 on the Group's 2021 financial reporting. Members of the Committee carried out site visits to the Sullom Voe Terminal and EnQuest's various operational and finance functions in London and Aberdeen. These site visits contribute to the Committee's understanding of the risks and opportunities at key locations and provide the opportunity for members of the Committee to engage with a diverse range of EnQuest staff in each location and to hear directly from them.

In February 2021, we welcomed Liv Monica Stubholt to the Board and Committee. Liv Monica's significant oil and gas knowledge from an extensive legal career is extremely beneficial to the Committee and EnQuest.

Subsequent to the publication of the EnQuest Annual Report and Accounts 2020, EnQuest received a letter request for information from the Council for Swedish Financial Reporting Supervision ('the Council'). The Committee considered the letter and EnQuest's detailed response thereto, which enabled the Council to close its enquiries.

As discussed within the Corporate governance statement, the Committee is pleased to confirm that the actions of the Committee were, and continue to be, in compliance with the Code and that it is satisfied with the formal and transparent policies and procedures in place. Furthermore, the Committee ensured that key judgements and estimates made in the financial statements, such as the recoverable value of the Group's assets, were carefully assessed.

Carl Hughes
Chairman of the Audit Committee
23 March 2022

Committee composition

As required by the Code published in July 2018, the Committee exclusively comprises Non-Executive Directors, biographies of whom are set out on pages 58 and 59. The Board is satisfied that the Chairman of the Committee, Carl Hughes, previously an energy and resources audit partner of Deloitte, and a Fellow of the Institute of Chartered Accountants in England and Wales, meets the requirement for recent and relevant financial experience.

Membership of the Committee, appointment dates and attendance at the four scheduled meetings held during 2021 is provided in the table below:

Member	Date appointed Committee member	Attendance at meetings during the year
Carl Hughes	1 January 2017	4
Howard Paver	1 May 2019	4
Farina Khan	1 November 2020	4
Liv Monica Stubholt[1]	15 February 2021	4

Note:
1 Liv Monica Stubholt was appointed as a Non-Executive Director on 15 February 2021, becoming a member of the Audit Committee

Meetings are also normally attended by the General Counsel and Company Secretary, the Chief Financial Officer, the external auditor, the internal audit manager and other key finance team members as required. The Chief Executive and the Chairman of the Board also attend the meetings when invited to do so by the Committee. PricewaterhouseCoopers LLP ('PwC'), who support the Group's internal audit manager in certain specialist areas, attended the meetings as appropriate. The Chairman of the Committee regularly meets with the external audit partner (with such meetings including the independent review of the going concern and viability assessments) and internal audit (both the internal audit manager and the PwC partner) to discuss matters relevant to the Group.

The Committee continues to monitor its own effectiveness and that of the functions it supports on a regular basis. Through the review of the terms of reference of the Committee, regular meetings with the internal and external auditors and key management personnel, the Committee has concluded that its core duties in relation to financial reporting, internal controls and risk management systems, whistleblowing and fraud, internal audit, external audit and reporting responsibilities are being performed well.

Audit Committee meetings

There were four Committee meetings in 2021. All members attended each meeting. A summary of the main items discussed in each meeting is set out in the table below:

Agenda item	March 2021	May 2021	August 2021	December 2021
Audit Committee self-evaluation assessment of its effectiveness		✓		
Audit Committee terms of reference		✓		
Discussed significant matters arising from completed internal audits	✓	✓	✓	✓
Internal audit progress against 2021 plan, including findings since last meeting	✓	✓	✓	✓
Independence and objectivity of Internal audit		✓		
Internal audit and assurance plan for 2022			✓	✓
Joint venture audit plan for 2021, including summary findings since last meeting	✓			✓
Cyber security update	✓			✓
Considered the annual external audit plan				✓
Approve external (Deloitte) audit fees subject to the audit plan				✓
Review the level of non-audit service fees for Deloitte	✓	✓	✓	✓
Evaluate quality, independence and objectivity of Deloitte	✓	✓		✓
Review the effectiveness of Deloitte as external auditors		✓		
Evaluate the viability assessment	✓			
Appropriateness of going concern assumption	✓		✓	
Review of half-year or full-year regulatory press release and results statements	✓		✓	
Corporate governance update		✓		
UK audit and governance environment update in context of CMA, BEIS, Kingman and Brydon reviews		✓		✓
Briefings on regulatory developments				✓
Key risks, judgements and uncertainties, including the consideration of climate change, impacting the half-year or year-end financial statements (reports from both management and external auditor)	✓		✓	✓
Bond refinancing strategy		✓		
Presentation on the reserves audit and evaluation of the Competent Person's independence and objectivity	✓			
Finance strategy and organisation update		✓		
Consideration of tax strategy, policy and compliance				✓
Assessed management's response to significant audit findings, recommendations and notable control weaknesses, including potential improvements and agreed actions			✓	✓
Review of process and controls relating to the development of the Group's internal control framework	✓	✓	✓	✓

Fair, balanced and understandable

A key requirement of the Group's Annual Report and Accounts is for the report to be fair, balanced and understandable. In addition, the Annual Report should contain: sufficient information to enable the position, performance, strategy and business model of the Company to be clearly understood, details of measurable key performance indicators and explanations of how the Company has engaged with all of its stakeholders (as set out in the Group's Section 172 Statement on page 6). The Committee and the Board are satisfied that the Annual Report and Accounts meet these requirements, with appropriate weight being given to both positive and negative developments in the year.

With regard to these requirements, the Committee has considered the robust process which operates when compiling the Annual Report and Accounts, including:

- Clear guidance and instructions are provided to all contributors;
- Revisions to regulatory requirements, including the Code, are communicated and monitored;
- A thorough process of review, evaluation and verification of the content of the Annual Report and Accounts is undertaken to ensure accuracy and consistency;
- External advisers, including the external auditors, provide advice to management and the Audit Committee on best practice with regard to the creation of the Annual Report and Accounts; and
- A meeting of the Committee was held in March 2022 to review and recommend the approval of the draft 2021 Annual Report and Accounts in advance of the final sign-off by the Board.

Financial reporting and significant financial statement reporting issues

The primary role of the Committee in relation to financial reporting is to assess, amongst other things:

- The appropriateness of the accounting policies selected and disclosures made, including whether they comply with International Financial Reporting Standards; and
- Those judgements, estimates and key assumptions that could have a significant impact on the Group's financial performance and position, or on the remuneration of executive and senior management.

These items are considered by the Committee, together with reports from both management and its external auditor, at each Committee meeting. The Committee also reviewed and approved the clarification and treatment of certain items within the Group's Alternative Performance Measures ('APMs') to improve further the transparency and consistency of reporting. The significant accounting and reporting areas considered, including those related to EnQuest's 2021 Consolidated Financial Statements, are set out below:

Significant financial statement reporting issue	Consideration
Acquisition of Golden Eagle Upon acquisition, EnQuest reviewed the guidance under IFRS 3 – Business combinations to assess whether or not the assets acquired and liabilities assumed met the definition of a business. EnQuest determined that the acquisition of the Golden Eagle asset is an asset acquisition and not a business combination by applying the optional concentration test in IFRS 3. Under this test, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity can conclude that the acquisition is not a business combination. Where an asset that does not constitute a business is acquired (as in the case of the Golden Eagle acquisition), it is required to be accounted for at cost.	The Committee received information to explain the reasoning for the asset acquisition basis of accounting, with a focus on the allocation of cost across the identifiable assets acquired and liabilities assumed, and supported management's conclusions including the final valuation of property, plant and equipment recognised on acquisition.
Going concern and viability The Group's assessments of the going concern assumption and viability are based on detailed cash flow and covenant forecasts. These are, in turn, underpinned by forecasts and assumptions in respect of: • Production for the next three years, based on the Group's approved 2022 business plan and forecasts; • The oil price assumption, based on a forward curve of \$75/bbl (2022), \$70/bbl (2023), \$70/bbl (2024) and \$60/bbl thereafter; and • In the case of the viability statement, refinancing of both the High Yield and Retail Bonds in the second quarter of 2023.	The Committee reviewed and considered the Directors' half-year and full-year statements with respect to the going concern basis of accounting. The Board also regularly reviews the liquidity projections of the Group. The detailed going concern and longer-term viability analysis, including sensitivity analysis and stress testing, along with explanations and justifications for the key assumptions made, were presented at the March 2022 meeting. This analysis was considered and challenged by the Committee, including, but not limited to, the appropriateness of the period covered, that planning scenarios and macroeconomic assumptions were realistic, stress tests were appropriate and mitigations achievable to ensure that the Group has sufficient headroom to continue as a going concern. The Committee also considered the resilience of the Group to the impacts of the COVID-19 pandemic. The Committee supported the going concern basis of accounting. The disclosures in the Annual Report concerning the viability statement and going concern assumption (see pages 30 to 31) were reviewed and approved at the March 2022 meeting for recommendation to the Board.

Audit Committee report continued

Significant financial statement reporting issue	Consideration
Potential misstatement of oil and gas reserves The Group has total proved and probable reserves as at 31 December 2021 of 194 MMboe. The estimation of these reserves is essential to: • The valuation of the Group; • The assessment of going concern and viability; • Impairment testing; • Decommissioning liability provisions; and • The calculation of depreciation.	During the March 2022 meeting, management presented the Group's 2P reserves, together with the report from Gaffney, Cline & Associates, the Group's reserves auditor. The Committee considered the scope and adequacy of the work performed by Gaffney, Cline & Associates and their independence and objectivity and concurred that the estimation of reserves had been consistently applied to the financial statements.
Impairment of tangible and intangible assets The recoverability of asset carrying values is a significant area of judgement. These impairment tests are underpinned by assumptions regarding: • 2P reserves; • Oil price assumptions (based on an internal view of forward curve prices of $75/bbl (2022), $70/bbl (2023), $70/bbl (2024) and $60.0/bbl real thereafter); • Life of field production profiles and opex, capex and abandonment expenditure; and • A post-tax market discount rate derived using the weighted average cost of capital methodology. See also note 2 Critical accounting judgements and key sources of estimation uncertainty: recoverability of asset carrying values, and notes 10, 11 and 12 for more details. Impairment testing has been performed, resulting in a net pre-tax non-cash impairment reversal of $39.7 million.	At the March 2022 meeting, management presented the key assumptions made in respect of impairment testing and the result thereof to the Committee. The Committee considered and challenged these assumptions, including the potential impacts of climate change and energy transition, in line with the challenges performed as part of the going concern and viability review. The Committee considered the impacts of the global COVID-19 pandemic on the Group's full-year 2021 financial reporting, including the implications for oil price assumptions. Sensitivity analysis and disclosures estimating the effect of price reductions were reviewed. Consideration was also given to Deloitte's view of the work performed by management.
Contingent consideration Any contingent consideration included in the consideration payable for a business combination or asset acquisition is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate discount rates. The Group calculates contingent consideration payable in respect of its Magnus and Golden Eagle acquisitions. See note 22 for further details.	At the March 2022 meeting, the key assumptions and results of the fair value calculations, along with an explanation of movements in the year, were presented to the Committee. Consideration was also given to Deloitte's view of the work performed by management. It was noted that the assumptions are consistent with those used in the impairment assessment (see above). The Committee concluded that the assumptions and inputs for contingent consideration payable were reasonable and the related liabilities recorded were appropriate.

Significant financial statement reporting issue	Consideration
Climate change in financial reporting While the Group's view of evolving climate risks continues to develop, the potential financial implications, along with appropriate disclosure, are an area of focus for the Committee. Climate change and the transition to a lower-carbon economy may have significant impacts on the currently reported amounts of the Group's assets and liabilities and on similar assets and liabilities that may be recognised in the future. See note 2 Use of judgements, estimates and assumptions: Climate change and energy transition.	The Committee was informed of and acknowledged global trends, including increased disclosure within financial statements. The Committee considered financial statement disclosures, including TCFD reporting, and how the Group's climate change scenarios are reflected in the Group's key judgements and estimates used in the preparation of the Group's FY2021 finance statements. This included a review of management's best estimate of oil price assumptions for fair value less cost of disposal ('FVLCD') impairment testing. The Committee reviewed the approach proposed by management to provide additional disclosure in relation to the potential financial statement impacts of climate change, including testing the Group's resilience under the International Energy Agency's Sustainable Development scenario and Net Zero Emissions by 2050 scenario. The Committee, recognising the evolving nature of climate change risks and responses, concluded that climate change has been appropriately considered by management in key judgements and estimates and concurred with the disclosures proposed by management.
Appropriateness of the decommissioning provision The Group's decommissioning provision of $835.7 million at 31 December 2021 is based upon a discounted estimate of the future costs and timing of decommissioning of the Group's oil and gas assets. Judgement exists in respect of the estimation of the costs involved, the discount rate assumed, and the timing of decommissioning activities. See note 2 Critical accounting judgements and key sources of estimation uncertainty: provisions.	The Committee reviewed the report by management summarising the key findings and their impact on the provision. Sensitivity analysis and disclosure estimating the effect of a change in discount rates was reviewed. Regard was also given to the observations made by Deloitte as to the appropriateness of the estimates made.
Taxation At 31 December 2021, the Group carried deferred tax balances comprising $703.0 million of tax assets (primarily related to previous years' tax losses) and $3.4 million of tax liabilities. The recoverability of the tax losses has been assessed by reference to future profit estimates derived from the Group's impairment testing. Ring-fence losses totalling $2,728.1 million ($1,091.2 million tax-effected) have been recognised. The main drivers of the tax provision are the deferred tax asset impairment and the Ring Fence Expenditure Supplement ('RFES') uplift. The RFES claim in 2021 is the last claim available to the Group. Given the complexity of tax legislation, risk exists in respect of some of the Group's tax positions. Subsequent to the publication of the Group's 2020 consolidated financial statements, 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 has resulted in a restatement of the 2020 financial statements. See note 2 Basis of preparation – Restatements.	The Committee received a report from the Group's Head of Tax, outlining all uncertain tax positions, and discussed management's assumptions of future profit estimates and evaluated the amount of deferred tax assets recognised. It was noted that the assumptions are consistent with those used in the impairment assessment (see above). The Committee also took into account the views of Deloitte as to the appropriateness of the Group's tax balances. An evaluation of the transparency of the Group's tax exposures was undertaken, reviewing the adequacy and appropriateness of tax disclosures presented by management. Regard was also given to the observations made by Deloitte as to the appropriateness of the disclosures made. The Committee appraised and approved the restatement of the prior period deferred tax balances. The Committee reviewed management's analysis of the restatement and concurred with their recommendations. As part of the review, management has implemented a number of improvements in the process of transferring cash flows from the Group impairment model to the Group tax model in order to assess the amount of deferred tax to be recognised.

Risk management
The Code requires that the Board monitors the Company's risk management and, at least annually, carries out and reports on the results of a review of their effectiveness. The Board has oversight of risk management within EnQuest for the Company's emerging and principal risks. Page 44 provides more detail on how the Board, and its Safety, Climate and Risk Committee, has discharged its responsibility in this regard. The Audit Committee Chairman is also a member of the Safety, Climate and Risk Committee.

Internal control
Responsibility in respect of financial internal control is delegated by the Board to the Committee. The effectiveness of the Group's internal control framework is reviewed continually throughout the year. Key features include:
- Clear delegations of authority to the Board and its sub-Committees, and to each level of management;
- Setting of HSEA, operational and financial targets and budgets which are subsequently monitored by management and the Board;
- A comprehensive risk management process with clear definition of risk tolerance and appetite. This includes a review by the Safety, Climate and Risk Committee of the effectiveness of management controls and actions which address and mitigate the most significant risks;
- An annual risk-based internal audit programme developed in conjunction with management. Findings are communicated to the Audit Committee and follow-up reviews are conducted where necessary; and
- Further objective feedback provided by the external auditors and other external specialists.

Obtaining assurance on the internal control environment
The Committee received reports from internal audit at each Committee meeting in 2021 and meets privately with the internal audit manager from time to time. The Committee continued to review the effectiveness and capabilities of internal audit and monitor its independence during the year. The Group will continue to outsource to PwC or other experts specialist areas of the internal audit programme, such as cyber-security. The internal audit manager reports functionally to the Chair of the Committee and administratively to the commercial and legal director.

In 2021, internal audit established an internal audit charter, which was reviewed and approved by the Committee. The internal audit manager maintains an internal quality assurance and improvement programme covering all aspects of internal audit's activities, and evaluates the conformance of these activities with the Chartered Institute of Internal Auditors' Standards.

The Group's system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within the risk tolerance levels defined by the Board. Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of assurance.

In respect of the work performed by internal audit, an internal audit plan is approved by the Committee each year. When setting the plan, recommendations from management and internal audit are considered, and take into account the particular risks impacting the Group, which are reviewed by the Board and the Safety, Climate and Risk Committee. During 2021, internal audit activities were undertaken for various areas, including reviews of:
- The Group's cyber-security;
- General Data Protection Regulation;
- Maintenance of critical spares;
- Compliance with Joint Operating Agreements;
- Compliance with UK Anti-bribery and corruption regulations;
- Internal control processes of the Marketing and Trading function;
- Emissions reporting;
- Thistle decommissioning readiness; and
- Internal control processes of the Financial Accounting and Reporting function.

Detailed results from internal audit were presented to management and a summary of the findings was presented to the Committee, together with copies of all internal audit reports. Where potential control enhancements were identified as being required, the Committee agreed appropriate actions with management and assessed management's response to the findings.

External audit
One of the Committee's key responsibilities is to monitor the performance, objectivity and independence of the external auditor. Each year, the Committee ensures that the scope of the auditor's work is sufficient and that the auditor is remunerated fairly. The annual process for reviewing the performance of the external audit process involves an interview or questionnaire with key members of the Group who are involved in the audit process to obtain feedback on the quality, efficiency and effectiveness of the audit. Additionally, Committee members take into account their own view of the external auditor's performance when determining whether or not to recommend reappointment. The Committee also held private meetings with the external auditor during the year.

The Committee considered the external audit plan, in particular to gain assurance that it was tailored to reflect changes in circumstances from the prior year. The significant audit risks addressed during the course of the 2021 audit were:
- Impairment of oil and gas assets and goodwill;
- Contingent consideration;
- Decommissioning provision;
- Deferred tax;
- Revenue recognition – crude oil cut-off; and
- Management override of controls.

Deloitte regularly updated the Committee on the status of their procedures during the year, including how they had challenged the Group's assumptions. The Committee and Deloitte discussed how risks to audit quality were addressed, key accounting and audit judgements, material communications between Deloitte and management and any issues arising from them.

Taking into account management's review and its own experiences with the external auditor, the Committee concluded that the audit team was providing the required quality in relation to the provision of audit services in its second year as auditor and has maintained its independence and objectivity. As required under UK auditing standards, Deloitte confirmed their independence to the Committee.

The Committee considers the reappointment of the external auditor each year, including consideration of the advisability and potential impact of conducting a tender process for the appointment of a different independent public accounting firm. The Committee is also responsible for making a recommendation to the Board for it to put to the Company's shareholders for approval at the AGM, to appoint, reappoint or remove the external auditor. At the AGM in May 2021, the shareholders approved a resolution to reappoint Deloitte as external auditor. The Company has complied with the Code and FRC Guidance in respect of audit tendering and rotation, under which the Company will be required to tender for the audit no later than the 2030 financial year. The Committee regularly reviews auditor performance and may elect to carry out the tender earlier than the 2030 financial year if it determined it would be in the interests of the Company's shareholders to do so.

Use of external auditors for non-audit services

The Committee is responsible for EnQuest's policy on non-audit services and the approval of non-audit services. The Committee and Board believe that the external auditor's independence and objectivity can potentially be affected by the level of non-audit services to EnQuest. However, the Committee acknowledges that certain work of a non-audit nature is best undertaken by the external auditor given their working knowledge of the Group. To ensure objectivity and independence, and to reflect best practice in this area, the Company's policy on non-audit services reflects the UK Regulations.

As part of the Committee's process in respect of the provision of non-audit services, the external auditor provides the Committee with information about its policies and processes for maintaining independence and monitoring compliance with current regulatory requirements.

The key features of the non-audit services policy, the full version of which is available on our website (www.enquest.com; under Corporate Governance within the Investors section), are as follows:

- A pre-defined list of prohibited services has been established;
- A schedule of services where the Group may engage the external auditor has been established and agreed by the Committee;
- Any non-audit project work which could impair the objectivity or independence of the external auditor may not be awarded to the external auditor; and
- Fees for permissible non-audit services provided by the external auditor are to be capped at no more than 70% of the average Group audit fee for the preceding three years. Following a change in external auditor, the 70% cap does not apply for the first two years.

The Committee continues to review non-audit services and, in light of the revised FRC Ethical Standards, reviews the scope of work to ensure its close link to audit services.

The Committee regularly reviews reports from management on the audit and non-audit services reported in accordance with the policy or for which specific prior approval from the Committee is being sought.

Delegated authority by the Committee for the approval of non-audit services by the external auditor is as follows:

Authoriser	Value of services per non-audit project
Chief Financial Officer	Up to £50,000
Chairman of the Audit Committee	Up to £100,000
Audit Committee	Above £100,000

In each case where the audit or non-audit service contract does not exceed the relevant threshold, the matter is approved by management by delegated authority from the Committee and is subsequently presented for approval by the Committee at the next meeting.

The scope of the non-audit services contracted with the external auditor in 2021 consisted mainly of the interim review and audit-related assurance services associated with the Golden Eagle acquisition.

Directors' Remuneration Report

"The Committee's focus remains ensuring reward for Executive Directors, the Executive Committee and senior managers incentivises the delivery of EnQuest's strategy and performance goals."

Howard Paver
Chair of the Remuneration and Social Responsibility Committee

Dear fellow shareholder

On behalf of the Board and my fellow members of the Remuneration and Social Responsibility Committee, I am pleased to present EnQuest's Directors' Remuneration Report ('DRR') for the financial year ended 31 December 2021.

Overview

Following the development of a new three-year Remuneration Policy (the 'Policy') in 2020, which was put to shareholder vote at the 2021 Annual General Meeting with 95.35% of votes cast in favour, Committee focus in 2021 has included matters of social responsibility, which we incorporated into the Committee terms of reference in December 2020, and a review of the distribution of PSP in the broader workforce. This was in addition to ongoing assessment of the appropriateness of the Group's total compensation package available for Executive Directors to ensure it remains aligned with our agreed remuneration principles, and compliance with the UK Corporate Governance Code (the 'Code'). The Policy is summarised on page 79; no amendments or revisions have been made to the Policy during 2021.

We continue to undertake benchmarking analysis of all key reward components for Executive Directors and Executive Committee members ahead of the annual pay review. This benchmarking exercise, which was thoroughly debated in the boardroom and independently validated by our remuneration advisers, Mercer Kepler, satisfied the Committee that the shape and level of our remuneration practices are appropriately positioned against those of comparator companies of similar size and scope.

The Committee believes that the current remuneration structure is clear, simple and appropriately aligned with the Group's strategy, risk appetite and culture, and that incentives are appropriately capped.

In line with the 2019 and 2020 reports, the chosen calculation for the 2021 CEO pay ratio was in line with single figure methodology, also known as 'Option A', resulting in a CEO pay ratio of 13:1.

Within the Strategic report, the Group has set out its intent to contribute positively towards the objective under the UK's current legislation to achieve 'net-zero' emissions by 2050. Emissions reduction targets have been included in the three-year PSP performance conditions.

The DRR has three sections:

1. This annual summary statement;
2. A summary of the Policy which is presented for information; and
3. The Annual Report on Remuneration of the Executive Directors and Non-Executive Directors for 2021, which will be subject to an advisory shareholder vote at the 2022 AGM.

Shareholder consultation

Our programme of open and transparent shareholder dialogue continued to provide a valuable contribution to the Committee's work in developing revisions to our Policy. We are aware of current institutional shareholder guidelines on executive remuneration, and have now aligned Executive Director pension contributions with those of the wider workforce and included greater transparency around the circumstances which will be subject to malus or clawback. We have further sought to simplify performance measures for both the annual bonus and PSP and to include environmental, social and governance measures in both.

Performance and remuneration outcomes for 2021

While production performance was disappointing, the Group delivered well across all other measures included in the CPC, with all results above target and some exceeding the stretch targets set. Delivery of the Golden Eagle acquisition was the principal driver in the strong performance against the liquidity management and reserves replacement measures. This was a very positive acquisition for the business that will, we believe, deliver significant shareholder value in the future. The culture, Values and ESG objective achieved just over the target level, with the creation and communication of a Group-wide Diversity and Inclusion Strategy that includes gender and ethnicity targets in leadership, stable employee engagement, and an outstanding emissions reduction performance all contributing. The asset integrity and safety plan was independently assessed as having achieved its stretch target, and confirmed at the Safety, Climate and Risk Committee meeting in January 2022. Finally, expenditure measures that included operating, capital and abandonment expenditure achieved just over the target level as a result of strong financial discipline across the business.

2021 annual bonus – payable in 2022

The Executive Directors' annual bonus awards are based on a combination of financial and operational results and the achievement of key accountability objectives. The bonus attainment for Amjad Bseisu (CEO) and Jonathan Swinney (CFO) was based solely on achievement against the CPC. The 2021 target and maximum bonus potential for Executive Directors was 75% and 125% of salary, respectively. 2021 bonus awards equal to 81.80% of base salary (65.44% of maximum) have been made for both Amjad Bseisu and Jonathan Swinney. The Committee believes that these levels of award, which were generated directly from the CPC outcome, are appropriate and representative of the performance of senior management when balanced against the shareholder and employee experience, and that further discretionary adjustment was not required. Full details of how these awards were determined is included on pages 84 to 86 of this report.

Performance Share Plan

The 2019 PSP award made to Executive Directors will vest on 24 April 2022. The three-year performance period ended on 31 December 2021 and the award will vest at 43.89% of the original award. The Committee agreed it was appropriate that the performance calculation included production and reserves growth arising out of the non-equity funded element of the 2018 acquisition of the additional 75.0% interest in Magnus. No benefit was included in relation to the portion of the acquisition funded from the net rights issue proceeds. A further adjustment was made to both targets and outturn in relation to assets decommissioned following the strategic decision taken in the second quarter of 2020 to close production early at the Heather and Thistle assets. This action will result in additional cash flow and value to shareholders in the longer term. The impact of the Golden Eagle acquisition, which completed in October 2021, was excluded from both targets and outturn for the purposes of PSP performance on the grounds that completion was achieved in month 34 of a 36-month performance period. Taking the above adjustments into account, the production growth and reserves growth targets (30% and 10% weighting, respectively) did not achieve threshold. Total Shareholder Return ('TSR') vested at 13.89% out of a possible 30.0%, while the net debt target, with a weighting of 30.0%, was achieved in full. Full details of actual performance against the four performance conditions of TSR, production growth, reserves growth and net debt targets are on pages 86 and 87 of this report.

A PSP award calculated at 250% of salary for both Amjad Bseisu and Jonathan Swinney was made on 10 September 2020, based on a 12-month average share price. Awards are typically based on the three-day average share price ahead of the award date. The impact of this adjustment to share price was an effective reduction in award value of c.27%, and was applied to ensure that Executive Directors did not benefit from 'windfall gains' as a result of the share price impact of oil price volatility and COVID-19 experienced in 2020. Performance of this award will be measured on the basis of relative TSR over the three-year performance period until 31 December 2022, with the award vesting in September 2023.

For 2021, reflecting feedback received from shareholders and a stronger focus on environmental considerations, the proportion of award measured against relative TSR was reduced to 80% of the award, with the remaining 20% measured against the achievement of an emissions reduction target. The Committee approved an award of 250% of salary for both Amjad Bseisu and Jonathan Swinney.

Executive Director shareholding

Executive Directors are expected to build up and hold a shareholding of 200% of salary. Both Amjad Bseisu and Jonathan Swinney comfortably meet this requirement.

Change in personnel

Following year end, it was announced that Jonathan Swinney had tendered his resignation and would be leaving EnQuest after thirteen years. Jonathan will continue to work with the Group for a period to ensure an orderly handover to his successor.

Executive Director remuneration in 2022

2022 base salaries

For 2022, the Committee has increased the Chief Executive Officer's salary by 3%, in line with the UK workforce. The salary of the Chief Financial Officer is unchanged for the current incumbent. Remuneration for the incoming Chief Financial Officer will be agreed in due course and disclosed in the 2022 DRR.

2022 annual bonus

For 2022, annual bonus for the Chief Executive Officer will be based 100% on the 2022 CPC outcome, with a target level of 75% of salary and a maximum of 125% of salary.

2022 PSP awards

The Committee has decided to make an award of PSP to Amjad Bseisu at 250% of salary, no award will be made to Jonathan Swinney. The 2022 award will be made in April 2022 and will be subject to two performance targets, relative TSR and emissions reduction.

We continue to appreciate the benefits of transparency and proactive interaction with major shareholders. We welcome your input and are always prepared to listen and take on board suggestions that help EnQuest to continue to develop and improve. The Committee and I wish to thank all our shareholders for their ongoing support over the years. I hope you will all support and vote for this DRR at the forthcoming AGM.

Howard Paver
Chair of the Remuneration and Social Responsibility Committee
23 March 2022

Governance

General governance

The Directors' Remuneration Report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. It also describes the Group's compliance with the 2018 UK Corporate Governance Code (the 'Code') in relation to remuneration. The Committee has taken account of the new requirements for the disclosure of Directors' remuneration and guidelines issued by major shareholder bodies when setting the remuneration strategy for the Group.

Remuneration policy

The following sections of this report set out a summary of our Directors' Remuneration policy (the 'Policy'), which was approved by shareholders at the 2021 Annual General Meeting ('AGM') in accordance with section 439A of the Companies Act 2006.

Remuneration principles

In determining the Policy approved at the 2021 AGM and summarised below, the Group reviewed its overall remuneration principles to ensure that it continues to be aligned with the Group's strategy and stakeholder interests. EnQuest's strategic objective is to be the operator of choice for maturing and underdeveloped hydrocarbon assets, focused on enhancing hydrocarbon recovery and extending the useful lives of these assets in a profitable and responsible manner, while exploring the opportunities presented by the energy transition.

EnQuest's remuneration principles remain clear and simple: to ensure that the Group operates with the appropriate culture, strengthening the link between reward and performance and emphasising the importance of its Purpose and Values.
In summary, the principles underpinning the Policy are that remuneration for Executive Directors should:

- Support alignment of executives with stakeholders;
- Be fair, reflective of best practice, and market competitive;
- Comprise of fixed pay set around the median and variable pay capable of delivering remuneration at upper quartile; and
- Reward performance with a balance of short-term and long-term elements, with the emphasis on longer-term reward.

The table below sets out how the principles of the Code relating to the design of remuneration policies and practices have been applied:

Clarity	Simplicity	Risk	Predictability	Proportionality	Alignment to culture
Ensure a strong link between pay and performance and that our remuneration structure is designed to be appropriately logical and transparent. The Group engages in shareholder consultation when considering material changes to Policy or process. The Group believes its remuneration arrangements, and the principles underpinning them, are clear and well understood by its stakeholders.	Remuneration for Executive Directors is comprised of distinct elements: • salary; • pension and other benefits aligned with the wider UK workforce; • annual bonus; and • long-term incentive awards to reward sustainable long-term performance.	Remuneration arrangements ensure that the risks from excessive rewards are easily identified and mitigated. Salaries are reviewed annually and consider a variety of factors, including external benchmarking and salary increases across the wider workforce. Variable pay elements are linked directly to Group performance.	Target ranges and potential maximum payments under each element of remuneration are disclosed within the DRR. The Committee operates a high degree of discretion over variable pay elements and can adjust any pay outcomes that the Committee deems are inconsistent with the performance of the Group.	The Committee has ensured that appropriate safeguards are incorporated into the 2021 Policy. The annual bonus is directly aligned to Group objectives, and the Committee retains discretion to adjust outcomes that are considered disproportionate to the experience of other stakeholders.	The Group's business performance metrics and remuneration structure is aligned to its culture and Values, with specific non-financial measures included in performance metrics. The Committee keeps all performance metrics under review and retains the flexibility to introduce further culture and Values measures into its annual bonus plan.

Executive Directors

General approach

The remuneration of the Executive Directors comprises base salary, participation in an annual bonus plan (paid partly in cash and partly in deferred shares), a long-term incentive plan (referred to as the Performance Share Plan ('PSP')), private medical insurance, life assurance, personal accident insurance, and a modest cash allowance in lieu of pension.

When setting remuneration for the Executive Directors, the Committee takes into account the performance and experience of the Director, as well as the Group performance, employment conditions for other employees in the Group, and the external marketplace. Comparative data for our sector is obtained from a variety of independent sources.

The following table summarises EnQuest's remuneration policy which became binding on 12 May 2021 with 95.35% of votes cast in favour. The full policy can be viewed in the 2020 Annual Report which can be found on the Group's website, www.enquest.com:

Component	Operation/key features	Maximum potential opportunity	Applicable performance measures
Salary and fees	• Set at or below median when compared to a comparator group and reviewed by the Committee annually.	• Increases in excess of the general workforce by exception only.	None.
Pension and other benefits	• Pension delivered as cash in lieu, with remaining benefits provided by the Group. • Participation in Sharesave permitted. • Additional benefits offered when required, in line with local practice. • Reasonable business-related expenses permitted. • Benefits reviewed periodically.	• Maximum pension allowance is lesser of 10% of salary or £50,000[1]. • Private medical and personal accident insurance. • Life assurance.	None.
Annual bonus	• Bonus in excess of 100% of salary deferred into EnQuest shares for two years, otherwise paid in cash. • Committee discretion to allow dividend equivalent on deferrals. • Cash and share elements both subject to malus and clawback for up to three years post payment.	• Target award: 75% of salary. • Maximum award: 125% of salary.	• Scorecard including key performance objectives set annually by the Committee and measured against threshold, target and stretch levels with bonuses accruing on a sliding scale from 0% at threshold.
Performance Share Plan ('PSP')	• Awarded annually. • Three-year vesting dependent on achievement of performance conditions. • Further two-year holding period. • Awards can be conditional, nil cost options or joint interests in shares. • Dividend equivalent on unvested awards permitted in shares. • Subject to malus and clawback.	• Normal maximum: 250% of salary. • Exceptional maximum: 350% of salary.	• A blend of measures including, but not limited to, relative TSR and ESG measures. • Maximum of 25% vesting at threshold. • Performance conditions detailed in the Annual Report on Remuneration. • The number, type and weighting of measures may vary in the future in line with business priorities. • Shareholder consultation will normally take place before material changes are made.
Shareholding requirements	• Executive Director shareholding of at least 200% of salary, with a requirement this level is achieved within five years from appointment. • Shareholding to be retained at the lower of actual shareholding or 200% of salary for two years post-employment, including both vested and unvested.	n/a	None.
Chairman and Non-Executive Director fees	• Reviewed annually considering comparator group fee levels, time commitment and employee salary increases. • Non-Executive Directors receive base fees with additional fees paid to Committee Chairs and the Senior Independent Director. • Additional fees can be paid if there is a material increase in commitment. • Reasonable business-related expenses are permitted. • Not eligible for Group benefits or incentive schemes. • Chairman receives an all-inclusive fee set by the Senior Independent Director.	• Reviewed periodically and limited by the Company's Articles of Association.	None.

Note:
1. Pension allowance for Amjad Bseisu was 10.4% of salary in 2021 and will be 10.1% of salary in 2022 and will continue to reduce as a percentage with normal salary increments

Changes to policy

No changes have been made to the policy since its adoption at the 2021 AGM.

Performance measures and targets

Annual bonus

The key performance indicators in the Group scorecard that also determine a significant proportion of the annual bonus of Executive Directors include, but are not limited to, the following categories:

- Environment, Social and Governance ('ESG');
- Financial (including opex, capex and net debt);
- Operational performance/production;
- Growth; and
- Financial management.

The measures in each category are selected by the Committee to support the creation of shareholder value. These criteria are also aligned with the longer-term strategy of the Group and the performance conditions of the Group's PSP. In addition to measuring performance against objectives, the Committee will consider the overall quality of the Group's financial performance and other factors, particularly HSEA, when determining annual performance pay awards.

Bonus objectives for both Amjad Bseisu and Jonathan Swinney are normally based solely on the Company Performance Contract ('CPC') of EnQuest, but can include personal business objectives up to a maximum of 25%

Annual bonus and share deferrals

Executive Directors will normally receive any applicable annual bonus in cash or deferred shares. In particular, any amount above 100% of salary is delivered in EnQuest shares deferred for two years. These vest subject to continued employment. In exceptional circumstances, bonuses may be paid entirely in cash.

Performance Share Plan

The PSP is typically awarded annually and has a minimum vesting period of three years. Awards granted from 2019 onwards are subject to an additional two-year holding period which, unless the Committee determines otherwise, will apply up to the fifth anniversary of the date of grant. The performance conditions attached to the awards granted in 2021 are relative TSR measured against a comparator group of oil and gas companies and absolute emissions reductions over a three-year period.

Approach to recruitment remuneration

In the event that the Company appoints a new Executive Director, either internally or externally, when determining appropriate remuneration arrangements, the Committee will take into consideration a number of factors including, but not limited to: quantum relating to prior arrangements; the remuneration of other Executive Directors in the Company; appropriate benchmarks in the industry; and the financial condition of the Group. On the appointment of a new Chair or Non-Executive Director, the fees will be set taking into account the experience and calibre of the individual. This ensures that the arrangements are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an executive of the required calibre.

Salaries for new hires (including internal promotions) will be set to reflect their skills and experience, the Group's intended pay positioning and the market rate for the role. If it is considered appropriate to appoint a new Director on a below-market salary initially (for example, to allow them to gain experience in the role), their salary may be increased to a median market level over a period by way of increases above the general rate of wage growth in the Group and inflation.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Group's approved Policy at the time. Different performance objectives may be set for the year of joining the Board for the annual bonus and PSP, taking into account the individual's role and responsibilities and the point in the year the executive joined.

Benefits and pensions for new appointees to the Board will be provided in line with those offered to other executives and employees taking into account corporate governance requirements and local market practice, with relocation expenses/arrangements provided for, if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with EnQuest. Legal fees and other relevant costs and expenses incurred by the individual may also be paid by the Group.

In the case of an internal promotion, any outstanding variable pay awarded in relation to the previous role will be allowed to continue according to its terms of grant.

The Committee may make additional awards on appointing an Executive Director to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. Any such payments would be based solely on remuneration lost when leaving the former employer and would reflect (as far as practicable) the delivery mechanism, time horizons and performance requirement attached to that remuneration. The Group's existing incentive arrangements, including the 2020 Restricted Share Plan ('RSP'), will be used to the extent possible for any buyout (subject to the relevant plan limits), although awards may also be granted outside of these schemes, if necessary, and as permitted under the Listing Rules.

Service contracts

Amjad Bseisu and Jonathan Swinney entered into service agreements with the Company which are terminable by either party giving not less than 12 months' written notice. The Company may terminate their employment without giving notice by making a payment equal to the aggregate of the Executive Director's basic salary and the value of any contractual benefits for the notice period including any accrued but untaken holiday. Such payments may be paid monthly and would be subject to mitigation.

Executive Directors	Date of appointment	Notice period
Amjad Bseisu	22 February 2010	12 months
Jonathan Swinney	29 March 2010	12 months

The Chairman and Non-Executive Directors have letters of appointment, the details of which are provided below.

Non-Executive Directors' letters of appointment	Date of appointment	Notice period	Initial term of appointment
Martin Houston	1 October 2019	3 months	3 years
Carl Hughes	1 January 2017	3 months	3 years
Philip Holland	1 August 2015	3 months	3 years
John Winterman	7 September 2017	3 months	3 years
Howard Paver	1 May 2019	3 months	3 years
Farina Khan	1 November 2020	3 months	3 years
Liv Monica Stubholt	15 February 2021	3 months	3 years
Rani Koya	1 January 2022	3 months	3 years

External directorships

EnQuest recognises that its Executive Directors may be invited to become non-executive directors of companies outside the Company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to EnQuest. Any external appointments are subject to Board approval (which would not be given if the proposed appointment required a significant time commitment; was with a competing company; would lead to a material conflict of interest; or could otherwise have a detrimental effect on a Director's performance). Executive Directors will be permitted to retain any fees arising from such appointments, details of which will be provided in the respective companies' Annual Report on Remuneration.

Policy on payment for loss of office

The Company's policy is for all Executive Directors to have contracts of service which can be terminated by either the Director concerned or the Company on giving 12 months' notice of termination. In the event of termination by the Company (other than as a result of a change of control), the Executive Directors would be entitled to compensation for loss of basic salary and cash benefit allowance and insured benefits for the notice period up to a maximum period of 12 months. Such payments may be made monthly and would be subject to mitigation. The Company may also enable the provision of outplacement services to a departing Executive Director, where appropriate.

When Executive Directors leave the Company with good leaver status, and they have an entitlement to unvested shares granted under the Deferred Bonus Share Plan ('DBSP') and PSP, any performance conditions associated with each award outstanding would remain in place and be tested as normal at the end of the original performance period. Shares would also normally then vest on their original vesting date in the proportion to the satisfied performance conditions and are normally pro-rated for time. Awards held by Executive Directors who are not good leavers would lapse.

An annual bonus would not typically be paid to Executive Directors when leaving the Company. However, in good leaver circumstances, the Committee has the discretion to pay a pro-rated bonus in cash, in consideration for performance targets achieved in the year. Deferred bonus shares held by good leavers will normally vest at the normal vesting date.

Similar provisions related to the treatment of incentive awards would apply on a change of control, with performance conditions normally tested at the date of the change of control and with pro-rating for time, although the Remuneration and Social Responsibility Committee has discretion to waive pro-rating (but not the performance conditions) where it feels this is in the best interests of shareholders.

The Non-Executive Directors do not have service contracts but their terms are set out in a letter of appointment. Their terms of appointment may be terminated by either party giving three months' notice in writing. During the notice period, Non-Executive Directors will continue to receive their normal fee.

Remuneration and Social Responsibility Committee discretion and determinations

The Committee will operate the annual bonus scheme, DBSP, PSP, RSP and Sharesave Scheme according to their respective rules and in accordance with the Listing Rules and HMRC requirements, where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these arrangements. These include, but are not limited to, the following:

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or payment;
- Discretion relating to the adjudication of performance against targets in the event of a change of control or reconstruction;
- Applying 'good leaver' status in circumstances such as death, ill health and other categories as the Committee determines appropriate and in accordance with the rules of the relevant plan;
- Discretion to disapply time pro-rating in the event of a change of control or good leaver circumstances;
- Discretion to settle any outstanding share awards in cash in exceptional circumstances;
- Adjustments or variations required in certain circumstances (e.g. rights issues, corporate restructuring, change of control, special dividends and other major corporate events); and
- The ability to adjust existing performance conditions and performance targets for exceptional events so that they can still fulfil their original purpose.

If an event occurs which results in any applicable performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

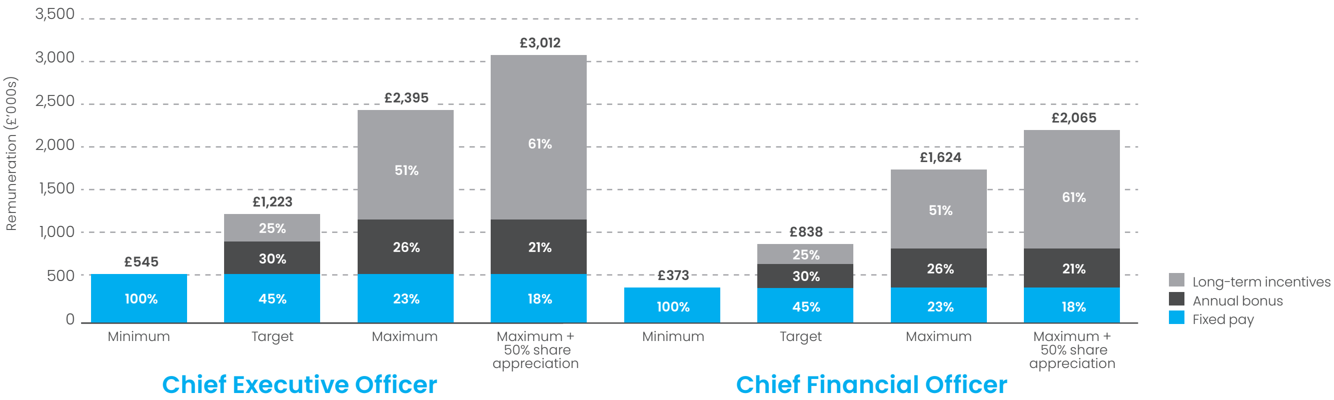
If tax liabilities arise from an error or omission by the Group that is outside of the control of the Executive Directors, the Committee will have the ability to reimburse any such tax liabilities.

Legacy awards
For the avoidance of doubt, authority is given to the Committee to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwind of legacy share schemes) that have been disclosed to shareholders in this or any previous DRRs or subsequently agreed in line with the approved Policy in force at that time. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration outcomes in different performance scenarios
The charts below set out an illustration of the remuneration arrangements for 2022 in line with the Policy. These charts provide an illustration of the proportion of total remuneration made up of each component of the Policy and the value of each component.

In accordance with the remuneration reporting requirements, four 2022 scenarios are illustrated for each Executive Director:

Below threshold performance	• Fixed remuneration • Zero annual bonus • No vesting under the PSP
Target performance	• Fixed remuneration • 75% of annual base salary as annual bonus • 25% of maximum vesting under the PSP at threshold performance
Maximum performance	• Fixed remuneration • 125% of annual base salary as annual bonus • Full vesting under the PSP
Maximum performance plus 50% share appreciation	• Fixed remuneration • Maximum payout under the annual bonus • Full vesting under the PSP plus assumed 50% share price appreciation at vesting



Note:
For the Chief Executive Officer, fixed pay comprises salary from 1 January 2022, a pension allowance of £50,000 plus medical insurance benefit of £1,217.
For the Chief Financial Officer, the chart shown reflects the fixed pay and incentive opportunities currently provided to Jonathan Swinney. As noted on page 77, Jonathan will be leaving EnQuest during the year and accordingy will not be eligible for annual bonus or PSP during 2022.

Statement of consideration of employment conditions elsewhere in the Group
The remuneration arrangements for the Executive Directors are consistent with the remuneration principles that have been established and are similar to those of the other employees of EnQuest.

The key differences are as follows:
- Executive Directors and members of the Executive Committee have their fixed pay set below or at market median for the industry; other employees typically have their salaries positioned at market median. Specific groups of key technical employees may have their salaries set above median for the industry;
- All employees are offered a non-contributory pension scheme. Executive Directors are given cash in lieu of pension. Non-Executive Directors do not participate in pension or benefits arrangements;
- Non-Executive Directors do not participate in the annual bonus scheme;
- If applicable, Executive Directors have an element of the annual bonus automatically converted to shares and deferred; and
- All other employees may be invited to participate in the DBSP where they can elect to defer a defined proportion of their annual bonus and receive a matching amount of shares that vest over the following three years. Executive Directors are not eligible to receive matching share awards under this plan.

During the annual remuneration review, the Committee receives a report which details the remuneration arrangements of other executives and senior management as well as the overall spend versus budget for all employees. This report helps to act as a guide to the Committee as to the levels of reward being achieved across the organisation so that they can ensure the Directors' pay does not fall out of line with the general trends.

Employees have not previously been directly consulted about the setting of Directors' pay, although the Committee will take into consideration any developments in regulations in operating this policy.

Statement of shareholder views
The Remuneration and Social Responsibility Committee welcomes and values the opinions of EnQuest's shareholders with regard to the structure and levels of remuneration for Directors. The 2020 DRR was voted on at the AGM held in May 2021, where 97.72% of the votes cast were in favour. The Policy, where 95.35% of votes cast at the AGM held in May 2021 were in favour, incorporated shareholder feedback following consultation.

Annual Report on Remuneration for 2021

Terms of reference
The Committee's terms of reference are available either on the Group website, www.enquest.com, or by written request from the Company Secretariat team at the Group's London headquarters. The remit of the Committee embraces the remuneration strategy and policy for the Executive Directors, the Executive Committee, senior management and, in certain matters, for the whole Group.

Meetings in 2021
The Committee has four scheduled meetings per year. During 2021, it met on four occasions as scheduled to review and discuss base salary adjustments for 2022, the setting of Group performance conditions and related annual bonus for 2021, PSP performance conditions, UK Corporate Governance Code provisions and the approval of share awards.

Committee members, attendees and advisers

Member	Date appointed Committee member	Attendance at scheduled meetings during the year
Howard Paver	1 May 2019	4
Martin Houston	15 October 2019	4
Farina Khan	1 November 2020	4

Advisers to the Remuneration and Social Responsibility Committee
The Committee invites individuals to attend meetings to provide advice so as to ensure that the Committee's decisions are informed and take account of pay and conditions in the Group as a whole. These individuals, who are not members but may attend by invitation, include, but are not limited to:
- The Chief Executive (Amjad Bseisu);
- The Chief Financial Officer (Jonathan Swinney);
- The Company Secretary (Stefan Ricketts);
- A representative from the Group's Human Resources department; and
- A representative from Mercer Kepler, appointed as remuneration adviser by the Committee from 1 August 2017.

No Director takes part in any decision directly affecting their own remuneration.

Information subject to audit

Directors' remuneration: the 'single figure'

In this section of the report we have set out the payments made to the Executive and Non-Executive Directors of EnQuest for the year ended 31 December 2021, together with comparative figures for 2020.

Single total figure of remuneration – Executive Directors

		'Single figure' of remuneration – £'000s[1]							
Director	Year	Salary and fees[2]	All taxable benefits	Pension[3]	Total fixed pay	Annual bonus[4]	LTIP[5]	Total variable	Total fixed and variable
Amjad Bseisu	**2021**	**479**	**1**	**50**	**530**	**392**	**496**	**888**	**1,418**
	2020	455	1	50	507	359	379	738	1,244
Jonathan Swinney	**2021**	**338**	**1**	**34**	**373**	**277**	**348**	**624**	**998**
	2020	321	1	43	365	254	247	500	865
Total	**2021**	**817**	**3**	**84**	**904**	**669**	**844**	**1,512**	**2,416**
	2020	777	3	93	872	613	626	1,239	2,110

Notes:
1 Rounding may apply
2 Salary and fees reflect voluntary 20% salary reduction applied in April, May and June 2020
3 Cash in lieu of pension
4 The annual bonus for 2020 for Amjad Bseisu and Jonathan Swinney was based on base salary levels and payment was made in respect of the full financial year. The amount stated is the full amount (including any portion deferred). Any Executive Director bonus for Amjad Bseisu and Jonathan Swinney that is above 100% of their respective salary is paid in EnQuest PLC shares, deferred for two years, and subject to continued employment
5 **PSP awarded on 24 April 2019 which will vest on 24 April 2022:** the LTIP value shown in the 2021 single figure is calculated by taking the number of performance shares that will vest (43.89%) multiplied by the average value of the EnQuest share price between 1 October 2021 and 31 December 2021, as the share price on 24 April 2022 is not known at the time of this report. This number of shares has been adjusted in line with the open offer dated 26 July 2021, further details of which are included on page 88
PSP awarded on 24 April 2018 which vested on 24 April 2021: the LTIP value shown in the 2020 single figure is calculated by taking the number of performance shares that vested (63.94%) multiplied by the actual share price of 16.52 pence on the next business day following the vesting date of 24 April 2021, as the vesting date was a weekend in the UK. The 2020 value of the vested shares in the remuneration table has been updated from last year's value to represent the actual value received on the date of vesting

Single total figure of remuneration – Non-Executive Directors

The remuneration of the Non-Executive Directors for the year ended 31 December 2021 was as follows, together with comparative figures for 2020:

	'Single figure' of remuneration – £'000s					
Director	**Salary and fees 2021[1]**	Salary and fees 2020[1]	**All taxable benefits 2021**	All taxable benefits 2020	**Total for 2021**	Total for 2020
Martin Houston	**200**	190	**–**	–	**200**	190
Howard Paver[2]	**80**	70	**–**	–	**80**	70
Laurie Fitch[3]	**–**	61	**–**	–	**–**	61
Carl Hughes	**70**	67	**–**	–	**70**	67
Philip Holland	**70**	67	**–**	–	**70**	67
John Winterman	**70**	67	**–**	–	**70**	67
Farina Khan[4]	**60**	10	**–**	–	**60**	10
Liv Monica Stubholt[5]	**45**	–	**–**	–	**45**	–
Helmut Langanger[6]	**–**	18	**–**	–	**–**	18
Total	**595**	548	**–**	–	**595**	548

Notes:
1 Salary and fees paid in April, May and June 2020 were subject to a voluntary 20% reduction
2 Howard Paver was appointed as Senior Independent Director on 31 March 2020 and Chair of the Remuneration and Social Responsibility Committee on 21 May 2020. His fees were pro-rated
3 Laurie Fitch stepped down from the role of Chair of the Remuneration and Social Responsibility Committee on 21 May 2020. Her fees were pro-rated
4 Farina Khan was appointed to the Board and became a member of the Audit Committee and Safety, Climate and Risk Committee on 1 November 2020. Her fees for 2020 were pro-rated. Farina became a member of the Remuneration and Social Responsibility Committee in February 2021.
5 Liv Monica Stubholt was appointed to the Board on 15 February 2021. Her fees were pro-rated
6 Helmut Langanger retired from the Board on 31 March 2020. His fees were pro-rated

Annual bonus 2021 – paid in 2022

The Committee's belief is that any short-term annual bonus should be tied to the overall performance of the Group. An Executive Director's annual bonus may also be tied to additional objectives that cover their own specific area of key accountabilities and responsibilities. The maximum bonus entitlement for the year ended 31 December 2021 as a percentage of base salary was 125% for Amjad Bseisu and Jonathan Swinney.

For both Amjad Bseisu and Jonathan Swinney, the annual bonus for 2021 was wholly based on the CPC results.

Company Performance Contract

The details of the CPC for both Amjad Bseisu and Jonathan Swinney are set out in the following tables, showing the performance conditions and respective weightings against which the bonus outcome was assessed.

Performance measure	Weighting	Performance targets and payout[1]		Amjad Bseisu and Jonathan Swinney
Production[2] (Kboed)	20.00%	Threshold: 49.3 Maximum: 53.7	Maximum bonus % available	25.00%
		Actual: 44.4	**Actual % payout**	**0.00%**
Expenditure[2] Cash opex/capex/abex ($ million)	20.00%	Threshold: 428.1 Maximum: 385.4	Maximum bonus % available	25.00%
		Actual: 397.0	**Actual % payout**	**16.67%**
Asset Integrity Deliver AI and safety plan to the Board evaluated by the Safety, Climate and Risk Committee	10.00%	Threshold: Low Maximum: High	Maximum bonus % available	12.50%
		Actual: High	**Actual % payout**	**12.50%**
Culture/Values/ESG Design and communicate a Diversity & Inclusion Strategy; Improve employee engagement as measured by survey outcomes; and Achieve progress towards three-year objective of 10% emissions reduction	10.00%	Diversity & Inclusion Strategy was delivered in good time and communicated across the business; Employee engagement was stable; Emissions fell by over 14%	Maximum bonus % available	12.50%
		Actual: Between target and stretch	**Actual % payout**	**8.75%**
Liquidity Management Deliver accretion through acquisition based on Gaffney, Cline & Associates Competent Persons Report	20.00%	Threshold: $100 million NPV10 Maximum: $150 million NPV10	Maximum bonus % available	25.00%
		Actual: $170m NPV10	**Actual % payout**	**25.00%**
M&A and Reserves Closing a transaction that delivers significant value and reserves replacement	20.00%	Threshold: 100% reserves replacement Maximum: 130% reserves replacement	Maximum bonus % available	25.00%
		Actual: 117.8%	**Actual % payout**	**18.88%**
Total bonus outturn (% of salary)				**81.80%**

Notes:
1 Rounding may apply
2 Production and Expenditure targets were adjusted to take account of the Golden Eagle acquisition which completed in October 2021. The completion date of this transaction could not have been foreseen when targets were initially set. The adjustment did not affect the outturn on either measure

Any payout against the CPC may be subject to an additional underpin based on the Committee's assessment of the Group's HSEA performance. Following above-target performance in relation to HSEA metrics, it was the view of the Committee that the scorecard outcome was a reasonable representation of Executive Director performance and did not require further adjustment.

The annual bonus summary for the Executive Directors for 2021 is shown in the table on the following page based on the achievement of the performance conditions against the CPC for both Amjad Bseisu and Jonathan Swinney.

Performance measure[2]	Weighting	Amjad Bseisu and Jonathan Swinney Max	Actual outturn % of salary[1]
Production (Kboed)	20.00%	25.00%	0.00%
Expenditure – opex/capex/abex ($ million)	20.00%	25.00%	16.67%
Asset Integrity	10.00%	12.50%	12.50%
Culture/Values/ESG	10.00%	12.50%	8.75%
Liquidity Management ($ million)	20.00%	25.00%	25.00%
M&A and Reserves	20.00%	25.00%	18.88%
Sub-total	**100.00%**	**125.00%**	**81.80%**
Personal objectives	n/a	n/a	n/a
Total outturn (%)	**100.00%**	**125.00%**	**81.80%**
Total payout (%)			**81.80%**
Total payout (% of maximum)			**65.44%**
Total 2021 bonus award (£) – Amjad Bseisu			**£391,910**
Total 2021 bonus award (£) – Jonathan Swinney			**£276,705**

Notes:
1 Rounding may apply
2 In relation to the financial measures, threshold, target and stretch performance pays out at 0%, 60% and 100% of maximum respectively and on a straight-line basis in between threshold and target performance and between target and stretch performance

2019 PSP awards that vest in 2022

The LTIP award made to Executive Directors on 24 April 2019 was based on the performance to the year ended 31 December 2021 and will vest on 24 April 2022.

Targets applying to the 2019 PSP award were set at the start of the performance period and took into account both internal and external expectations at the time, but not the impact of early decommissioning of Heather and Thistle assets. In 2020, the Group decided to decommission these assets early, resulting in additional cash flow and value for shareholders in the longer term. The Committee considered the impact of this on outstanding PSP cycles and decided the fairest approach was to exclude the production and reserves growth from the decommissioned assets in both the targets and the level of performance achieved. Any impact from the Golden Eagle acquisition has been excluded from the performance outturn below. This acquisition completed in month 34 of a 36-month assessment period and, on this basis, the Committee took the decision to exclude it.

The performance targets for this award and actual performance against those targets over the three-year financial period were as follows:

			Performance conditions and weighting				
Grant date	Vesting date	Performance period	Relative TSR	Production growth[1]	Reduction in net debt	Reserves growth[1]	Total award
24 Apr 2019	24 Apr 2022	1 Jan 2019 – 31 Dec 2021	30.00%	30.00%	30.00%	10.00%	100.00%
Below threshold				39,158 Boepd	$1,774.5 million	195.2 MMboe	
Threshold			Median	52,119 Boepd	$1,330.9 million	204.8 MMboe	
Maximum			Upper quartile	67,665 Boepd	$1,153.4 million	214.5 MMboe	
Actual performance achieved			**7th position**	**38,947 Boepd[1]**	**$1,046.9 million**	**174.7 MMboe**	
Percentage meeting performance conditions and total vest			**13.89%**	**0.00%**	**30.00%**	**0.00%**	**43.89%**

Note:
1 Adjusted to include the impact of the strategic decision taken early in 2020 to close the Heather and Thistle assets earlier than planned. Production and reserves relating to the assets closed early have been excluded from both target and achievement of these measures. Additionally, no impact of the Golden Eagle acquisition has been reflected in the PSP outcome. This transaction closed at the end of month 34 of a 36-month performance period, and only the non-equity funded portion of the Magnus acquisition has been included in production and reserves outcomes, in line with previous years.

The table below shows the number of nil cost options awarded on 24 April 2019 that will vest on 24 April 2022 and their value as at 31 December 2021. This figure is calculated by taking the average closing share price on each trading day of the period 1 October 2021 to 31 December 2021 and is used as the basis for reporting the 2021 'single figure' of remuneration. The actual value of these shares recorded in the remuneration table will be updated in 2022 to represent the actual value received on the day of vesting.

Name	Original number of shares	Adjusted number of shares[1]	Portion vesting	No. of shares vesting	Average share price £	Value at 31 Dec 2021 £
Amjad Bseisu	5,215,886	5,240,006	43.89%	2,299,838	0.2156	495,845
Jonathan Swinney	3,658,260	3,675,117	43.89%	1,613,035	0.2156	347,770

Note:
1 Following an adjustment made in relation to the open offer of 26 July 2021. Full details on page 88

The 2019 PSP award granted was based on the average middle market quotation of the three dealing days immediately preceding the date of grant of 24 April 2019 of 22.07p. Compared to the average value of the EnQuest share price between 1 October 2021 and 31 December 2021 of 21.56p, this represents a 2.3% decrease in the share price over the period.

Should the share price be the same at vesting as at grant, with the performance outturn of 43.89%, the value would be 2.3% higher than currently estimated using the average value of the EnQuest share price between 1 October 2021 and 31 December 2021. The Committee is satisfied that the implied values vesting to Executive Directors and the overall single figures of remuneration for the year are appropriate taking into account the performance of the Group. No discretion has therefore been exercised in relation to this fall in share price.

April 2021 PSP award grant

After due consideration of business performance in 2020, the Remuneration and Social Responsibility Committee awarded the Executive Directors the following performance shares on 27 April 2021:

	Face value (% of 2020 salary)	Face value at date of grant £	Original No. of shares[1]	Adjusted No. of shares[2]	Performance period
Amjad Bseisu	250%	1,197,840	7,407,792	7,442,048	1 Jan 2021 – 31 Dec 2023
Jonathan Swinney	250%	845,725	5,230,210	5,254,396	1 Jan 2021 – 31 Dec 2023

Notes:
1 Based on the middle market quote for the three days preceding the date of grant of 22.07 pence
2 Following an adjustment made in relation to the open offer of 26 July 2021. Full details on page 88

Summary of performance measures and targets – April 2021 PSP grant

The 2021 PSP share awards granted on 27 April 2021 will be measured 80% against a relative TSR performance condition over a three-year financial performance period and 20% based on emissions reduction over the same period.

Vesting is determined on a straight-line basis between threshold and maximum for the performance condition.

The performance period for the award will be 1 January 2021 to 31 December 2023, with the awards vesting on 26 April 2024.

2021 PSP – schedule for vesting in 2024

	Relative TSR weighting 80%		Emissions reduction weighting 20%	
	Performance	Vesting	Performance	Vesting
Below threshold	Below median	0%	<10%	0%
Threshold[1]	Median	25%	10%	25%
Maximum[1]	Upper quartile	100%	12% or more	100%

Note:
1 Linear between threshold and maximum

PSP measure base levels

These are the historical base levels that performance is measured from, for a three-year period for each annual PSP grant, up to and including the PSP award granted in 2021:

Year of grant	Production growth – base level	Reserves growth – base level	Net debt – base level	Emissions – base level
2019 – pre-adjustment for decommissioned assets	55,447 Boepd	245.2 MMboe	$1,774.5 million	n/a
2019 – post-adjustment for decommissioned assets	39,158 Boepd	195.0 MMboe	$1,774.5 million	n/a
2020 100% relative TSR	n/a	n/a	n/a	n/a
2021 80% relative TSR / 20% Emissions reduction	n/a	n/a	n/a	1,343 ktCO_2e

Directors’ Remuneration Report continued

The comparator group companies for the TSR performance condition relating to the 2020 PSP award are as follows:

FTSE 350	FTSE All-Share	FTSE AIM – Top 100	NASDAQ OMX Stockholm	Other
Capricorn Energy[1] Tullow Oil	Harbour Energy[2] Pharos Energy	Hurricane Energy Rockhopper Exploration Bowleven Serica	Africa Oil Lundin Petroleum Aker BP ASA	Genel Energy

Note:
1 Capricorn Energy was previously known as Cairn Energy
2 Harbour Energy was previously known as Premier Oil

The comparator group companies for the TSR performance condition relating to the 2021 PSP award are as follows:

FTSE 250	FTSE AIM – Top 100	FTSE Small Cap	NASDAQ OMX Stockholm	Oslo Bors	Other
Capricorn Energy[1] Diversified Energy Energean Harbour Energy	Jadestone Serica	Pharos Energy Tullow Oil	Africa Oil Lundin Petroleum	Aker BP ASA BW Energy DNO Okea	Genel Energy Hibiscus Hurricane Energy Kosmos Maurel & Prom Santos

Note:
1 Capricorn Energy was previously known as Cairn Energy

The number of PSP awards outstanding as at 31 December 2021 is as follows:

	Total shares awarded	Adjusted shares awarded	Performance period	Performance conditions (and weighting)	Vesting date
Grant date – April 2019				TSR (30%)	24 Apr 2022
Amjad Bseisu	5,215,886	5,240,006	1 Jan 2019–31 Dec 2021	Production growth (30%)	
Jonathan Swinney	3,658,260	3,675,177		Reserves growth (10%)	
				Net debt reduction (30%)	
Grant date – September 2020				TSR (100%)	9 Sep 2023
Amjad Bseisu	7,057,406	7,090,042	1 Jan 2020–31 Dec 2022		
Jonathan Swinney	4,949,819	4,972,708			
Grant date – April 2021				TSR (80%)	26 Apr 2024
Amjad Bseisu	7,407,792	7,442,048	1 Jan 2021–31 Dec 2023	Emissions reduction (20%)	
Jonathan Swinney	5,230,210	5,254,396			

Firm placing, placing and open offer adjustment
On 30 June 2021, EnQuest PLC issued a prospectus setting out details of a firm placing, placing and open offer to qualifying shareholders in the Company. The open offer, having been approved by shareholders on 23 July 2021, took effect on 26 July 2021. The Committee subsequently exercised its discretion to make an adjustment to unexercised employee share awards. This was to ensure that rights under the various share schemes were not adversely affected by the open offer. In the case of the PSP, awards were adjusted by a factor of 1.0046[1] (rounded down to the nearest whole share).

Note:
1 Adjustment factor shown to four decimal places

Pension allowance
Executive Directors do not participate in the EnQuest pension plan and instead receive cash in lieu. Amjad Bseisu received £50,000 and Jonathan Swinney received £33,829 in 2021. This was equivalent to 10.4% of Amjad Bseisu’s 2021 salary and 10.0% of Jonathan Swinney’s 2021 salary.

Statement of Directors' shareholding and share interests

The interests of the Directors in the share capital of the Company as at 31 December 2021 are shown below:

In 2021, the following awards were granted, lapsed and adjusted for the Executive Directors

PSP	31 December 2020	Granted	Lapsed	Adjusted[1]	31 December 2021	Vesting period	Expiry date
Amjad Bseisu	3,587,060		1,293,494	10,606	2,304,172	24 Apr 2018 – 24 Apr 2021	24 Apr 2028
	5,215,886			24,120	5,240,006	24 Apr 2019 – 24 Apr 2022	24 Apr 2029
	7,057,406			32,636	7,090,042	10 Sep 2020 – 9 Sep 2023	9 Sep 2030
		7,407,792		34,256	7,442,048	27 Apr 2021 – 26 Apr 2024	26 Apr 2031

PSP	31 December 2020	Granted	Lapsed	Adjusted[1]	31 December 2021	Vesting period	Expiry date
Jonathan Swinney	2,335,759		842,275	6,906	1,500,390	24 Apr 2018 – 24 Apr 2021	24 Apr 2028
	3,658,260			16,917	3,675,177	24 Apr 2019 – 24 Apr 2022	24 Apr 2029
	4,949,819			22,889	4,972,708	10 Sep 2020 – 9 Sep 2023	9 Sep 2030
		5,230,210		24,816	5,254,396	27 Apr 2021 – 26 Apr 2024	26 Apr 2031

Note:
1 Adjustment relates to the open offer of 26 July 2021. Full details on page 88

The table above shows the maximum number of shares that could be released if awards were to vest in full. These awards first vest on the third anniversary of the award date, subject to the achievement of performance conditions (as described elsewhere in this report). Awards vesting from 2022 onwards will then be subject to an additional two-year holding period which, unless the Committee determines otherwise, will apply up to the fifth anniversary of the date of grant.

Statement of Directors' shareholdings and share interests

Executive Directors are currently required to build up and hold shares in the Company worth 200% of salary and are expected to retain 50% of shares from vested awards under the PSP (other than sales to settle any tax or social security withholdings due) until they hold at least 200% of salary in shares (this includes shares which are beneficially owned directly or indirectly by family members of an Executive Director).

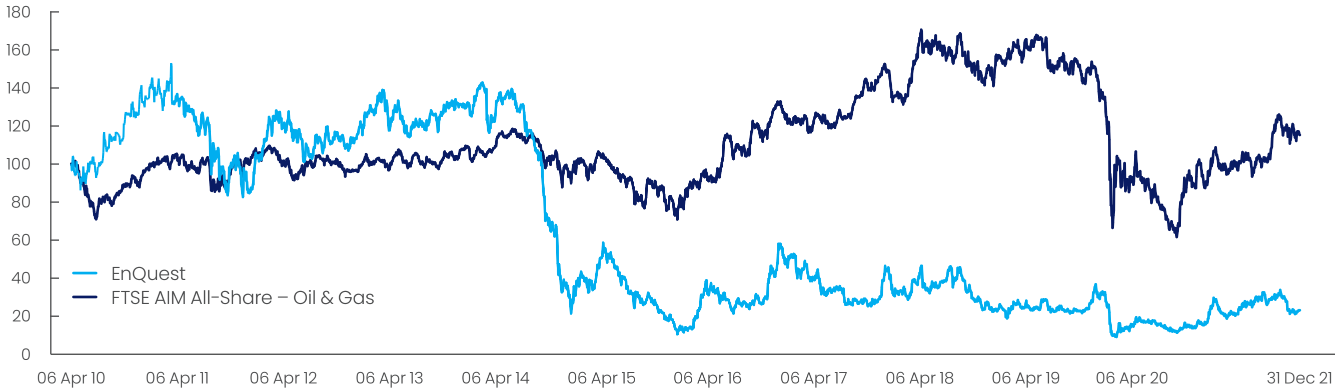
	Legally owned (number of shares)	Value of legally owned shares as % of salary[1]	Unvested and subject to performance conditions under the PSP	Vested but not exercised under the PSP	Vested but not exercised under the RSP	Sharesave	Executive deferrals	Total at 31 December 2021	Value of shareholding as a % of salary[1]
Amjad Bseisu	215,823,042[2]	9,712%	19,772,096	2,304,172	–	–	72,475	237,971,785	10,708%
Jonathan Swinney	960,446	61%	13,902,281	4,968,028	–	–	2,205,323	22,036,078	1,404%
Martin Houston	528,085	n/a	n/a	n/a	n/a	n/a	n/a	528,085	n/a
Howard Paver	457,617	n/a	n/a	n/a	n/a	n/a	n/a	457,617	n/a
Philip Holland	295,605	n/a	n/a	n/a	n/a	n/a	n/a	295,605	n/a
Carl Hughes	109,390	n/a	n/a	n/a	n/a	n/a	n/a	109.390	n/a
Farina Khan	211,235	n/a	n/a	n/a	n/a	n/a	n/a	211,235	n/a
Liv Monica Stubholt	–	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a
John Winterman	221,123	n/a	n/a	n/a	n/a	n/a	n/a	221,123	n/a

Notes:
1 Shares are valued by taking the average closing share price on each trading day of the period 1 October 2021 to 31 December 2021
2 As at 31 December 2021, 188,833,544 shares were held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 26,812,583 shares were also held by The Amjad and Suha Bseisu Foundation and the remaining 176,959 shares were held by Amjad Bseisu directly

Information not subject to audit

Total Shareholder Return and Chief Executive total remuneration

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE AIM All-Share Oil & Gas, also measured by TSR. The FTSE AIM All-Share Oil & Gas index has been selected for this comparison as it is the index whose constituents most closely reflect the size and activities of EnQuest.



Historical Chief Executive pay – single figure history

The table below sets out details of the Chief Executive's pay for 2021 and the previous six years and the payout of incentive awards as a proportion of the maximum opportunity for each period. The Chief Executive's pay is calculated as per the 'single figure' of remuneration shown elsewhere in this report. During this time, Amjad Bseisu's total remuneration has been:

	2015	2016	2017	2018	2019	2020	**2021**
'Single figure' of total remuneration (£'000s)	884	941	998	1,306	1,275	1,244	**1,418**
Annual bonus (as a % of maximum)	27	33	57	79	81	60	**65**
Long-term incentive vesting rate (as a % of maximum PSP)	77	56	11	56	50	64	**44**

CEO pay ratio 2021

The CEO pay ratio has been calculated using the 'Option A' methodology which compares the single total figure of remuneration ('STFR') of the CEO to UK employees for the 12 months ending 31 December 2021 on a full-time equivalent basis. This methodology has been chosen as it offers the most accurate and preferred approach for companies to apply based on institutional investor guidelines.

			CEO pay ratio		
Financial year	Methodology		P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2021	A	STFR	15:1	13:1	11:1
2020	A	STFR	14:1	12:1	10:1
2019	A	STFR	23:1	14:1	11:1

Total remuneration is as defined in the single total figure of remuneration for Executive Directors. EnQuest has determined the P25, P50 and P75 individuals with reference to a ranking of total remuneration and by identifying those employees with the most typical pay structure of a UK-based employee. All employees have been included as at 31 December 2021, with remuneration of part-time employees and those employees on statutory leave included on a full-time equivalent basis.

Data points reflect the 25th, 50th and 75th percentile of all UK employees' total remuneration as follows:

				UK STFR		
Financial year	Methodology		CEO	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2021	A	STFR	£1,418,141	£92,108	£106,862	£128,860
2020	A	STFR	£1,118,892	£78,729	£92,508	£110,817
2019	A	STFR	£1,448,480	£62,717	£104,769	£129,558
2021	A	Base salary	£479,136	£65,500	£69,960	£89,920
2020	A	Base salary	£455,179	£52,346	£75,833	£70,874
2019	A	Base salary	£469,741	£51,952	£76,503	£87,941

In setting both the CEO remuneration and the remuneration structures for the wider UK workforce, EnQuest has adopted a remuneration structure which includes the same elements for employees at all levels (base pay, benefits, pension, cash bonus and share awards). Whilst all employees receive a base salary that is market competitive for their role and commensurate with our business size, differences exist in the quantum of variable pay that is achievable by the senior executive team and by individuals at senior management levels within the Group At these levels, where there is a greater opportunity to influence Group performance, there is a greater emphasis on aligning executives with shareholders. Based on this distinction, the Group believes that the median pay ratio is consistent with the wider pay, reward and progression policies impacting UK employees.

Relative spend on pay

The table below shows the actual expenditure of the Group on total employee pay, as well as profitability and distributions to shareholders, and the change between the current and previous years:

	2020 $ million	**2021 $ million**
Adjusted EBITDA[1]	551	**743**
Net debt[1]	1,280	**1,222**
Distribution to shareholders	0	**0**
Total employee pay	118	**103**

Note:
1 Adjusted EBITDA has been chosen as an appropriate measure of return to shareholders and net debt as a measure of EnQuest's commitment to its lenders

Change in Directors' pay relative to the workforce between 2020 and 2021

	Base salary/fees[1] %	Bonus %	Benefits %
Amjad Bseisu	5	9	0
Jonathan Swinney	5	9	(20)
Martin Houston	5	–	n/a
Howard Paver[2]	14	–	n/a
Philip Holland	5	–	n/a
Carl Hughes	5	–	n/a
Farina Khan[3]	0	–	n/a
Liv Monica Stubholt[4]	n/a	–	n/a
John Winterman	5	–	n/a
UK employees (average)[5]	0	3	0

Notes:
UK employees have been chosen as the most appropriate comparator group as the majority of the EnQuest workforce is UK based and their pay structure is comparable to the Directors' pay based on annualised actual amounts paid in 2020 and 2021. Benefits include employer pension contribution and/or allowance

1 All Directors in role during April, May and June 2020 took a voluntary 20% salary and fee reduction for that period in light of the uncertainty relating to the COVID crisis. No uplift to salary or fees was applied in 2021; the change shown above represents a full year without the voluntary reduction
2 Howard Paver was appointed as Senior Independent Director on 31 March 2020 and Chair of the Remuneration ans Social Responsibility Committee on 21 May 2020
3 Farina Khan was appointed to the Board and became a member of the Audit Committee and the Safety, Climate and Risk Committee on 1 November 2020. Her fees for 2020 have been annualised. Farina became a member of the Remuneration and Social Responsibility Committee in February 2021
4 Liv Monica Stubholt was appointed to the Board on 15 February 2021
5 The vast majority of UK-based employees directly support the North Sea business and have a proportion of their bonus based on the performance of this business unit. The North Sea performed less well than Malaysia and overall Group performance during 2021

Statement of implementation of the remuneration policy for the year ending 31 December 2022

Base salary and 2022 pay review

As stated in the annual statement to this report, the remuneration for the Executive Directors is geared towards variable pay linked to long-term performance targets, with base salaries currently set in relation to benchmarks for the oil and gas industry and comparable sized companies. In the view of the Committee, it is therefore important to ensure that the base salaries of the Executive Directors are reviewed annually and that any increase reflects the change in scale and complexity of the role as the Group grows, as well as the performance of the Executive Director. The table below shows the changes applied to salaries for 2022.

Name	Salary for 2021 £	Salary for 2022 £	Increase %
Amjad Bseisu	479,136	493,500	3
Jonathan Swinney	338,290	338,290	0

The average salary uplift for Group employees was 3%, although individual uplifts varied according to market position, and individual experience and performance. In light of his resignation, Jonathan Swinney will not receive a base salary increase for 2022.

Pension and other benefits

The Group will continue to pay a cash benefit in lieu of pension of the lesser of 10% of salary or £50,000 (the CEO continues to receive pension benefit at the capped level). The Group will also continue to pay private medical insurance, life assurance and personal accident insurance, the costs of which are determined by third-party providers.

Annual bonus

For the year ended 31 December 2022, the target and maximum annual bonus opportunities for the Chief Executive Officer will continue to be 75% of salary at target and 125% of salary at maximum.

The annual bonus scheme for 2022 is structured as follows:

- Awards will be determined based on a balanced combination of financial and operational performance measures;
- Executive Directors (and other executive management) will have threshold, target and stretch performance levels attributed to key performance objectives;
- Executive Directors' bonuses will be determined predominantly by the performance of the Group;
- Each part of the bonus will represent a discrete element which will be added together to determine the performance award for the year; and
- Stretching targets will continue to apply to achieve maximum payout.

The 2022 metrics and weightings, which will determine the level of short-term incentive awards for the CEO, are set out below.

Group 2022 performance measures scorecard

Metric	Weighting
Production	25%
Expenditure	15%
ESG, Culture and D&I	15%
Liquidity Management	25%
Growth - Organic and Inorganic	20%

Notes:
Precise targets are commercially sensitive and are not being disclosed in advance at this time
Performance in HSEA is central to EnQuest's overall results. This category may be used as an overlay on overall Group performance

Maximum bonus will only be payable when performance significantly exceeds expectations. To the extent that the targets are no longer commercially sensitive, they will be disclosed in next year's report.

Any amount of bonus earned above 100% of salary will be deferred into EnQuest shares for two years, subject to continued employment.

In light of his resignation, Jonathan Swinney will not earn bonus during 2022.

Performance share awards

2022 PSP awards

After due consideration of business performance in 2021 and the performance of the Executive Directors, as well as other factors, the Remuneration and Social Responsibility Committee decided to award a grant equal to 250% of salary to Amjad Bseisu, to be granted in April 2022. In light of his resignation, Jonathan Swinney wil not receive a PSP award in 2022.

Summary of 2022 PSP performance measures and targets

The PSP share awards granted in 2022 will have two performance metrics, both measured over a three-year financial period:

- 80% of the award relates to relative TSR against a comparator group of 20 oil and gas companies; and
- 20% relates to emissions reduction over three years.

2022 PSP – schedule for 2025 vesting

	Relative TSR		Emissions reduction	
	Performance	Vesting	Performance	Vesting
Below threshold	Below median	0%	<10%	0%
Threshold	Median	25%	10%	25%
Maximum	Upper quartile (or better)	100%	12% (or better)	100%

2022 PSP award TSR comparator group

Africa Oil	Genel Energy	Maurel & Prom
Aker BP	Harbour Energy	Okea
BW Energy	Hibiscus	Pharos Energy
Capricorn Energy	Hurricane Energy	Santo
Diversified Oil and Gas	Jadestone	Serica Energy
DNO	Kosmos	Tullow Oil
Energean	Lundin	

Non-Executive Directors
The fees for the Non-Executive Directors with effect from 1 January 2022 are:

	Fee
Chairman	£200,000
Director	£60,000
Senior Independent Director	£10,000
Committee Chair	£10,000

External benchmarking of Non-Executive Directors is carried out on an annual basis. The decision was taken not to increase Director fees in 2022 following the benchmark review.

Advisers to the Committee
Mercer Kepler provided advice to the Remuneration and Social Responsibility Committee.

The Committee satisfied itself that the advice given was objective and independent by reviewing it against other companies in EnQuest's comparator group. Mercer Kepler are signatories to the Remuneration Consultants Group Code of Conduct which sets out guidelines for managing conflicts of interest. Mercer Kepler do not provide any other services to the Group.

The fees in respect of 2021 paid to Mercer Kepler totalled £57,040 (excluding VAT). These fees were charged on the basis of the number of hours worked.

Statement of voting at the Annual General Meeting
The table below summarises the voting at the AGM held on 12 May 2021 in respect of the Remuneration Policy and the Directors' Remuneration Report. The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for any such vote will be sought, and any actions in response will be detailed here.

	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Remuneration Policy (2021)	741,982,160	95.35%	36,162,580	4.65%	778,144,740	23,130,306
Remuneration Report (2021)	755,467,860	97.72%	17,623,710	2.28%	773,091,570	28,183,476

The Directors' Remuneration Report was approved by the Board and signed on its behalf by Howard Paver.

Howard Paver
Chair of the Remuneration and Social Responsibility Committee
23 March 2022

Governance and Nomination Committee report

"Good governance is more than a requirement, it is the key to business success."

Martin Houston
Chairman of the Governance and Nomination Committee

Dear fellow shareholder

In 2021, the Committee focused on Board composition and tenure. We recommended to the Board that Rani Koya be invited to join the Company as a Non-Executive Director and also as a member of the Technical and Reserves Committee. The recruitment process relating to her appointment can be found below. Rani has worked extensively in major energy companies in a variety of technical, project management and executive management roles across the globe and is currently the CEO of a renewable energy company. Her extensive technical experience will be of great value to our team and her experiences running a renewable energy company will deepen our Board capabilities in this crucial area.

Additional changes, which I highlighted in the 2020 Annual Report and Accounts, are that Liv Monica Stubholt was appointed to the Board in January 2021, while Laurie Fitch stepped down from the Board in the same month.

As mentioned in my letter on page 62, Philip Holland, currently Chairman of the Safety, Climate and Risk Committee, has served on the Board of the Company for six years and will be stepping down as a Director at the Company's 2022 Annual General Meeting. I thank Philip for his valuable contributions over the years and excellent steering of the Safety, Climate and Risk Committee, which has significantly increased in scope since its inception. Liv Monica Stubholt will replace Philip as Chair of the Committee in May 2022.

The Board evaluation for 2021 was conducted externally by Grant Thornton and BoardClic using both traditional methods and online questionnaires, more information on which can be found in the main body of this report. I am encouraged by their findings which, as with all such processes, illuminated where we can improve. Our Board has made great strides in the past two years and I believe we now have a very good mix of diversity and skills.

Martin Houston
Chairman of the Governance and Nomination Committee
23 March 2022

Governance and Nomination Committee membership

The Governance and Nomination Committee comprises the Chairman of the Company, the SID and the Chief Executive. Both the Chairman and SID are deemed independent. Appointment dates and attendance at the five scheduled meetings are set out below:

Member	Date appointed Committee member	Attendance at meetings during the year
Martin Houston	1 October 2019	5
Amjad Bseisu	22 February 2010	5
Howard Paver	15 October 2019	5

Main responsibilities

The core work of the Governance and Nomination Committee is to ensure that the Board and its Committees support the strategy of the Group. Currently, the Board consists of eight Non-Executive Directors and two Executive Directors, who collectively bring a diverse mix of skills and experience to the Company, collaborating with each other to provide strong leadership.

The main responsibilities of the Committee are to:

- Review the size, structure and composition (including the skills, experience, independence, knowledge and diversity) of the Board and its Committees;
- Ensure the orderly succession of Executive Directors, Non-Executive Directors and executive and senior management;
- Identify, evaluate and recommend candidates for appointment or reappointment as Directors or Company Secretary, taking into account diversity, including gender, social and ethnic backgrounds, cognitive and personal strengths and the balance of knowledge, skills and experience required to serve the Board;
- Review the outside directorships/commitments of Non-Executive Directors; and
- Exercise oversight of the compliance of the Company with the Corporate Governance Code (the 'Code').

The Committee's full terms of reference can be found on the Group's website, www.enquest.com, under Corporate Governance.

Committee activities during the year

The Governance and Nomination Committee met five times in 2021. Its key activities included:

Appointment of Non-Executive Director

The Committee launched a Board search process in 2021 to recruit an additional Director. The Company appointed Ridgeway, who were cognisant of the Company's Board diversity policy, to lead the process. A skills matrix mapping the experience of the existing Directors was prepared to identify the requirements for a new Director. The Committee met to review the longlist of candidates, before selecting a shortlist to interview. Interviews were mainly conducted over Microsoft Teams and, after a successful selection process, Rani Koya was invited to meet Board members. Following discussion at the December 2021 Board meeting there was unanimous approval for Rani to join the Board as a Director and she was appointed on 1 January 2022. Rani was deemed independent on appointment.

In making an appointment, the Committee actively considers Board diversity in all its forms as part of its thorough review of each candidate, including the balance of skills, knowledge and level of independence they would bring to the Board, and screens for potential conflicts of interest. The Committee also gives careful consideration to other existing commitments a candidate may have and whether they will be able to devote the appropriate amount of time in order to fully meet what is expected of them.

Structured Board succession planning

Succession planning is an important part of both the Committee and the Board's deliberations. This includes for both senior management and the wider organisation, such as individuals who are considered as having high potential. This ensures that the Board has oversight of the Group's talent pipeline and future leaders and can progress and support development within the organisation. A workforce succession framework has been developed and this will be reviewed on an annual basis.

In considering the composition of the Board which will best serve the strategy, Values and purpose of the Company into the future, the Board has adopted diversity targets. Its membership represents a spread of experience which covers the oil and gas and other industries, including diverse approaches to the energy transition. See pages 58 to 59 for Board biographies.

Development and employee succession planning

The Board and the Governance and Nomination Committee remain satisfied that the individuals currently fulfilling key executive and senior management positions in the Group have the requisite depth and breadth of skills, knowledge and experience, to ensure that orderly succession to the Board and Executive Committee can take place. Over the course of the year, the Committee has considered executive and senior management development and succession planning is regularly discussed. The Board has also discussed such matters at the recommendation of the Committee, including particularly at the Board's annual Strategy Day. The Group continues to work to identify capability strengths and development gaps and to develop the process for encouraging and supporting high-potential employees.

Annual evaluation

During 2021, an external Board evaluation was held in accordance with the requirements of the Corporate Governance Code. In line with the Chartered Governance Institute's voluntary principles of good practice, the Governance and Nomination Committee convened to choose a provider and after meeting with individuals and companies providing such services, agreed to appoint Grant Thornton in association with BoardClic. Grant Thornton was deemed independent on appointment and prior to this evaluation had not been previously used for evaluation purposes. BoardClic's online survey was previously used in 2020 to facilitate the Company's internal annual Board review.

The evaluation comprised of a review of the Board papers for 2021, an online survey facilitated by BoardClic and one-to-one interviews. Interviews were held with each Director and, to gain an additional perspective, interviews were also held with the Company's management team, brokers, auditor and a major shareholder. Grant Thornton, who conducted the interviews, also observed the December 2021 Board and Committee meetings. The final results of the evaluation were reported to the Board at the February 2022 Board meeting.
It was concluded that the Board was well-performing and that it benefited from a strong group of individuals who brought significant subject matter expertise and corporate experience to the table. Increasing diversity in the Board's composition was providing fresh perspectives, technical expertise and market knowledge which added value to the Board's thinking around strategy, sustainability and ESG.

Following the results of the evaluation it was agreed that the areas of key focus for 2022 would include reviewing the Board dynamics to optimise the individual Board members' strengths; to continue to refine the Group's strategy; and to provide oversight of the evolving organisational culture.

While Grant Thornton took into account the Chairman's performance as part of its broader Board evaluation, the SID also conducted a formal performance review following consultation with all other Directors; their observations were subsequently provided by the SID to the Chairman. It was concluded that the Chairman exercises his role and carries out his duties in a first-rate manner.

Progress against the 2020 internal evaluation was reviewed during the year and matters such as diversity were addressed through the appointment of additional Board members in 2021 and the planned retirement by Philip Holland. Strategic matters were discussed in the October Strategy Day, which was attended by the Executive Committee and Directors. The results of the previous evaluation were also provided to Grant Thornton to provide them with context when conducting their external review.

Re-election to the Board

Following a review of the effectiveness of the Board, the Governance and Nomination Committee confirms that it is satisfied with both the performance and the time commitment of each Director throughout the year. The Committee also remains confident that each of them is in a position to discharge their duties to the Company in the coming year and that together they continue to bring the necessary skills required to the Board. Board approval is required should a Director wish to accept a further external role. Detailed biographies for each Director, including their skills and external appointments, can be found on pages 58 to 59.

Governance and Nomination Committee report continued

Priorities for the coming year

As well as addressing those issues highlighted in the annual evaluation, the main focus of the Committee in 2022 will be to consider the optimal structure for leadership of operational matters across the Group and succession planning to best match such a structure.

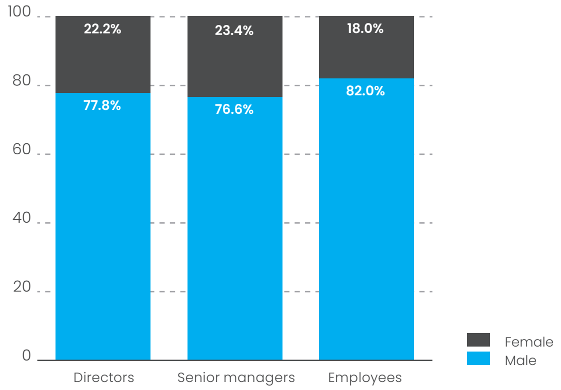
Boardroom diversity

Much work over the year has been on enhancing the Group's diversity strategy in order to have the most effective Board possible and to be able to discharge its duties and responsibilities to the highest standard. The Board is absolutely committed to recruiting a diverse boardroom and therefore the Committee recommended, with the approval of the Board, that the Hampton-Alexander Review target of 33% representation of women on FTSE 350 Boards and that the Parker Review target of at least one director of colour both be met. The Company has met the Parker Review target and will reach the Hampton-Alexander Review's target on Philip Holland's departure in May 2022. While the Company is outside the FTSE 350, the Committee is mindful of the recently released targets of the FTSE Women Leaders Review and will be reviewing them as a continuing element of the Board's sucession planning process.

The Board has also agreed diversity targets for leadership roles (including the Executive Committee, Aberdeen Leadership Team and Malaysia Leadership Team) by 2025 of: 30% of management roles to be occupied by women and 15-20% of management roles to be occupied by ethnic minorities. The Group's diversity policy can be found on the Group's website at www.enquest.com/environmental-social-and-governance/social/people.

In addition, the EnQuest-wide Diversity and Inclusion Policy aligns with the Company's Values, which incorporate both respect and openness. The Group seeks diversity in its employee base, recognising that those from different backgrounds, experience and abilities can bring fresh ideas, perspectives and innovation to improve the business and working practices. Activities within the Group to encourage awareness of diversity considerations include a staff-wide diversity survey and education of the workforce.

The chart below illustrates gender breakdown among EnQuest's Directors and workforce as at 31 December 2021[1].



Note:
1 Breakdown of percentages: Directors (2 female, 7 male), Senior managers (15 female, 49 male), employees (129 female, 587 male)

On 1 January 2022, Rani Koya was appointed as a Director; the breakdown of the Directors is therefore now 30% female and 70% male.

Senior management and total employee figures include EnQuest's employees in Dubai, Malaysia and the UK.

Safety, Climate and Risk Committee report

"The Group continues to positively evolve its processes for identifying and managing risks and mitigating their impact."

Philip Holland
Chairman of the Safety, Climate and Risk Committee

Dear fellow shareholder

On behalf of the Board and my fellow Committee members, I am pleased to present EnQuest's Safety, Climate and Risk Committee report. During 2021, the COVID-19 pandemic and climate change have been high on the agenda for everyone, particularly with the 26th Conference of the Parties being hosted in Scotland.

As always, the health and safety of our personnel remained our key priority and we achieved 'LTI free' status for the entire year in the North Sea, which is an impressive performance. Accordingly, as outlined in this report, throughout 2021, we continued to undertake detailed analysis of specific risk areas and associated controls.

In conjunction with a variety of stakeholders, including industry and medical organisations, the Group continued to monitor the evolving situation with regard to the potential impact of COVID-19 on its workforce and operations. Appropriate actions, including practical support and guidance, were implemented in accordance with expert advice and the level of risk (please see pages 36 to 38 for more details), in particular, as the 'Omicron' variant of COVID-19 was understood to be more transmissible and therefore could have presented additional challenges for the Group. Clearly, this will remain an ever-evolving focus area for the organisation in 2022.

Throughout 2021, the Committee continued to consider the impact of the energy transition on the Group, particularly given the changing regulatory environment reflected in the UK Government's North Sea Transition Deal ('NSTD') requiring the industry to deliver material, progressive CO_2 equivalent reductions by 2025, 2027 and 2030 against a 2018 baseline. Progress was reported to the Committee in relation to the Group's own emissions reduction performance and the identification of economically viable emissions savings opportunities that are aligned to EnQuest's emission management strategy. These initiatives facilitate the delivery of the Group's own emission reduction target and those set out by the NSTD. A deep dive of the Group's standalone 'climate change' risk to assess that the controls and risks associated with it remain accurate was undertaken in the year, with the results to be reported to the Committee in early 2022.

In 2021, an independent asset integrity review was undertaken across the Group looking at people, plant and process aspects in relation to the management of risk. The outcome was a more transparent and robust approach to cost allocation in key risk areas that could impact asset integrity. EnQuest received improvement notices at the Sullom Voe Terminal ('SVT') and Magnus in relation to the management of deadlegs and the manual draining of a relief valve that contained liquid hydrocarbons, respectively. The Committee will continue to ensure that the Group strives for continuous improvement, such that personal integrity and asset integrity are never compromised and that personnel are not exposed to any danger to life or liberty. Throughout the year, the Committee has continued to receive regular HSEA reports. Although disappointed with the improvement notices, I am pleased that the HSEA key performance indicators that were evolved in early 2021 have contributed to an improvement in overall HSEA performance in terms of preventing injuries and hydrocarbon releases. Good progress has continued to be made with HSEA arrangements in place across the Group and a capability review has provided greater capability, particularly for assurance and career progression. This has been achieved through better structural alignment internally across the North Sea and Malaysia HSEA functions.

The Committee has determined that the Group continues to positively evolve its processes for identifying and managing risks and mitigating their impact, which in turn supports the Group in achieving its strategy. Further, continuing to undertake in-depth analysis of specific risk areas (as described below) has allowed the Committee to mitigate any potential deficiencies and refine existing controls for reviewed risk areas. The Committee remains confident that these exercises will be critical in achieving excellence and robustness in the Group's risk management processes.

The report also looks ahead to those matters that I expect the Committee will be considering in the forthcoming year, including further detailed analysis of key risk areas, and continuous improvement in the evolution and application of our Risk Management Framework.

Philip Holland
Chairman of the Safety, Climate and Risk Committee
23 March 2022

Safety, Climate and Risk Committee report continued

Safety, Climate and Risk Committee membership

Membership of the Committee and attendance at the four meetings held during 2021 is provided in the table below:

Member	Date appointed Committee member	Attendance at meetings during the year
Philip Holland	25 January 2016	4
Carl Hughes	1 January 2017	4
Farina Khan[1]	1 November 2020	4
John Winterman	9 December 2020	4
Liv Monica Stubholt[2]	15 February 2021	3/3

Notes:
1 Farina Khan stepped down from her position on the Committee on 2 February 2022
2 Liv Monica Stubholt became a member of the Committee at the same time as her appointment to the Board on 15 February 2021

Safety, Climate and Risk Committee responsibilities

The main responsibilities of the Committee are to:
- Undertake in-depth analysis of specific risks, including emerging risks, in relation to the Group and consider existing and potential new controls;
- Support the implementation and progression of the Group's Risk Management Framework;
- Review the Group's HSEA performance and the effectiveness of its policies and guidelines in managing HSEA risks and reporting;
- Conduct detailed reviews of key non-financial risks not reviewed within the Audit Committee;
- Assess the Group's exposure to managing risks from 'climate change' (including assessing emissions updates) and review actions to mitigate these risks in line with its assessment of other risks;
- Review and monitor the Group's decarbonisation activities, including reviewing the adequacy of the associated framework; and
- Review targets and milestones for the achievement of decarbonisation objectives.

The Committee's full terms of reference can be found on the Group's website, www.enquest.com, under Corporate Governance.

Committee activities during the year

During 2021, the Committee:
- Considered the impact of COVID-19 on HSEA processes and culture and the Group's Risk Management Framework;
- Continued to refine the Group's Risk Management Framework and continuous improvement planning;
- Reviewed the Group Risk Register, assurance map and risk report (focusing on the most critical risks and emerging and changing risk profiles. This included obtaining assurance that the risks associated with climate change are appropriately assessed and incorporated within relevant risk areas);
- Undertook deep-dive reviews of 'human resources', 'project execution and delivery' and 'HSEA' risks, in each case identifying improvements to certain controls; and
- Received routine updates on HSEA (including reviewing the Group's performance along with ongoing and planned HSEA activities) and cyber-security risk (covering the evolving key risks and the remedial solutions such as disaster recovery plans and technical design standards), both of which continue to be key focus areas for the Committee.

For further information on these risks, please see the Risks and uncertainties section on pages 42 to 53.

Priorities for the coming year

In 2022, the Committee is continuing its focus on undertaking detailed analysis of key risk areas, including those relating to HSEA, the results of the asset integrity review and 'climate change', in particular emissions reductions. Ongoing assessment of existing and emerging risks, and the associated controls in place, will ensure that their potential effects continue to be identified, considered and risk assessed appropriately within the Group's Risk Management Framework. Additionally, the Committee will monitor progress of the project to further automate the Group's Risk Management Framework.

Technical and Reserves Committee report

"The Committee remains focused on providing technical expertise to the Board to assist in its decisions."

John Winterman
Chairman of the Technical and Reserves Committee

Dear fellow shareholder

On behalf of the Board and my fellow Committee members, I am pleased to present the Technical and Reserves Committee report. The Committee was established in October 2019 and since then has continued to support management and the wider Board in their decision making in relation to technical matters. As in 2020, much employee and Committee interaction over 2021 has necessarily been virtual, but this has not impacted on the quality of the discussions that have taken place.

As highlighted in my 2020 report, for confidentiality reasons I am unable to report on the details of the various business development opportunities which have been recommended to the Committee for further in-depth discussion over the year, however they did include the agreement to purchase Suncor's entire 26.69% non-operated equity interest in the Golden Eagle area. The Committee also held several deep dives on existing assets into various aspects of the business, including on Kraken and also on the 2022 drilling and workover programmes in both Malaysia and at Magnus.

Finally, I would like to welcome Rani Koya, our most recently appointed Board member, to the Committee, and also give my thanks to Philip Holland who will be stepping down as a Board member in May 2022. Rani's previous experience of working within large multinational, independent and start-up energy companies will both enhance and complement the existing skills of the Committee members and will ensure that on Philip's departure the effectiveness of the Committee remains robust. Philip has been a member of the Committee since it was established in 2019 and I thank him for his valuable work and contribution during his tenure.

John Winterman
Chairman of the Technical and Reserves Committee
23 March 2022

Technical and Reserves Committee responsibilities

The main responsibility of the Committee is to provide the Board with additional technical insight when making Board decisions. The Committee's full terms of reference can be found on the Group's website, www.enquest.com, under Corporate Governance.

Technical and Reserves Committee membership

Membership of the Committee and attendance at the five meetings held during 2021 is provided in the table below. Rani Koya joined the Committee on 1 January 2022.

Member	Date appointed Committee member	Attendance at meetings during the year
John Winterman	15 October 2019	5
Philip Holland	15 October 2019	5
Martin Houston	15 October 2019	5
Howard Paver	15 October 2019	5

Committee activities during the year

During 2021, the Committee:
- Reviewed the Group's annual reserves report;
- Provided input into the 2021 Business Plan;
- Considered business development opportunities; and
- Held several deep dives.

Priorities for the coming year

In 2022, the Committee is will continue to focus on supporting the business, in particular when assessing new opportunities, reserve and resource maturation and asset integrity management across its assets. Deep dives with presentations by asset personnel will remain a key part of this process.

Directors' report

"The Directors of EnQuest present their Annual Report together with the Group and Company audited financial statements for the year ended 31 December 2021."

Stefan Ricketts
Company Secretary

Directors

The Directors' biographical details are set out on pages 58 to 59. Rani Koya will offer herself for election at the Annual General Meeting ('AGM') on 19 May 2022, with the other Directors, with the exception of Philip Holland who will step down from the Board following the AGM, offering themselves for re-election.

Directors' indemnity provisions

Under the Company's Articles, the Directors of the Company may be indemnified out of the assets of the Company against certain costs, charges, expenses, losses or liabilities which may be sustained or incurred in or about the execution of their duties. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' report. Such indemnities are in a form consistent with the limitations imposed by law.

Substantial interests in shares

The table below shows the holdings in the Company's issued share capital, which had been notified to the Company in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules ('DTR'):

Name	Number of Ordinary shares held at 31 December 2021	% of issued share capital held at 31 December 2021[2]	Number of Ordinary shares held as at 23 March 2022	% of issued share capital held as at 23 March 2022[2]
Bseisu consolidated interests[1]	215,823,042	11.44	215,823,042	11.44
Aberforth Partners LLP	159,159,438	8.44	156,238,438	8.28
Baillie Gifford & Co Ltd	114,661,665	6.08	111,347,662	5.90
Schroders Plc	105,391,117	5.59	104,271,672	5.53
Hargreaves Lansdown Asset Management	87,594,029	4.64	88,699,742	4.70
Cobas Asset Management	74,925,880	4.97	80,235,468	4.25
Dimensional Fund Advisors	65,677,293	3.48	65,886,272	3.49
Avanza Fonder AB	58,166,854	3.08	55,361,355	2.94

Notes:
1 188,833,544 shares are held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 26,812,539 shares are also held by The Amjad & Suha Bseisu Foundation and 176,959 shares are held directly by Amjad Bseisu
2 Rounding applies

Directors' interests

The interests of the Directors in the Ordinary shares of the Company are shown below:

Name	At 31 December 2021	At 23 March 2022
Amjad Bseisu[1]	215,823,042	215,823,042
Martin Houston	528,085	528,085
Carl Hughes	109,390	109,390
Philip Holland	295,605	295,605
Farina Khan	211,235	211,235
Rani Koya	n/a	0
Howard Paver	457,617	457,617
Liv Monica Stubholt	0	0
Jonathan Swinney	960,446	960,446
John Winterman	21,123	221,123

Note:
1 188,833,544 shares are held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 26,812,539 shares are also held by The Amjad & Suha Bseisu Foundation and 176,959 shares are held directly by Amjad Bseisu

Share capital

The Company's share capital during the year consisted of Ordinary shares of £0.05 each ('Ordinary shares'). Each Ordinary share carries one vote. Prior to the shareholder-approved firm placing, placing and open offer, there were 1,695,801,955 Ordinary shares in issue. Following 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. No further shares have been issued subsequent to that date. All of the Company's issued Ordinary shares have been fully paid up. Further information regarding the rights attaching to the Company's Ordinary shares can be found in note 20 to the financial statements on page 149. No person has any special rights with respect to control of the Company.

The Company did not purchase any of its own shares during 2021 or up to and including 23 March 2022, being the date of this Directors' report. At the 2022 AGM, shareholders will be asked to renew authorities relating to the issue and purchase of Company shares. Details of the resolutions are contained in the Notice of AGM, which can be found on the Company's website www.enquest.com/shareholder-information/annual-general-meetings.

Company share schemes

The trustees of the Employee Benefit Trust ('EBT') did not purchase any Ordinary shares in the Company during 2021, except for 2,159,903 Ordinary shares which were acquired through the open offer, having been funded by a loan from EnQuest Britain Limited of £410,382. At year end, the EBT held 2.14% of the issued share capital of the Company (2020: 2.8%) for the benefit of employees and their dependants. The voting rights in relation to these shares are exercised by the trustees.

Employee engagement

EnQuest operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. Employees are informed about significant business issues and other matters of concern via regular business briefings, country-level Town Hall meetings, Global Town Hall meetings (whereby staff in all geographic locations are invited to attend), email and other electronic communications, particularly the Company's intranet and internal 'Yammer' channel. Face-to-face briefing meetings would also normally take place; however, during the continuing COVID-19 pandemic, reliance has through necessity been placed on virtual communications. Appropriate consultations take place with employees when business change is undertaken. An Employee Forum, to allow for direct employee engagement with the Board of Directors, was established in early 2019 in line with the Corporate Governance Code and information on its activities can be found on page 41. EnQuest offers employees the opportunity to participate directly in the success of the Company through participation in share schemes, such as the Save As You Earn ('SAYE') Share Scheme. 70% of eligible employees currently participate in SAYE. Eligibility for participation in other share schemes depends on a number of factors, such as seniority.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a General Meeting of shareholders. The Company's Articles, found on the Company's website at www.enquest.com/corporate-governance, contain provisions on the appointment, retirement and removal of Directors, along with their powers and duties. While there are no specific restrictions, the transfer of shares in the Company is also provided for in the Articles.

Annual General Meeting

The Company's AGM will be held at Sofitel London St James, 6 Waterloo Place, London SW1Y 4AN on 19 May 2022. Formal notice of the AGM, including details of special business, is set out in the Notice of AGM which is due to be published in April 2022. It will be available on the Group's website at www.enquest.com/shareholder-information/annual-general-meetings.

Registrars

In connection with the Ordinary shares traded on the London Stock Exchange, the Company's share registrar is Link Asset Services. For the Ordinary shares traded on NASDAQ OMX Stockholm, the Company's share registrar is Euroclear Sweden. Full details of both registrars can be found in the Company information section on page 174.

Political donations

At the 2021 AGM, a resolution was passed giving the Company authority to make political donations and/or incur political expenditure as defined in Sections 362 to 379 of the Companies Act 2006. Although the Company does not make and does not intend to make political donations or to incur political expenditure, the legislation is very broadly drafted and may catch such activities as funding seminars or functions to which politicians are invited, or may extend to bodies concerned with policy review, law reform and representation of the business community that the Company and its subsidiaries might wish to support.

No political donations were made in 2021 by the Company, or any of its subsidiaries.

Dividends

The Company has not declared or paid any dividends since incorporation and does not plan to pay dividends in the immediate future. However, the Board anticipates reviewing the policy when appropriate, the timing of which will be subject to the earnings and financial condition of the Company meeting the conditions for dividend payments which the Company has agreed with its lenders and such other factors as the Board of Directors of the Company consider appropriate, including the Company's expected future cash flows.

Change of control agreements

The Company (or other members of the Group) are not party to any significant agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid, except in respect of:

(a) the senior facility agreement, which includes provisions that, upon a change of control, permit each lender not to provide certain funding under that facility and to cancel its commitment to provide that facility and to require repayment of the credit which may already have been advanced to the Company and the other borrowers under the facility;

(b) the working capital facility, originally dated 1 December 2017, in respect of the operation of the Sullom Voe Terminal, which includes provisions that upon a change of control, permit the lender not to provide certain funding under that facility and to cancel its commitment to provide that facility and to require repayment of the credit which may already have been advanced to the borrower (EnQuest Heather Limited) under the facility;

(c) the deeds of indemnity, originally dated 10 June 2021, pursuant to which the sureties have agreed to consider requests to issue, procure or participate in surety bonds, each include provisions that, upon a change of control, permit each surety to require the indemnitors to provide cash cover in respect of the liability assumed by the sureties (and costs and fees of the sureties) in relation to the Company and the other indemnitors under the deeds;

(d) the Company's Euro Medium Term Note Programme (under which the Company has in issue Euro Medium Term Notes originally due 2022 with an aggregate nominal amount of approximately £190.5 million, including capitalised interest, at the date of this report), pursuant to which, if there is a change of control of the Company, a holder of a note has the option to require the Company to redeem such note at its principal amount, together with any accrued interest thereon; and

(e) under the indenture governing the Company's high yield notes originally due 2022, which at the date of this report have an aggregate nominal amount of approximately $827.2 million, including capitalised interest, if the Company undergoes certain events defined as constituting a change of control, each holder of the high yield notes may require the Company to repurchase all or a portion of its notes at 101% of their principal amount, plus any accrued and unpaid interest.

Directors' statement of disclosure of information to auditor

The Directors in office at the date of the approval of this Directors' report have each confirmed that, so far as they are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statements under the DTR

The Directors who held office at the date of the approval of the Directors' report confirm that, to the best of their knowledge, the financial statements, prepared in accordance with UK-adopted IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and the Directors' report, Operating review and Financial review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent auditor

Having reviewed the independence and effectiveness of the auditor, the Audit Committee has recommended to the Board that the existing auditor, Deloitte, be reappointed. Deloitte has expressed its willingness to continue as auditor. An ordinary resolution to reappoint Deloitte as auditor of the Company and authorising the Directors to set its remuneration will be proposed at the forthcoming AGM. Information on the Company's policy on audit tendering and rotation is found on page 74 to 75.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 2 to 57. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Financial review on pages 26 to 31. The Board's assessment of going concern and viability for the Group is set out on pages 30 to 31. In addition, note 27 to the financial statements on pages 157 to 159 includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Greenhouse gas ('GHG') emissions

EnQuest has reported on all of the emission sources within its operational control required under the Companies Act 2006 (Strategic report and Directors' reports) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These sources fall within the EnQuest consolidated financial statements. EnQuest has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064-1 and data gathered to fulfil the requirements under the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019'. The Streamlined Energy & Carbon Reporting ('SECR') report includes assets which are in the operational control of EnQuest.

		2021		2020		2015[1]
Emissions		SECR (Operational Control) Scope	ISO-14064 Verified Scope	SECR (Operational Control) Scope	ISO-14064 Verified Scope	Baseline
	Total Emissions tCO_2e[2]	1,145,273	733,043	1,342,765	921,804	1,149,743
Scope 1	Extraction Emissions tCO_2e[2]	1,046,579	634,700	1,232,911	812,750	868,287
Scope 2	Extraction Emissions tCO_2e[2]	787	435	1,394	594	1,405
	Extraction Intensity ratio $kgCO_2e$/Boe[2]	48.21	35.18	40.63	31.69	45.65
Scope 1	Terminal (SVT) Emissions tCO_2e[2, 3]	29,296	29,296	31,125	31,125	152,191
Scope 2	Terminal (SVT) Emissions tCO_2e[2, 3]	68,612	68,612	77,335	77,335	127,680
	Terminal (SVT) Intensity ratio $kgCO_2e$/Boe[2] throughput[3]	2.09	2.09	4.31	4.31	6.87

		2021		2020	
Energy Consumption[4]		SECR (Operational Control) Scope	ISO-14064 Verified Scope	SECR (Operational Control) Scope	ISO-14064 Verified Scope
	Total kWh	4,819,664,098	3,107,301,989	5,594,120,915	3,856,964,264
Scope 1	Extraction kWh	4,290,105,255	2,578,230,766	5,019,083,379	3,283,035,465
Scope 2	Extraction kWh	2,446,472	1,958,852	3,577,499	2,468,762
	Extraction Intensity ratio kWh/Boe[2]	197.60	142.93	165.34	128.01
Scope 1	Terminal (SVT) kWh[2, 3]	143,280,355	143,280,355	151,047,275	151,047,275
Scope 2	Terminal (SVT) kWh[2, 3]	383,832,016	383,832,016	420,412,762	420,412,762
	Terminal (SVT) Intensity ratio kWh/Boe[2] throughput[3]	11.24	11.24	22.70	22.70

		2021		2020	
UK & Overseas Breakdown		SECR (Operational Control) Scope	ISO-14064 Verified Scope	SECR (Operational Control) Scope	ISO-14064 Verified Scope
Scope 1	UK On-shore tCO_2e	29,318	29,318	31,146	31,146
	UK Off-Shore tCO_2e	634,678	634,678	812,730	812,730
	Non-UK tCO_2e	411,878	0	420,160	0
Scope 2	UK On-shore tCO_2e	69,019	69,019	77,901	77,901
	UK Off-Shore tCO_2e	0	0	0	0
	Non-UK tCO_2e	380	28	828	28
Scope 1	UK On-shore kWh	143,390,072	143,390,072	151,149,442	151,149,442
	UK Off-shore kWh	2,578,121,049	2,578,121,049	3,282,933,298	3,282,933,298
	Non-UK kWh	1,711,874,489	0	1,736,047,914	0
Scope 2	UK On-shore kWh	385,749,524	385,749,524	422,840,180	422,840,180
	UK Off-shore kWh	0	0	0	0
	Non-UK kWh	528,964	41,344	1,150,081	41,344

Notes:
1 When it is considered that the portfolio of assets under a Company's operational control has changed significantly, the baseline, which is based on Verified Scope data, is recalculated to an appropriate comparative period for which good data is available. As such, the baseline is currently 2015
2 tCO_2e = tonnes of CO_2 equivalent. $kgCO_2e$ = kilogrammes of CO_2 equivalent. Boe = barrel of oil equivalent. EnQuest is required to report the aggregate gross (100%) emissions for those assets over which it has operational control. As such, the extraction intensity ratio is calculated by taking the aggregate gross (100%) reported Scope 1 and 2 $kgCO_2e$ from those assets divided by the aggregate gross (100%) hydrocarbon production from the same assets. The throughput ratio is calculated by taking the aggregate gross (100%) reported Scope 1 and 2 $kgCO_2e$ from SVT divided by the aggregate total throughput at the terminal
3 Note on uncertainty: The uncertainty for total emissions within the verified scope is calculated as 3.95%. SVT emissions in isolation are not with 5% due to the steam and electricity meters for SVT not having supportable uncertainties
4 Kilo-watt hour (kWh) data is reported on a net calorific value basis throughout

Directors' report continued

Energy efficiency strategy

A number of emission reduction opportunities have previously been identified via energy saving workshops and developed as projects. These include compressor remapping on Kittiwake and the commissioning of Waste Heat Recovery Units on Kraken, both completed during 2020 with ongoing reductions achieved in 2021. It is recognised that improved environmental performance is a continuous process, and during 2021, the Group established an Infrastructure and New Energy business with overall responsibility for delivering the Group's emission reduction and other decarbonisation ambitions. A number of projects, which range from minor modifications, such as 'right-sizing' export pumps, to material technical alterations, such as flaring reconfiguration, are currently being assessed against a range of criteria. Additional workshops will be scheduled to ensure the correct projects continue to be identified, shortlisted and progressed to realise further emission reduction opportunities across the Group's portfolio of assets.

SECR (Operational Control) scope

EnQuest has a number of financial interests, e.g. joint ventures and joint investments, as covered in this Annual Report, for which it does not have operational control. In line with SECR and ISO 14064-1 guidance, only those assets where EnQuest has operational control greater than 50% are captured within the SECR reporting boundary. Where EnQuest has less than 50% operational control of an asset, it is not included within the SECR reporting boundary. Hence, the SECR operational control boundary is different to EnQuest's financial boundary. In line with SECR guidance, this is fully disclosed.

ISO-14064 verified scope

EnQuest has again voluntarily opted to have its 2021 emissions reported within the SECR scope verified to the internationally recognised ISO 14064-1 standard by a UKAS accredited verification body. This verification, dated 3 March 2022, was conducted to a reasonable level of assurance and increases the robustness of the reported emissions and provides the reader with more confidence in the stated figures. This goes beyond the minimum requirements of the SECR guidance. Some data for the Group's Malaysian assets (Seligi and associated land-based offices) do not currently meet ISO 14064-1 requirements, and so are excluded from the ISO 14064-1 reported figures. Efforts are being made to improve data quality with the objective of including these assets within the ISO 14064-1 verified scope in future years.

VERIFIED LUCIDEON CARBON FOOTPRINT

Further disclosures

The Company has set out disclosures in the Strategic report in accordance with Section 414C(11) of the Companies Act (2006) information required by Schedule 7 to the Accounting Regulations to be contained in the Directors' report. These disclosures and any further disclosure requirements as required by the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, The Companies (Miscellaneous Reporting) Regulations 2018 and the FCA's Listing Rules and DTR are found on the following pages of the Company's Annual Report and are incorporated into the Directors' report by reference:

Disclosure	Page number
Future developments	15
Acquisitions and disposals	24-25, 139
Fair treatment of disabled employees	40
Anti-slavery disclosure	54
Corporate governance statement	64-68
Gender diversity	40-41, 96
Financial risk and financial instruments	157-159
Important events subsequent to year end	n/a
Branches outside of the UK	160
s.172 statement and stakeholder engagement	6-7
Research and development	n/a
Related party transactions	156

The Directors' report was approved by the Board and signed on its behalf by the Company Secretary on 23 March 2022.

Stefan Ricketts
Company Secretary

Statement of Directors' Responsibilities for the Group Financial Statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under International Financial Reporting Standards ('IFRS') as adopted by the UK.

Under Company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements, International Accounting Standard 1 ('IAS') requires that the Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Fair, balanced and understandable

In accordance with the principles of the UK Corporate Governance Code, the Directors are responsible for establishing arrangements to evaluate whether the information presented in the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and making a statement to that effect. This statement is set out on page 70 of the Annual Report.

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.

	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.

Independent Auditor's Report continued

To the Members Of EnQuest PLC

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

	Notes	2021 Business performance $'000	2021 Remeasurements and exceptional items (note 4) $'000	2021 Reported in year $'000	2020 restated[i] Business performance $'000	2020 restated[i] Remeasurements and exceptional items (note 4) $'000	2020 restated[i] 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 $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 IBOR 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**

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 it's 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

Company information

Registered office
5th Floor, Cunard House
15 Regent Street
London
SW1Y 4LR

Corporate brokers
J.P. Morgan Cazenove
25 Bank Street
London
E14 5JP

BofA Securities
2 King Edward Street
London
EC1A 1HQ

Auditor
Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Legal adviser
Ashurst LLP
London Fruit & Wool Exchange
1 Duval Square
London
E1 6PW

Corporate and financial public relations
Tulchan Communications LLP
85 Fleet Street
London
EC4Y 1AE

EnQuest PLC shares are traded on the London Stock Exchange and on the NASDAQ OMX Stockholm, in both cases using the code 'ENQ'.

Registrar
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Swedish registrar
Euroclear Sweden AB
Box 191
SE-101 23 Stockholm
Sweden

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

More information at
www.enquest.com

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

London, England
5th Floor, Cunard House
15 Regent Street
London, SW1Y 4LR
United Kingdom

T +44 (0)20 7925 4900

Aberdeen, Scotland
Annan House
Palmerston Road
Aberdeen, AB11 5QP
United Kingdom

T +44 (0)1224 975 000

Kuala Lumpur, Malaysia
Level 12, Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia

T +60 3 2783 1888

Dubai, UAE
1st Floor, Office #102
Emaar Square Building #2
Downtown Dubai
Dubai, UAE

T +971 4 550 7100

More information at
www.enquest.com