Company Registration No. 13947643 (England and Wales)

Azule Energy Holdings Limited

Annual Report and Financial Statements for the Year Ended 31 December 2023

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AZULE ENERGY HOLDINGS LIMITED

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Company Information

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The Directors present their Strategic Report of Azule Energy Holdings Limited ("the Company") and its subsidiaries ("Azule" or 'the Group") for the year ended 31 December 2023.

Principal activity, review of business and future developments

The principal activity of the Company during the year was that of a holding company.

The main activities of the subsidiary undertakings during the year and therefore the Group, were that of being engaged in the exploration, production, and selling of hydrocarbons produced in Angola.

Background

On 1 March 2022, Eni International B.V. (EIBV) and BP Exploration Operating Company Limited (BPEOC) agreed to combine and develop their upstream, LNG, and renewable energy interests located in (or related to) Angola into a new joint venture. On 1 August 2022, the Angolan businesses from EIBV and BPEOC were sold to the Company. All financial, operational, and other aspects pertinent to the Group are deemed to be effective from 1 August 2022. The Company (Registration No. 13947643) was incorporated in the United Kingdom on 1 March 2022 as Angola JV Limited. This company acts as the holding Company for the joint venture between EIBV and BPEOC. On 22 August 2022, the Company name was changed to Azule Energy Holdings Limited.

Business Model

The Group is an international energy group that, during the year ending 31 December 2023, produced 212 thousand barrels of crude oil equivalent per day through exploration and production (E&P) activities in Angola. The Azule Head Office is in London, while the operating branches of the Group's operating subsidiaries are in Luanda, Angola.

The Group is the largest equity oil producer in Angola and one of the leading independent E&P groups in Africa. The Group has a mission to deliver safe, responsible, and cost-efficient oil and gas production, as well as support Angola to further develop its energy sector and its energy transition agenda.

With a vision of sustainability, innovation, and growth and by investing in the oil and gas sector in combination with decarbonisation technologies and renewable energy supply, it aims to create a more resilient and reliable energy system for Angola and the wider region. The Group aims to partner with the country to navigate its energy transition, whilst creating value to its shareholders. The Group creates employment and economic growth, investing in new infrastructure and new technologies to drive the Angolan energy industry forward. The Group leverages expertise in exploration and fast-track project development whilst operating in a way that is environmentally responsible, socially just, and consistent with its shareholders' journey towards Net Zero.

The Group holds eighteen licenses in both onshore and offshore Angola, and one in Namibia, enabling the Group to deliver energy reliably and sustainably. Of these, the Group is the operator of twelve blocks, three of which are producing, while the rest are in the exploration/development phase. In total the Group holds an estimate of two billion barrels of oil equivalent net resources. During 2023, the Group has focused on maintaining its position as a leading E&P group via progressing project development and exploration activity, with notable increases in license acreage. In August 2023, the Group was awarded a PSA for Block 31/21 alongside Equinor; with 12 discoveries the block provides significant development and exploration potential. Similarly, in December 2023, the Group was awarded a 40% stake in exploration licenses in Block 46 and Block 47 and an 80% stake in Block 18/15.

In 2024, the Group executed a strategic farm in agreement to Block 2914A(PEL85), offshore Namibia, subject to customary third-party approvals from the Namibian authorities and joint venture parties. The joint venture will drill two high impact wells with the first expected to spud by the end of 2024.

Elsewhere, the Group optimised its portfolio through agreements to dispose of its interest in Blocks 3/05 and 3/05A which completed on 23 May 2024.

Business Model (continued)

In its first full year of operations, after the business combination of the shareholders' Angolan operations in 2022, the Group has made material progress in delivering against expectations and key performance indicators. The Group delivered a strong operational and financial performance in the year, supporting significant distributions to its shareholders and delivering $1.8Billion in dividends. For 2024, the Group's focus continues to be on executing strategic priorities while delivering on organic growth plans, to support long-term sustainable returns to its shareholders.

In 2023, the government of Angola, focused on reducing corruption and diversifying the economy, despite challenges such as high unemployment and inflation. The oil and gas sector, the most critical sector to the economy, is seeing continued investment with new offshore developments, although challenges like cost inflation and supply chain constraints remain. Economic diversification efforts will continue, targeting agriculture, mining, and infrastructure, while social initiatives aim to reduce poverty and improve healthcare and education. The energy sector will maintain its focus on oil, gas, hydropower, and solar energy. The country's heavy reliance on oil renders it vulnerable to global price fluctuations and businesses operating in Angola must navigate risks including economic volatility and regulatory changes.

Brent prices were reactive to geopolitical events but overall trended downwards in 2023, reflecting a softening in market fundamentals from multi-year highs in 2022 because of the war in the Ukraine. The average Brent crude oil spot price was $82/bbl vs. a 2022 average of $99/bbl. The year closed at $77/bbl. Crude oil markets continued to experience volatility in 2023 with interest rate increases, inflation concerns, fears of recession and global oil demand falling below expectations combined with growing geopolitical tension including the Israel-Hamas conflicts and Houthi attacks on shipping vessels in the Red Sea. The extension of OPEC+ member's voluntary production cuts through to the end of 2023, together with the fall in US commercial crude oil inventories in late September to their lowest levels since December 2022, saw crude reach its year high of $97/bbl because of supply pressure. Towards the end of the year the Group executed its first crude oil sales hedging programme executing “cap and collar” derivative trades for the majority of its 2024 production. This recognised the importance of balancing upside exposure to commodity prices while managing downside protection of cash flows.

LNG prices saw a sharp decline across the year as markets stabilized from 2022 gas supply disruptions due to the conflict in the Ukraine. Prices were significantly lower than Group expectations.

In 2023, HSE performance included some setbacks, with several recordable incidents occurring, particularly during the Cabinda seismic programme, and Emissions higher than planned due to equipment failures. 2024 has a continued focus on emission reduction and has seen the Group implement a new flaring policy designed to minimise flaring by the end of the year. In February 2024, a Process Safety Improvement Plan was initiated to enhance safety leadership and ensure strong operational practices.

Production in 2023 was higher than in 2022 mostly driven by strong base performance, plant planned activities optimizations, new wells brought online and plant reliability improvements. ALNG produced more than plan through higher feed gas supply, Block 15/06 AGO-102 and MPU-303 ST new wells had good rates and Block 18 overall performed well.

During the year, there were some challenges. In the operated blocks Block 15/06 had lower than expected system reliability and well work plans were deferred while Block 31 Saturno-Beta infill wells delivered lower than expected performance in the first half of the year, although this was offset by their strong performance in the second half post gas cap blowdown. In operated by others (OBO) blocks, the main challenges were faced in Block 15 with Mondo Turnaround being significantly longer than planned, poor performance on Block 14 Lianzi Major Rig Workover, Block 0 gas compression reliability issues, poor performance on Malongo west well work and Lifua New Wells.

Business Model (continued)

Summary of production by area (MBOED).

	Asset	2023	2022
Operated	**Total**	**74.3**	**72.3**
	Block15/06-Ngoma	18.8	23.7
	Block15/06-Olombendo	14.8	17.5
	Block18-GTP	22.8	13.7
	Block31-PSVM	17.9	17.4
OBO	**Total**	**137.4**	**132.6**
	ALNG	35.8	33.7
	Block0	16.5	15.8
	Block14	8.2	8.2
	Block15	38.7	34.2
	Block17	36.2	38.9
	Block3/05	2.0	1.8
Total		**211.7**	**204.9**

Production for 2023 averaged approximately 212mboed, 7mboed higher than 2022 production mainly driven by strong performance from Block 18, ALNG, Block 15 and Block 3/05.

In 2023, financial performance was strong with an EBITDA of $4,199 million, a profit of $719 million (2022: $874 million) and a net operating cash flow (before dividends issued) of $2,999 million (2022: $1,490 million). Performance was underpinned by activity management (cost) and cash management. This allowed the Group to manage the cash impact of ALNG revenues being significantly lower than planned.

Operating costs decreased due to management's efforts in optimization and activity deferrals. Development capital expenditures (capex) were lower because of activity management in the project's portfolio. Exploration capex was reduced due to delays in block awards and postponements of third-party wells. Cash flow improved not only from reduced costs but also from partial resolution of Sonangol default issues by accessing crude revenues under a new Crude for Cash call Protocol agreement. Active liftings management helped offset lower production. Dividends benefited from strong cash performance and optimization of the financial framework, including the execution of a Revolving Credit Facility (RCF) to support liquidity and to allow cash on account to be reduced.

The Group has a large exploration programme with significant exploration activity planned for 2024. This rich and diverse portfolio supports its commitment to discover new resources and underpin long-term growth. The exploration strategy is a mix of Infrastructure-led exploration near existing facilities, to maximize the value of the current producing assets, frontier exploration, such as the Namibe basin and ultra-deep water blocks, and exploration of gas opportunities to sustain the gas development which it sees as critical to a just energy transition in Angola.

Exploration efforts in Block 15/06 focused on completing the work programme by drilling two exploratory wells, KORA-01 and LUMPEMBE-01. KORA-01 was found to be water-bearing and classified as dry, while LUMPEMBE-01 discovered oil-bearing sandstones with an estimated OOIP of 47.8 Mbbls. Further evaluation of the exploration potential identified several prospects, including Agogo Downthrown and W16, considered for future drilling. Evaluation of the Agidigbo-2 discovery has showed potential. In 2024, exploration efforts will involve evaluating development models, assessing prospects, and generating new opportunities. Specialized studies will focus on Petroleum System Modelling, sedimentology, and geophysical attributes to reduce exploration risks.

Business Model (continued)

The Group continues to access new opportunities through exploration upside, highlights in 2023 include:

- Awarded Blocks 46/47 (commitment well planned 2025).
- Awarded Block 31/21 (commitment well planned 2027).
- Awarded Block 18/15 (new exploration acreage assigned to the Group completed in January 2024).
- Agreed new Block 14* well (commitment well PKBB BEN-P-OP1X (PKBB) drilled in 2024 resulting in another discovery).
- Agreed new Block 15* well (Likembe-1 well was drilled in early 2024 resulting in another discovery).
- Agreed new Block 17* well (Dalia 6 to be drilled in 3Q 2024, potential for high impact outcome).

* Operated by others

The Group's largest development major project is the Agogo Integrated West Hub, which includes the development of both the Agogo and Ndungu fields with an overall volume of around five hundred million barrels of recoverable reserves. The project scope includes the delivery of a new floating production storage and offloading ('FPSO') unit, the first one that will arrive in Angola after more than seven years. Agogo Integrated West Hub, which is one of the most 'emission efficient' FPSOs ever built, will be operational from mid-2026. It will be integrated with the present infrastructure in the area, to reduce development costs, and it will reach peak production in 2026. The Group is also adding in-fill drilling projects in Blocks 18 and 31 to add new production to manage decline. The Group expects to increase production to an average of 250,000 barrels of oil equivalent equity production per day in 2026-2027. This is a significant increase from the current production levels and reflects dedication to organic growth. The Agogo Integrated West Hub project's General Development and Production Plan (GDPP) received final approval in June 2023. The development activities in 2023 focused on the drilling, completion, tie-in, commissioning, and start-up of the Agogo-103 early development phase well and the execution of the main work packages related to the supply and operation of the FPSO, the supply of the subsea production system, the production and injection lines, and the control umbilical system.

During 2024, the execution activities of the Agogo Integrated West Hub project continue, with the start of the drilling campaign for Agogo wells in Q1 2024 and Ndungu wells in Q2 2024. The installation campaign for the subsea facilities related to the Agogo field will also commence.

In 2023, the Block 18 Infills project progressed with subsea umbilical, risers and flowlines (SURF) and Drilling contracts secured, and General Development and Production Plan (GDPP) approval obtained. Moving forward, the project continues execution with subsea manifold fabrication and ICSS software installation, aiming for production startup by Q4-2024. Future initiatives include development studies for a potential Cesio field tie back and further infill wells. Regarding Block 31 in 2023, studies for the PAJ project continued focusing on evaluating development scenarios. Additionally Block 31 Infills Phase 4 are under study and a well intervention programme is being activity developed for potential execution in 2024. In parallel, near-field opportunities studies will continue, alongside operational initiatives to enhance production and address water injection system challenges.

With regards the OBO blocks, throughout 2023, significant project work occurred. In Block 14, efforts were focused on advancing lower carbon initiatives, optimizing fuel and power consumption, and exceeding work plans, resulting in enhanced production efficiency. Block 15 and 17 continued new well drilling operations and integrity programmes. In Block 0, operational highlights included the completion of maintenance tasks and the commencement of the Asset Restoration Campaign as scheduled, alongside progress in lower carbon projects. However, performance was impacted by delays in drill and rig workover projects, start-up challenges with electrical submersible pumps, and extended downtime for infrastructure repairs. In 2023, ALNG experienced an increase in loaded LNG cargoes, attributed to robust plant reliability and increased feed gas allocation, although revenue was lower due to market price declines for LNG, propane, butane, and condensate. Furthermore, amendments to the Block 0/14 Gas Sales Agreement ensured continued gas supply to Malembo Power Plant (MPP) in Cabinda, aligning with governmental directives and prior agreements established in a 2021 MOU.

Business Model (continued)

The Group is also looking to be a leader in Angola's energy transition for which gas will play a significant role as a transition fuel. It is the operator of the first New Gas Consortium, which is developing non-associated gas projects in Quiluma and Maboqueiro, Angola. Final Investment Decision took place in July 2022, and a month later the Group signed the main contracts for its execution.

The project includes the development and production of gas from two offshore platforms, an onshore gas processing plant, and a connection to the Angola LNG plant, with an expected production rate, of 4 billion cubic meters of gas per year. This project is also being developed under a fast-track approach, and at present progress is consistently better than plan. An amendment to the ALNG Investment Contract facilitating the purchase of non-associated gas (NAG) from NGC was completed and progress on the projects wider Conditions Precedent continues. Exploration rights were also granted under Presidential Decree Law 36/23.

The Group is also actively investing in low-carbon energy and in March 2023, acquired 50% stake in Solenova Limited, a fifty-fifty joint-venture of the Group and Angola's National Oil Company Sonangol. In 2023, Solenova completed the first phase of the Caraculo's photovoltaic plant supplying twenty-five megawatts of solar energy to Angola´s southern region and the second phase to supply further twenty-five megawatts is being planned.

The Group has a robust decarbonisation plan in place focused on the reduction of direct operations emissions aiming to reduce absolute GHG emission by 2030 by 40 percent versus. 2019 including zero routine flare by 2030. The component elements of this plan also include non-routine flare down and methane emission reductions goals, operational efficiency improvement and streamlining of current operation processes, carbon offsets initiatives such as tree plantations and production of energy from renewable sources. To reinforce this plan, the Group has recently signed a Memorandum of Understanding (MoU) with Sonangol which aims to establish a robust framework to explore opportunities for decarbonisation initiatives and renewable energy projects, supporting Angola in the energy transition journey. Azule commits to methane emission reduction through adherence to the United Nations' Oil & Gas Methane Partnership 2.0 ('OGMP 2.0'). The adherence to the OGMP 2.0 represents a strategic step in Azule Energy's dedication towards reducing its environmental footprint, improving transparency in methane emissions reporting, and achieving key milestones in its Decarbonisation strategy.

During 2023, the Group consolidated and expanded projects to benefit communities across the country. By the end of 2023 there was a portfolio of 24 social projects located in 13 out of the 18 provinces of the country, covering the priority areas of access to water, health, education, energy, economic diversification, and environmental protection. Through these projects, communities have been benefiting from clean water, better health and nutrition, economic diversification, and access to energy. In support of the health sector, the Group has in place an International Health Programme with which capacity building and cardiac procedures are supported; during the course of 2023, over 1,300 health professionals were able to benefit from training with collaboration from renowned Italian health institutions, with sessions held both in Angola and in Italy, and over 1,300 interventions in surgery, intensive care and radiology were carried out in Angola. The Company renewed its support for education, with two schools constructed to benefit 1,400 students and five schools with rehabilitation works; in addition, construction work began on a vocational training centre with capacity for 800 students, 150 students benefited from professional training and internships, and 10 scholarships were awarded for Masters' degree courses in the United Kingdom under the Chevening programme.

The Group had 890 employees as at 31 December 2023, of which 751 are local and 139 are expatriate. The Group worked to ensure the active safeguarding all employees' legacy rights in accordance with the provisions of the Angolan law especially after the business combination of the legacy businesses in 2022. Upon creation of Azule Energy, the management of its pension plan was transitioned to BWCI (a pension plan management company that was already working with BP Angola), existing terms and conditions have been harmonised and others terminated/discontinued. A new General Labour Law enacted on 27 December 2023 took effect in March 2024, impacting the Group with an expected additional 20% of base salary for offshore night shifts and adjustments to overtime payments.

FINANCIAL REVIEW SUMMARY OF 2023 FINANCIAL RESULTS

The first full financial year for the Group (2023) was built upon the previous year's business combination synergies marked by consistently strong financial performance with an operating profit of $2 billion resulting in the declaration of $1.8 billion in dividends and smooth continuity of operations.

These financial statements are prepared for a period of 12 months, beginning from 1 January 2023 to 31 December 2023, unlike the prior year financial statements which were prepared for a period of 5 months, beginning from 1 August 2022 to 31 December 2022. This change has been affected to be conterminous with the reporting period of the Group. Owing to this fact, the comparative amounts presented in the financial statements, including the related notes, are not entirely comparable.

Further analysis of the summary metrics provided in the Summary Financial Information table below is detailed in the following pages of this Financial Review.

Group		**2023**	**2022 (5 months ending)**
Production and prices			
Production	Mboed*	212	204
Crude oil	$/boe	80	90
ALNG	$/mmbtu**	15	40
Income Statement			
Revenue and other income	$ million	5,248	2,352
EBITDA ***	$ million	4,199	1,496
Income from associates	$ million	366	757
Net operating profit	$ million	2,016	1,083
Profit after Tax	$ million	719	874
Other financial key figures			
Capital Expenditure	$ million	1,698	654
Operating Cash flow	$ million	3,780	2,025
Net Cash Flow (before financing and dividends)	$ million	3,029	1,490
Dividends paid	$ million	1,793	1,000
Leverage ratio	times	0.45	0.98

*Thousand barrels' oil equivalent per day.
**Metric Million British thermal units
*** EBITDA is arrived at by adjusting operating profit by the share of associates/joint ventures while adding back the depreciation, amortisation, and impairment.

Revenue for the year was comprised of $4,775 million (2022: $2,212 million) crude oil sales with an average realised price was $80/boe (2022: $90/boe). Total liftings for the year were 67 mmboe (2022: 25 mmboe). Other income amounted to $473 million (2022: $140 million) mainly comprised of the partner recovery on related IFRS 16 lease obligations.

Production costs were $931 million for the year to 31 December 2023 (2022: $810 million) and average operating cost per boe produced was $12.1/boe (2022: $13.0/boe). This is comprised of technical operating field expenditures of $998 million (2022: $407 million), royalties for $99 million (2022: $30million) and change in inventories for $73 million (2022: $215 million) partially offset by income generated from the under over lifting expenditures on account of different lifting entitlements amounting to $239 million (2022: $90 million).

FINANCIAL REVIEW SUMMARY OF 2023 FINANCIAL RESULTS (continued)

The depletion, depreciation and amortisation expenses were $2,484 million (2022: $1,170 million) mainly derived because of depreciation on property, plant and equipment amounting to $1,973 million and amortisation of IFRS 16 related Right of Use assets of $511 million. In addition, $65 million of impairment was booked during the year mainly on the write off of exploration license costs of Cabinda North $43 million.

Other expenditures of $117 million (2022: $45 million) comprised of $77 million of legal claims for 2023 (2022: $23 million) while $37 million related to Geological & Geophysical and prospection expenditures on new exploratory blocks (2022: $14 million).

Overall income from associates of $366 million (2022: $757 million) was significantly lower owing to a decrease in total ALNG sales mainly explained by a reduction of gas prices aligned with market of $15/mmbtu (2022: $40/mmbtu), although there was an increase in the number of cargos sold compared to 2022. Simultaneously in 2023, the costs with general sales tax increased significantly, given the plant utilization percentage exceeded the 65% threshold for most of the FY 2023.

Net financial expense for 2023 of $385 million (2022: $153 million) was represented mainly by interest expense on pre-export financing facility for $242 million and interest on lease liabilities for $151 million and unwinding on asset retirement obligations for $104 million partially offset by interest income on bank deposits.

The 2023 taxation charge of $911 million comprised current taxes of $640 million including prior year charges of $13 million and a deferred tax charge of $271 million. This comprised mainly of the movement related to the deferred tax liability initially recognised against goodwill amount booked at acquisition in 2022.

Consolidated Statement of Financial Position

The Group continues to retain a robust balance sheet following completion of the business combination in 2022. This gives the Group flexibility in capital allocation including the ability to fund its ongoing capital investment programmes whilst supporting distributions to shareholders. Completion of a new financing facility following year end has further boosted the Group's resources. The balance sheet as at 31 December 2023 includes assets and liabilities fair valued at 1 August 2022.

	Dec 2023	Dec 2022
	$'000	$'000
Property, plant, and equipment (including Right-of-Use assets)	14,334,194	14,606,869
Goodwill & other intangibles	2,857,777	2,907,380
Investments in associated companies	3,589,462	3,739,634
Deferred tax	927,743	1,867,438
Other assets	4,647,095	4,569,902
Cash at bank and in hand	603,749	1,030,863
Total Assets	**26,960,020**	**28,722,086**
Bank debt	2,456,199	2,452,976
Provisions	3,201,181	2,940,465
Deferred tax	3,593,819	4,262,678
Lease Liabilities	2,168,373	2,360,550
Other liabilities	2,197,564	2,342,340
Total Liabilities	**13,617,136**	**14,359,009**

FINANCIAL REVIEW SUMMARY OF 2023 FINANCIAL RESULTS (continued)

Net assets of $13,343 million at 31 December 2023 ($14,363million at 31 December 2022), is represented by total assets of $26,960 million ($28,722 million at 31 December 2022) and total liabilities of $13,617 million ($14,359 million at 31 December 2022). Total assets include $14,334 million of property, plant and equipment and Right of Use assets ($14,607 million at 31 December 2022) with movements in the year including additions for $2,098 million and changes in the decommissioning estimates of $137 million, which is then offset by depreciation charges for the period of $2,484 million and impairment in the year of $22 million. Also included in the total assets are $3,589 million of investments in associated companies ($3,740 million at 31 December 2022), with movements in the year including $21 million of additions and $366 million share of profit from associates, which is then offset by dividends received totalling $537 million. Goodwill of $2,421 million ($2,421 million at 31 December 2022) remained unchanged in the year while other intangibles decreased by $50 million mainly owing to impairment in respect of Cabinda Norte sale.

Total liabilities include $3,594 million of deferred taxes ($4,263 million at 31 December 2022) and $3,201 million of provisions ($2,940 million at 31 December 2022) represented mainly by movement in decommissioning provisions during the year. Movements in the year on the provisions for liabilities and charges showed increases for amounts recognised within property, plant, and equipment and intangibles of $123 million, unwinding of discounts of $104 million, and $83 million of new provisions recognised, which is then offset by $46 million of provision amounts paid. Also, in 2023 $2,456 million of non-current loans ($2,453 million at 31 December 2022) represented by the Pre-Export Facility (PXF) loan with no repayments made during 2023. Lease liabilities of $2,168 million ($2,361 million at 31 December 2022) represented changes of the lease contracts during the year and repayments made during the year.

In respect of the Company's Statement of Financial Position, on 9 March 2023 as part of a group restructuring the company acquired investments in Azule Energy Exploration (Angola) Limited, Azule Energy Exploration Angola (KB) Limited and Azule Energy Angola (Block 18) BV that were previously held by Azule Energy Limited, a fully owned subsidiary of the Group.

This acquisition was funded by an interim dividend in specie declared by Azule Energy Limited for the entire issued share capital of Azule Energy Exploration (Angola) Limited, Azule Energy Exploration Angola (KB) Limited and Azule Energy Angola (Block 18) BV.

Consolidated Cash Flow Statement

Cash inflow generated from operations of $3,780 million (2022: $2,025 million) for the year ended 31 December 2023 was mainly generated from the lifting of 66 cargoes during the year partially offset by $240 million (2022: $51 million) of finance costs primarily relating to the PXF loan facility and $582 million (2022: $491 million) of corporation taxes paid. Net cash used in investing activities for the year ended 31 December 2023 was $1,310 million (2022: $1,668 million) which includes outflows of cash of $1,686 million (2022: $452 million) relating to the purchase of property, plant, and equipment, $130 million (2022: $166 million) additions to escrow, and $21 million (2022: $nil) as payment for acquisition of investments in associates. These outflows are offset by investing inflows relating to dividends received from associated companies totalling $537 million (2022: $ 766 million). Net cash used in financing activities for the year ended 31 December 2023 was $2,163 million (2022: net cash generated $ 1,209 million) which includes outflows relating to the payment of $1,793 million (2022: $1,000 million) of dividends to the shareholders, and $743 million (2022: $241 million) for the payment of lease liability obligations. This is offset by financing inflows relating to the proceeds from capital increases totalling $378 million (2022: $nil).

Key Performance Indicators ("KPIs")

The Group's primary business is the acquisition, development and production of commercially attractive oil and gas reserves in a safe and environmentally responsible manner. This is achieved both through pursuing the full cycle of exploration, discovery, development, and production and through acquiring existing reserves where management believe that further value can be added.

FINANCIAL REVIEW SUMMARY OF 2023 FINANCIAL RESULTS (continued)

Operational and financial performance is tracked through the following KPIs whose progress is covered above, within this Strategic Report:

- Total equity hydrocarbon production.
- Project delivery status on major projects.
- Exploration equity resources from discoveries & new acquisition.
- Financials (Net cash flow, net income, capex and opex).

HSE performance is tracked through the following KPIs whose progress will be covered within the development of the Group's first ESG Report (development ongoing)

- GHG Intensity operated Assets.
- Total Recordable Incident Rate.
- Process safety event Tier 1 and 2.

People performance is tracked through the following KPIs whose progress is covered with review of the Board:

- Engagement survey on employee satisfaction.
- Progress of company transformation projects.

Elements falling within each of the above categories are included within annual incentive schemes for all Group employees.

The Company tracks its new business development objectives through the building of a risk-balanced portfolio of full cycle assets. Specific KPI's are not applied due to the range of development opportunities. However, successful delivery will add to future production volumes and net realised income.

How Azule Energy manages risk and uncertainties

The Group manages, monitors, and reports on the principal risks and uncertainties that can impact its ability to deliver its objectives and strategy. The integrated risk management system is core to the system of internal control. A standard risk management framework is in place to safeguard that principal risks are:

- Identified across business activities.
- Assessed and notified to an appropriate level of management.
- Responded to through implementing appropriate management measures and actions.
- Monitored to ensure the effectiveness of the risk controls employed.

This includes for principal risks that arise from the Group's own operations or activities, as well as those from external events where it either manages its exposure or influences its business partners that manage those risks, to minimise or mitigate impacts.

Risk management occurs at three levels within the Group:

- Day-to-day where the core risk management activities are undertaken within operating and functional teams.
- Business and strategic where risk management is integrated into key business processes such as planning, performance management, resource and capital allocation and prioritisation to understand their impact on business plans and strategic objectives.
- Oversight and governance where the Azule leadership and Board of Directors (including relevant Board Committees) provide oversight on how the principal risks are managed, ensuring that risks are governed by relevant company policies.

Risks are documented and any risk management plans are appropriately endorsed within the internal risk register. This includes their impact and likelihood ratings as well the assignment of risk owners, with these individuals being responsible for managing and monitoring a given risk. Risk management plans take into consideration the controls and mitigations in place to manage the risk. Identified risks are managed at the level in the Company where the accountability for managing the associated activity sits.

Risks and the controls employed are tested for gaps and systemically improved through an internal audit programme agreed by the Board, determined on a risk basis.

How Azule Energy manages risk and uncertainties (continued)

The Azule risk system includes for three types of risks within which the principal risks sit:

- Strategic and Commercial Principal Risks: risks that may arise from inability to maintain business and strategic objectives.
- Safety and Operational Principal Risks: risks that may arise from the loss of control of operating hazards impacting people and the environment.
- Compliance and Control Principal Risks: risks that may arise from non-compliance with laws and regulations.

Risk Type	Principal Risk	Description and mitigations
Strategic and Commercial Principal Risks	Prices and markets	The Group's financial performance is subject to fluctuating prices of oil and gas and exchange rates, technological change and the general macroeconomic outlook. Oil, gas and product prices are subject to international supply and demand and margins can be volatile. These can be driven by political developments, variability of the international supply of oil and gas or alternative low carbon energy sources, technological change, global economic conditions and public health situations. Decreases in oil, gas or product prices could have an adverse effect on revenue, margins, profitability and cash flows. If these reductions are significant or for a prolonged period, Group management may have to write down assets and reassess the viability of certain projects, which may impact future cash flows, profit, capital expenditure or the ability to maintain the Group's long-term investment programme. Conversely, an increase in oil, gas and product prices may not improve margin performance as there could be increased fiscal take and cost inflation. Further, exchange rate fluctuations can create currency exposures impacting underlying costs. These risks are mitigated by hedging, long term loan management, liquidity buffer, extending Group portfolio to include both non-associated gas as well as oil production, along with the long-term strategic partnering choices.
	Geopolitical	The Group is exposed to a range of political, economic and social developments and consequent changes to the operating and regulatory environment which could cause business disruption. Political instability, changes to the regulatory environment or taxation, international free trade disputes and barriers to free trade, international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism, acts of war and public health may disrupt or curtail the Group's operations, business activities or investments. These may in turn cause production to decline, limit the Group's ability to pursue new opportunities, affect the recoverability of our assets and our related earnings and cash flow or cause the Group to incur additional costs, particularly due to the long-term nature of many of our projects and significant capital expenditure required. Azule actively monitors Geopolitical developments through its Government and External Affairs team to develop an understanding of how the Angola and wider regional political landscape could change over the short, medium or long term. This country intelligence allows for risks arising to be mitigated including having appropriate crisis and continuity response plans in place and tested, regular engagement with multiple external stakeholders and industry lobbying groups and internal communication and political advice to the management team.
	Accessing and progressing hydrocarbon resources and low carbon opportunities	The Group's ability to progress oil and gas resources and originate and deliver low carbon opportunities could impact the Group's future production and financial performance. This is mitigated through an active Exploration and Drilling programme that explores for potential resources, supported by an effective Business Development agenda to seek out additional opportunities to further develop the company's portfolio. The project development hopper includes for potential low carbon opportunities to meet the Group´s net zero aims. Further details can be found in the non-financial and sustainability information statement.
	Major project delivery	Poor investment choice, efficiency or delivery, or execution challenges at any major project that underpins production or production growth, could adversely affect our financial performance. The Group manages this through rigorous investment governance and project development and execution processes. This is supported through robust oversight by internal and external stakeholders, including partners, government concessionaire and the company Board.

How Azule Energy manages risk and uncertainties (continued)

Risk Type	Principal Risk	Description and mitigations
Strategic and Commercial Principal Risks	Liquidity, financial capacity and financial exposure	Failure to deliver the financial framework set by Azule could impact the Group's ability to operate and result in financial loss. Azule could fail to forecast cash correctly resulting in shortfalls of available liquidity and could be subject to adverse credit events such as key contractor failure, loss of deposits in banks, and long-term Joint Operation partner defaults. For further information, refer note 27 (Financial risk management).
	Insurance	Azule purchases insurance only in situations where this is legally and contractually required. Some risks are insured with third parties. Uninsured losses could have a material adverse effect on the Group's financial position which in turn could adversely affect the Group.
	Crisis management and business continuity	Azule's reputation and business activities could be negatively impacted if management does not respond, or is perceived not to respond, in an appropriate manner to any major crisis. Azule has appropriate crisis management capability and procedures underpinned by a rigorous training plan targeting key personnel that tests multiple different scenarios.
	Digital infrastructure and cybersecurity	The energy industry is subject to fast-evolving risks, including ransomware, from cyber threat actors, e.g., nation states, criminals, terrorists, hacktivists and insiders. Current geopolitical factors have increased these risks. There is also growing regulation around data protection and data privacy. In addition, negligence, intentional misconduct or other reasons, could disrupt our operations. This could result in the loss or misuse of data or sensitive information, including employees' and customers' personal data, injury to people, disruption to our business, harm to the environment or our assets, legal or regulatory breaches, legal liability and significant costs including fines, cost of remediation or reputational consequences. Furthermore, the rapid detection of attempts to gain unauthorized access to our digital infrastructure, often using sophisticated and coordinated means, is a challenge, and any delay or failure to detect could compound these potential harms. Azule has a dedicated IT team with capabilities in Digital Security. The Group ensures that its employees are educated and aware of cyber risks in line with industry best practices.
	Inadequate oversight of joint arrangements and contractors	The Group may have varying levels of control over the standards, operations and compliance of its partners, contractors and sub-contractors which could result in legal liability and reputational damage. Our partners and contractors are responsible for the adequacy of their resources and capabilities. If these are found to be lacking, there may be financial, operational or safety exposures for the Group. Should an incident occur in an operation that the Group participates in, our partners and contractors may be unable or unwilling to fully compensate us against costs we may incur on their behalf or on behalf of the arrangement. Azule proactively manages its interests in joint arrangements and practices appropriate oversight of contractor activity. For joint arrangements, Azule has resources dedicated to ensuring the interests of the Group are being managed appropriately by our partners. This includes for identifying and mitigating risks where the Group may have financial or reputational exposure. Azule employs contractors to deliver activity across all areas of the business. The company has a management system that includes for policies, standards and procedures to manage the procurement of the services provided. This includes for: standard terms and conditions and, where required, bridging documents that define how contracts are executed. Each contract has a nominated company contract manager with clear responsibilities for managing the relationship with each contractor, including monitoring of the performance of each contractor and associated penalties when terms of the contract scope are not met.

How Azule Energy manages risk and uncertainties (continued)

Risk Type	Principal Risk	Description and mitigations
Safety and Operational Principal Risks	Process safety, personal safety and environmental risks	The Group is exposed to a wide range of health, safety, and environmental risks. There can be no certainty that our operating management system or other policies and procedures adequately identify relevant process safety, personal safety and environmental risks or that all our operating activities, including acquired businesses, will be conducted in conformance with these systems Such events or conditions could cause harm to people, the environment and the Group's assets and could result in regulatory action, legal liability, business interruption, increased costs, damage to the Group's reputation and, potentially, denial of its license to operate. Azule deploys industry standard processes and procedures to proactively either prevent safety and environmental risks or mitigate and limit their impact. These include: inherently safer design of the assets (removing hazards, minimising inventory, materials of construction), managing the integrity of equipment and facilities through the lifecycle and applying risk based inspection techniques, appropriately designed control and safety systems to safely shut the assets down following an emergency operating scenario, routing of hazardous chemicals (including hydrocarbons) to a safe location including flaring, regular technician training on operating and emergency scenarios, emergency evacuation equipment and associated procedures to minimise impact to safety, assets and the environment, appropriate oversight of contractors that are managing activities on behalf of Azule Energy and processes to verify that these controls and mitigations can deliver their intended functions when called upon.
	Drilling and operating wells	The Group's activities require high levels of investment and are sometimes conducted in challenging environments such as those prone to natural disasters and extreme weather, which heightens the risks of technical integrity failure. The physical characteristics of an oil or natural gas field, and cost of drilling, completing or operating wells is often uncertain. The Group may be required to curtail, delay or cancel drilling operations or stop production because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions or compliance with governmental requirements. For mitigation, the Group contracts established drilling companies, ensures proper well design, and uses standard equipment like blow-out preventers. Ongoing technical evaluations maintain well integrity, and emergency response plans include access to regional well capping and spill equipment, along with regular personnel training.
	Security	Azule deploys appropriate security measures. However, acts of terrorism, piracy, sabotage, activism and similar activities directed against the Group's operations and facilities, offices and personnel and transportation could cause harm to people and severely disrupt operations. The Group's activities could also be severely affected by conflict, civil strife or political unrest. Physical security measures in Angola involve coordination by a dedicated security team. Onshore facilities and offices have strict access control rules and contracted security personnel. Offshore security includes radar and communication systems to detect breaches, supported by collaboration with the Angolan Coast Guard.

How Azule Energy manages risk and uncertainties (continued)

Risk Type	Principal Risk	Description and mitigations
Compliance and Control Principal Risks	Ethical misconduct and non-compliance	Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including anti-bribery and corruption, competition and antitrust, and anti-fraud laws, trade restrictions or other sanctions, could damage the Group's reputation, result in litigation, regulatory action, penalties and potentially affect the Group's license to operate. Azule has a dedicated Ethics and Compliance team that sets requirements to manage these risks. These requirements are supported by risk-based controls that include contractor due diligence, regular engagement and communication with the workforce on the importance of identifying potential breaches and non-compliances, appropriate training, monitoring and enforcement systems. The company has multiple channels for the workforce to confidentially report ethical misconduct and concerns if they arise, underpinned by the promotion of a "Speak-Up" culture by the management team. Further, the Board committees monitor leading indicators related to these risks (such as number of concerns raised, outcomes of investigations), underpinned by audit of the processes.
	Regulations	Changes in the law and regulations, including how they are interpreted and enforced, could increase costs, constrain the Group's operations, and affect its business plans and financial performance. This includes understanding and interpreting the Angola tax regime and associated tax liabilities.
	Reporting and material misstatement	External reporting of financial and non-financial data relies on the integrity of the control environment, the Group's systems and people operating them. Failure to report data accurately and in compliance with applicable standards could result in regulatory action, legal liability, and reputational damage.
	Climate change and the energy transition	Laws, regulations, policies, obligations, government actions, social attitudes and customer preferences relating to climate change and the transition to a lower carbon economy, including the pace of change to any of these factors, and the pace of the transition itself, could have adverse impacts on our business. This includes our access to and realization of competitive opportunities in any of our strategic focus areas, a decline in demand for, or constraints on our ability to sell certain products, constraints on production and supply, adverse litigation and regulatory or litigation outcomes, increased costs from compliance and increased provisions for environmental and legal liabilities. Changes in investor preferences and sentiment could affect our access to funding and our attractiveness to potential investors, potentially resulting in reduced access to financing, increased financing costs and impacts upon our business plans and financial performance. For further information, refer to the Climate-related Financial Disclosures (TCFD).

Non-financial and sustainability information statement
This section of the Strategic Report constitutes the Groups Non-financial and sustainability information statement produced to comply with Sections 414CA and 414CB of the Companies Act. The main non-financial information is as below.

Task Force for Climate-related Financial Disclosures (TCFD)
Background
Climate-related financial disclosures are intended to increase investor confidence, transparency, and accountability regarding the environmental impact of our business. In 2022, the UK introduced the (Climate-related Financial Disclosure) Regulations 2022 (CFD), under which UK large private companies including the Group are required to prepare climate-related financial disclosures.

1. Governance and Strategy
The Company is an incorporated joint venture between BP p.l.c. and Eni SpA. Azule, along with BP and Eni as Shareholders, are committed to delivering sustainable energy, services and products. Azule has established a strategic business plan that prioritises its sustainability goals, incorporating activity with the plan that aims to achieve these goals. This plan is aligned with the ambitions of the Shareholders.

- The Board is ultimately responsible for the governance of climate-related risks and opportunities. It recognises climate change as a material risk with potential financial implications and understands that responding to the risks associated with climate change and building resilience is integral to the long-term success of the organisation.
- The Board reviews principal risks quarterly, receives updates from its committees and also takes direct reports from key personnel, including the CEO and Azule Senior Management. It sets policy related to climate risks and opportunities, identifies where further actions are required and delegates authorities accordingly. This includes progress on emissions reduction, general environmental performance, developments in climate-related regulation and cost impacts.
- The Safety, Environment, Ethics and Assurance (SEEAC) committee reports to the Board on the effectiveness of the Group's HSE and ESG programmes and ensures that the Company´s internal control system is defined and implemented effectively to manage HSE and operating risks, including environmental or carbon-related hazards.
- The SEEAC oversees Azule's environmental performance for both operated and non-operated assets and has input into metrics and targets used to measure company environmental performance.
- The Audit & Risk (ARC) committee oversees and reviews all financial disclosures, including TCFD within the Financial Statement, and makes recommendations to the Board about their adoption and publication.
- The Nomination & Remuneration committee determines employee compensation packages and bonus structures which incorporate incentives to deliver climate-related objectives as they underpin Azule´s strategy and long-term sustainable success.
- The Technical Investment (TIC) committee reviews and makes recommendations to the Board for approval of any major projects or other investment decision, including merger, acquisition or divestments, taking climate-related impacts into consideration as appropriate.
- The Board and committees meet on a quarterly cadence, as defined within the Company's System of Internal Control and Board Committees Terms of Reference.

Azule has developed operational objectives which are aligned with climate-related risk reduction and climate change resilience planning. These include:

- Continued development and enhancement of a robust Environmental, Social and Governance (ESG) and Sustainability policy and strategy with a corresponding communication structure to internal and external stakeholders, including investors and lenders.
- Engagement of a 3rd party to devise Azule's first ESG report for alignment to recognised international ESG benchmarks and transparency initiatives such as the Global Reporting Initiative ("GRI") and Sustainability Accounting Standards Board ("SASB") in addition to developing a response to CFD requirements and TCFD recommendations.
- Empowering employees to identify and own ESG initiatives within the organisation and the wider community; and
- Integration of internal stakeholder communications to ensure that the requirements of finance and ESG are aligned.

Azule has established a specific Energy Transition & Decarbonisation (ET&D) department which manages and oversees delivery of the climate and decarbonisation strategy, including environmental emissions reductions and associated projects. This department fosters collaboration with national and international organizations on decarbonisation initiatives, and monitors both the gross and equity greenhouse gas emissions. The leader of the ET&D department is part of the Azule leadership team and reports directly to the CEO.

2. Climate-related Risk Management

Risk and opportunity identification:

Azule is early in its climate journey, and this is the first-year reporting in line with CFD requirements. Through consideration of previous risk analyses (including historical risk analyses performed by its Shareholders, BP and Eni), peer disclosures and consideration of its assets and operations (including current major projects and future operations), a longlist of potentially material climate-related physical and transition risks and opportunities that could impact our business were identified. This longlist was developed in alignment with Azule's business planning time horizons, from immediate business planning (1-5 years) through strategic business planning (5-10 years) to long-term planning (10+ years). These time horizons were chosen primarily due to their alignment with Azule's decarbonisation strategy timeline and current financial planning (which is forecasted to 2050).

Following identification of the longlist, internal stakeholders were engaged to identify those potential climate-related risks and opportunities likely to be most material. Through this process, each risk and opportunity on the longlist was screened based on its financial and non-financial materiality for Azule.

As part of the identification and shortlisting process, Azule's exposure to variables were considered, such as:
- Acute and chronic physical impacts to its own operations and wider value chain.
- Changes to the Oil and Gas regulatory landscape including emerging ESG and sustainability policies and regulations (locally, regionally and internationally).
- Changing consumer and/or investor behaviours and buying trends; and
- Technological innovations required to accelerate the low-carbon energy transition.

Once the shortlist was agreed, climate scenario analysis and financial impact quantification was undertaken to establish the financial materiality of these risks and opportunities.

Azule primarily operates within Angola, and it is committed to working closely with many local stakeholders, including the state oil Company and the Angolan government, supporting Angola's energy transition. However, certain global trends related to carbon pricing mechanisms, fluctuations in the Oil & Gas market and international climate agreements such as the Paris Accord and United Nations Environment Programme (UNEP)'s Oil & Gas Methane Partnership (OGMP 2.0) were still deemed to have the potential to materially impact Azule.

Following the identification and analysis of climate-related risks and opportunities and taking into consideration current and planned mitigating actions which Azule will be undertaking, it was established that the business is generally resilient to the impacts of physical risks, at least in the short and medium terms based on current climate models and projections.

Azule considers itself to be more vulnerable to transition risks associated with the shift to a low carbon economy, particularly with the climate-related scrutiny on the Oil & Gas industry and the sensitivity of the business model to increases in costs. This is assessed as being most material in a Net Zero scenario. Accordingly, the Company is working to identify how it can adjust and further develop its strategy to build resilience against these risks and capitalise on potential opportunities for low-carbon services and products in the future. The Company will continue to monitor and reassess these risks and mitigating actions to ensure climate-related risks are managed going forward.

Climate scenario analysis

A variety of sources were used to conduct the climate scenario analysis, including Network for Greening the Financial System (NGFS) V4.0, International Energy Agency (IEA) World Energy Outlook 2023, and Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report (AR6) - Model Intercomparison Project Phase 6 (CMIP6) dataset. The shortlist of material risks and opportunities was assessed against the following scenarios over short, medium, and long-term time horizons, as defined above.

- Net Zero (orderly): Net Zero 2050 is an ambitious scenario that limits global warming to 1.5°C by 2100 through stringent and immediately introduced climate policies and innovation, reaching net zero CO2 emissions by 2050. It is linked to RCP1.9-2.6 and SSP1-1.9-2.6, involves more transition risks early on, but manages to limit physical risks to a minimum.
- Delayed Transition (disorderly): Follows a path in which social, economic, and technological trends do not shift markedly from historical patterns. The world takes action to limit emission growth but fails to cut emissions in the short term and misses Paris goals. This scenario would result in ~ 2°C or greater warming by 2050 but with the impact lowered using carbon sequestration and storage (CSS). It is linked to SSP2-4.5, involves several physical risks, and transition risks after 2030.
- Business as Usual (current policies): Assumes that only currently implemented policies are preserved. The world does not cut emissions and climate change accelerates causing 2.5°C of warming by 2050 and >4°C by 2100, bringing irreversible changes. It is linked to SSP5-8.5, involves little to no transition risks early on but results in irreversible and globally disrupting physical risks.

While not designed to provide precise forecasts, the chosen scenarios deliver scientific projections of possible future macro-economic and environmental states by analysing key global trends and data inputs, such as regulatory impacts and consumer behaviour. The three scenarios were specifically chosen because they capture the greatest range of climate uncertainties.

Due to the inherent complexity and uncertainty of modelling the financial impacts of climate-related risks the impacts are presented as follows:

Table 1: Impact levels

Impact	Description
Low	Risks that could have a minor impact that are not material to the Company
Medium	Risks that could have a limited impact to the Company
High	Risks that could have a material impact to the Company
Very high	Risks that could have a significant material impact to the Company

Outcomes of scenario analysis and risk assessment

The outcomes of the scenario analysis have provided valuable insights into the resilience of the business model to climate-related risks, highlighting where the Group may seek to capitalise on opportunities. The Group is already actively collaborating across diverse national and international networks to reduce emissions and related climate risks, such as the Association of Exploration and Production Companies of Angola (ACEPA), OGMP, International Association of Oil and Gas Producers (IOGP) and Oil and gas Decarbonisation Charter (OGDC). The Group is now in the process of integrating the scenario analysis into existing risk management processes and developing an action plan to address the identified risks and capitalise on the opportunities.

One additional action to support the long-term business strategy and decarbonisation aims is the development of an integrated sustainability plan. This would enable the Group to consolidate existing ESG-related activity into a single plan such that the mitigations to identified risks and future opportunities can be appropriately prioritised to meet the strategic aims.

Table 2: Climate-related risks and opportunities

Climate-related Risk or Opportunity	Risk/Opportunity description	Potential impacts	Potential risk rating			Mitigating actions
			Net Zero (1.5°C)	Delayed Transition (~2°C)	Current Policies (4°C)	
Physical Risk: Increased severity of extreme weather events (high winds, sea state, rainfall) causing damage/ disruption to direct assets/ operations.	Direct damage to assets or indirect impact to the business from outages and operational disruption from forced 'downtime' due to increased severity and frequency of extreme weather such as high winds, extreme sea states, storms, resulting in repair costs and/or reduced revenue from the interruption to operations (both onshore and offshore assets).	• Increased asset maintenance and repair costs. • Increased insurance costs. • Loss in revenue from asset operational disruption. • Potential write-offs and early retirement of assets. • Impact on offshore logistical operations (e.g., supply vessels and helicopters). • Direct physical injury or loss of life from extreme weather events.	Low for all time horizons	Low increasing to medium by 2050	Low increasing to medium through time horizons	• Inclusion of climate change scenario analysis to engineering reports of metocean conditions where offshore physical assets are located. Analysis is used to inform when assets either need to be reinforced/upgraded or replaced. • Management of lifting and shipping activities to ensure asset operational disruption is limited.

Table 2: Climate-related risks and opportunities (continued)

Climate-related Risk or Opportunity	Risk/Opportunity description	Potential impacts	Potential risk rating: Net Zero (1.5°C)	Potential risk rating: Delayed Transition (~2°C)	Potential risk rating: Current Policies (4°C)	Mitigating actions
Transition Risk: Increased cost of carbon due to regulatory requirements.	Increased costs associated with emissions, both direct and passed through the supply chain, potentially resulting in higher operating costs, reduced profit margins and competitiveness in the market, and increased capital expenditure for decarbonisation. This could occur through any of the following carbon pricing mechanisms: • additional/new direct and indirect carbon taxation (e.g. CBAM for imports into the EU). • Loss/reduction of allocated free allowances under a carbon taxation scheme. • Increased regulation around the use of carbon offsets, including requirements relating to their source, legitimacy, additionality and how they can be used against net zero targets. Increased price of CO_2 per tonne.	Angola does not currently have a carbon tax or external carbon pricing policy mechanism that would directly impact Azule, nor is Azule captured by the requirements of the UK Emissions Trading Scheme. However, in the future impacts could include: • Increased compliance, operating, capital expenditure and decarbonising costs, particularly for assets with high emissions, which may affect asset life/economic limits. • Changing consumer preferences to less carbon-intensive alternatives and reduction in competitiveness against less carbon-intensive peers. • Reduction in profit margins to absorb higher carbon costs associated with our operations. • Increased operating costs in oil extraction (e.g. increased taxes on energy use and increased energy costs). • Increased costs associated with providing products to markets with higher carbon regulations where tax or broader policy restrictions may be applied on import (e.g., the EU).	High increasing to very high through time horizons	Low increasing to very high by 2050	Low for all time horizons	• Implementation of a robust decarbonisation strategy. The strategy includes actions such as: a. Implementation of an energy management system, b. Optimizing equipment such as gas turbines, water injection pumps, etc. c. Improvements to plant reliability. d. Installation of measurement devices such as gas analysers on the flare system. e. Installation of leak detection and repair (LDAR) programmes. f. Utilising drone surveillance to inform decision making on further emission reduction strategies. • Investments in natural climate solutions (e.g. forestry restoration) to offset carbon emissions and mitigate the impact of potential carbon taxation.
Transition Risk: Fluctuation of oil and gas prices due to government regulations and/or changing customer preferences.	The rapid contraction in market value and pricing trends of the Oil & Gas sector as demand shifts away from fossil fuels due to new or more stringent regulation (including policies and incentives), energy efficiency measures and/or individual consumer preferences change to favour cleaner sources of energy.	• Reduction in revenue, margins, profitability and cash flows. • Reduction in asset values and product viability, impacting future cash flows, profit, capital expenditure and/or the ability to maintain the long-term investment program.	Very high for all time horizons	Low for all time horizons	Low for all time horizons	• Diversification of our product offerings by expanding natural gas and solar operations. • Financial price hedging instruments in place. • Long term business plans take into consideration market uncertainties.

Table 2: Climate-related risks and opportunities (continued)

Climate-related Risk or Opportunity	Risk/Opportunity description	Potential impacts	Potential risk rating: Net Zero (1.5°C)	Potential risk rating: Delayed Transition (~2°C)	Potential risk rating: Current Policies (4°C)	Mitigating actions
Transition Risk: Changing national public policy restrictions and regulations on oil & gas operations and/or exploration, and related costs associated with complying with climate-related laws and regulations (excluding methane).	• Implementation of restrictions/regulations (e.g., requisite decommissioning of assets, banning high-emission activities like gas flaring) that will impact Azule's operations. • Increasing climate-related legal risks and regulation, such as reporting requirements, due diligence requirements and directives on green claims, which give rise to risk of litigation and non-compliance.	• Increased costs of development projects and producing assets arising from tightening of requirements for offshore plants (potentially resulting in stranded assets). • Failure to obtain and maintain permits limits portfolio growth. • Increasing costs of operations from a ban on specific operations and sourcing alternatives or retrofitting existing assets to meet new requirements. • Increased indirect costs from compliance (resources, operating costs, tools and systems) with emerging regulation (including emissions reporting and climate-related financial disclosure requirements). • Increased competition for these compliance support services. • Impacts on local communities of reduced economic growth and job security associated with reduction in operations.	Low increasing to medium through time horizons	Low increasing to medium by 2050	Low for all time horizons	• Regular analysis of new regulations to monitor impacts and ensure compliance. • Projects under development phase undergo an energy design review that considers Best Available Techniques (BAT) and, once concept is defined, an emissions profile is developed. The review process incorporates a legal compliance matrix to guarantee all future developments adhere to relevant regulations.
Transition Risk: Changing national public policy restrictions and regulations related to methane emissions, and related costs associated with complying with climate-related laws and regulations. This includes increased scrutiny of methane emissions with enhanced detection technology and awareness of warming potential.	Increased pressure to employ solutions such as leak detection and repair programmes, infrastructure upgrades to reduce methane emissions, as well as general increasing global attention and regulation around methane reduction efforts.	• Increased costs associated with implementing specialised controls and infrastructure to address methane concerns. • Higher compliance costs due to new or stricter regulations on methane emissions. There is a possibility of new methane regulations leading to taxes or fines for emissions. • Reputational damage due to increased scrutiny of methane emissions if a situation were to arise that resulted in a detectable and quantifiable methane release, and/or a failure to take proper preventative measures had been identified.	Very high for all time horizons	High increasing to very high through time horizons	High reducing to medium through time horizons	• Joined UNEP's Oil & Gas Methane Partnership 2.0 (OGMP), which requires members to define methane reduction targets, create an Implementation Plan to improve methane monitoring and reporting in our operations. • Annual LDAR programs on assets. Available OGI cameras. • Upgrading to QOGI software for methane quantification. • Inclusion of methane metrics and targets. • Incorporating methane detection and anti-leakage designs into new assets.

Table 2: Climate-related risks and opportunities (continued)

Climate-related Risk or Opportunity	Risk/Opportunity description	Potential impacts	Potential risk rating			Mitigating actions
			Net Zero (1.5°C)	Delayed Transition (~2°C)	Current Policies (4°C)	
Opportunity: Continue transition towards low-carbon liquids and gases and/or renewable energy sources.	Diversification of portfolio to include low-carbon liquids and gases (e.g., low-carbon hydrogen, bio methane and advanced biofuels, natural gas) or renewable energy sources (e.g., solar, wind). This could also include divesting legacy oil and gas assets, in favour of renewable products (e.g., acquisition of smaller renewable operators) and re-purposing existing and/or closing assets for renewable production/generation where feasible.	• New market offering and increased market share. • Increased access to capital (via investor attraction). • Increased revenues. • Increased brand reputation. • Reduced Scope 3 emissions and reduced exposure to potential carbon pricing. • Enhanced relationship with the Angolan government/communities for contributing to their energy transition.	Medium increasing to very high through time horizons	Low increasing to high through time horizons	Low increasing to medium by 2050	• Adaptation of business model to include lower-carbon products (e.g., solar, natural gas) and investment in sustainable practices. • Developing a dedicated Natural Gas Plant (NGC) designed to produce non-associated gas, the first in Angola, to supply to Angola LNG, significantly enhancing Angola's gas export capabilities. • Aiming to double the renewable energy production capacity with the second phase of the Caraculo Photovoltaic (PV) plant in Namibe. This expansion will increase current renewable energy output from 25 MW to 50 MW. • Strategic choices to divest assets with a higher emissions intensity

3. Metrics &Targets

Azule tracks the following climate-related metrics:

- Absolute Scope 1 emissions (tCO_2e)
- Emissions intensity ($tCO_2e/kBoe$)
- Flare (mmscf/d)

The Group has established clear targets for both absolute emissions and intensity, which are tracked daily. Intensity refers to the ratio of Scope 1 emissions per unit of production.

Flare monitoring is a critical tool to track our progress towards our greenhouse gas reduction goals. By closely monitoring flare activity, Azule can identify potential issues with equipment or processes that contribute to unnecessary emissions. This allows for prompt corrective action and continuous improvement in our environmental performance.

Azule is undertaking a comprehensive review of the environmental metrics and targets (e.g., methane indicators). Azule is committed to ongoing monitoring and reporting on the above-mentioned metrics and recognizes the importance of expanding the scope to reflect a more holistic view of its impacts to guide its future sustainability efforts. During 2023 the GHG emissions performance was as follows:

GHG emissions (M tCO_2e)	GHG Intensity ($tCO_2e/kBoe$)
2.5 *	32.5

*Of which 33% from operated blocks.

4. Metrics &Targets (continued)

Emission-generating activities occur predominantly outside the UK and therefore are not covered by SECR requirements.

The Group is a member of the Oil & Gas Methane Partnership 2.0 (OGMP) and signatory of the Oil and Gas Decarbonisation Charter (OGDC). It will submit its implementation plan in 2024 as per the requirements of the OGMP 2.0 framework. This plan will outline the Group's methane reporting strategy and reduction target. The Group developed a Decarbonisation Strategy in 2022, in which we set a number of ambitious Scope 1 emissions targets for ourselves and our value chain.

- Reduce absolute GHG gross operated emissions by 40% by 2030 on a 2019 baseline (2.7 MtCO2e).
- Reduce total flare by up to 75% by 2030 on a 2019; baseline (21425 mmscf).
- Achieve Zero routine flare as per current policy and OGDC commitment.
- Drive emissions reductions 40% by 2030 on non-operated assets on a 2019 baseline (13.2 MtCO2e); and
- Implement strategies to lower maritime, land, and air transportation emissions throughout our operations.

To reflect Azule's evolving portfolio, business plan and international commitments, the Group is updating the decarbonisation strategy with revised metrics and targets.

Section 172 (1) statement

The Directors recognise the importance of considering and having regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 ("Section 172 factors") when making decisions, particularly principal decisions of the Group and Company, and in performing their duties throughout the year the Directors have had regard to the Section 172 factors.

This section forms the statement required under section 414CZA of the Companies Act 2006 Act.

Employee engagement

The Directors of the Group recognise that people are vital to the long-term health and success of the Group and of its stakeholders. As such, Directors ensured an effective transition plan be put in place, including the implementation of a cultural transformation programme to target a high-performance environment, effective trust-based relationships, role-modelling and developing a common cultural belonging within the Group. The Directors also confirm that all employees are provided with information about the Group, relevant procedures, and development opportunities with regular town hall presentations, email notifications and updated news and documents on the Group's group intranet. The Directors are also committed to maintaining a culture that allows everyone to voice their questions and concerns, and for such a purpose the Group set up alternative reporting mechanisms such as Safe2Talk channels, allowing staff to raise concerns anonymously.

Business relationships with suppliers, customers, and others

During the year, the Directors of the Group focused on engagement and fostering relationships with suppliers and customers, with the need to consider partners, customers, and suppliers. The Group is committed to continuously improving its practices to ensure no modern slavery and human trafficking violations in its operations and supply chain and to contribute to sustainable development and the delivery of sustainability goals. These commitments are embedded in the Group's Policy on Human Rights and Modern Slavery adopted from the first day the Group operated, 1 August 2022.

Furthermore, the Group adopted a Procurement Policy to confirm the flow of goods and services from suppliers meet principles of ethics and integrity, in line with the Code of Conduct, of quality, HSE and operational efficiency, of competitiveness, of sustainability and focus on technological innovation and on contribution for the development of local content in Angola and other countries where relevant.

Impact on community and environment

The Directors of the Group are committed to sustainability aims and objectives. During the year, the Group prepared a sustainability plan, identifying its priority aims and detailing the actions it will take to meet them. These plans are regularly reviewed by the Directors to achieve environmental and sustainability ambitions. The Group is committed to promoting sustainable development by means of implementing social sustainability projects across the country and not exclusively in the Group's areas of operations, with a focus in diverse core sectors of intervention, particularly access to energy, access to water, health, education, and agriculture.

Section 172 (1) statement (continued)

Reputation for high standards of business conduct
The Directors believe it is fundamentally important that values and principles are clearly defined to guide the right decisions, that the Group conducts business ethically, legally and with the highest integrity, as set out in the Group Code of Conduct.

The need to act fairly between members of the Group.
The Directors consider and approve items of business that would promote the success of the Group and be in the best interests of the Group and its immediate shareholders and its stakeholders. As a 50:50 joint venture, the Group and its relationship with its shareholders is regulated by a shareholder agreement relating to the Group between Eni and BP and the Group effective 1 August 2022. The Group established key governance bodies, such as the Board of Directors and Committees, with an equal representation of its shareholders that aim to balance the needs of its shareholders, manage any conflicts, and have regard to long term value creation, including maximizing long term shareholder value. During the year, the Group declared and paid dividends to its shareholders. The Directors considered the impact of such decisions on the long-term prospects of the Group, considering the financial position of the Group to ensure dividends are only paid out of distributable reserves, the current and future profitability of the Group, the cash flow position and financial requirements and the availability of profitable and sustainable return on investment.

The Group's principal decisions
The Board recognises the importance of considering and having regard to the Section 172 factors when making decisions, particularly the principal decisions of the Group. The Group has taken the view that a 'principal' decision is one which is material and strategic in nature and would affect the ability of the Group to generate or preserve value over the long term.
During the year, the following principal decisions were taken by the Group:

Principal decision	**The relevant factors taken into account during the decision-making process**
Transfer of all Azule Group personnel to Employer Group company, Azule Energy Angola BV	The directors considered the impact on the Group's employees and the desirability of the Group to maintain a reputation for high standards of business conduct.
Memorandum of understanding relating to decarbonisation initiatives and renewable energies in Angola	The directors considered the impact of Group's operations on the community and the environment, while maintaining good business relationships with the Angolan authorities.
Award of operational procurement contracts with various suppliers.	The directors considered all factors available from Group procurement processes to award the contracts offering the best technical and financial solution, promoting the success of the Company and its members as a whole, as well as reputational elements and elements that foster good business relationships with the suppliers.
Internal audit plan and highest priority risks	The Directors considered the major risks facing the Company and approved a plan to ensure these were assessed and monitored.
Dividends were declared and paid during the year	The Directors considered the impact of such a decision on the long-term prospects of the Group, as well as considering the financial position of the Group to ensure that it had sufficient distributable reserves at the time of the dividend.
Appointment of BDO LLP as statutory Auditor for the Group	The directors considered (amongst other key factors) their statutory duty to prepare and file accurate audited Accounts in a timely manner, as well as the need to foster good relationships with Group Auditor and to maintain a reputation of high standards of business conduct.
Investment and divestment of Group assets, including the transfer of interests in Blocks 3/05 and 3/05A to Afentra, and the acquisition of interests in Blocks 46 and 47.	When making decisions on investments and divestments of Group assets, the Directors take into careful consideration what would be most likely to promote the success of the company for the benefit of its members as a whole, and in the long term.

Section 172 (1) statement (continued)

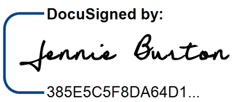
Highest priority risks and uncertainties

The Group manages, monitors, and reports on its highest priority risks and uncertainties that can impact the Group´s ability to deliver its strategy. The Group’s system of internal control includes policies, processes, management systems, organizational structures, culture, and standards of conduct employed to manage the Group’s business and associated risks.

Throughout the period, the Group management, the leadership team, the board, and relevant committees provided oversight of how the highest priority risks to the Group are identified, assessed, and managed. They support the appropriate governance of risk management including having relevant policies in place to help manage risks. Such oversight may include internal audit reports, and reviews of the outcomes of business processes including strategy, planning and resource and capital allocation. The Group’s internal audit team provides independent assurance to the chief executive and board as to whether the Groups’ system of internal control is adequately designed and operating effectively to respond appropriately to the risks that are significant to the Group. The Group aims to deliver sustainable value by identifying and responding successfully to risks.

The risks listed above, separately or in combination, could have a material adverse effect on the implementation of the Group’s strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation.

Approved by the board of Directors on 28th August 2024 and signed on its behalf by:



J Burton

Director

125 Old Broad Street
London
England
EC2N 1AR

AZULE ENERGY HOLDINGS LIMITED

Directors' Report
For the year ended 31 December 2023

The Directors present their annual report and the audited financial statements of Azule Energy Holdings Limited ("the Company" or "the Parent Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2023.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

	Appointed	Resigned
L Vignati	1 March 2022	—
G Birrell	1 August 2022	—
G Brusco	1 August 2022	—
G Groppi	1 August 2022	—
J R Murphy	1 August 2022	—
K Thomson	1 August 2022	12 October 2023
J Burton (Alternate)	1 August 2022	—
F Rinaldi (Alternate)	1 August 2022	—
TA Pennington	19 October 2023	—

Results and dividends
The results for the period are set out on page 35.

Interim dividends were paid of $1,793 million (2022: $1,000 million). Dividend per share is $1,793 (2022: $1,000). The Directors do not recommend payment of a final dividend.

Principal risks and uncertainties and future developments
The Strategic Report includes details of the principal risks and uncertainties and future developments of the Group.

Financial risks
The Directors have considered financial risk management as credit, liquidity, interest, and capital risk. See note 27.

Disabled employees
The Group gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Qualifying third party indemnity provisions
The Group indemnifies the Directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third-party indemnity provisions for the benefit of the Group's Directors remain in force at the date of this report.

Stakeholder statements

By understanding the Group's key stakeholders, the Board can consider and address the needs of these stakeholders and foster good business relationships with them. The Board has taken time to identify the key interests of the stakeholders and establish regular engagement methods to help the Board to consider and balance stakeholder interests when making decisions.

The Group's considers its key stakeholders' groups to include:

(a) Government/Regulators
The Group is committed to maximizing long term shareholder value, in whatever form, when making decisions. The Group operates in accordance with the Group's System of Internal Control and its policies, procedures, and standards to promote long term success of the Group for the shareholders.

(b) Shareholders
The Group is committed to maximizing long term shareholder value, in whatever form, when making decisions. The Group operates in accordance with the Group's System of Internal Control, the Policy etc., to promote long term success of the Group for the shareholders.

(c) Banks
The Group recognises the need to create valued relationships with its Banks.

(d) Joint Venture partners
The Group recognises the need to create valued relationships with its Joint Venture partners.

(e) Community and environment
The Directors' relationships on behalf of the Group with respect to communities are important for all its activities, but particularly for major new projects where its presence may bring about changes in the local areas, such as jobs and support for community development, changes in the physical landscape, changes to the local ecosystem. The Directors engage with local communities through public consultations and meetings with local representatives and complete impact assessments where relevant. The Directors also consult with NGOs, academics, and industry associations, drawing on their external expertise. The Board are provided with updates on the environmental impact of the Group's business operations. The information received supports effective decision making by the Board when considering the long-term consequences on the environment and local communities.

(f) Employees
The Group recognises the need to look after the wellbeing of all its Employees.

(g) Suppliers
The Group maintains policies to ensure fair treatment of its current and potential suppliers. The Board are provided with updates on renewals and negotiations for existing and/or new supplier agreements. The information received supports effective decision making by the Board when considering the long-term consequences on relationships with suppliers.

Independent auditor

BDO LLP have been reappointed as auditors for the Company and Group consolidated audit and reporting.

Going concern

These Consolidated Financial Statements have been prepared on a going concern basis. In assessing the appropriateness of the going concern assumptions management has considered a 12 months' period from the date of approval of these financial statements. Management has considered current economic and geopolitical environment, covenant compliance requirements by performing various sensitivity analysis over Group's most recent financial projections. For the purpose of assessing going concern the Directors have prepared forecasts to December 2025.

As part of risk management, the management has assessed that existing funding and liquidity arrangements are expected to be maintained throughout the going concern period. To manage principal risks, the Group has undertaken the following steps in the year 2024:
a) Successfully negotiated an amendment to the existing PXF facility under which the moratorium period of the PXF was increased by one year. Principal repayments, which were due to commence in September 2024 will instead begin in September 2025. Scheduled repayments which would have been due from September 2024 to July 2025 will be spread over the remaining repayment dates of the facility equally.
b) Performed a successful 10% test withdrawal ($34.5 million) to ensure operational robustness and readiness of the additional financing support in the form of a Revolving Credit Facility (RCF), which provides liquidity to manage cash.
c) Proactive management of hedging programme by regular monitoring and recalibration of hedged profile when required.
d) Used detailed cash forecasting techniques to formalize internal & external dividend decision making.
e) Entered into factoring facility with Banks to provide further low-cost options for cash liquidity.

As part of going concern assessment, management has incorporated sensitivities over a range of potential future outcomes and business risks considering potential downside of Brent Oil and gas prices, reduced production and lifting volumes, higher interest rates and additional costs including capital expenditures. Further scenario analysis was performed over dividend receipts and payments. There was a positive headroom in all the scenarios tested.

As at 31 December 2023, the Group had positive net current assets of $149 million (2022: $929 million) and positive net assets amounting to $13.3 billion (2022: $14.4 billion).

The going concern assessment confirmed that the Group has adequate cash, other liquid resources, and undrawn credit facilities to enable it to meet its obligations as they fall due in order to continue its operations during the going concern period. Therefore, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing these Consolidated Financial Statements.

Events after the reporting date

- On 12 January 2024, Azule Energy Angola B.V. signed a Sale and Purchase Agreement with Acrep Exploração Petrolífera, S.A., to transfer its working interest and operatorship in the onshore Cabinda North Block. The Sale and Purchase agreement is subject to fulfilment of all precedent conditions.

- On 19 March 2024 the Company declared and approved dividend of $225 million.

- On 3 May 2024, Azule Energy and Rhino Resources announced a strategic Farm-In agreement for Block 2914A(PEL85), offshore Namibia which will grant the Group a 42.5% interest in Block 2914A located in the offshore Namibian Orange basin.

- On 17 May 2024, Azule Energy Holdings Limited have agreed an amendment to the existing PXF Facility agreement with Lenders whereby payment of the first instalment has been deferred from September 2024 to September 2025. This deferment has no impact on the interest amount being charged or maturity date.

- On 22 May 2024, the Group completed the transfer of its participating interest in Blocks 3/05 & 3/05A to Afentra. The initial SPA was signed on 19 July 2023.

- On 25 June 2024 the Company declared and approved dividend of $250 million.

AZULE ENERGY HOLDINGS LIMITED

Directors' Report (continued)
For the year ended 31 December 2023

Matters covered in the Strategic Report

The Group has chosen in accordance with the Companies Act 2006, s. 414C (11) to set out in the Group's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of principal activities, risk management policies, financial instruments and objectives, employee disclosures and carbon reporting requirements.

Directors' statement as to the disclosure of information to the auditor.

The Directors who were members of the board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the Group and the Company auditor, each of these Directors confirms that:

To the best of each Director's knowledge and belief, there is no information relevant to the preparation of the auditor's report of which the Group and the Company auditor is unaware; and

Each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group and the Company auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Approved by the board of Directors on 28th August 2024 and signed on its behalf by:

DocuSigned by:
Jennie Burton
385E5C5F8DA64D1...

J Burton
Director

125 Old Broad Street
London
England
EC2N 1AR

Directors' Responsibilities Statement
For the year ended 31 December 2023

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with UK adopted international accounting standards and applicable laws 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 Group financial statements in accordance with UK-adopted international accounting standards ("IFRSs"), and the Parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice. 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 Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently.
- make judgements and accounting estimates that are reasonable and prudent.
- 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 IFRSs and in respect of the Parent Company financial statements, Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101'), is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and the Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- in respect of the Parent Company financial statements, state whether applicable UK Accounting Standards, including FRS 101, 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 and/ or the Group will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, which comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with applicable financial reporting framework to give a true and fair view of the assets, liabilities, financial position and profit of the Company and undertakings included in the consolidation taken as a whole; and
- that the annual report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practice, FRS 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 of Azule Energy Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards. 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 Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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

Independence

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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 or 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.

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

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector;
- Review of the minutes of Board and Ethics, Environment and Risk Assurance Committee and any other relevant party and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in page 16 may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment.

We also assessed the consistency of management's disclosures included as Other Information on page 2 with the financial statements and with our knowledge obtained from the audit.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report & Directors' report, other than the financial statements and our auditor's report thereon. 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 during 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.

Other Companies Act 2006 reporting

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 its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors Responsibility 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.

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.

Extent to which the audit was 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates.
- Discussion with management and those charged with governance and legal counsel, etc.
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, relevant legislation applicable to Oil and Gas Industry in Angola and the companies Act 2006. The key legislation governing the oil and gas sector includes the Petroleum Activities Law 2004 (PAL) and the Law on Taxation of Petroleum Activities 2004 (PTL).

The Group is subject to laws and regulations where the consequences of non-compliance could have a material effect on the amount or disclosure in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be company law, tax legislation, bribery act, employment legislation, corporation tax and VAT legislation, health and safety, local oil and gas legislations as applicable in Angola including the financial reporting framework.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the area most susceptible to fraud to be management override of controls via posting inappropriate journal entries and management bias regarding key accounting estimates and judgments.

Our procedures in respect of the above included:

- Obtained an understanding of the design and implementation of relevant controls surrounding the financial reporting close process such as controls over the posting of journals and consolidation process and obtained understanding of the segregation of duties in these processes.
- Performed information produced by entity ("IPE") testing regarding the completeness and accuracy of data received from the entity.
- We inquired about the management incentive plans and understood that there are no KPIs linked to bonus or management incentive plans.
- Critically reviewed the consolidation and obtained evidence supporting the validity of all significant manual or late journals posted at consolidation level.
- Tested the appropriateness of journal entries made throughout the year which met specific risk-based criteria to supporting documentation.
- Performed additional journal entry testing over a sample of journal entries posted which did not meet the abovementioned risk-based criteria in order to confirm the appropriateness of the audit teams risk assessment over journal entries.
- Reviewed unadjusted audit differences for indicators of bias or deliberate misstatement.

- Challenged assumptions, estimates and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of the recoverability of amounts due from group undertakings.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Matt Crane

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Matt Crane (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28th August 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Azule Energy Holdings Limited
Registered number: 13947643

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023

	Notes	2023 $'000	Period from 1 March 2022 to 31 December 2022 $'000
Revenue	4	**4,775,047**	**2,211,717**
Cost of Sales:			
Production costs		(930,899)	(810,204)
Depletion, depreciation and amortization on property, plant, and equipment and right of use assets	13,14	(2,484,324)	(1,169,802)
Gross profit		**1,359,824**	**231,711**
Impairment on property, plant, and equipment	13	(22,468)	-
Impairment on intangible assets	12	(43,000)	-
Other operating income	5	472,595	139,995
Exploration costs		(18,299)	(13,960)
Administration costs		(99,245)	(31,556)
Share of post-tax profits of equity accounted associates & joint ventures	15	366,389	756,797
Operating profit	6	**2,015,796**	**1,082,987**
Finance income	8	112,175	10,015
Finance costs	8	(497,655)	(162,705)
Profit before taxation		**1,630,316**	**930,297**
Corporation tax	9	(910,830)	(55,906)
Profit for the year/period		**719,486**	**874,391**
Other comprehensive income			
Items that will not be reclassified to profit & loss in subsequent periods:			
Re-measurements on the defined benefit plans	22	4,025	7,179
Items that will or may be reclassified subsequently to profit & loss:			
Cash flow hedge	23	48,792	-
Foreign currency translation		513	-
Other comprehensive income for the year/period		**53,330**	**7,179**
Total comprehensive income for the year/period		**772,816**	**881,570**

The above results were derived from continuing operations. The notes on pages 42 to 99 form an integral part of these financial statements.

Azule Energy Holdings Limited
Registered number: 13947643

Consolidated Statement of Financial Position
As at 31 December 2023

Assets	Notes	2023 $'000	2022 $'000 Restated*
Non-current assets			
Intangible assets - goodwill	11	2,420,560	2,420,560
Other Intangible assets	12	437,217	486,820
Property, plant, and equipment including right of use assets	13, 14	14,334,194	14,606,869
Investments	15	3,589,462	3,739,634
Taxation		60,657	60,657
Deferred tax	9	927,743	1,867,438
Trade and other receivables	17	1,825,680	1,711,660
Derivative financial assets	27	10,407	-
Total non-current assets		**23,605,920**	**24,893,638**
Current assets			
Inventories	16	597,423	578,211
Trade and other receivables	17	2,079,450	2,124,421
Taxation		24,933	94,953
Derivative financial assets	27	38,545	-
Short-term financial instruments		10,000	-
Cash and cash equivalents	28	603,749	1,030,863
Total current assets		**3,354,100**	**3,828,448**
Total assets		**26,960,020**	**28,722,086**

* The comparative information is restated during the year. See Note 9.

Azule Energy Holdings Limited
Registered number: 13947643

Consolidated Statement of Financial Position (continued)
As at 31 December 2023

	Notes	2023 $'000	2022 $'000 Restated*
Equity			
Share capital	23	1,000	1,000
Share premium	23	7,921,009	7,543,000
Shares to be issued	23	-	378,009
Other reserves	23	1,559,498	1,559,498
Hedging reserve	23	48,792	-
Retained earnings	23	3,812,585	4,881,570
Total equity		**13,342,884**	**14,363,077**
Non-current liabilities			
Loans and borrowings	20	2,144,975	2,452,976
Lease liabilities	19	1,471,566	1,802,995
Provisions for liabilities and charges	21	3,201,181	2,940,465
Deferred tax	9	3,593,819	4,262,678
Total non-current liabilities		**10,411,541**	**11,459,114**
Current liabilities			
Trade and other payables	18	2,029,921	2,131,128
Lease liabilities	19	696,807	557,555
Loans and borrowings	20	311,224	-
Taxation		167,643	211,212
Total current liabilities		**3,205,595**	**2,899,895**
Total liabilities		**13,617,136**	**14,359,009**
Total equity and liabilities		**26,960,020**	**28,722,086**

* The comparative information is restated during the year. See Note 9.

The financial statements on pages 35 to 99 were approved and authorized for issue by the Board of Directors and were signed on its behalf on 28th August 2024 by:

DocuSigned by:
Jennie Burton
385E5C5F8DA64D1...

J Burton
Director

The notes on pages 42 to 99 form an integral part of these financial statements.

Azule Energy Holdings Limited
Registered number: 13947643

Company Statement of Financial Position
As at 31 December 2023

	Notes	2023 $'000	2022 $'000
Assets			
Non-current assets			
Investments	15	16,720,098	9,130,098
Derivative financial assets	27	10,407	-
Total non-current assets		**16,730,505**	**9,130,098**
Current assets			
Trade and other receivables	17	7,607	7,972,299
Short-term financial instruments		10,000	-
Derivative financial assets	27	38,545	-
Cash and cash equivalents		317,741	877,827
Total current assets		**373,893**	**8,850,126**
Total assets		**17,104,398**	**17,980,224**
Equity and liabilities			
Equity			
Share capital	23	1,000	1,000
Share premium	23	7,921,009	7,543,000
Shares to be issued	23	-	378,009
Other reserves	23	1,559,498	1,559,498
Hedging reserve	23	48,792	-
Retained earnings	23	1,768,241	3,912,059
Total equity		**11,298,540**	**13,393,566**
Non-current liabilities			
Loans and borrowings	20	2,144,975	2,452,976
Current liabilities			
Trade and other payables	18	3,349,659	2,133,682
Loans and borrowings	20	311,224	-
Total liabilities		**5,805,858**	**4,586,658**
Total equity and liabilities		**17,104,398**	**17,980,224**

As permitted by Section 408 of the Companies Act 2006, Azule Energy Holdings Limited has not presented its own Statement of Comprehensive Income. The loss for the financial year dealt with in the financial statements of the holding company was $302 million (2022: $88 million). There is no comprehensive income attributable to the shareholders of the company other than the losses for the year.

The financial statements on pages 35 to 99 were approved and authorized for issue by the board of Directors and were signed on its behalf on 28th August 2024 by:

DocuSigned by:
Jennie Burton
385E5C5F8DA64D1...

J Burton

Director

The notes on pages 42 to 99 form an integral part of these financial statements.

Azule Energy Holdings Limited
Registered number: 13947643

Consolidated and Company Statement of Changes in Equity
For the year ended 31 December 2023

Consolidated	Share capital	Share premium	Shares to be issued	Other Reserves	Hedging Reserves	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 March 2022	-	-	-	-	-	-	-
Issue of share capital (note 10, 23)	1,000	12,543,000	378,009	1,559,498	-	-	14,481,507
	1,000	12,543,000	378,009	1,559,498	-	-	14,481,507
Profit for the period	-	-	-	-	-	874,391	874,391
Comprehensive income for the period	-	-	-	-	-	7,179	7,179
Share capital reduction	-	(5,000,000)	-	-	-	5,000,000	-
Dividends paid	-	-	-	-	-	(1,000,000)	(1,000,000)
As at 31 December 2022	**1,000**	**7,543,000**	**378,009**	**1,559,498**	-	**4,881,570**	**14,363,077**
At 1 January 2023	1,000	7,543,000	378,009	1,559,498	-	4,881,570	14,363,077
Issue of share capital (note 10, 23)	-	378,009	(378,009)	-	-	-	-
	1,000	7,921,009	-	1,559,498	-	4,881,570	14,363,077
Profit for the year	-	-	-	-	-	719,486	719,486
Comprehensive income for the year	-	-	-	-	48,792	4,538	53,330
Dividends paid	-	-	-	-	-	(1,793,009)	(1,793,009)
As at 31 December 2023	**1,000**	**7,921,009**	**-**	**1,559,498**	**48,792**	**3,812,585**	**13,342,884**

Details regarding the purpose of each reserve within equity are given in note 23. The notes on pages 42 to 99 form an integral part of these financial statements.

Azule Energy Holdings Limited
Registered number: 13947643

Consolidated and Company Statement of Changes in Equity
For the year ended 31 December 2023

Company	Share capital	Share premium	Shares to be issued	Other Reserves	Hedging Reserves	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 March 2022	-	-	-	-	-	-	-
Issue of share capital (note 10, 23)	1,000	12,543,000	378,009	1,559,498	-	-	14,481,507
	1,000	12,543,000	378,009	1,559,498	-	-	14,481,507
Loss for the period						(87,941)	(87,941)
Comprehensive expense for the period	-	-	-	-	-	-	-
Share capital reduction	-	(5,000,000)	-	-	-	5,000,000	-
Dividends paid	-	-	-	-	-	(1,000,000)	(1,000,000)
As at 31 December 2022	**1,000**	**7,543,000**	**378,009**	**1,559,498**	**-**	**3,912,059**	**13,393,566**
At 1 January 2023	1,000	7,543,000	378,009	1,559,498	-	3,912,059	13,393,566
Issue of share capital (note 10, 23)	-	378,009	(378,009)	-	-		-
	1,000	7,921,009	-	1,559,498	-	3,912,059	13,393,566
Loss for the year	-	-	-	-	-	(350,809)	(350,809)
Comprehensive expense for the year	-	-	-	-	48,792	-	48,792
Dividends paid	-	-	-	-	-	(1,793,009)	(1,793,009)
As at 31 December 2023	**1,000**	**7,921,009**	**-**	**1,559,498**	**48,792**	**1,768,241**	**11,298,540**

Details regarding the purpose of each reserve within equity are given in note 23. The notes on pages 42 to 99 form an integral part of these financial statements.

Azule Energy Holdings Limited

Consolidated Cash Flow Statement
For the year ended 31 December 2023

Group	Notes	2023 $'000	2022 $'000
Cash inflow generated from operations	24	**3,779,544**	**2,025,171**
Interest received		71,099	7,422
Interest paid		(239,976)	(51,433)
Taxes paid		(581,537)	(491,470)
Net cash generated from operating activities		**3,029,130**	**1,489,690**
Investing activities			
Payment for acquisition of subsidiaries, net of cash received	10	-	(1,815,262)
Purchase of associated companies and activities		(20,860)	-
Purchase of property, plant, and equipment and Intangibles		(1,685,929)	(451,882)
Purchase of other financial assets		(10,000)	-
Additions to escrow		(130,363)	(166,488)
Dividends received from Associates		537,421	765,680
Net cash used in investing activities		**(1,309,731)**	**(1,667,952)**
Financing activities			
Proceeds from borrowings	20	-	2,450,000
Proceeds from deferred shares issued		378,009	-
Transaction fee paid for borrowings		(4,705)	-
Dividends paid to shareholders		(1,793,009)	(1,000,000)
Payment of lease liability obligations	19	(743,233)	(240,875)
Net cash (used in)/generated from financing activities		**(2,162,938)**	**1,209,125**
Net (decrease)/increase in cash and cash equivalents		(443,539)	1,030,863
Cash and cash equivalents at start of year/period		1,030,863	-
Exchange gains on cash and cash equivalents		16,425	-
Cash and cash equivalents at end of year/period		**603,749**	**1,030,863**

The notes on pages 42 to 99 form an integral part of these financial statements.

1. Company information

Azule Energy Holdings Limited (13947643) is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements of Azule Energy Holdings Limited for the year ended 31 December 2023 were approved by the board of directors on 28th August 2024 and the Statement of Financial Position was signed on the board's behalf by J Burton.

2. Material accounting policies post amendment to IAS 1

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Consolidated Financial Statements have been prepared on the going concern basis under historical cost convention, except for derivative financial instruments that have been measured at fair value through profit or loss.

These Consolidated Financial Statements are presented in dollars ($). All financial information presented has been rounded to the nearest thousands, unless otherwise stated.

These financial statements are prepared for a period of 12 months, beginning from 1 January 2023 to 31 December 2023, unlike the prior year financial statements which were prepared for a period of 10 months, beginning from 1 March 2022 to 31 December 2022. This change has been affected to be conterminous with the reporting period of the Group. Owing to this fact, the comparative amounts presented in the financial statements, including the related notes, are not entirely comparable.

Eni and BP (shareholders) agreed to create a stand-alone, self-funded, incorporated 50/50 Joint Venture, called Azule Energy Holdings Limited (AEHL) to combine and hold all their upstream oil, gas, and LNG interests in Angola. The Shareholders' proposed 50/50 ownership in AEHL was achieved via the Shareholders contributing into AEHL their legacy entities (in exchange for shares in the new company) and the payment by AEHL of a cash consideration to the Shareholders (financed by a long-term loan). Although this transaction falls outside the scope of IFRS 3 Business Combinations ('IFRS 3') the directors choose to account for the business combination under IFRS 3 by analogy believing that IFRS 3 principles should be followed in full.

The Group's financial statements have been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006. The Group also notes standards issued but not yet effective (Note 33).

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101") and disclosure requirements of the Companies Act 2006. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions in the Company only financial statements.

Reduced disclosure exemptions.

The following disclosure exemptions conferred by FRS 101 have been applied in the preparation of the Company financial statements and, where relevant, equivalent disclosures have been made in the Group accounts in accordance with UK-adopted international accounting standards:

- Statement of compliance with IFRS.
- Disclosures in relation to the objectives, policies, and processes for managing capital.
- Separate lessee disclosures under IFRS 16 Leases ('IFRS 16').
- Presentation of a Statement of Cash Flows and related notes.
- Disclosure of key management personnel compensation.

Reduced disclosure exemptions (continued)

- Disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments; income, expenses, gains, and losses on financial instruments; effects of initial application of IFRS 7 Financial Instruments: Disclosures ('IFRS 7').
- Related party disclosures for transactions with the parent or wholly owned members of the Group.
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.
- The requirements of paragraphs 88C and 88D of IAS 12 Income taxes.
- Revenue disclosures, including:
    - Description of when performance obligations are satisfied, significant payment terms, and the nature of services to be transferred.
    - Significant judgements in determining the amount and timing of revenue recognition.
    - Methods used to recognise revenue over time, determine transaction price and amounts.
    - Allocated to performance obligations.

Amendments to IFRSs effective for the current year noting Azule Energy is a new company and implemented all IFRS as in issue on its date of incorporation. No impacts on the Group were noted in respect of changes to the standards as this was a company in its first year of formation.

New and amended standards and interpretations.

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (continued)

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

• A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and

• Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The amendments impact on the Group's consolidated financial statements is disclosed in note 9.

New and revised IFRSs in issue but not yet effective

Please see note 33 for new and revised IFRSs that have been issued but are not yet effective.

Basis of consolidation

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

a. has the power over the investee;
b. is exposed, or has rights, to variable return from its involvement with the investee; and
c. 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 the Consolidated Statement of Comprehensive Income 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 intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Going concern

These Consolidated Financial Statements have been prepared on a going concern basis. In assessing the appropriateness of the going concern assumptions management has considered a 12 months' period from the date of approval of these financial statements. Management has considered current economic and geopolitical environment, covenant compliance requirements by performing various sensitivity analysis over Group's most recent financial projections. For the purpose of assessing going concern the Directors have prepared forecasts to December 2025.

As part of risk management, management has assessed that existing funding and liquidity arrangements are expected to be maintained throughout the going concern period. To manage principal risks, the Group has undertaken the following steps in the year 2024:

a) Successfully negotiated an amendment to the existing PXF facility under which the moratorium period of the PXF was increased by one year. Principal repayments, which were due to commence in September 2024 will instead begin in September 2025. Scheduled repayments which would have been due from September 2024 to July 2025 will be spread over the remaining repayment dates of the facility equally.

b) Performed a successful 10% test withdrawal ($34.5 million) to ensure operational robustness and readiness of the additional financing support in the form of a Revolving Credit Facility (RCF), which provides liquidity to manage cash.

c) Proactive management of hedging programme by regular monitoring and recalibration of hedged profile when required.

d) Used detailed cash forecasting techniques to formalize internal & external dividend decision making.

Going concern (continued)

As part of going concern assessment, management has incorporated sensitivities over a range of potential future outcomes and business risks considering potential downside of Brent Oil and gas prices, reduced production and lifting volumes, higher interest rates and additional costs including capital expenditures. Further scenario analysis was performed over dividend receipts and payments. There was a positive headroom in all the scenarios tested. Dividend payments are made at the discretion of the Board in the interests of Azule's financial stability.

As at 31 December 2023, the Group had positive net current assets of $149 million (2022: $929 million) and positive net assets amounting to $13.3 billion (2022: $14.4 billion).

The going concern assessment confirmed that the Group has adequate cash, other liquid resources, and undrawn credit facilities to enable it to meet its obligations as they fall due in order to continue its operations during the going concern period.

Therefore, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing these Consolidated Financial Statements.

Business Combination

In the prior reporting period, Azule Energy Holdings Limited (acquirer) received from its shareholders producing assets/people/organization (acquiree) and so realised a business combination as per the principles of IFRS 3 by analogy as per the guidance under IAS 8 whereby the joint venture is required to select its accounting policies for such transactions. The Group had a choice of accounting policy, where it could record the business contributed either at fair value (including goodwill) or at the previous carrying amount. In addition, the application of IFRS 3 was consistent to the approach adopted by the shareholders for accounting for such a transaction while also consistent with project financing due diligence conducted by financial institutions who viewed the business in terms of fair value as well. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

Fair value hierarchy

IFRS 13 emphasises that fair value is a market-based measurement, not an entity-specific measurement. Therefore, fair value measurements under IFRS 13 should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, IFRS 13 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

· Level 1 inputs utilise quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access.

· Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

· Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Goodwill

The Group recognised goodwill at 1 August 2022 as part of the business combination (explained above) whereby the carrying amounts were uplifted for the fair value resulting in temporary taxable differences and arising goodwill. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

For impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units expected to benefit from the synergies of the combination. Cash-generating units or groups of cash –generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash- generating unit or groups of cash –generating units is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis asset in the unit or group of each asset in the unit or group of units. An impairment loss recognised for goodwill is not reversed in a subsequent year.

Intangible assets other than goodwill

Intangible assets, other than goodwill, include license costs that are stated at the amount initially recognised, less accumulated amortisation and accumulated impairment losses. For information on accounting for expenditures on the exploration for and evaluation of oil and natural gas resources, see the accounting policy for oil and natural gas exploration, appraisal, and development expenditure below. Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives. The expected useful lives of assets and the amortisation method are reviewed on an annual basis and, if necessary, changes in useful lives or the amortisation method are accounted for prospectively. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Investment in subsidiaries

Investments in subsidiaries are stated in the Company's statement of financial position at the fair value of shares issued, or cash paid to acquire the investment, and are subsequently measured at cost less any provision considered necessary by the Directors for diminution in value.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises, on a line-by-line basis, its share of the assets, liabilities and expenses of these joint operations incurred jointly with the other partners, along with the Company's income from the sale of its share of the output and any liabilities and expenses that the Group has incurred in relation to the joint operation. All Concessions and production sharing agreements for the Group are accounted as an interest in joint operations.

Interests in associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. Investments in associates are initially measured at cost and are subsequently accounted for using the equity method as described in the accounting policy for "Equity accounting".

Equity accounting

Under the equity method, an investment is carried on the Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the entity, less distributions received and less any impairment in value of the investment. Loans advanced to equity-accounted entities that have the characteristics of equity financing are also included in the investment on the Group Statement of Financial Position.

The Group Statement of Comprehensive Income reflects the Group's share of the results after tax of the equity-accounted entity, adjusted to account for depreciation, amortization and any impairment of the equity accounted entity's assets based on their fair values at the date of acquisition. The Group Statement of Comprehensive Income includes the Group's share of the equity-accounted entity's other comprehensive income. The Group's share of amounts recognised directly in equity by an equity-accounted entity is recognised in the Group's Statement of Changes in Equity.

The Group assesses investments in equity-accounted entities for impairment whenever there is objective evidence that the investment is impaired. If any such objective evidence of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal and value in use. If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

Oil and natural gas exploration and appraisal activities

Oil and natural gas exploration and appraisal activities are accounted for using the principles of the successful efforts method of accounting as described below:

Exploration rights and license acquisition costs

The costs associated with the acquisition of exploration rights (or for their extension), including costs related to acquire exploration potential, are initially capitalised within the line item “Intangible assets” as “exploration rights – unproved” pending determination of whether the exploration and appraisal activities in the reference areas are successful or not.

Unproved exploration rights are not amortised but are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount, based on the confirmation of the commitment of the Group to continue the exploration activities or that work to determine commercial viability is ongoing or completed, and development plans and timings are being progressed sufficiently.

In the event of a discovery of proved reserves (i.e., upon recognition of proved reserves and internal approval for development), the carrying amount of the related unproved exploration rights is reclassified to “proved exploration rights”, within the line item “Intangible assets”. When the reclassification is recognised and whether there is any indication of impairment, the carrying amount of exploration rights to reclassify as proved is tested for impairment considering the higher of their value in use and fair value less costs of disposal. From the commencement of production, proved exploration rights and license acquisition costs are amortised according to the Unit of Production (UOP) method over total proved reserves.

Exploration and appraisal expenditure

Geological and geophysical exploration costs are recognised as an expense as incurred. Costs directly associated with an exploration well are initially capitalised within intangible assets until the drilling of the well is complete and the results have been evaluated. If potentially commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. If it is determined that development will not occur, that is, the efforts are not successful, then the costs are expensed.

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are also capitalised within intangible assets.

Upon internal approval for development and recognition of unproved reserves, the relevant expenditure is reclassified to “exploration and appraisal costs - unproved” within property, plant, and Equipment in progress. If development is not approved and no further activity is expected to occur, then the costs are expensed.

Exploration and appraisal expenditure (continued)

The determination of whether potentially economic oil and natural gas reserves have been discovered by an exploration well is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure. Exploration wells that discover potentially economic quantities of oil and natural gas and are in areas where major capital expenditure (e.g. an offshore platform or a pipeline) would be required before production could begin, and where the economic viability of that major capital expenditure depends on the successful completion of further exploration or appraisal work in the area, remain capitalised on the statement of financial position as long as such work is under way or firmly planned.

Pre-development and development costs

Pre-development costs relate to the initial assessment of the development of a potential resource, including evaluation of various design concepts and economic feasibility studies.

Pre-development costs are considered part of the development activities and therefore are capitalised as property, plant, and equipment in progress. With reference to the impairment test of the carrying amount of pre-development costs, the trigger events and the criteria defined in the previous point for unproved exploration rights are relevant.

When development projects are unfeasible/not carried on, the related costs are charged to expense as losses from write-off in the period in which it is decided to abandon the project.

Property Plant and Equipment

Property Plant and Equipment owned by the Group are stated at cost, less accumulated depreciation, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if any, and, for assets that necessarily take a substantial period of time to get ready for their intended use, directly attributable finance costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalized and the carrying amount of the replaced asset is derecognised.

Inspection costs associated with major maintenance programmes are capitalized and amortized over the period to the next inspection. Overhaul costs for major maintenance programmes, and all other maintenance costs are expensed as incurred.

Expenditure on the construction, installation, and completion of infrastructure facilities such as platforms, pipelines, and the drilling of development wells, including service and unsuccessful development or delineation wells, is capitalized within property, plant, and equipment, and is depreciated from the commencement of production.

Oil and natural gas properties are depreciated using a unit-of-production method over total proved reserves.

Other property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. The typical useful lives of the Group's Property, Plant and Equipment are as follows:

Land and Buildings	-	4 to 26 years
Oil and gas properties	-	according to the Unit of Production (UOP) method over total proved reserves.
Fixtures and fittings	-	1 to 8 years

The expected useful lives and depreciation method of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives or the depreciation method are accounted for prospectively.

Property Plant and Equipment (continued)

During management's annual review of the expected useful lives and depreciation methods of property, plant, and equipment it assessed the reserves basis over which oil and gas properties are depreciated and assessed that all assets, including any fair value uplift attributed to them, will be depreciated over total proved reserves. Management has accounted for the revised depreciation estimate as a change in accounting estimate under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors that results in a $457 million reduction in depreciation for the year ended 31 December 2023. Given estimates of reserves will be revised in future periods management has assessed that it is impracticable to determine the impact of the change in accounting estimate on future periods.

The carrying amounts of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income account in the period in which the item is derecognised.

Right-of-use assets

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment and adjusted for any remeasurement of lease liabilities, as relevant.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Depreciation and amortization as per Property, plant, and equipment above.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments, variable lease payments that depend on a daily rate.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in a rate used and lease term. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to the Statement of Comprehensive Income if the carrying amount of the right-of-use asset is fully written down.

Revenue recognition

The Group is engaged in the exploration, production and selling of hydrocarbons produced in Angola.

Revenue from contracts with customers is recognised based on crude oil, upon shipment.

Revenue from crude oil and natural gas production from properties in which the Group has an interest together with other producers is recognised on the basis of the quantity of product effectively lifted and sold (sales method); production costs are recognised consistently with the quantities effectively sold. Revenue is measured at the fair value of the consideration to which the company expects to be entitled in exchange for transferring promised goods and/or services to a customer, excluding amounts collected on behalf of third parties. In determining the transaction price, the promised amount of consideration is adjusted for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer.

The promised amount of consideration is not adjusted for the effect of the significant financing component if, at contract inception, it is expected that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods and/or services to a customer; in particular, the amount of consideration can vary because of discounts, refunds, incentives, price concessions, performance bonuses, penalties or if the price is contingent on the occurrence or non-occurrence of a future event. If, in a contract, the Group grants a customer the option to acquire additional goods or services for free or at a discount (for example sales incentives, customer award points, etc.), this option gives rise to a separate performance obligation in the contract only if the option provides a material right to the customer that it would not receive without entering into that contract.

Other operating income

Where the Group is the operator of an unincorporated joint operation that enters into a lease agreement as the sole signatory, the Group recognises: (i) 100% of the lease liability if, on the basis of the contractual provisions and any other element relevant to the valuation, it is considered to be "primary responsible" for the fulfilment of its obligations towards the supplier; and (ii) 100% of the right-of-use asset, except in cases where a sublease is contractually recognisable with the other partners in the mining initiative (the so-called "follower"). The portion of right-of-use assets recognised by the Group as an operator and referable to the other partners of the mining initiative is subject to recovery through the contractual mechanisms of the joint operation, which provide for the debiting of the costs of the initiative pertaining to the followers (billing) and related payment (cash call). The cost recharges to the followers are recognised by the Group as an operator as 'Other revenues and income' in the Statement of Comprehensive Income and included in net cash flow from operating activities in the cash flow statement.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is provided, using the balance sheet method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Taxation (continued)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Impairment

The carrying value of property, plant and equipment is reviewed for impairment whenever events indicate that the carrying amounts for those assets may not be recoverable.

In this situation, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an assets or cash generating unit’s (CGU’s) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group to the extent that they are not already reflected in the discount rate and are discounted to their present value typically using a pre-tax discount rate that reflects current market assessments of the time value of money.

The value in use tests use the present value of pre-tax cash flows discounted using a pre-tax rate.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. Such reversal is recognised in profit or loss. After a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The expected future cash flows used for impairment analyses are based on judgmental assessments of future production volumes, prices and costs considering available information at the date of review and are discounted by using a rate related to the activity involved.

The discount rate reflects the current market evaluation of the time value of money and of the specific risks of the asset not reflected in the estimate of the future cash flows.

For oil and natural gas properties, the expected future cash flows are estimated based on proved and probable reserves, including, among other elements, production taxes and the costs to be incurred for the reserves yet to be developed.

In limited cases the expected cash flows take into account also the risk-adjusted possible reserves, if they are considered to determine the consideration transferred.

Exchange rate differences

Revenues and costs associated with transactions in currencies other than the functional currency are translated into the functional currency by applying the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value, recoverable amount, or net realisable value, are translated using the exchange rate at the date when the value is determined.

Monetary assets and liabilities denominated in currencies other than functional currency are converted by applying the year end exchange rate and the effect is recorded in profit or loss.

Non-monetary assets and liabilities denominated in currencies other than the functional currency valued at cost are translated at the initial exchange rate.

Financial instruments

Recognition of financial instruments
Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Initial and subsequent measurement of financial assets
Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months.

Trade, group, and other receivables
Trade, group, and other receivables are classified at amortised cost unless stated otherwise and are measured after allowances for future expected credit losses, see note 27 'Financial risk management' for more information on credit risk.

Impairment of financial assets
Receivables recorded at amortised cost is reduced by allowances for lifetime estimated credit losses. Estimated future credit losses are first recorded on the initial recognition of a receivable and are based on the ageing of the receivable balances, historical experience, and forward-looking considerations. Individual balances are written off when management deems them not to be collectible.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that provides a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. Changes in values of all derivatives of a financing nature are included within "to be added" in the income statement unless designated in an effective hedge relationship when the effective portion of changes in value are deferred to other comprehensive income.

The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market rates and foreign currency rates prevailing at the reporting date. The valuation basis is level 2 of the fair value hierarchy. This classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly.

(i) Hedge accounting

The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For fair value hedges, the carrying value of the hedged item is also adjusted for changes in fair value for the hedged risk, with gains and losses recognised in the income statement.

Cash flow hedging is used by the Company to hedge certain exposures to variability in future cash flows. The portion of gains or losses relating to changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges is recognised in other comprehensive income; gains or losses relating to any ineffective portion are recognised immediately in the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. When the hedged item is recognised in the income statement, amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement.

Financial instruments (continued)

When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement.

Finance income and finance costs

Finance income is recognised as the interest accrues (using the effective interest rate, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). Finance costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other finance costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. The carrying amount of bank deposits is a reasonable approximation of their fair value. The Company handles payments, on behalf of the subsidiaries under the cash pooling to optimise payment streams and improve liquidity management within the Group. Cash collected by the Company on behalf of a subsidiary is recognised as cash and cash equivalents with a corresponding payable to the subsidiary in the Company only financial statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is typically determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation, and manufacturing expenses. Net realizable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Net realizable value is determined by reference to prices existing at the reporting date, adjusted where the sale of inventories after the reporting period gives evidence about their net realizable value at the end of the period. Supplies are valued at the lower of cost on a weighted average basis and net realizable value.

Borrowing costs

Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Overlift / underlift

Where the volume of oil lifted by the company in the period exceeds (overlift) or falls short of (underlift) its production entitlement determined by the production sharing agreement, the company records the respective amounts due to/from other joint operators as creditors (overlift) or debtors (underlift).

Overlift is valued at average latest quarter sales price and underlift is valued at lower of cost and net realisable value, both of which are recognised in cost of sales as per note 6.

Provisions for liabilities and charges and contingent liabilities

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

Where appropriate, the future cash flow estimates are adjusted to reflect the risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognised in the Statement of Comprehensive Income.

Provisions for liabilities and charges and contingent liabilities (continued)

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the company, or present obligations where it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the financial statements but are disclosed, if material, unless the possibility of an outflow of economic resources is considered remote.

Decommissioning

Liabilities for decommissioning costs are recognised when the Group has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility or item of plant, such as oil and natural gas production or transportation facilities, this liability will be recognised on construction or installation.

Similarly, where an obligation exists for a well, this liability is recognised when it is drilled. An obligation for decommissioning may also crystallise during the period of operation of a well, facility or item of plant through a change in legislation or through a decision to terminate operations; an obligation may also arise in cases where an asset has been sold but the subsequent owner is no longer able to fulfil its decommissioning obligations, for example due to bankruptcy. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. The provision for the costs of decommissioning wells, production facilities and pipelines at the end of their economic lives is estimated using existing technology, at future prices, depending on the expected timing of the activity, and discounted using a nominal discount rate.

An amount equivalent to the decommissioning provision is recognised as part of property, plant, and equipment. The decommissioning portion of the property, plant and equipment is subsequently depreciated at the same rate as the rest of the asset. Other than the unwinding of discount on or utilisation of the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding asset where that asset is generating or is expected to generate future economic benefits.

Retirement benefit cost

As described in note 22, the group participated in two defined benefit pension schemes for the benefit of certain of its employees during the period, the assets of which are held separately from those of the Group in independently administered funds. The rates of contribution are determined by independent professionally qualified actuaries.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the Statement of Comprehensive Income during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in Statement of Comprehensive Income as interest receivable or payable. Remeasurements, comprising actuarial gains and losses and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the Statement of Financial Position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions. Defined benefit pension plan surpluses are only recognised to the extent an entity has an unconditional right to recover them, either by way of a refund from the plan or reductions in future contributions to the plan.

Capital management

The Board's policy is to maintain a strong capital base to underpin the future development of the business in order to deliver value to shareholders. The Group finances its operations through reinvested profits, bank borrowings, cash in hand and the management of working capital.

Dividends

Dividends are recognised when the right to receive payment of the dividend is established based on the shareholders' meeting and the Board of Directors resolutions. Dividends distributed to shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

3. *Critical accounting judgements and key sources of estimation uncertainty*

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. For sensitivity analysis on commodity price & interest rate risk please refer note 27.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Group's accounting policies.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Significant judgements and estimates: exploration and appraisal assets (note 12)

Judgement is required to determine whether it is appropriate to continue to carry costs associated with exploration wells and exploratory type stratigraphic test wells on the Statement of Financial Position. This includes costs relating to exploration licenses or leasehold property acquisitions. It is not unusual to have such costs remaining suspended on the Statement of Financial Position for several years while additional appraisal drilling and seismic work on the potential oil and natural gas field is performed or while the optimum development plans and timing are established. The costs are carried based on the current regulatory and political environment or any known changes to that environment. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop, or otherwise extract value from, the discovery. Where this is no longer the case, the costs are immediately expensed.

Significant judgements and estimates: Business combinations and goodwill (note 10,11)

In the absence of specific guidance on joint arrangement resulting from 1 August 2022, Management has exercised judgement in applying IFRS 3 to the transaction undertaken by its shareholders and considers it qualified to be defined as a business for fair valuing the assets and liabilities acquired as part of the business combination and recognizing related goodwill.

At the acquisition date, the goodwill was allocated to group of cash-generating units based on the following rationale: homogeneity of nature of products along with their distribution and production processes which are exploration, production & selling of hydrocarbon resources, with the same two customers, and operations within Angola where the legal, fiscal, and regulatory framework is consistent.

Significant judgements and estimates: recoverability of asset carrying values (note 13,14)

Determination as to whether, and by how much, an asset or, CGU is impaired involves management estimates on highly uncertain matters 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. Judgement is required when determining the appropriate grouping of assets into a CGU or the appropriate grouping of CGUs for impairment testing purposes. 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.

3. *Critical accounting judgements and key sources of estimation uncertainty (continued)*

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain. The value in use of the CGUs is based on the cash flows expected to be generated by the projected production profiles up to the expected dates of cessation of production of each field, based on appropriately risked estimates of reserves and resources. That is, cash flows up to end of license or economic cut off for each CGU within the Group of CGUs were considered. This depends on the interaction of several variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, production costs, the contractual duration of the production concession 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 business plan (cost data) and year end reserves certification (production volumes). The weighted average pre-tax discount rate used in the value in use calculation is 18.96% (2022: 18.96%). The value in use calculation has been prepared using cash flow projections from the Group's 2024 to 2028 Business Plan approved by the Board of Directors, with cash flows extrapolated to cover a period to 2050. The projected cash flows have been derived for a period of longer than 5 years which is common in the industry for oil and gas assets which are long life assets.

Significant judgements and estimates: Oil and natural gas reserves

Significant technical and commercial assessments are required to determine the Group's estimated oil and natural gas reserves. Reserves estimates are regularly reviewed and updated. 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 Company's estimates of its oil and natural gas reserves. The Group/ the Company bases its reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and regulatory requirements.

Significant judgements and estimates: decommissioning provisions (note 21)

The Group holds provisions for the future decommissioning of oil and natural gas production facilities and pipelines at the end of their economic lives. The largest decommissioning obligations facing the company relate to the plugging and abandonment of wells and the removal and disposal of oil and natural gas platforms and pipelines. Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event occurs are uncertain. Decommissioning technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. The timing and amounts of future cash flows are subject to significant uncertainty and estimation if required in determining the amounts of provisions to be recognised. Any changes in the expected future costs are reflected in both the provision and, where still recognised, the asset.

The energy transition may bring forward the decommissioning of oil and gas industry assets thereby increasing the present value of associated decommissioning provisions. Decommissioning cost estimates are based on the known regulatory and external environment. These cost estimates may change in the future, including as a result of the transition to a lower carbon economy.

The timing and amount of future expenditures relating to decommissioning liabilities are reviewed annually, together with the rate used in discounting the cash flows. The interest rate of 4% used to determine the statement of financial position obligations at the end of 2023 was a pre-tax rate that reflects current market assessments of the time value of money. The weighted average period over which decommissioning costs are generally expected to be incurred is estimated to be approximately 12 years. Costs at future prices are determined by applying an inflation rate of 2% to decommissioning costs.

The estimated phasing of undiscounted cash flows in real terms for the upstream decommissioning is approximately $2,592 million within the next 10 years, $769 million in 10 to 20 years and $109 million after 20 years. The timing and amount of decommissioning cash flows are inherently uncertain and therefore the phasing is management's current best estimate but may not be what will ultimately occur.

Significant judgements and estimates: taxation (note 9)

The value of deferred tax assets and liabilities is an area involving inherent uncertainty and estimation and balances are therefore subject to risk of material change as a result of underlying assumptions and judgements used, in particular the forecast of future profitability used to determine the recoverability of deferred tax, for example future oil and gas prices, see 'Significant judgements and estimates - Recoverability of asset carrying values'. It is impracticable to disclose the extent of the possible effects of profitability assumptions on the Group's deferred tax assets. The Group's forecast of future profitability is based on the latest business plan, as approved by the board, over a life of field period. It is reasonably possible that to the extent that actual outcomes differ from management's estimates, material income tax charges or credits, and material changes in current and deferred tax assets or liabilities, may arise within the next financial year and in future periods.

4. Revenue

	2023 $'000	Period from 1 March 2022 to 31 December 2022 $'000
Oil sales	4,775,047	2,211,717
	4,775,047	**2,211,717**

All revenue for the year/period was generated from oil sales made to the two shareholder group companies as represented by the amounts outstanding in note 25. All the revenue for the period related to oil sales sold to above counterparties in Europe. The average sale price for the year was $80/bbl (period from 1 March 2022 to 31 December 2022: $89.9/bbl).

5. Other operating income

	2023 $'000	Period from 1 March 2022 to 31 December 2022 $'000
Partner lease contributions	470,099	139,995
Others	2,496	-
	472,595	**139,995**

Partner lease contributions relates to joint operation partner contributions towards lease payments made by the Group.
Further details in relation to leases are in note 19.

6. Operating profit

	2023 $'000	Period from 1 March 2022 to 31 December 2022 $'000
Operating profit is stated after charging/(crediting) the following expense/(income) categories:		
Depreciation on property, plant, and equipment (including right of use assets)	2,484,324	1,169,802
Operating expenses	998,153	407,051
Under & over lifting variation and cost of inventories recognised as an (income)/expense	(239,491)	304,617
Impairment charge on intangible assets	43,000	-
Impairment charge on property, plant, and equipment	22,468	-
Allowance for expected credit losses	-	1,162
Auditor's remuneration:		
Fees		
The audit of the company annual accounts	2,913	1,000
The audit of accounts of subsidiaries of the company*	923	
Total audit fee	3,836	1,000
Total audit and audit-related assurance services**	3,836	1,000
Non-audit and other assurance services	-	140
	3,836	**1,140**

* This includes the audit fee attributable for the statutory audits to BDO UK, BDO Italia and BDO Netherlands

**The audit fee for 2023 includes $1,203 million of additional fee for 2022

Under-lifting is included within Trade and other receivables (note 17) while over-lifting is included within Trade and other payables (note 18).

7. Information regarding directors and employees – Group and Company

Employees

The average monthly number of staff, including Directors, employed by the Group during the year/period was as follows:

	2023	Period from 1 March 2022 to 31 December 2022
Functions	244	236
Operations, projects and exploration	614	592
	858	**828**

The aggregate payroll costs of the Group were as follows:

	2023 $'000	Period from 1 March 2022 to 31 December 2022 $'000
Wages and salaries	152,937	84,089
Social security costs	6,536	3,669
Pension costs	3,806	1,767
Other costs	18,643	4,534
	181,922	**94,059**

The Company did not have any employees during this year (period from 1 March 2022 to 31 December 2022: $nil). Directors did not receive any remuneration for the services provided to the Group in the current year (period from 1 March 2022 to 31 December 2022: $nil).

The Group operates two defined benefit retirement benefit schemes for qualifying employees (note 22).

8. Finance income and costs

	2023 $'000	Period from 1 March 2022 to 31 December 2022 $'000
Finance income:		
Interest income from investments and bank deposits	34,914	10,015
Other finance income	77,261	-
Total finance income	**112,175**	**10,015**
Finance cost:		
Interest on lease liabilities (note 19)	151,378	59,931
Interest on borrowings	241,956	53,399
Unwinding of discount on provisions (note 21)	104,321	49,375
Total interest expense	**497,655**	**162,705**

Interest income is generated from investments in the Money Market (HSBC & Deutsche Bank) and short-term deposits, earning interest linked to prevailing SOFR rates. Other finance income includes $41 million related to exchange gains and $33 million interest receivable on delayed payment from joint operations operator.

9. Taxation

Pillar Two legislation has been enacted in the UK in which the Group is headquartered. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. This assessment is based on the most recent information available regarding the financial performance of the entities in the Group. Based on the assessment performed, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15% and management is not currently aware of any circumstances under which this might change. One jurisdiction, the UK, has an effective tax rate below 15% due to losses but is expected to still qualify for the safe harbour through the routine profits test. Therefore, the Group does not expect any exposure to Pillar Two top up taxes.

The entity applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 para 88A to 88D.

The major components of the consolidated tax expense for the year ended 31 December 2023 are:

	2023 $'000	**Period from 1 March 2022 to 31 December 2022 $'000**
Current tax:		
Tax under provided in prior years	13,192	345,559
Foreign tax suffered	626,801	-
Total current tax	639,993	345,559
Deferred tax:		
Current period	297,156	(289,653)
Adjustments in respect of prior years	(26,319)	-
Total deferred tax charge/(credit)	270,837	(289,653)
Tax charge per Consolidated Statement of Comprehensive Income	**910,830**	**55,906**

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010.

9. Taxation (continued)

Reconciliation of the total tax charge:
The tax charge assessed for the year (period from 1 March 2022 to 31 December 2022: lower than) is higher than the standard rate of corporation tax in the UK of 23.5%. The differences are explained below:

	2023 $'000	2022 $'000
Profit before tax	1,630,316	930,297
Expected tax charge based on the standard rate of corporation tax in the UK of 23.5% (period from 1 March 2022 to 31 December 2022: 19%)	383,124	176,756
Expenses not deductible for tax purposes	134,374	74,727
Income not taxable	(85,648)	(221,465)
Effects of overseas tax rates	459,410	38,634
Movement in unrecognised deferred tax	32,697	(12,746)
Adjustments in respect of prior years – Corporation tax	13,192	-
Adjustments in respect of prior years – Deferred tax	(26,319)	-
Tax charge for the year/period	**910,830**	**55,906**

No tax has been recognised with respect to the Company for the year ended 31 December 2023.

The reconciling item in respect of effect of overseas tax of $459 million relates to the Group's operations in Angola which are subject to a tax rate of between 50% and 89%.

Factors that may affect future tax charge:

Finance Act 2021 includes legislation to increase the main rate of UK corporation tax from 19% to 25% from 1 April 2023. Companies with profits of £50,000 or less will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay at the main rate reduced by a marginal relief providing a residual increase in effective Corporate Tax rate. The deferred tax at 31 December 2023 has been calculated based on the rate prevalent in Angola where the main tax liability originates. No expected change in Angola tax rates has been indicated.

9. Taxation (continued)

	2023	2022
Net Deferred tax liabilities		
	$'000	**$'000**
At 1 January 2023	2,395,236	-
Acquired on the business combination	-	2,684,889
Deferred tax as per income statement	270,837	(289,653)
Total	**2,666,073**	**2,395,236**

Deferred tax assets	**$'000**	**$'000 Restated**
Property, plant, and equipment	646,318	1,448,933
Decommissioning and other provisions	301,667	360,690
Other deductible temporary differences	(20,242)	57,815
Total	**927,743**	**1,867,438**

Deferred tax liabilities	**$'000**	**$'000 Restated**
Property, plant, and equipment	802,197	1,488,498
Fair Value Uplift	2,777,447	2,984,477
Other taxable temporary differences	14,175	(210,297)
Total	**3,593,819**	**4,262,678**

Unrecognised deferred tax (gross)	**$'000**	**$'000**
Property, plant, and equipment	16,200,946	16,345,078
Temporary differences - trading	1,386,352	1,364,343
Unrelieved foreign tax	601,315	741,202
Corporate interest restriction disallowance	402,458	10,001
Loan relationships	-	2,340
Losses	41,985	211,876
Total	**18,633,056**	**18,674,840**

9. Taxation (continued)

During the year, the Group discovered that certain deferred tax assets and liabilities were incorrectly not offset in the prior year's financial statements, despite the Group having a legal, enforceable right and intention to offset related current tax assets and liabilities. The Group has corrected this error in the comparative financial statements by offsetting deferred tax assets and liabilities. This adjustment reduced both deferred tax assets and liabilities by $1,164 million in the prior year. The adjustment has no impact on the net assets, profit or cash flows for 2022.

The impact of this change on the prior period figures, along with the corresponding assets and liabilities, is shown in the table below:

	2022 Original $'000	2022 Restated $'000
Consolidated Statement of Financial Position		
Deferred tax assets	3,031,110	1,867,438
Deferred tax liabilities	5,426,350	4,262,678
Note 9 - Deferred tax Assets	**$'000**	**$'000**
Property, plant, and equipment	1,937,800	1,448,933
Decommissioning and other provisions	1,059,944	360,690
Other deductible temporary differences	33,366	57,815
Total	**3,031,110**	**1,867,438**
Deferred tax liabilities		
Property, plant, and equipment	2,584,565	1,488,498
Fair Value Uplift	2,249,557	2,984,477
Other taxable temporary differences	592,228	(210,297)
Total	**5,426,350**	**4,262,678**

In Angola, for PSAs current income tax is determined by applying a tax rate of 50% to the Profit Oil lifted during the period, considering the quarterly Tax Reference Prices per Oil Barrel determined for each Development Area.

Deferred tax assets and deferred tax liabilities are determined for all taxable temporary differences and are determined considering a corporate tax rate ranging from 50% to 89.725%. The Group has no tax losses arising in Angola and $42 million (2022: $212 million) arising in the UK that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the UK losses as there is no evidence of recoverability.

The temporary differences associated with investments in the Company's subsidiary, Azule Energy Angola S.p.A, for which a deferred tax liability has not been recognised in the periods presented, aggregate to $2,776 million (2022: $2,051 million). The Company has determined that the undistributed profits of its subsidiary will continue to be reinvested for the foreseeable future. There are no income tax consequences attached to the payment of dividends in 2023 by the Group to its shareholders.

10. Business combinations - Group

In the prior year, Eni and BP (shareholders) agreed to create a stand-alone, self-funded, incorporated 50/50 Joint Venture, called Azule Energy Holdings Limited (AEHL) to combine and hold all their upstream oil, gas and LNG interests in Angola. The shareholders' proposed 50/50 ownership in AEHL was achieved via the shareholders contributing into AEHL their legacy entities (in exchange for shares in the new company) and the payment by AEHL of a cash consideration to the shareholders (financed by a long-term loan).

As part of the business combination goodwill of $2,420 million was attributable based on the deferred tax impact of the fair value adjustments as per note 11.

Consideration on 1 August 2022

	$'000
Fair value of equity shares issued and to be issued	14,481,507
Net deferred consideration	2,212,991
Total consideration	**16,694,498**

The Group acquired assets of a fair value of $16,695 million in 2022 in exchange for the issue of 1,000,000 shares in Azule Energy Holdings Limited with a nominal value of $1 and fair value of $14,48 each, with net deferred consideration of $ 2,213 million which consists of the promissory notes payable net of leakage to be received (refer note 17). The valuation was based on the approved business plan underpinned by present value of future cash flows based on combined reserve profiles.

Below is a summary of recognised amounts of identifiable assets acquired and liabilities assumed in 2022:

	Book values $'000	Adjustments $'000	Fair value $'000
Property, plant, and equipment (note13)	6,390,887	6,704,563	13,095,450
Right of use assets (note 14)	2,115,984	49,243	2,165,227
Other intangible assets (note 12)	486,820	-	486,820
Goodwill (note 11)	-	2,420,560	2,420,560
Equity investments (note 15)	2,003,800	1,731,917	3,735,717
Non-current receivables	1,545,172	-	1,545,172
Cash and cash equivalents	547,838	-	547,838
Inventories	540,220	256,577	796,797
Trade and other receivables	1,383,751	137,908	1,521,659
Trade and other payables	(1,190,158)	(194,343)	(1,384,501)
Net deferred taxes (note 9)	598,346	(3,283,235)	(2,684,889)
Lease liability (note 19)	(2,165,227)	-	(2,165,227)
Provisions (note 21)	(3,386,125)	-	(3,386,125)
Total identifiable net assets	**8,871,308**	**7,823,190**	**16,694,498**

Trade and other receivables relate to contractual amounts receivable and approximate the book value given the short-term nature of the receivables and no significant expected credit loss. For credit risk please refer note 27.

11. Goodwill – Group

Cost	**$'000**
Goodwill arising from deferred tax on business combination (note 10)	2,420,560
Excess of recoverable amount over carrying amount	911,987

For information on significant estimates and judgements made in relation to impairments see Impairment of property, plant and equipment, intangible assets and goodwill in Note 3. The table above shows the carrying amount of goodwill at the period end and the excess of the recoverable amount, based on a pre-tax fair value calculation, over the carrying amount (headroom) at the date of the most recent pre-tax fair value evaluation which was an extension of the exercise undertaken at the time of business combination. The headroom relates to movements due to the passage of time.

For impairment testing purposes, the goodwill recognised on accounting for the formation of the Group as a business combination in prior year is required to be allocated to cash generating units ('CGUs') or groups of CGUs that are expected to benefit from the synergies of the business combination and represents the level at which management will monitor and manage the goodwill. Goodwill of $2.4bn has been allocated in its entirety to a single group of CGUs, being all CGUs within the Group other than those relating to equity accounted investments in associates, on the basis of homogeneity of nature of products between these CGUs, consistency of distribution and production processes which are exploration, production & selling of hydrocarbon resources, there only being two customers across the CGUs, and operations across the CGUs all being within Angola meaning the legal, fiscal and regulatory framework applicable to CGUs is consistent. This allocation also represents the level at which management monitors goodwill balances for internal management reporting purposes.

The Group has performed its annual impairment testing of goodwill at 31 December 2022 and 31 December 2023.

The recoverable amount of the group of CGUs to which goodwill has been allocated in its entirety of $13,312 million at 31 December 2023 ($12,528 million at 31 December 2022) has been determined based on a value in use calculation. As the recoverable amounts exceeds the $12,400 million carrying amount at 31 December 2023 ($12,417 million at 31 December 2022) of the Group of CGUs to which goodwill has been allocated no impairment has been recognised.

The value in use calculation has been prepared using cash flow projections based on expenditures from the Group's 2024-2033 Business Plan approved by the Board of Directors, as well as reserves volumes per the 3rd party reserves audit.

The value in use of the CGUs is based on the cash flows expected to be generated by the projected production profiles up to the expected dates of cessation of production of each field, based on appropriately risked estimates of reserves and resources. That is, cash flows up to end of license or economic cut off for each CGU within the Group of CGUs were considered. This depends on the interaction of several variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, production costs, the contractual duration of the production concession 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 business plan (cost data) and year end reserves certification (production volumes). Climate related factors were reconsidered in the assessment and were concluded to not bear any significant impact on the recoverable amount. The weighted average pre-tax discount rate used in the value in use calculation for the Group of cash generating units to which goodwill has been allocated in its entirety is 18.96% (2022: 18.96%).

The value in use calculation has been prepared using cash flow projections from the Group's 2024 to 2028 Business Plan approved by the Board of Directors, with cash flows extrapolated to cover a period to 2050. The projected cash flows have been derived for a period of longer than 5 years which is common in the industry for oil and gas assets which are long life assets.

11. Goodwill – Group (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions:

The calculation of value in use is most sensitive to the following assumptions:

- Price estimates
- Discount rate
- Production and Opex changes

Price estimates

Price estimates factored into the cash inflows used in the value in used calculation are based on Brent prices per barrel ($/bbl) from the latest outlooks from IHS, Woodman, FGE and World Bank have been used to determine the price per barrel ($/bbl). A decrease in Brent price by 5.7 $/bbl would result in the value in use calculation being equal to the carrying amount of the group of CGUs to which goodwill has been allocated in its entirety.

Discount rates

Discount rates represent the current market assessment of the risks specific to the Group taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital ('WACC'). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. A rise in the pre-tax discount rate to 21.23% (i.e. +2.27 p.p.) post tax basis to 11.72% (i.e. +1.72 p.p.) would result in the value in use calculation being equal to the carrying amount of the group of CGUs to which goodwill has been allocated in its entirety.

Production and Opex changes

A proportional decrease in gross reserves volumes (per the 3rd party reserves report) by 6.4% would result in the value in use calculation being equal to the carrying amount of the group of CGUs, while Opex costs should increase proportionally by 38.7% across all assets to bring the headroom to zero.

12. Other intangible assets

	Group-Unproven exploration & Appraisal Expenditure $'000	Total $'000
Cost		
Assets acquired on the business combination (note 10)	486,820	486,820
Amortization and impairment		
Impairment	-	-
At 31 December 2022	-	-
At 1 January 2023	486,820	486,820
Additions	6,756	6,756
Changes in the decommissioning estimates	(13,359)	(13,359)
At 31 December 2023	480,217	480,217
Amortization and impairment		
As at 1 January 2023	-	-
Impairment	43,000	43,000
At 31 December 2023	43,000	43,000
Net book value		
At 31 December 2022	486,820	486,820
At 31 December 2023	437,217	437,217

At the end of the year 2023, the Group entered into a Sales and Purchase Agreement (SPA) for the sale of its operatorship and interest in Block Cabinda North. This development, coupled with the lack of activities included in the business plan, was identified as an impairment indicator under IFRS 6. Consequently, the exploration and evaluation asset, specifically the exploration license fees amounting to $43 million, has been evaluated for impairment. Following the assessment, it was determined that the recoverable amount of the asset was less than its carrying amount, leading to a write-off of the exploration license fees.

13. Property, plant, and equipment – Group

	Land and buildings $'000	Oil and gas properties $'000	Fixtures and fitting $'000	Total $'000
Cost				
Assets acquired on the business combination (note 10)	154,287	12,935,100	6,063	13,095,450
Additions	353	653,516	-	653,869
Changes in the decommissioning estimates (note 21)	-	(514,142)	-	(514,142)
At 31 December 2022	154,640	13,074,474	6,063	13,235,177
At 1 January 2023	154,640	13,074,474	6,063	13,235,177
Assets acquired on the business combination (note 10)				
Additions	160,356	1,536,693	1,199	1,698,248
Adjustments *	-	(78,418)	-	(78,418)
Changes in the decommissioning estimates (note 21)	-	136,827	-	136,827
At 31 December 2023	314,996	14,669,576	7,262	14,991,834
Depreciation and impairment				
Charge for the period	10,794	927,600	17	938,411
At 31 December 2022	10,794	927,600	17	938,411
At 1 January 2023	10,794	927,600	17	938,411
Impairment	-	22,468	-	22,468
Adjustments *	-	(78,418)	-	(78,418)
Charge for the year	172,702	1,799,877	1,006	1,973,585
At 31 December 2023	183,496	2,671,527	1,023	2,856,046
Net book value				
At 31 December 2022	143,846	12,146,874	6,046	12,296,766
At 31 December 2023	131,500	11,998,049	6,239	12,135,788

13. Property, plant, and equipment – Group (continued)

Included in Oil and Gas properties are $915 million (2022: $1,950 million) of assets under construction which are not depreciated.

Additions mainly pertain to ongoing development projects in the Block 15/06.

In 2023, impairment losses of $22 million were recognised in respect of the assets within Block 14K CGU ($13 million) and Block 18 Greater Plutonio CGU ($9 million) to their recoverable amount as a result of management's internal reporting for the Blocks estimating a deterioration in future cash flows to be generated compared to previous forecasts due to reduced expectations of production volumes. This impairment charge was recognised in the Statement of Comprehensive Income. The impairment loss for the two blocks mentioned above have been recognised against property, plant, and equipment. The recoverable amount of $4 million for Block 14K CGU and $834 million Block 18 Greater Plutonio at 31 December 2023 were based on value in use calculations determined at the level of the CGUs.

The 2 Blocks are two separately identified PSAs**.** In determining value in use for the CGUs, the cash flows were discounted at a rate of 18.98% on a pre-tax basis. The assumptions used in determining value in use calculations, and sensitivity analysis performed, are consistent with those used in determining the value in use for the CGUs for the purpose of testing goodwill for impairment.

*Adjustments - Relates to the net-off of historical amounts arising in relation to the accounting of the regularisation of the non-payment of cash calls by the partner Sonangol obtained through the renewal of a temporary agreement that saw Sonangol definitively relinquish part of its share of the 'Cost Recovery Crude Oil' (RASCO) production in Block 15/06 in the prior year. The agreement allowed the recovery by the operator of the amount of unpaid fund calls. On the balance sheet, the RASCO Agreement saw the gross-up adjustment of gross costs and accumulated depreciation for the same amount. This adjustment has no impact on the net book value of the Property, plant & Equipment.

Azule Energy Holdings Limited

Notes to the Financial Statements (continued)
For the year ended 31 December 2023

14. Right of Use assets – Group

	Land and buildings $'000	Plants and machinery $'000	Oil and gas properties* $'000	Total $'000
Cost				
Assets acquired on the business combination (note 10)	39,940	95,828	2,029,459	2,165,227
Additions	320	375,947	-	376,267
At 31 December 2022	40,260	471,775	2,029,459	2,541,494
At 1 January 2023	40,260	471,775	2,029,459	2,541,494
Transfers between categories	(22,986)	57,130	(34,144)	-
Additions	1,450	398,228		399,678
Decrease in scope		(11,315)		(11,315)
At 31 December 2023	18,724	915,818	1,995,315	2,929,857
Amortization				
Charge for the period	4,972	149,415	77,004	231,391
At 31 December 2022	4,972	149,415	77,004	231,391
At 1 January 2023	4,972	149,415	77,004	231,391
Charge for the year	7,090	318,889	184,760	510,739
Decrease in scope	-	(10,679)		(10,679)
At 31 December 2023	12,062	457 625	261,764	731,451
Net book value				
At 31 December 2022	35,288	322,360	1,952,455	2,310,103
At 31 December 2023	6,662	458,193	1,733,551	2,198,406

*Oil and Gas properties relate solely to FPSO.

15. Investments – Group

	Investment in associates
	$'000
Acquisition of business (note 10)	3,735,717
Additions	12,800
Dividend	(765,680)
Share of post-tax profits of equity accounted associates & joint ventures	756,797
At 31 December 2022	3,739,634
At 1 January 2023	3,739,634
Additions	20,860
Dividends received	(537,421)
Share of post-tax profits of equity accounted associates & joint ventures	366,389
At 31 December 2023	3,589,462
Net book value	
At 31 December 2022	3,739,634
At 31 December 2023	3,589,462

The consideration for the acquisition is offset against receivable from Azule Energy Limited.
The investments in associates are presented under the equity accounting method.
The investments in associates are unlisted.
The associates of the Group as at 31 December 2023 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the Company's country of incorporation or by its name.

15. Investments – Group (continued)

All voting rights are equal to percentage of share capital owned:

Company name	Class of share held	%	Country of Registration	Principal place of business	Principal activity
Angola LNG Limited	Ordinary	27.20	Bermuda	Angola	Construction of a liquefied natural gas plant
Angola LNG Supply Services LLC	Ordinary	27.20	USA	Angola	Vessel Supply services
Angola LNG Marketing Limited**	Ordinary	17.60	UK	Angola	Marketing and supporting services
OPCO - Sociedade Operacional Angola LNG, S.A	Ordinary	27.20	Angola	Angola	Construction, operation, and maintenance of facilities
SOMG - Sociedade de Operações e Manutenção de Gasodutos S.A.	Ordinary	27.20	Angola	Angola	Operation, maintenance, and repair of pipeline facilities
Solenova Limited*	Ordinary	50.00	UK	Angola	Operation, maintenance, and repair of pipeline facilities

*Acquired in March 2023, a 50:50 Joint venture with Sonangol.
**The Group holds a 17.6% investment in Angola LNG Marketing Ltd over which the Group has determined that it holds significant influence as Group has representation on board of directors.

The following table provides aggregated summarised financial information for the Group's associates as it relates to the amounts recognised in the Statement of Comprehensive Income and on the Statement of Financial Position.

	Statement of comprehensive income		Statement of financial position	
	Earnings from associates - after interest and tax		Investments in associates	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Angola LNG associate (see below)	364,001	754,323	3,549,081	3,718,417
Angola LNG Supply Services*	3,867	2,474	21,000	21,217
Solenova Ltd.*	(1,479)	-	19,381	-
	366,389	756,797	3,589,462	3,739,634

* The Group considers these to be immaterial associates & joint venture, so no further disclosure required.

15. Investments – Group (continued)

The following table provides summarised financial information relating to Angola LNG associate for the year ending 31 December 2023 and the comparative period from 1 August 2022 to 31 December 2022.

	2023 $'000	5 months to 31 Dec 2022 $'000
	Gross amount	Gross amount
Revenue	3,073,575	3,078,026
Operating (expenses)/income	(1,735,336)	(304,779)
Net income	1,338,239	2,773,247

	2023 $'000	2022 $'000
Non-current assets	7,952,460	8,224,006
Current assets	481,301	550.696
Total assets	8,433,761	8,774,702
Non-current liabilities	1,253,369	1,273,508
Current liabilities	109,429	83,118
Total liabilities	1,362,798	1,356,626
Net assets	7,070,963	7,418,076

15. Investments – Group (continued)

Summarized financial information for the year ending 31 December 2023 relating to the Group’s share of Angola LNG associate Statement of Comprehensive Income and Statement of Financial Position is shown below.

	2023	2022
	$’000	$’000
	Group's share	Group's share
Revenue	836,012	837,223
Operating expenses	(472,011)	(82,900)
Net income	364,001	754,323
Non-current assets	2,163,069	2,236,930
Current assets	130,914	149,789
Total assets	2,293,983	2,386,719
Non-current liabilities	340,916	346,394
Current liabilities	29,765	22,608
Total liabilities	370,681	369,002
Net assets	1,923,302	2,017,717
Fair value adjustment (net of unwinding)	1,625,779	1,700,700
Total Carrying Value	**3,549,081**	**3,718,417**

Investments – Company only

	Shares in Subsidiary Undertaking and Associates $’000
Cost	
Acquisition	9,130,098
31 December 2022	9,130,098
1 January 2023	9,130,098
Acquisition	7,590,000
31 December 2023	16,720,098
Net book value	
31 December 2022	9,130,098
31 December 2023	16,720,098

15. Investments – Company (continued)

Investments in subsidiaries and associates

The Company has investments in the legal entities noted below:

Company Name	Country of incorporation	Holding	Registered address
Azule Energy Limited	England	100%	A
Azule Energy Exploration Angola (KB) Limited	England	100%	A
Azule Energy Exploration (Angola) Limited	England	100%	A
Azule Energy Angola S.p.A.	Italy	100%	B
Azule Energy Angola (Block 18) B.V.	Netherlands	100%	C
Azule Energy Angola Production B.V.	Netherlands	100%	D
Azule Energy Angola B.V.	Netherlands	100%	D
Azule Energy Gas Supply Services Inc.	US	100%	E
Angola LNG Marketing Ltd*	England	17.6%	F
Angola LNG Ltd*	Bermuda	27.2%	-
Angola Gas Pipeline Company*	Angola	27.2%	G
Angola LNG Operating Company*	Angola	27.2%	G
BP Gas Supply Angola LLC	US	100%	H
Angola LNG Supply Services LLC*	US	27.2%	H
Solenova Ltd**	England	50%	A

*Associate

** Joint Venture interest entered March 2023

- A - 125 Old Broad Street, London, England, EC2N 1AR.
- B - Via Emilia, 1, San Donato Milanese (MI) Italia.
- C - d'Arcyweg 76, 3198 NA Europoort Rotterdam, the Netherlands.
- D - Strawinskylaan 1725, Amsterdam 1077 XX, the Netherlands.
- E - Registered Agent: Capitol Services Inc., 108 Lakeland Avenue, Dover, Kent DE 19901, Delaware.
- F - The Caxton 2nd Floor, 1 Brewers Green, London, England, SW1H 0RH.
- G - Condominio Cidade Financeira, Rua do Centro De Convencoes de Talatona, Edificio Atlantico, Bloco 7,Via S8, Talatona, Luanda, Angola.
- H - The Corporation Trust Company, Corporation Trust Centre 1209 Orange Street, Wilmington, New Castle 19801, Delaware.

On 9 March 2023, Azule Energy Holdings Limited acquired investments in Azule Energy Exploration (Angola) Limited, Azule Energy Exploration Angola (KB) Limited and Azule Energy Angola (Block 18) B.V. that were previously held by Azule Energy Limited, a fully owned subsidiary of the Group. They were acquired as part of an interim dividend in specie declared by Azule Energy Limited for the entire issued share capital of Azule Energy Exploration (Angola) Limited, Azule Energy Exploration Angola (KB) Limited and Azule Energy Angola (Block 18) B.V. The consideration for the acquisition is offset against receivable from Azule Energy Limited.

The Group considers that it has the power to exercise significant influence on Angola LNG Marketing Ltd due to director appointment.

15. Investments – Company (continued)

Participation in Joint operations

S.NO	Contract Area	Participating Interest	Activity	Product	Operated	Operator
1	Block Cabinda North	61.54%	Exploration	-	Operator	Azule Energy Angola B.V.
2	Block Cabinda Centro	42.50%	Exploration	-	Operator	Azule Energy Angola B.V.
3	Block 1/14	35.00%	Exploration	-	Operator	Azule Energy Angola B.V.
4	Block 28	60.00%	Exploration	-	Operator	Azule Energy Angola B.V.
5	Block 14K:	10.00%	Development	Oil & gas	Non-Operator	Chevron
6	Block 14:	20.00%	Exploration, development	Oil & gas	Non-Operator	Chevron
7	Block 15:	42.00%	Exploration, development	Oil & gas	Non-Operator	Exxon Mobil
8	Block 0	9.80%	Exploration, development	Oil, gas, condensates	Non-Operator	Chevron
9	Block 17	15.84%	Exploration, development	Oil & gas	Non-Operator	Total Energies
10	Block 18	46.00%	Development	Oil & gas	Operator	Azule Energy Angola (Block 18) B.V.
11	Block 31	26.67%	Development	Oil & gas	Operator	Azule Energy Exploration (Angola) Ltd
12	Block 15/06	36.84%	Exploration, development	Oil	Operator	Azule Energy Angola S.p.A
13	NGC	37.40%	Exploration, development	Gas	Operator	Azule Energy Angola B.V.
14	Block 29	8.80%	Exploration	-	Non-Operator	Total Energies
15	Block 31/21	50%	Exploration	-	Operator	Azule Energy Angola B.V.
16	Block 46	40%	Exploration	-	Operator	Azule Energy Angola B.V.
17	Block 47	40%	Exploration	-	Operator	Azule Energy Angola B.V.
18	Block 18/15	80%	Exploration	-	Operator	Azule Energy Angola B.V.
19	Block 3/05	12%	Exploration, development	Oil & gas	Non-Operator	Sonangol E.P.
20	Block 3/05A	12%	Exploration, development	Oil & gas	Non-Operator	Sonangol E.P.

16. Inventories– Group

	2023 $'000	2022 $'000
Raw materials and consumables	459,429	409,424
Crude oil	137,994	168,787
	597,423	578,211

The difference between the carrying value of inventories and their replacement cost is not material.

The charge to the Statement of Comprehensive Income in respect of the net realisable value was $9 million and provision for the period was $17 million.

17. Trade and other receivables

	Group		Company	
Current	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Trade debtors	1,673,796	1,258,794	-	-
Amounts owned by group companies	-	-	7,580	7,590,000
Amounts owed by related parties (note 25)	323,171	806,049	-	378,009
Other debtors	82,483	59,578	27	4,290
	2,079,450	2,124,421	7,607	7,972,299

Trade debtors are mainly represented by amounts due from joint operator's balances and under-lifting. Amounts owed by group companies are unsecured, repayable on demand and interest free.

All of the Group trade receivables above are from contracts with customers (group companies). The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Amounts owed by related parties for the Company pertain to amounts due from a shareholder related to cash flows preceding the effective date of the business combination agreed as per the Shareholder documents.

17. Trade and other receivables (continued)

Trade receivables disclosed above include amounts which are past due at the reporting date. Standard credit terms for trade receivables are 15 days from cash call date. The Group makes an allowance for doubtful receivables where the amount is not considered recoverable. Ageing of trade receivables past due but not impaired:

	Group	
Current	**2023**	**2022**
	$’000	**$’000**
0-90 days	2,074,130	2,119,101
91-180 days	2,396	2,396
Over 181 days	2,924	2,924

Amounts owed by Group companies represents the value of the subsidiaries acquired as part of the Business combination (held by Azule Energy Limited) for the exchange of a promissory note between the Company and the legacy shareholder. Refer note 25 for further details.

The total debtors at 31 December 2023 are stated net of a provision of $1 million (2022: $1 million) to provide for amounts overdue.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$’000	**$’000**	**$’000**	**$’000**
Balance at beginning of the year/period	1,162	-	-	-
Income of loss amount recognised in the statement of comprehensive income	-	1,162	-	-
Balance at the end of the year/period	1,162	1,162	-	-

	Group		Company	
Non-Current	**2023**	**2022**	**2023**	**2022**
	$’000	**$’000**	**$’000**	**$’000**
Decommissioning escrow balances	1,812,023	1,711,660	-	-
Prepayments	8,468	-	-	-
Surplus of pension plans	5,189	-	-	-
	1,825,680	1,711,660	-	-

The net pension plan assets of $5 million (2022: $2 million net pension obligation) is recognised as a non-current asset. Defined benefit pension plan surpluses are only recognised to the extent an entity has an unconditional right to recover them, either by way of a refund from the plan or reductions in future contributions to the plan (See note 22).

18. Trade and other payables

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current				
Amounts owed to group companies	-	-	3,331,062	1,851,743
Trade payables	1,635,461	1,633,547	3,996	7,285
Other payables	276,498	179,113	14,601	2,057
Amounts due to related parties (note 25)	117,962	318,468	-	272,597
	2,029,921	2,131,128	3,349,659	2,133,682

Materially all the Group's trade payables have payment terms in the range of 30 to 60 days and give rise to operating cashflows.
Other payables include amount of $201 million overlift payables, $2 million relating to social security, $14 million relating to VAT / sales tax payables and $60 million relating to other payables.

19. Leases – Group

The following amounts were recognised in the Statement of Comprehensive Income in relation to the leases where the Group is lessee:

	2023 $'000	2022 $'000
Depreciation charge for Right-of-use assets (note 14)	510,739	231,391
Interest on lease liabilities (note 8)	151,378	59,931

The Group leases FPSO's, drilling rigs, vessels, offices, and warehouses. Rental contracts are typically made for fixed periods of three months to fifteen years but may have extension options as described in below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Group:

• uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group; and

• adjusts specific to the lease, e.g., term and currency.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The total cash outflow for leases during the year was $743 million (2022: $241 million).

19. Leases – Group (continued)

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 December 2023 and the contractual maturity date:

	2023	2022
	$'000	$'000
Within one year	701,577	565,300
Between one and five years	1,281,858	1,562,294
Over five years	695,332	870,882
	2,678,767	2,998,476

The discounted maturity of the Group's lease liabilities is set out below:

	2023	2022
	$'000	$'000
Within one year	696,807	557,555
Between one and five years	1,091,798	1,312,880
Over five years	379,768	490,115
	2,168,373	2,360,550

The Group may enter into lease arrangements a number of years before taking control of the underlying asset due to construction lead times or to secure future operational requirements. The total undiscounted amount for future commitments for leases not yet commenced as at 31 December 2023 is $1,888 million (2022: nil). The majority of this future commitment relates to the supply of the FPSO for the Agogo Integrated West Hub Development Project that was signed on 27 February 2023.

19. Leases – Group (continued)

Reconciliation of lease liability:

	Land and buildings	Plant and machinery	Oil and gas properties	Total
	$'000	$'000	$'000	$'000
Liabilities acquired on Business combination (note 10)	39,940	95,828	2,029,459	2,165,227
Additions	320	375,947	-	376,267
Interest expense (note 8)	12	5,107	54,812	59,931
Payment (note 29)	(174)	(88,058)	(152,643)	(240,875)
At 31 December 2022	40,098	388,824	1,931,628	2,360,550
At 1 January 2023	40,098	388,824	1,931,628	2,360,550
Transfers between categories	(27,352)	31,819	(4,467)	-
Additions	1,450	398,228	-	399,678
Interest expense (note 8)	498	31,134	119,746	151,378
Payment (note 29)	(7,580)	(371,504)	(364,149)	(743,233)
At 31 December 2023	7,114	478,501	1,682,758	2,168,373

20. Loans and borrowings

	Group		Company	
Non-current	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Long term borrowings	2,500,000	2,500,000	2,500,000	2,500,000
Loan fees adjustment	(50,349)	(50,000)	(50,349)	(50,000)
Accumulated amortization of loan fees	6,548	2,976	6,548	2,976
Borrowings- current portion	(311,224)	-	(311,224)	-
	2,144,975	2,452,976	2,144,975	2,452,976

	Group		Company	
Analysis of debt principal maturity	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Due within one year	311,224	-	311,224	-
In more than one year but less than five years	2,188,776	1,463,139	2,188,776	1,463,139
In five years and more	-	1,036,861	-	1,036,861
	2,500,000	2,500,000	2,500,000	2,500,000

	Group		Company	
Undiscounted cash flow due to borrowings	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Due within one year	695,178	220,291	695,178	220,291
In more than one year but less than five years	2,510,865	1,975,113	2,510,865	1,975,113
In five years and more	-	1,162,780	-	1,162,780
	3,206,043	3,358,184	3,206,043	3,358,184

20. Loans and borrowings (continued)

The above loan has been adjusted by the initial fees of $50 million charged as part of the loan arrangement (PXF and RCF) which has subsequently been amortized in accordance with the term of the loan i.e. 7 years.

A fixed and floating charge was registered with Companies House on the 5 of August 2022 in favour of SMBC bank international PLC in respect of all borrowings to the bank.

The interest rate contains a fixed and floating element. The floating element amount is based on the daily SOFR (Secured Overnight Financing Rate), and the fixed margin is 4,5%. Details on the financing are in note 27.

The debt service obligations under the PXF are covered using a portion of the company's oil revenues arising from the crude allocated under dedicated PXF Offtake Contracts (the "Designated Crude").

The Group successfully negotiated an extension to the existing PXF facility under which the moratorium period of the PXF was increased by one year. Principal repayments, which were due to commence in September 2024 will instead begin in September 2025. Scheduled repayments which would have been due from September 2024 to July 2025 will be spread over the remaining repayment dates of the facility equally.

21. Provisions for liabilities and charges – Group

	Decommissioning	Other	Total
	$'000	$'000	$'000
Acquisition of business	3,195,397	190,728	3,386,125
New or increased provisions:	-	30,894	30,894
Recognised within Property plant and equipment	(514,142)	-	(514,142)
Write-back of unused provisions	-	(11,787)	(11,787)
Unwinding of discount	47,878	1,497	49,375
As at 31 December 2022	2,729,133	211,332	2,940,465
As at 1 Jan 2023	2,729,133	211,332	2,940,465
Recognised within PPE and intangibles	123,468	-	123,468
Write-back of unused provisions	-	(1,013)	(1,013)
New provisions	-	41,917	41,917
Unwinding of discount	103,976	345	104,321
Paid	-	(4,188)	(4,188)
Exchange gain	-	(3,789)	(3,789)
As at 31 December 2023	2,956,577	244,604	3,201,181

For information on significant judgements and estimates made in relation to provisions, see Provisions within note 2. Increase of decommissioning provision is mainly driven by the change in discount rates and update to cost estimates. Other provisions relate to social, fiscal, and other provisions in anticipation of future costs.

22. Employee benefit schemes

During the year, the Group operated two post-employment defined benefit schemes for its employees. Both schemes were closed to new entrants on 28 February 2023.

On 1 March 2023, all employees were transferred to the Group.
Energy Angola BV as their employing entity and became eligible for membership of a defined contribution scheme.

Scheme A – Azule Pension Trust

The pension obligation consists of a funded final salary plan for legacy employees in Azule Energy Angola (Block 18) BV.

Scheme B – Azule Energy Angola S.p.A.

The pension obligation consists of an unfunded defined benefit plan for Termination Retirement Indemnity (TRI) for legacy employees in Azule Energy Angola S.p.A.

The level of contributions to fund both defined benefit plans is the amount needed to provide adequate funds to meet the pension obligations as they fall due. The obligation and cost of providing the pension benefits is assessed using the projected unit credit method. The date of the most recent actuarial review was for the year ended 31 December 2023.

Amounts charged to the Statement of Comprehensive Income:

	Scheme A		Scheme B		Total	
	2023 ($'000)	2022 ($'000)	2023 ($'000)	2022 ($'000)	2023 ($'000)	2022 ($'000)
Administration expenses paid from Plan	(217)	(3)	-	289	(217)	286
Current service costs	997	(3,163)	(229)	(528)	768	(3,691)
Net interest on net defined benefit liability	80	(1,146)	(100)	(121)	(20)	(1,267)
Expense/(income) recognised in Statement of comprehensive income	860	(4,312)	(329)	(360)	531	(4,672)

Movements in Other comprehensive income

	Scheme A		Scheme B		Total	
	2023 ($'000)	2022 ($'000)	2023 ($'000)	2022 ($'000)	2023 ($'000)	2022 ($'000)
Return on asset (not included in interest)	6,895	7,276	-	-	6,895	7,276
Actuarial (losses)/gains on obligation	(2,874)	(2,148)	4	2,051	(2,870)	(97)
Total remeasurement recognised in Other comprehensive income	4,021	5,128	4	2,051	4,025	7,179

22. Employee benefit schemes (continued)

Pension assets/liabilities in the Statement of financial position

	Scheme A		Scheme B		Total	
	2023 ($'000)	**2022 ($'000)**	**2023 ($'000)**	**2022 ($'000)**	**2023 ($'000)**	**2022 ($'000)**
Net Pension asset(liability)	8,253	1,155	(3,064)	(2,739)	5,189	(1,584)

The material financial assumptions used for estimation the benefit obligations of the plan are set out below. The assumptions are reviewed by management and are used to evaluate the accrued benefit obligation at 31 December 2023 and the pension expense for the following year.

	Scheme A %pa		Scheme B %pa	
	2023	**2022**	**2023**	**2022**
Discount rate at end of year	5.00	5.30	5.05	5.10
Rate of increase in pensionable salaries	n/a	4.0	5.0	5.0
Crediting rate	4.88	4.88	n/a	n/a
Weighted average duration of the liabilities of the Plan	14 years	14 years	14.9 years	15.7 years

Changes in the present value of the Plan's Defined Benefit Obligation are as follows:

	Scheme A		Scheme B	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Opening defined benefit obligation	80,329	-	2,739	-
Pension scheme acquired	-	74,265	-	4,430
Current service cost	(997)	3,163	229	528
Contributions by members	2,444	443	-	-
Benefits paid	(1,944)	(1,012)	-	-
Interest on obligation	4,206	1,322	100	121
Experience (gains)	(654)	(349)	(1,370)	-
Administration expenses	-	-	-	(289)
Losses/(Gains) from changes in financial assumptions	3,528	2,497	1,366	(2,051)
Closing defined benefit obligation	86,912	80,329	3,064	2,739

22. Employee benefit schemes (continued)

Changes in the fair value of Plan assets are as follows:

	Scheme A		Scheme B	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening fair value of Plan assets	81,484	-	-	-
Pension scheme acquired	-	85,907	-	-
Interest on assets	4,286	176	-	-
Return on assets (other than interest)	6,895	(4,366)	-	-
Contributions by employer	2,217	339	-	-
Contributions by members	2,444	443	-	-
Benefits paid	(1,944)	(1,012)	-	-
Administration expenses	(217)	(3)	-	-
Closing Plan assets	95,165	81,484	-	-

The fair values of the various categories of assets held by the defined benefit plan at 31 December 2022 and 31 December 2023 are presented in the table below.

	Scheme A		Scheme B	
	2023 %	2022 %	2023 %	2022 %
Equities	25.9	24.6	n/a	n/a
Corporate bonds	45.5	46.9	n/a	n/a
Cash	25.7	25.3	n/a	n/a
Loans	2.9	3.2	n/a	n/a

All of the Scheme A's assets have a quoted market price in an active market. The Scheme holds no financial instruments issued by the Group (other than incidentally through investment in pooled funds), nor does it hold any property or other assets used by the Group.

22. Employee benefit schemes (continued)

Sensitivity analysis

Scheme A - A one-percentage change in isolation, in certain assumptions as at 31 December 2022 and 31 December 2023 or the Company's plan would have had the effects shown in the table below.

	Impact on defined benefit obligation			
	Increase in assumption		Decrease in assumption	
	2023	**2022**	**2023**	**2022**
Discount rate	Decrease by 12.8%	Decrease by 13.4%	Increase by 15.2%	Increase by 16.0%
Crediting rate	Increase by 15.0%	Increase by 15.9%	Decrease by 12.9%	Decrease by 13.5%

Scheme B - A one-percentage change in isolation, in certain assumptions as at 31 December 2022 and 31 December 2023 for the Company's plan would have had the effects shown in the table below.

	Impact on defined benefit obligation			
	Increase in assumption		Decrease in assumption	
	2023	**2022**	**2023**	**2022**
Discount rate	No effects	No effects	No effects	No effects
Crediting rate	No effects	No effects	No effects	No effects

23. Capital and reserves

Group	**2023 $'000**	**2022 $'000**
Authorized, allotted, called up and fully paid		
Called-up share capital		
1,000,000 Ordinary shares of $1 each	1,000	1,000
1 (2022: nil) Deferred redeemable share of $0.01	-	-
Share capital	1,000	1,000
Share premium	7,921,009	7,543,000
Shares to be issued	-	378,009
Other Reserves	1,559,498	1,559,498
Hedging reserve	48,792	-
Retained earnings	3,812,585	4,881,570

23. Capital and reserves (continued)

Company	2023 $'000	2022 $'000
Authorized, allotted, called up and fully paid		
Called-up share capital		
1,000,000 (2022; 1,000,000) Ordinary shares of $1 each	1,000	1,000
1 (2022: nil) Deferred redeemable share of $0.01	-	-
Share capital	1,000	1,000
Share premium	7,921,009	7,543,000
Shares to be issued	-	378,009
Other Reserves	1,559,498	1,559,498
Hedging reserve	48,792	-
Retained earnings	1,768,241	3,912,059

The balance on the called-up share capital account represents the aggregate nominal value of all ordinary shares in issue. On incorporation 200,000 shares of $1 were issued. On 1 August 2022, in exchange for the investments in the Eni and BP companies a further 800,000 shares of $1 each were issued. Leakage amount was transferred from other reserve to share premium against allotment of share capital.

Share premium

Share premium represents the consideration received for shares above their nominal value net of transaction. On 1 August 2022, an amount of $12,543 million was allocated to share premium as the valuation above the share capital and promissory notes that were issued in exchange for the investments in the subsidiaries as noted in note 10. On 10 October 2022, a Board resolution was passed to reduce the share premium and transfer $5,000 million of the share premium account to distributable reserves leaving a balance of $7 million attributable to share premium. The increase in share premium is a result of the shares issued of $378 million which appeared as leakage receivable as part of shareholder agreement (refer note 10 and 17) in the prior year.

Shares to be issued

Shares to be issued (as at 31 Dec 2022) relate to one deferred redeemable share, issued during the year 2023. Deferred redeemable shares carry no voting or distribution rights and are redeemable at any time by option of the board of Directors by notice in writing to the holders. As at 31 December 2022, they were represented by $378 million appearing as leakage receivable as part of shareholder agreement (refer note 10 and 17).

Other Reserves

Other reserves represent the excess of the fair value of the equity shares issued to affect the business combination and the amounts required to be recorded in the share premium account because of the statutory provisions regarding share premium under the Companies Act 2006. Please refer note 10.

Retained earnings.

Cumulative profit or loss net of distributions to owners.

24. Cash flows from operating activities

Group	2023 $'000	2022 $'000
Profit for the period	719,486	874,391
Adjustments for:		
Income tax expense (note 9)	910,830	55,906
Other operating income (note 5)	-	(139,995)
Finance income (note 8)	(112,175)	(10,015)
Finance expenses (note 8)	497,655	162,705
Share of post-tax profits of equity accounted associates & joint ventures (note 15)	(366,389)	(756,797)
Depreciation and amortization (note 12,13)	1,973,585	938,411
Impairment losses on property, plant, and equipment (note13)	22,468	-
Impairment losses on intangible assets (note 12)	43,000	-
Amortization of right of use assets (note 14)	510,739	231,391
Amortization of borrowing costs	7,927	2,976
Provisions (note 21)	32,115	19,107
Changes in inventories (note 16)	(19,198)	218,586
Changes in trade and other receivables	(316,476)	(187,182)
Changes in trade and other payables	(124,023)	615,687
Cash inflow generated from operations	3,779,544	2,025,171

25. Related parties

Ultimate controlling party

There is no ultimate controlling party.

Directors' transactions

No directors' transactions took place in the financial period.

Subsidiaries

Details of subsidiary undertakings are present in note 15.

Related party transactions

Key management personnel are the Directors, and none received emoluments from the Group.

Transactions with related parties were approved and at arm's length during the financial period.

During the reporting year and the period from 1 March 2022 to 31 December 2022 the Company and the Group entered into transactions, in the ordinary course of business, with other related parties.

Transactions entered into with related parties and trading balances outstanding at 31 December 2022 and 31 December 2023, are as follows:

25. Related party transactions (continued)

Related party	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	$'000	$'000	$'000	$'000
BP Group - shareholder				
2022	1,032,768	44,928	532,493	26,759
2023	2,439,103	91,537	80,000	2,482
Eni Group - shareholder				
2022	1,178,949	54,303	273,556	291,709
2023	2,335,944	570,080	243,177	115,480

Related parties are relationships due to common shareholdings/ownerships.
Transactions are in the ordinary course of business of an oil exploration and production group.

26. Guarantees

The Azule Group subsidiaries namely Azule Energy Angola S.p.A (Guarantee limited to the Block 15/06 Revenues) and Azule Energy Exploration (Angola) Limited (Guarantee limited to the Block 17 & 31 Revenues) are Guarantors to the loan facility (Pre-Export Facility - PXF) that was signed on 29 July 2022. The maximum aggregate liability of the PXF Guarantors (on a joint and several basis) is 110% of the outstanding loan amount (together with any accrued interest thereon). The shareholders have issued the following guarantees, for which the Group is liable:

- $2,981 million in favour of CONSORZIO ARMADA CABACA LTD. - ANGOIL BUMI JV LIMITADA in respect of leasing contracts (chartering, operation, and maintenance) of FPSO vessels to be used in the context of development projects.
- $52 million – work obligations under Block 28. (beneficiary ANPG).
- $26 million – work obligations under the Block 1/14 RSC (beneficiary ANPG).
- $19 million in favour of ADMINISTRACÃO GERAL TRIBUTARIA.
- $12 million – work obligations under the Cabinda Centro RSC (beneficiary ANPG).
- $6 million – work obligations under Block 29 (beneficiary ANPG).
- $4 million – Gas transportation services (beneficiary Florida Gas Transmission Company).
- $1 million - work obligations under Block 46 (beneficiary ANPG).
- $20 million - work obligations under Block 47 (beneficiary ANPG).
- $3 million - work obligations under Block 18/15 (beneficiary ANPG).
- $18 million - work obligations under Block 31/21 (beneficiary ANPG).

27. Financial risk management

Categories of financial instruments

	2023 $'000	2022 $'000
Financial assets		
Financial assets measured at amortized cost		
Trade and other receivables	2,079,450	2,124,421
Cash and Cash equivalents	603,749	1,030,863
Financial assets measured at fair value		
Derivatives financial assets (Designated as hedging instruments) *	48,952	-
Financial liabilities measured at amortized cost		
Trade and other payables	(2,029,921)	(2,131,128)
Lease liabilities	(2,168,373)	(2,360,550)
Loans and borrowings	(2,456,199)	(2,452,976)
	(3,922,342)	(3,789,370)

*Derivative financial assets of $49 million includes current asset of $39 million and non-current asset of $10 million.

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds derivative financial instruments to manage commodity price risks. The Group's activities are exposed to various financial risks: market risk relating to commodity prices, foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The Group's risk management objective is to ensure that Management understands, measures, and monitors the various risks that arise in connection with their operations. The Board of Directors and key management have overall responsibility for the establishment and oversight of risk management policies. These policies aim to identify and analyse the Group's risks. They also aim to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

For all financial instruments, the carrying amount is either the fair value, or approximates the fair value.

Interest income and expenses arising on financial instruments are disclosed in note 8.

Financial risk factors

The management of financial risks is performed at group level. The main risk factors applicable to the Company are market risk relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. The major components of market risk are commodity price risk, foreign currency exchange risk and interest rate risk, each of which is discussed below. The primary commodity price risks that the Group is exposed to include oil and gas prices that could adversely affect the value of the Group's financial assets, liabilities or expected future cash flows.

27. Financial risk management (continued)

Commodity price risk

The Group is exposed to commodity price risk resulting from fluctuations in the price of floating oil and gas sales. The Group's risk management strategy is to reduce its exposure to variability in of the cash flows related to fluctuations of the commodity risk component. In 2023, the Group has undertaken an oil price risk "hedging" programme to protect against volatility in oil prices. The Group executes commodity collars to mitigate the commodity price risk exposure.

Commodity price sensitivity

	Change in year-end price	Effect on profit or loss FY 2024 $'000	Effect on profit or loss FY 2023 $'000
Dated Brent	$1	30,000	26,000

Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is commodity price risk.

Cash flow hedges

The zero cost commodity collars, qualifying hedging instruments, were designated as cash flow hedges during the year of 2023. They are used to hedge against the risk of cash flow variability due to Dated Brent fluctuations on oil offtake sales. The fair value of the commodity collars as at 31 December 2023 was a net asset of $48,95 million (31 December 2022: $nil). The movement of $48,95 million for the year ended 31 December 2023 (2022: $nil) comprised of $48,79 million (2022: $nil) related to the time value of the collar booked to cost of hedging reserve, and $0,16 million (2022: $nil) of hedge ineffectiveness due to credit risk (2022: $nil) booked to the Statement of Comprehensive Income. Hedge effectiveness is determined at the inception of the hedge relationship by applying a qualitative approach. Management has performed periodic effectiveness assessments to ensure that an economic relationship exists between hedged item and hedging instrument. The economic relationship between the hedged item and the hedging instrument is in relation to fluctuations in the Dated Brent index. The Group has established a hedge ratio of 1:1 for the hedging relationships based on the notional amount of the hedging instrument and the hedged item. In the event of an insufficient number of hedged items, the hedges will be rebalanced in line with the overall risk management strategy. The Group also performs regression analysis to measure the effectiveness of the hedging relationship.

Hedge ineffectiveness may occur due to:

- Differences in the timing and amount of the cash flows of the hedged item and hedging instruments;
- Changes in the credit risk of the Group or the counterparty to the hedging instrument and hedged item; and/or
- Changes to critical terms resulting mismatches in between hedged item and hedging instruments.

The Group holds the following commodity collar contracts. The profile shows the timing of the nominal amount of the hedging instrument:

As at 31 December 2023	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
Commodity collar						
Quantity (Barrels)	4,228,000	9,912,000	10,576,000	10,576,000	12,708,000	48,000,000

27. Financial risk management (continued)

The impact of the hedging instruments and the hedged item on the Statement of Financial Position is, as follows:

	Average Strike Price	Notional amount	Carrying amount	Change in fair value used for measuring ineffectiveness for the period*
As at 31 December 2023	**$/BBL**	**BBL**	**$'000**	**$'000**
Hedging instrument				
Financial assets measured at fair value				
Commodity collar	60-100.5	48,000,000	48,952	48,952
Hedged Item				
Highly probably forecast oil sales				48,792
Hedge ineffectiveness in the year recognised in profit or loss*				160

* The Group accounts for the time value of the collars as a cost of hedging. As at 31 December 2023, the fair value components of the commodity collars can be summarised as the risks-free intrinsic value ($0), credit valuation adjustment ($0,16 million) and time value ($48,79 million).

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is, as follows:

	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Cost of hedging recognised in OCI	Amount reclassified from OCI to profit or loss
Year ended 31 December 2023	**$'000**	**$'000**	**$'000**	**$'000**
Highly probably forecast oil sales	-	160	48,792	-

Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Cash flow hedge reserve
	$'000
As at 1 January 2023	
Effective portion of changes in fair value arising from:	
Amount deferred and recognised in OCI	48,792
Amount reclassified to profit or loss	-
As at 31 December 2023	48,792

Cash flow hedge reserve comprises of movement of the intrinsic value of the options which is nil as at 31 December 2023.

27. Financial risk management (continued)

Fair value information

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot, and forward rates, as well as option volatilities.

The following table analyses financial instruments carried at fair value by valuation method.

	Financial instruments carried at fair value		
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	$'000	**$'000**	**$'000**
Financial Assets:			
Commodity collars	-	48,972	-

There were no transfers between level 1 and level 2 during 2023.

Foreign currency exchange risk

The Group has minimal foreign currency exchange exposure since all entities within the group have USD functional currency with the majority of revenues also being received in USD and the majority of payments in USD or indexed to USD.

Interest rate risk

In addition to the inter-company balances, as at 31 December 2023 the Pre- Export Facility (PXF) loan had a carrying value of $2,500 million. Under such facilities, the Group is exposed to the Secured Overnight Financing Rate (SOFR). A 1% variation on SOFR would have impacted net profit by approximately $26 million (2022: $11 million) for the year.

Credit risk

Credit risk arising from the Group’s normal commercial operations is managed by the Group within the Group approved guidelines. Central Treasury monitors the counterparty credit ratings for all of the Group’s banks. Only independently rated parties with a high credit rating are accepted for investing excess liquidity and holding cash. The Group’s credit portfolio is represented in the table below.

	As at 31 December 2023	**As at 31 December 2022**
	$’000	**$’000**
AAA to AA-	-	678,000
A+ to A-	732,902	1,022,707
B+ to B-	188,839	85,052
CCC+ and below	-	-
	921,741	1,785,759

Other receivable balances on the Statement of Financial Position are mostly unrated.

27. Financial risk management (continued)

The identified expected credit loss is immaterial for 31 December 2023.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available. The Group's liquidity is managed centrally with operating units forecasting their cash to the central treasury function. Central treasury will then arrange to fund the subsidiaries' requirements or invest any net surplus cash.

Management aims to maintain flexibility in funding by maintaining sufficient cash. Of the Group's total cash, $127 million (2022: $116 million) is considered restricted and relates to cash held as a requirement under the Pre-Export Facility (PXF) described below.

Pre-Export Facility (PXF)

The PXF loan amounting $2,500 million was put in place in 2022 for a period of 7 years. It is a syndicated loan with several banks forming the group of lenders.

The repayment of the loan is in pre-agreed instalments, starting in September 2024. Interest is paid quarterly, in arrears, which started in September 2022. Total interest paid on the PXF loan in 2023 was $242 million (2022: $51 million).

The interest rate contains a fixed and floating element. The floating element amount is based on the daily SOFR (Secured Overnight Financing Rate), and the fixed margin is 4,5%.

The debt service obligations under the PXF are covered using a portion of the group's oil revenues arising from the crude allocated under dedicated PXF Offtake Contracts (the "Designated Crude").

The revenues payable by the PXF off-takers are paid directly into an offshore secured collection account (the "Offshore Collection Account") which is secured in favour of the PXF lenders by way of a first ranking security interest.

The Group successfully negotiated an extension to the existing PXF facility under which the moratorium period of the PXF was increased by one year. Principal repayments, which were due to commence in September 2024 will instead begin in September 2025. Scheduled repayments which would have been due from September 2024 to July 2025 will be spread over the remaining repayment dates of the facility equally.

27. Financial risk management (continued)

The Offshore Collection Account is operated under a cash waterfall regime. Lenders have first ranking security over the PXF Offtake Contracts, the Offshore Collection Account and the DSRA (Debt Service Reserve Account). They also benefit from a negative pledge in respect of the PXF Offtake.

Additionally, the Group executed a Revolving Credit Facility (RCF) of $345 million in October 2023. The facility remains undrawn as at 31 December 2023.

For maturity profile of the Group's financial liabilities relating to lease liability and loans and borrowings please refer note 19 and 20.

28. Cash and cash equivalents

	2023 $'000	2022 $'000
Cash at banks and on hand	603,749	1,030,863
	603,749	1,030,863

The cash and cash equivalents disclosed above and in the Statement of Cash Flows include $127 million (2022: $116 million) which are held under PXF. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

29. Changes in liabilities arising from financial activities

	Opening balance $'000	Cash flows $'000	New Leases $'000	Other $'000	2022 $'000
Loans and borrowings (note 20)	-	2,450,000	-	2,976	2,452,976
Leases (note 19)	2,165,227	(240,875)	376,267	59,931	2,360,550
	2,165,227	**2,209,125**	**376,267**	**62,907**	**4,813,526**

	Opening balance $'000	Cash flows $'000	New Leases $'000	Other $'000	2023 $'000
Loans and borrowings (note 20)	2,452,976	(4,705)	-	7,928	2,456,199
Leases (note 19)	2,360,550	(743,233)	399,678	151,378	2,168,373
	4,813,526	**(747,938)**	**399,678**	**159,306**	**4,624,572**

The other column includes the effect of amortization of initial loan fee as per note 20 and the effect of accrued but not yet paid interest on lease liabilities.

30. Capital management

Capital management involves the overall financial resources of the Group, including equity and third-party debt. The Group effectively manages its capital with the support of a robust and comprehensive financial framework. The framework identifies the best areas where capital should be allocated, ensure sufficient liquidity to support operations and meet financial obligations, minimise net financing costs, mitigate financial risks that may cause distress to the cash flows, and adapt to changing market conditions. The ultimate goal is to ensure that the Group maintains the ability to generate value, cash and maximise returns for its shareholders.

In line with the PXF covenants, the Group monitors net debt which comprises the full PXF drawn down amount ($2,500 million) adjusted with cash and cash equivalents (the "Net Debt"). The monitoring of the Net Debt ensures that Leverage (calculated as Net Debt/EBITDA) does not exceed 3.0. The Group does not have any additional externally imposed capital requirements.

	2023 $'000	2022 $'000
Loans and borrowings	2,500,000	2,500,000
Less: Cash and cash equivalents	(603,749)	(1,030,863)
Net Debt	**1,896,251**	**1,469,137**
EBITDA	**4,199,199**	**1,495,992**
Leverage	**0.45**	**0.98**

31. Contingent liabilities and capital commitments

At the date of signing, there are no contingent liabilities that are not recognised in the financial statements.

Authorised and contracted future capital expenditure (excluding right-of-use assets) by the Group for which contracts had been placed but not provided in the financial statements at 31 December 2023 is estimated at $915 million (2022: $1,945 million) mainly on Block 15/06 development.

32. Events after the reporting date

- On 12 January 2024, Azule Energy Angola B.V. signed a Sale and Purchase Agreement with Acrep Exploração Petrolífera, S.A., to transfer its working interest and operatorship in the onshore Cabinda North Block. The Sale and Purchase agreement is subject to fulfilment of all precedent conditions.
- On 19 March 2024, the Company declared and approved dividend of $225 million.
- On 3 May 2024, Azule Energy and Rhino Resources announced a strategic Farm-In agreement for Block 2914A(PEL85), offshore Namibia which will grant the Group a 42.5% interest in Block 2914A located in the offshore Namibian Orange basin.
- On 17 May 2024, Azule Energy Holdings Limited have agreed an amendment to the existing PXF Facility agreement with Lenders whereby payment of the first instalment has been deferred from September 2024 to September 2025. This deferment has no impact on the interest amount being charged or maturity date.
- On 22 May 2024, the Group completed the transfer of its participating interest in Blocks 3/05 & 3/05A to Afentra. The initial SPA was signed on 19 July 2023.
- On 25 June 2024, the Company declared and approved dividend of $250 million.

33. New and revised IFRSs in issue but not yet effective

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

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 – Non-current Liabilities with Covenants.
- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback.
- Amendments to IAS 7 and IFRS 7 - Supplier finance arrangements.
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28.
- Amendments to IAS 21 to clarify the accounting when there is a lack of exchangeability.
- IFRS 18 - Presentation and Disclosure of Financial Statements.

The directors do not expect that the adoption of the amendments to the existing standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.