Company Registration No. 13947643 (England and Wales)

Azule Energy Holdings Limited
(Formerly Angola JV Limited)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022

Azule Energy Holdings Limited
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AZULE ENERGY HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Gordon Y. Birrell Guido Brusco Jennie S. Burton Giorgio R.A. Groppi Joseph R. Murphy Francesca Rinaldi Luca Vignati Tommy A. Pennington
Company secretary	Philip D. Hemmens
Registered number	13947643
Registered office	125 Old Broad Street London EC2N 1AR England- United Kingdom
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU England – United Kingdom

The directors present their Strategic Report for the period ended 31 December 2022.

Review of business and future developments

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

The main activities of the subsidiaries' undertakings during the period and therefore the Azule Energy Group (Group), were that of being engaged in the exploration, production and selling of hydrocarbons produced in Angola. It holds a portfolio of twenty licenses, thirteen of which are operated by the Group. This includes onshore and offshore opportunities, from Congo to the Namibe basins.

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 which was incorporated as a new company (company Registration No. 13947643) in the United Kingdom, namely Angola JV Limited. This company acts as the holding company for the joint venture between EIBV and bpEOC. On 1 August 2022, the Angolan businesses from EIBV and bpEOC were sold to Angola JV Limited. All financial, operational and other aspects pertinent to Azule are deemed to be effective from 1 August 2022. On 22 August 2022, the company name was changed to Azule Energy Holdings Limited.

Business Model

Azule is an international energy group which, during the period to end December 2022, produced 204,000 barrels of oil equivalent per day through exploration and production (E&P) activities in Angola. The Azule Energy Group Head Office is in London, while the operating branches of the group are based in Luanda

Azule is the largest equity oil producer in Angola and one of the leading independent E&P groups in Africa. Azule's vision is one of sustainability, innovation, and growth by investing in the oil and gas sector in combination with decarbonisation technologies and renewable energies supply, thereby creating a more resilient and reliable energy system for Angola and the wider region.

Azule aims to manage the business to create value for its shareholders. This value is created by partnering with Angola to enhance the country's access to energy, creating employment and generating economic growth by investing in new infrastructure and new technologies to drive the Angolan energy industry forward, leveraging expertise in exploration and fast-track project development, operating in a way that is environmentally responsible, socially just and consistent with bp's and Eni's journey towards Net Zero.

Azule holds twenty licenses both onshore and offshore Angola, enabling the group to deliver energy reliably and sustainably. Of these, Azule is the operator of thirteen blocks, three of which are producing, while the rest are in exploration/development phase. In total Azule holds an estimate of two billion barrels of oil equivalent net resources.

Azule has a very large exploration programme and in the next four years Azule plans to drill 16 exploration wells of which 9 are in operated blocks. This rich and diverse portfolio supports Azule's 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 blocks in ultra-deep water and, last but not least exploration of gas opportunities to sustain the gas development strategy.

Azule complements the above stated exploration strategy with a fast-track and cost-efficient development approach, which translates into a faster generation of cash from accelerating production while acting as an effective buffer action against natural production decline.

Business Model (continued)

Azule's largest 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' recoverable reserves. The project scope includes the delivery of a new FPSO, 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. Azule is also adding in-fill drilling projects in Blocks 18 and 31 to add new production to manage decline. In 2026, Azule expects to produce an average of 240,000 barrels of oil equivalent equity production per day. This is a significant increase from the current production levels and reflects Azule's dedication to organic growth.

Azule is also looking to be a leader in Angola's energy transition for which gas will play a major role as a transition fuel. Azule is the operator of the first non-associated gas development project in Angola, the New Gas Consortium. The New Gas Consortium Final Investment Decision took place in July 2022, and a month later Azule 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.

To complement this 'gas focused' strategy, Azule is planning to drill in 2024 the first ever gas exploration well in Angola, in Block 1/14. If successful, it could get the benefit of the infrastructure under development already present in the area as well as unblocking the gas value chain for the domestic market.

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

Azule 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 vs. 2019 including zero routine flare by 2024. The pillar of this plan also includes flare down and methane emission reductions goals, improvement and streamlining of current operation processes, carbon offsets initiatives and production of energy from renewable sources. To reinforce this plan, Azule 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 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.

Azule is also committed to promoting the sustainable development of communities in Angola, investing with its partners an average of 8 million USD annually in social investment initiatives. This approach is in line with the Angolan Government's priorities and United Nations Sustainable Development Goals. Azule believes that by working together with local communities, it can create sustainable and long-lasting benefits for all stakeholders. Azule supports twenty initiatives in the fields of clean energy and water supply, education, health, economic development and demining.

Environment (SECR disclosure)

The Group (UK based operations only) has not consumed more than 40,000 kWh of energy in the period ended 31 December 2022. As the UK operations of the group qualify as a low energy user, it is exempt from reporting under the regulations.

Key financial performance indicators

The directors use many KPIs to monitor, control and direct the business. The primary numerical KPIs are production, profitability, capital expenditure and dividends. Below is a summary of those KPIs for the current financial period.

Group	**2022**
Production (Mboed) *	204

Group	**2022 $million**
Net operating profit	1,083
Capital Expenditure	654
Operating Expenditure	407
Net Cash Flow (before financing and dividends)	1,396

*thousand barrels' oil equivalent per day

The main non-financial KPIs used relate to safety, emissions and operational performance. The first financial period end of Azule was underpinned by robust financial & operating performance resulting in the declaration of $1billion in dividends and smooth continuity of operations.

Summary of Financial Performance

Consolidated Statement of Comprehensive Income
Turnover of $2,211,717,000 was achieved in the first five months of trading as the Group achieved an average price of $89.9/bbl. Operating profit of $1,082,987,000 was achieved in the first five months of operations. This included a profit attributed of $756,797,000 from the Group's equity accounted investment in Angola LNG, due to high LNG commodity prices witnessed during the period. Profit the period of $874,391,000 was achieved, including a tax charge of $55,906,000 and actual taxes paid of $491,470,000.

Consolidated Statement of financial position
Total assets of $29,885,758,000 at 31 December 2022 represented mainly by the fair value uplift on the assets acquired on 1 August 2022 as part of the business combination between shareholders. The total fair value on day 1 of the net assets acquired was $16,694,948,000 including Goodwill recognised at $2,420,560,000. Total liabilities of $15,522,681,000 at 31 December 2022 includes $2,452,976,000 of long term loan facility drawn down which supported the acquisition of the shareholder businesses. Total liabilities increased as part of the business combination on 1st August due to a $3,283,235,000 uplift in deferred tax liabilities as part of the fair value accounting exercise.

Consolidated Cash flow statement
Cash generated from operations was $2,025,171,000 for the 5 month trading period. Net cash used from investing includes $1,815,262,000 outflow of cash as part of the business combination transaction between the shareholders (net of cash acquired within the operating subsidiaries). Net cash used in financing activities includes the $2,450,000,000 cash inflow for amounts drawn initially as part of the long term loan facility. The Group also paid $1,000,000,000 dividends to its shareholders.

Principal risks and uncertainties

The Group manages, monitors and reports on the principal 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 Azule's business and associated risks through a robust control environment. Azule identifies risks through its risk management processes and it ensures that appropriate actions are taken to address any gaps and to systematically improve controls.

Strategic and Commercial Risks

Prices and markets
The Group's financial performance is subject to fluctuating prices of oil and gas, technological change, exchange rate fluctuations and the general macroeconomic outlook. Oil, gas and product prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply of oil and gas or alternative low carbon energy sources, technological change, global economic conditions, public health situations (including the continued impact of the COVID-19 pandemic or any future epidemic or pandemic) and the influence of OPEC+ can impact supply and demand and prices for our products.

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 program. Conversely, an increase in oil, gas and product prices may not improve margin performance as there could be increased fiscal take and cost inflation.
Exchange rate fluctuations can create currency exposures and impact underlying costs.

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.

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. Azule manages this through rigorous investment governance and project development processes.

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 our operations, business activities or investments. These may in turn cause production to decline, limit our ability to pursue new opportunities, affect the recoverability of our assets and our related earnings and cash flow or cause us to incur additional costs, particularly due to the long-term nature of many of our projects and significant capital expenditure required. Azule activity monitors Geopolitical developments through its External Affairs team and management interaction with stakeholders creating interventions where appropriate.

Liquidity, financial capacity and financial, including credit, 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 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).

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 our interests in joint arrangements and practices appropriate oversight of contractor activity.

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 through the use of 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 company ensures that its employees are educated and aware of cyber risks in line with industry best practices.

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 also 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.

Depending on the nature and speed of any such changes and our response, these changes could increase costs, reduce the Group's profitability, reduce demand for certain products, limit our access to new opportunities, require us to write down certain assets or curtail or cease certain operations. This could affect investor sentiment, our access to funding, our competitiveness and financial performance. Azule's strategy to lead in the Angolan energy transition is designed to support the long term future of the company.

Crisis management and business continuity
Azule's reputation and business activities could be negatively impacted if the 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 and has a training plan targeting key personnel.

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.

Safety and operational risks

Process safety, personal safety and environmental risks

The Group is exposed to a wide range of health, safety, security 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.

Drilling

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. We 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 and compliance with governmental requirements.

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, pipelines, transportation or digital infrastructure 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.

Product quality

Supplying customers with off-specification products could damage the Group's reputation, lead to regulatory action and legal liability, and potentially impact its financial performance.

Compliance and control 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, and result in litigation, regulatory action, penalties and potentially affect our license to operate. Azule has a dedicated Ethics and Compliance team with an effective training, monitoring and enforcement system.

In relation to trade restrictions or other sanctions, current geopolitical factors have increased these risks.

Regulation

Changes in the law and regulation, including how they are interpreted and enforced, could increase costs, constrain the Group's operations and affect its business plans and financial performance.

Reporting

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.

Financial risk management

The Group is exposed to a number of different financial risks arising from natural business including market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk as referenced in note 27.

Section 172 (1) statement
The directors recognize 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 period 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.

Employees
All staff previously employed by the bp, and Eni Angola businesses joined the Azule group, transferring their employment to a direct subsidiary of the Group, Azule Energy Angola B.V. The directors of the Group recognize 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 Azule. 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 period, 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 period, 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.

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 period, 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.

Section 172 (1) statement (continued)

The Group's principal decisions

The Board recognizes 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 period, the following principal decisions were taken by the Group:

Principal decision	The relevant factors taken into account during the decision-making process
Board of Directors of the Group approved that Eni and bp combine their shareholdings in oil licenses in Angola and in the Angola LNG project and Eni's shareholding in Solenova Limited.	The directors considered the impact of such a decision on the long-term prospects of the Group, as well as the need to foster relationships with its joint venture partners.
Positive Final Investment Decision for Agogo Integrated West Hub project.	The directors considered the impact of such a decision on the long-term prospects of the Group.
Approval of Azule Internal Budget for following year (2023)	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.
Dividends were declared and paid during the period.	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.

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, Azule management, the leadership team, the board and relevant committees provided oversight of how the highest priority risks to Azule 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. Azule'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 Azule. 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 1st February 2024 and signed on its behalf by:

DocuSigned by:
Jennie Burton
5DAF629CBA284E1...

J Burton
Director

125 Old Broad Street
London
England
EC2N 1AR

Directors' Report
For the period ended 31 December 2022

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 period ended 31 December 2022.

Directors

The directors who held office during the period 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	—
N Ghedi	1 March 2022	1 August 2022
N Aggogeri	1 March 2022	1 August 2022
M Perna	1 March 2022	1 August 2022
P Hemmens	1 March 2022	1 August 2022
TA Pennington	19 October 2023	—

Results and dividends

The results for the period are set out on page 18.

Interim dividends were paid of $1,000,000,000. 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 recognizes the need to create valued relationships with the Angolan Government centred around ethics and transparency, and the need to discuss relevant regulations and guidance where necessary.

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

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

(d) Joint Venture partners
The Group recognizes 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 recognizes 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

The Directors of the Group have appointed BDO LLP as group auditor.

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 January 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 2023:
a) Additional financing support in the form of a Revolving Credit Facility (RCF), which guarantees the ability to cushion any temporary unexpected cash shortfalls.
b) An oil price risk management "hedging" program to protect against volatility in oil prices.
c) Used detailed cash forecasting techniques to support dividend decision making
d) Explored and prepared readiness for trade financing options.

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 2022, the Group had positive net current assets of $929 million and positive net assets amounting to $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 23 February 2023, 1 deferred ordinary share of $0.01 was issued on receipt of the Leakage receivable from shareholders associated with the business combination.

- The Company declared and approved the following interim dividends during the year
  - On 23 February 2023, dividend of $378 million.
  - On 30 March 2023, dividend of $450 million.
  - On 22 June 2023, dividend of $340 million.
  - On 22 September 2023, dividend of $125 million.
  - On 22 December 2023, dividend of $500 million.

- During the year; the group signed the following
  - On 30th August 2023, Production Sharing Agreement for Block 31/21 with Angolan National Petroleum Agency (ANPG) and Equinor with a 50% participating interest, as the operator for the block.
  - On 20th December 2023 Risk Service Contracts ("RSCs") for Offshore Blocks Blocks 46 and 47 in partnership with Equinor and Sonangol Pesquisa e Produção, S.A. ("Sonangol P&P") with a 40% participating interest, as the operator for the blocks.
  - On 20th December 2023, Risk Service Contracts ("RSCs") for Offshore Blocks Blocks 18/15 in partnership with Sonangol P&P with an 80% participating interest, as the operator for the block.

Events after the reporting date (continued)

- On 6th March 2023, Azule Energy Angola Production B.V. acquired 50% holding in Solenova Limited for a purchase price of $20,860,000 which will be equity accounted in the financial statements.
- On 9th March 2023, Azule Energy Holdings Limited acquired the investments that were subsequently held in its subsidiary Azule Energy Limited. Azule Energy Exploration (Angola) Limited, Azule Energy Exploration Angola (KB) Limited and Azule Energy Angola (Block 18) B.V. were acquired in exchange for the cancellation of the promissory note held between Azule Energy Holdings Limited and Azule Energy Limited of $7,590,000,000. This was an intra-group transaction.
- On 19th July 2023 Azule Energy Angola Production B.V. signed a Sale and Purchase Agreement with Afentra, to sell its working interests in Block 3/05 and Block 3/05A for a firm consideration of $48.5 million and deferred contingent payments of up to $36 million subject to oil price, production and development conditions. The Sale and Purchase agreement is subject to fulfilment of all precedent conditions and as such the determination of gain/loss on disposal is yet to be determined.
- On 5th December 2023 Azule Energy Limited was released from its obligation as guarantor of the PXF loan facility following the restructuring on 9th March 2023.
- In October 2023, the Company successfully executed a Revolving Credit Facility (RCF) for liquidity management with a value of $345million. As part of this, a charge was registered over the dedicated RCF bank accounts.

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 company's 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 company's 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 company's 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 1st February 2024 and signed on its behalf by:

DocuSigned by:
Jennie Burton
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J Burton
Director

125 Old Broad Street
London
England
EC2N 1AR

Directors' Responsibilities Statement
For the period ended 31 December 2022

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, 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, that 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 2022 and of the Group's profit for the period 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 with United Kingdom Generally Accepted Accounting Practice; 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 10 month period ended 31 December 2022 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash flows, notes to the Consolidated Financial Statements, the parent company Statement of Financial Position, the parent company Statement of Changes in Equity and notes to the parent company Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group Financial Statements 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.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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 in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Companies Act 2006 reporting
In our opinion, based on the work undertaken during the audit:

- the information given in the Strategic report and the Directors' report for the financial period 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 during 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' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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; and
- Obtaining and understanding of the Group 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 also 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:

- Discussing with management and the those charged with governance to understand the laws and regulations relevant to the group and its components.
- Reviewed minutes of meetings of those charged with governance and held discussions with management regarding their knowledge of any known or suspected instances of non-compliance with laws and regulations.
- Involvement of tax specialist in the audit.
- Made inquiries with the management and those charged with governance in our planning meeting and there were no instances non-compliance noted; and
- Sent legal confirmations to the Group's and parent company's legal counsel and reviewed the responses to identify any evidence of non-compliances.

Fraud

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

- We held discussions with management and the audit committee to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them.
- Reviewing minutes of meetings of those charged with governance and holding discussions with management regarding their knowledge of any known or suspected instances of fraud.
- Discussing amongst the engagement team how and where fraud might occur in the financial statements; and
- Obtaining an understanding of the company's internal controls and how they detect, prevent, and mitigate risks related to fraud.
- Performed analytical procedures to identify any unusual or unexpected relationships that may indicate risk 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 of data and accuracy of the data;
- We inquired about the management incentive plans and understand that there are no KPIs linked to bonus or management incentive plans.
- Evaluated and assessed the risk arising from automated journals and performed appropriate audit procedures.
- Reviewed and verified large and unusual journal entries made in the year, agreeing the journals to supporting documents and determined key risk characteristics to filter the population of journals;
- 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;
- 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
01 February 2024

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

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2022

	Notes	2022 $'000
Revenue	4	2,211,717
Cost of Sales:		
Production Costs		(810,204)
Depreciation and amortization	13,14	(1,169,802)
Other operating income	5	139,995
Gross Profit		371,706
Exploration Costs		(13,960)
Administration costs		(31,556)
Earnings from associates	15	756,797
Operating profit		1,082,987
Finance income	8	10,015
Finance costs	8	(162,705)
Profit before taxation		930,297
Tax	9	(55,906)
Profit for the period		874,391
Other comprehensive income		
Re-measurements of the post-retirement benefit liability	22	7,179
Other comprehensive income for the period		7,179
Total comprehensive income for the period		881,570

All amounts relate to continuing activities.

The notes on pages 24 to 68 form an integral part of these financial statements.

Azule Energy Holdings Limited (Formerly Angola JV Limited)
Registered number: 13947643

Consolidated Statement of Financial Position
As at 31 December 2022

	Notes	2022 $'000
Assets		
Non-current assets		
Intangible assets – Goodwill	11	2,420,560
Other Intangible assets	12	486,820
Property, plant and equipment	13	12,296,766
Right of Use Assets	14	2,310,103
Investments	15	3,739,634
Taxation		60,657
Deferred Tax	9	3,031,110
Trade and other receivables	17	1,711,660
Total Non-current assets		26,057,310
Current Assets		
Inventories	16	578,211
Trade and other receivables	17	2,124,421
Taxation		94,953
Cash and cash equivalents		1,030,863
Total Current Assets		3,828,448
Total assets		29,885,758

Azule Energy Holdings Limited (Formerly Angola JV Limited)
Registered number: 13947643

Consolidated Statement of Financial Position
As at 31 December 2022

Equity		**2022** **$'000**
Share capital	23	1,000
Share premium	23	7,543,000
Shares to be issued	23	378,009
Other reserves	23	1,559,498
Retained earnings	23	4,881,570
Total equity		14,363,077
Non-current liabilities		
Non-current loans	20	2,452,976
Lease liabilities	19	1,802,995
Provisions for liabilities and charges	21	2,940,465
Deferred tax	9	5,426,350
Total Non-current liabilities		12,622,786
Current liabilities		
Trade and other payables	18	2,131,128
Lease liabilities	19	557,555
Taxation		211,212
Total current liabilities		2,899,895
Total liabilities		15,522,681
Total equity and liabilities		29,885,758

The financial statements on pages 18 to 68 were approved and authorized for issue by the Board of directors and were signed on its behalf on 1st February 2024 by:

DocuSigned by:
Jennie Burton
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J Burton
Director

The notes on pages 24 to 68 form an integral part of these financial statements.

Azule Energy Holdings Limited (Formerly Angola JV Limited)
Registered number: 13947643

Company Statement of Financial Position
As at 31 December 2022

	Notes	2022 $'000
Assets		
Non-current assets		
Investments	15	9,130,098
Current assets		
Trade and other receivables		
- due within one year	17	7,972,299
Cash at bank and in hand		877,827
		8,850,126
Total assets		17,980,224
Equity and liabilities		
Equity		
Share capital	23	1,000
Share premium	23	7,543,000
Shares to be issued	23	378,009
Other reserves	23	1,559,498
Retained earnings	23	3,912,059
Total equity		13,393,566
Non-current liabilities		
Non-current loans and borrowings	20	2,452,976
Current liabilities		
Trade and other payables	18	2,133,682
Total liabilities		4,586,658
Total equity and liabilities		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 $87,941. There is no comprehensive income attributable to the shareholders of the company other than the losses for the year.

The financial statements on pages 18 to 68 were approved and authorized for issue by the board of directors and were signed on its behalf on 1st February 2024 by:

DocuSigned by:
Jennie Burton
5D4F029CBA284E1...
J Burton
Director

The notes on pages 24 to 68 form an integral part of these financial statements.

Azule Energy Holdings Limited (Formerly Angola JV Limited)

Consolidated and Company Statement of Changes in Equity
For the period ended 31 December 2022

Consolidated	**Share capital**	**Share premium**	**Shares to be issued**	**Other Reserves**	**Retained earnings**	**Total equity**
	$'000	**$'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 representing total comprehensive income	-	-		-	881,570	881,570
Total comprehensive income for the period	-	-		-	881,570	881,570
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

Company	**Share capital**	**Share premium**	**Shares to be issued**	**Other Reserves**	**Retained earnings**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 March 2022	-	-		-	-	-
Issue of share capital (note 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 representing total comprehensive income	-	-		-	(87,941)	(87,941)
Total comprehensive income for the period	-	-		-	(87,941)	(87,941)
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

Details regarding the purpose of each reserve within equity are given in note 23.

The notes on pages 24 to 68 form an integral part of these financial statements.

Azule Energy Holdings Limited (Formerly Angola JV Limited)

Consolidated Cash Flow Statement
For the period ended 31 December 2022

Group	Notes	2022 $'000
Cash inflow generated from operations	24	2,025,171
Interest received		7,422
Interest paid		(51,433)
Tax paid		(491,470)
Net cash generated from operating activities		1,489,690
Investing activities		
Payment for acquisition of subsidiaries, net of cash received	10	(1,815,262)
Purchase of property, plant and equipment		(451,882)
Additions to escrow		(166,488)
Dividends from Associates	15	765,680
Net cash used in investing activities		(1,667,952)
Financing activities		
Proceeds from borrowings	20	2,450,000
Dividends paid		(1,000,000)
Payment of lease liability obligations	19	(240,875)
Net cash generated from financing activities		1,209,125
Net increase in cash and cash equivalents		1,030,863
Cash and cash equivalents at start of period		-
Cash and cash equivalents at end of period		1,030,863

The notes on pages 24 to 68 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 Company was incorporated on the 1 March 2022 and these financial statements being the first financial statements have been prepared for the period 1 March 2022 to 31 December 2022.

The financial statements of Azule Energy Holdings Limited for the period ended 31 December 2022 were approved by the board of directors on 1st February 2024 and the Statement of Financial Position was signed on the board's behalf by J Burton.

2. Significant accounting policies

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 fair value on assets and liabilities acquired as part of the business combination.

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

Eni and bp (shareholders) agreed to create a stand-alone, self-funded, incorporated 50/50 Joint Venture, called Azule Energy Holdings Limited (AEHL) in order 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 the directors choose to account for the business combination by 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 as amended noted below. The Group also notes standards issued but not effective. (Note 32).

The Company's financial statements have also 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 exemptions from the requirements of IFRS 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.
- Presentation of a Statement of Cash Flows and related notes.
- Disclosure of key management personnel compensation.
- 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.

Reduced disclosure exemptions (continued)

- 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.
- 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 recognize 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.

***Property, Plant and Equipment:* Proceeds before Intended Use – Amendment to IAS 16**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

***Provisions, Contingent Liabilities and Contingent Assets:* Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

First-Time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter – Amendment to IFRS 1

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

***Financial Instruments:* Fees in the '10 per cent' test for derecognition of financial liabilities – Amendment to IFRS 9**

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

***Leases* – Amendment to IFRS 16**

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

***Reference to Conceptual framework* (continued)**

***Reference to Conceptual framework* – Amendment to IFRS 3**

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The implementation of the amendments had no impact on the financial statements of the Group and the Company noting these are the Company's first accounts and have implemented the standards for the first time.

New and revised IFRSs in issue but not yet effective

Please see note 32 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 January 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 2023:

a) Additional financing support in the form of a Revolving Credit Facility (RCF), which guarantees the ability to cushion any temporary unexpected cash shortfalls.

b) An oil price risk management "hedging" program to protect against volatility in oil prices.

c) Used detailed cash forecasting techniques to support dividend decision making

d) Explored and prepared readiness for trade financing options.

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

Going concern (continued)

was performed over dividend receipts and payments. There was a positive headroom in all the scenarios tested. As at 31 December 2022, the Group had positive net current assets of $929 million and positive net assets amounting to $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

Azule Energy Holdings Limited (acquirer) received from its shareholders producing assets/people/organization (acquiree) and so realized a business combination as per the principles of IFRS 3 by analogy as per the guidance on IAS 8 whereby the joint venture is required to select its accounting policies for such transactions. Azule has a choice of accounting policy, and it can record the business contributed either at fair value (including goodwill) or at the previous carrying amount. In addition, the application of IFRS 3 is 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 measurements

Fair value measurement is based on the market conditions existing at the measurement date and on the assumptions of market participants (market-based measurement). The Group categorises assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or the Group's assumptions about pricing by market participants.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a liability, both financial and non-financial, or of an equity instrument, in the absence of a quoted price, is measured from the perspective of a market participant that holds the identical item as an asset at the measurement date.

The fair value of financial instruments takes into account the counterparty’s credit risk for a financial asset (credit valuation adjustment, CVA) and the entity’s own credit risk for a financial liability (debit valuation adjustment, DVA) (Level 2).

In limited circumstances where recent market transactions are not available for reference, discounted cash flow techniques are applied. Where discounted cash flow analyses are used to calculate fair value less costs of disposal, estimates are made about the assumptions market participants would use when pricing the asset, CGU or group of CGUs containing goodwill and the latest evaluation is performed on a post-tax basis.

Goodwill

The group recognized Goodwill at day 1 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.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of 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 of the carrying amount of each asset in the unit or group of units. An impairment loss recognized 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, 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 recognizes, 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, that 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 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 recognized 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.

Oil and natural gas exploration and appraisal activities (continued)

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.

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.

<u>Pre-development and development costs</u>

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 Company 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 Company, the expenditure is capitalised and the carrying amount of the replaced asset is derecognized.

Inspection costs associated with major maintenance programmes are capitalized and amortised 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 capitalised within property, plant and equipment and is depreciated from the commencement of production.

Oil and natural gas properties, including related pipelines, are depreciated using a unit-of-production method over proved developed reserves for book values before fair value uplift, while unit-of-production rate for the fair value uplift depletion is based on 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 Company’s Property, Plant and Equipment are as follows:

Land and buildings

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.

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

A right-of-use asset is recognized 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 were 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 unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company 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 or adjusted for any remeasurement of lease liabilities.

The Company 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 as incurred.

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 recognized 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 Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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 an index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. 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 recognized on the basis of the following five steps:

- identifying the contract with the customer.
- identifying the performance obligations, that are promises in a contract to transfer goods and/or services to a customer.
- determining the transaction price.
- allocating the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each good or service; and
- recognizing revenue when (or as) a performance obligation is satisfied, that is when a promised good or service is transferred to a customer. A promised good or service is transferred when (or as) the customer obtains control of it. Control can be transferred over time or at a point in time. With reference to the most important products sold by the Company, revenue is generally recognized for the sale of:
- crude oil, upon shipment.
- natural gas, upon delivery to the customer.

Revenue from crude oil and natural gas production from properties in which the Company has an interest together with other producers is recognized on the basis of the quantity of product effectively lifted and sold (sales method); production costs are recognized 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 Company 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 Company grants a customer the option to acquire additional goods or services for free or at 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

The operator of an unincorporated joint operation that enters into a lease agreement as the sole signatory 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"). followers). The portion of right-of-use assets recognised by the 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 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 recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

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

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 the 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
Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets
An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is the probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Trade receivables
For trade receivables, expected credit losses are measured on an individual basis. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables (“the lifetime expected credit losses”).

Impairment of group receivables measured at amortised cost.
The measurement of impairment losses depends on whether the financial asset is ‘performing’, ‘underperforming’ or ‘non-performing’ based on the Group’s assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year end which have a detrimental impact on cash flows.

The financial asset moves from ‘performing’ to ‘underperforming’ when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the Group compares the risk of default at the year end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost.

The risk of a default occurring takes into consideration default events that are possible within 12 months of the period end (“the 12-month expected credit losses”) for ‘performing’ financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for ‘underperforming’ financial assets.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in the Statement of comprehensive income.

Derecognition of financial assets (including write-offs)
A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party. When there is no reasonable expectation of recovering a financial asset, it is derecognised (‘written off’). The gain or loss on derecognition of financial assets measured at amortised cost is recognized in the Statement of Comprehensive Income.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Initial and subsequent measurement of financial liabilities
Trade, group and other payables
Trade, group and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortized cost.

Initial and subsequent measurement of equity instruments
Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

Derivatives financial instruments

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of comprehensive income in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

All financial instruments held at fair value are considered to be at level 2 in the fair value hierarchy. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques that utilise observable market data.

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 recognized 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, and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in creditors: amounts falling due within one year. The carrying amount of bank deposits is a reasonable approximation of their fair value.

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 realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Net realisable value is determined by reference to prices existing at the statement of financial position date, adjusted where the sale of inventories after the reporting period gives evidence about their net realisable value at the end of the period. Supplies are valued at the lower of cost on a weighted average basis and net realisable 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 venture partners 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 recognized in cost of sales as per note 6.

Provisions for liabilities and charges and contingent liabilities

Provisions are recognized when the company 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.

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 company 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 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 company 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

Retirement benefit cost (continued)

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. Defined benefit pension plan surpluses are only recognized 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.

Share capital.

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

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 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: impairment of investments (note 15)

Management judgement is required to determine whether an indicator of potential impairment exists in relation to the company's investments. No such indicators have been identified during the current period and therefore no impairment test has needed to be performed. Accordingly, the recoverable amount of the investment has not needed to be estimated, nor any assumptions made, and no sensitivity analysis has been required. Details of the carrying value of the investments are provided in Note 15.

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

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

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 the day 1 transaction, 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognised for any non-controlling interest and the acquisition-date fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. The amount recognised for any non-controlling interest is measured at the present ownership's proportionate share in the recognised amounts of the acquiree’s identifiable net assets. 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. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Significant judgements and estimates: recoverability of Oil and Gas properties carrying values (note 13,14)

Determination as to whether, and by how much, an asset, 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.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. Fair value less costs of disposal may be determined based on expected sales proceeds or similar recent market transaction data. The energy transition is likely to impact the future prices of commodities such as oil and natural gas which in turn may affect the recoverable amount of property, plant and equipment, in the oil and gas industry. 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. During 2022 there were no indicators that there was an impairment.

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 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.

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

Significant judgements and estimates: decommissioning provisions (note 21)

The company 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 recognized. 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.

If oil and natural gas production facilities and pipelines are sold to third parties, judgement is required to assess whether the new owner will be unable to meet their decommissioning obligations, whether the company would then be responsible for decommissioning, and if so the extent of that responsibility. This typically requires assessment of the local legal requirements and the financial standing of the owner. If the standing deteriorates significantly, for example, bankruptcy of the owner, a provision may be required. The Company has assessed that there is no requirement to recognise decommissioning provisions as at 31 December 2022 for assets previously sold to third parties where the sale transferred the decommissioning obligation to the new owner.

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 used to determine the statement of financial position obligations at the end of 2022 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 8 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 $2,538 million within the next 10 years, $130 million in 10 to 20 years and $479 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 company's deferred tax assets. The company'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

	Period from 1 March 2022 to 31 December 2022 $'000
Oil Sales	2,211,717

All revenue for the 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 period was $89.9/bbl.

5. Other operating income

	Period from 1 March 2022 to 31 December 2022 $'000
Other operating income	139,995

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

6. Profit before taxation (including auditor's remuneration)

	Period from 1 March 2022 to 31 December 2022 $'000
Profit before taxation is stated after charging the following expense categories:	
Depreciation on property, plant and equipment (including right of use assets)	1,169,802
Operating Expenses	407,051
Under & over lifting variation and cost of inventories recognised as an expense	304,617
Auditor's remuneration;	
Fees payable to the Group's auditor and their associates for the audit of the group financial statements	1,000
Fees payable to associates of the group auditor for the non-audit services	140
	1,140

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

	Period from 1 March 2022 to 31 December 2022 $'000
Directors' remuneration	
Emoluments	-
Company contributions to money purchase pension schemes	-
	-

	Period from 1 March 2022 to 31 December 2022 $'000
The number of directors who:	
Are members of a money purchase pension scheme	-

	Period from 1 March 2022 to 31 December 2022 $'000
Remuneration of the highest paid director:	
Emoluments	-

- The directors did not receive any remuneration for qualifying services for the period.
- None of the qualifying directors received a compensation for loss of office.
- None of these qualifying directors were members of the defined benefit section in place, at 31 December 2022.

Directors' transactions

There were no transactions during the period.

7. Information regarding directors and employees – Group and Company (continued)

Employees

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

	Period from 1 March to 31 December 2022
Operational and support in Angola	828

The aggregate payroll costs of the Group were as follows:

	Period from 1 March to 31 December 2022 $'000
Wages and salaries	84,089
Social security costs	3,669
Pension costs	1,767
Other costs	4,534
	94,059

The Company did not have any employees during this period. Directors did not receive any remuneration for the services provided to Azule group in the current year.

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

8. Finance income and costs

	Period from 1 March to 31 December 2022 $'000
Total interest income	10,015
Finance costs	
Interest on lease liabilities (note 19)	59,931
Interest on borrowings	53,399
Unwinding of discount on provisions (note 21)	49,375
Total interest expenses	162,705

9. Taxation

The major components of the consolidated tax expense for the period ended 31 December 2022 are:

	Period from 1 March 2022 to 31 December 2022 $'000
Current tax: foreign tax	345,559
Total current tax	345,559
Deferred tax:	
Current period	(289,653)
Total deferred tax (credit)	(289,653)
Tax charge per Consolidated statement of comprehensive income	55,906

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

Reconciliation of the total tax charge:
The tax charge assessed for the period is lower than the standard rate of corporation tax in the UK of 19%

	Period from 1 March 2022 to 31 December 2022 $'000
Profit before tax	930,297
Expected tax charge based on the standard rate of corporation tax in the UK of 19%	176,756
Expenses not deductible for tax purposes	74,727
Income not taxable	(221,465)
Effects of overseas tax rates	38,634
Movement in unrecognised deferred tax	(12,746)
Tax charge for the period	55,906

No taxation has been recognised in the Company for the period ended 31 December 2022.

Factors affecting tax charge for the period:

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 gradual increase in effective Corporate Tax rate. The deferred tax at 31 March 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)

Net Deferred tax liabilities

	$'000
Acquired on the business combination	2,684,889
Deferred tax	(289,653)
At 31 December 2022	2,395,236

Deferred tax assets	$'000
Fixed assets	1,937,800
Decommissioning and other provisions	1,059,944
Other deductible temporary differences	33,366
Total	3,031,110

Deferred tax liabilities

	$'000
Fixed assets	2,584,565
Fair Value uplift	2,249,557
Other taxable temporary differences	592,228
Total	5,426,350

Unrecognised deferred tax (gross)	$'000
Fixed assets	16,345,078
Temporary differences - trading	1,364,343
Unrelieved foreign tax	741,202
CIR disallowance	10,001
Loan relationships	2,340
Losses	211,876
	18,674,840

In Angola, for PSA's 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 $211,900,000 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 Group's subsidiary, Azule Energy Angola S.p.A, for which a deferred tax liability has not been recognised in the periods presented, aggregate to $2,051,000,000. The Group 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 2022 by the Group to its shareholders.

10. Business Combinations - Group

Eni and bp (shareholders) agreed to create a stand-alone, self-funded, incorporated 50/50 Joint Venture, called Azule Energy Holdings Limited (AEHL) in order 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 $2,420,560,000 was attributable based on the deferred tax impact of the fair value adjustments as per note 11.

Consideration at 1st 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**

Azule acquired assets of a fair value of $16,694,498,000 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 $ 2,212,991,000 which consists of the promissory notes payable net off 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.

For cash flow disclosure purposes, the amounts are disclosed as follows:

	$'000
Promissory Notes issued	2,591,000
Note payable in 2023	(253,500)
Less: cash acquired	(547,838)
Net cash outflow	**1,789,662**

Of the Promissory notes issued, $253,500,000 is payable in 2023.

10. Business Combinations (continued)

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

	Book values $'000	Adjustments $'000	Fair value $'000
Property plant and Equipment (note 13)	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

	$'000
Cost	
Goodwill arising on business combination (note 10)	2,420,560
Excess of recoverable amount over carrying amount	334,181

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 2. The table above shows the carrying amount of goodwill at the period end and the excess of the recoverable amount, based on a post-tax fair value calculation, over the carrying amount (headroom) at the date of the most recent post 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. No impairment of the goodwill balances was recognized during 2022.

The fair value 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. Equity-accounted entities are generally not included in the impairment reviews of goodwill, as they do not represent part of the group of CGUs to which the goodwill balances relate and which are used to monitor the goodwill balances for internal management purposes. To determine the value in use for each of the cash-generating units, cash flows up to end of license or economic cut off for each CGU were considered. This depends on the interaction of a number of 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. Climate related factors were considered in the assessment and were concluded to not bear any significant impact on the recoverable amount. Cash flows for each CGU are derived from the business plan, which covers a period of up to 2045. 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 considered to be long life.

The total hydrocarbon production for the purposes of goodwill impairment testing is 654 million barrels of oil equivalent. The weighted average post tax discount rate used in the review for the segment is 10%. It is estimated that 0.35 percentage points change in the discount rate would cause the recoverable amount to be equal to the carrying amount of goodwill. The other key assumptions used are oil prices which ranges from $85/bbl in 2023 to $97/bbl in 2045. Management has derived Oil and gas pricing based on long term forward curves and escalated them by 2% on average. The recoverable amount of the group of CGUs was based on the future post-tax cash flows expected to be derived from the Group's oil and gas interests and represents the Fair value less costs to dispose (FVLCD), a level 3 fair value measurement.

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		
Charge for the period	-	-
At 31 December 2022	-	-
Net book value		
At 31 December 2022	486,820	486,820

The Company had no additions to intangible assets in the current period.

13. Property, plant and equipment

	Group-Land and buildings $'000	Group-Oil and Gas properties $'000	Group-Fixtures and Fittings $'000	Group-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
Depreciation				
Charge for the period	10,794	927,600	17	938,411
At 31 December 2022	10,794	927,600	17	938,411
Net book value				
At 31 December 2022	143,846	12,146,874	6,046	12,296,766

Included in Oil and Gas properties are $1,949,848,000 of assets under construction which are not depreciated.

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

The company did not recognise any Property, plant and equipment in the period.

14. Right of Use Assets

	Group Land and Buildings $'000	Group Plants and machinery $'000	Group Oil and Gas properties* $'000	Group 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
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
Net book value				
At 31 December 2022	35,288	322,360	1,952,455	2,310,103

The company did not recognise any right of use assets in the period.

*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
Dividends received	(765,680)
Share of profit from associate	756,797
At 31 December 2022	3,739,634
Net book value	
At 31 December 2022	3,739,634

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 2022 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.

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	Construction, operation and maintenance of facilities
SOMG - Sociedade de Operações e Manutenção de	Ordinary	27.20		Angola	Operation, maintenance and repair of pipeline facilities

15. Investments – Group (continued)

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 Earnings from associates - after interest and tax **2022** **$'000**	Statement of financial position Investments in associates **2022** **$'000**
Angola LNG associate (see below)	754,323	3,718,417
Angola LNG Supply Services*	2,474	21,217
	756,797	3,739,634

The Group considers this to be an immaterial associate, so no further disclosure required.

The following table provides summarised financial information relating to Angola LNG associate for the 5 months from the period of the business combination for the period 1 August 2022 to 31 December 2022.

	5 months to 31 Dec 2022 $'000
	Gross amount
Revenue	3,078,026
Operating expenses	(304,779)
Net income	2,773,247

	2022 **$'000**
Non-current assets	8,224,006
Current assets	550.696
Total assets	8,774,702
Non-current liabilities	1,273,508
Current liabilities	83,118
Total liabilities	1,356,626
Net assets	7,418,076

15. Investments – Group (continued)

Summarized financial information for the period ending 31/12/22 from the date of acquisition relating to the Group's share of Angola LNG joint associate statement of comprehensive income and statement of financial position is shown below.

	2022
	$'000
	Group's share
Revenue	837,223
Operating expenses	(82,900)
Net income	754,323
Non-current assets	2,236,930
Current assets	149,789
Total assets	2,386,719
Non-current liabilities	346,394
Current liabilities	22,608
Total liabilities	369,002
Net assets	2,017,717
Fair value adjustment (net of unwinding)	1,700,700
Total Carrying Value	**3,718,417**

Investments – Company only

	Shares in Subsidiary Undertaking $'000
Cost	
Acquisitions	9,130,098
31 December 2022	9,130,098
Net book value	
31 December 2022	9,130,098

Investments in subsidiaries.

The principal direct subsidiaries, indirect subsidiaries of Azule Energy Holdings Ltd, which are directly or indirectly involved in oil and gas exploration and production activities, are:

Eni International B.V. and bp Exploration Operating Company Ltd agreed to combine and develop their upstream, LNG and renewable energy interests located in (or related to) Angola into a new joint venture. On 1st August 2022, Azule Energy Holdings Limited acquired the investments in the legal entities noted below:

15. Investments – Company (continued)

Company Name	Country of incorporation	Holding	Registered address
Azule Energy Ltd	England	100%	A
Azule Energy Exploration Angola (KB) Ltd*	England	100%	A
Azule Energy Exploration (Angola) Ltd*	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

* Indirect holdings – these entities were transferred under the direct ownership of Azule Energy Holdings Ltd on 9 March 2023

** Associate

- A - Chertsey Road, Sunbury On Thames, Middlesex, United Kingdom, TW16 7BP.
- 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 Center 1209 Orange Street, Wilmington, New Castle 19801, Delaware.

16. Inventories– Group

	2022
	$'000
Raw materials and consumables	409,424
Crude oil	168,787
	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 provision for the period was $8,170,861.

17. Trade and other receivables

	Group	Company
Current	**2022 $'000**	**2022 $'000**
Trade debtors	1,258,794	-
Amounts owed by group companies	-	7,590,000
Amounts owed by related parties (note 25)	806,049	378,009
Other debtors	59,578	4,290
	2,124,421	7,972,299

Trade debtors are mainly represented by amounts due from joint venture partner balances and Underlifting. 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.

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:

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.

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

The total debtors at 31 December 2022 are stated net of a provision of $1,162,000 to provide for amounts overdue. The net charge to the statement of comprehensive income in respect of the net realisable value provision was therefore $1,162,000.

	Group	Company
Non-Current	**2022 $'000**	**2022 $'000**
Decommissioning Escrow balances	1,711,660	-

Decommissioning Escrow balances are deposited in the name of ANPG to cover the obligation of funding future decommissioning costs as per relevant PSA requirements, while not having right to access the funds as per local regulations. The related decommissioning provision is in note 21.

18. Trade and other payables

	Group	Company
	2022 **$'000**	**2022** **$'000**
Current		
Amounts owed to group companies	-	1,851,743
Trade payables	1,633,547	7,285
Other payables	179,113	2,057
Amounts due to related parties	318,468	272,597
	2,131,128	2,133,682

Materially all of the company's trade payables have payment terms in the range of 30 to 60 days and give rise to operating cash flows. The amount owed to related parties includes the promissory note and transition costs.

19. Leases – Group

The following amounts were recognized in the Statement of Comprehensive Income in relation to the leases:

	2022 **$'000**
Depreciation charge for Right-of-use assets (note 14)	231,391
Interest on lease liabilities (note 8)	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, Azule:

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

• makes adjustments 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 $240,875,000.

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 and the contractual maturity date:

	2022
	$'000
Within one year	565,300
Between one and five years	1,562,294
Over five years	870,882

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

	2022
	$'000
Within one year	557,555
Between one and five years	1,312,880
Over five years	490,115

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 28)	(174)	(88,058)	(152,643)	(240,875)
At 31 December 2022	40,098	388,824	1,931,628	2,360,550

20. Non-current loans and borrowings

	Group	Company
	2022	**2022**
	$'000	**$'000**
Non-current		
Long term borrowings	2,500,000	2,500,000
Loan fees adjustment	(50,000)	(50,000)
Amortization of loan fees	2,976	2,976
	2,452,976	2,452,976

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

Undiscounted cash flow due to borrowings	**Group**	**Company**
	2022	**2022**
	$'000	**$'000**
Due within one year	220,291	220,291
In more than one year but less than five years	1,975,113	1,975,113
In five years and more	1,162,780	1,162,780
	3,358,814	3,358,814

The above loan has been adjusted by the initial fees of $50,000,000 charged as part of the loan arrangement 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 5th of August 2022 in favour of SMBC bank international PLC in respect of all borrowings to the bank.

Interest rates on borrowings repayable wholly or partly more than five years from 31 December 2022 contains a fixed and floating element, the fixed amount is 4.5% and the floating amount is based on the daily SOFR (secured overnight financing rate). 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").

21. Provisions for liabilities and charges

	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 (note 13)	(514,142)	-	(514,142)
Write-back of unused provisions	-	(11,787)	(11,787)
Unwinding of discount	47,878	1,497	49,375
At 31 December 2022	2,729,133	211,332	2,940,465

For information on significant judgements and estimates made in relation to provisions, see Provisions within Note 3.

Decrease 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 period the Group operated two post-employment defined benefit schemes for its employees. As part of the combination of the bp and eni Angola assets these pension schemes were brought into the Azule Group.

Scheme A – Azule Pension Trust

On 21st July 2022, the Azule Pension Trust was established and Azule Energy Limited a subsidiary of Azule Energy Holdings Limited became the principal employer of the Trust. The sale of bp Angola business to Azule Group included the transfer of a defined benefit pension plan from the BP Offshore DB Retirement Plan into the Azule Pension Trust.

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

Scheme B – Azule Energy Angola S.p.A.

The pension obligation consists of a unfunded defined benefit plan for Termination Retirement Indemnity (TRI) to 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 31 December 2022.

Both schemes have been subsequently closed to new entrants on 28 February 2023.

Employees in both schemes are eligible for membership of a defined contribution scheme.

22. Employee Benefit schemes (continued)

Amounts charged to the Statement of Comprehensive Income:

	Scheme A ($'000)	Scheme B ($'000)	2022 ($'000)
Administration expenses paid from Plan	(3)	289	286
Current service costs	(3,163)	(528)	(3,691)
Net interest on net defined benefit liability	(1,146)	(121)	(1,267)
Expense recognised in Statement of Comprehensive Income	(4,312)	(360)	(4,672)

Movements in Other comprehensive income

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

Pension Assets/Liabilities in the Statement of financial position

	Scheme A ($'000)	Scheme B ($'000)	2022 ($'000)
Net Pension asset / (Liability)	1,155	(2,739)	(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 2022 and the pension expense for the following year.

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

22. Employee Benefit schemes (continued)

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

	Scheme A $'000	Scheme B $'000
Opening Defined Benefit Obligation	-	-
Pension scheme acquired	74,265	4,430
Current service cost	3,163	528
Contributions by members	443	-
Benefits paid	(1,012)	-
Interest on obligation	1,322	121
Experience (gains)	(349)	-
Administration expenses	-	(289)
Losses/ (Gains) from changes in financial assumptions	2,497	(2,051)
Closing Defined Benefit Obligation	80,329	2,739

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

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

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

	Scheme A %	Scheme B %
Equities	24.6	n/a
Corporate bonds	46.9	n/a
Cash	25.3	n/a
Loans	3.2	n/a

22. Employee Benefit schemes (continued)

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.

Contribution expected to be paid to the Schemes over the next year from 1 January 2023 to 31 December 2023.

	Scheme A $'000	Scheme B $'000
Contributions	1,985	-

Sensitivity analysis

Scheme A - A one-percentage change in isolation, in certain assumptions as at 31 December 2022 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
Discount rate	Decrease by 13.4%	Increase by 16.0%
Crediting rate	Increase by 15.9%	Decrease by 13.5%

Scheme B - A one-percentage change in isolation, in certain assumptions as at 31 December 2022 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
Discount rate	No effects	No effects
Inflation rate	No effects	No effects

23. Capital and reserves.

Group	**2022** **$'000**
Authorized, allotted, called up and fully paid	
Called-up share capital	
1,000,000 Ordinary shares of $1 each	1,000
Share capital	1,000
Share premium	7,543,000
Shares to be issued	378,009
Other reserves	1,559,498
Retained earnings	4,881,570

23. Capital and reserves(continued)

Company	2022 $'000
Authorized, allotted, called up and fully paid	
Called-up share capital	
1,000,000 Ordinary shares of $1 each	1,000
Share capital	1,000
Share premium	7,543,000
Shares to be issued	378,009
Other Reserves	1,559,498
Retained earnings	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 of $1 shares 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 was issued.

Share premium.

Share premium represents the consideration received for shares above their nominal value net of transaction. On 1 August 2022, an amount of $12,543,000,000 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 capital and related premium and transfer $5,000,000,000 of the share premium account to distributable reserves leaving a balance of $7,543,000 attributable to share premium.

Shares to be issued

Shares to be issued relate to deferred redeemable shares which 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. They are represented by $378,009,000 appearing as leakage receivable as part of shareholder agreement (refer note 10,17 and 31).

Other Reserves

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

Retained earnings.

Cumulative profit and loss net of distributions to owners.

24. Cash flows from operating activities

Group	2022 $'000
Profit for the period	874,391
Adjustments for:	
Income Tax Expense (note 9)	55,906
Other operating income (note 5)	(139,995)
Finance income (note 8)	(10,015)
Finance expenses (note 8)	162,705
Amortization of Loan fees (note 20)	2,976
Share of post-tax profits of equity accounted associates (note 15)	(756,797)
Depreciation of Property, Plant and Equipment (note 13)	938,411
Amortization of Right of Use Assets (note 14)	231,391
Provisions (note 21)	19,107
Decrease in Inventories	218,586
Increase in trade and other receivables	(187,182)
Increase in trade and other payables	615,687
Cash inflow generated from Operations	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.

Related party transactions

Key management personnel are the directors, and none received emoluments from the Company.

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

During the period 1 March 2022 to 31 December 2022 the Company 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, are as follows:

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	1,032,768	44,928	532,493	26,759
Eni Group - shareholder	1,178,949	54,303	273,556	291,709

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 following Azule group undertakings; Azule Energy Limited, Azule Energy Angola S.p.A and Azule Energy Exploration (Angola) Limited, are Guarantors to a loan facility (Pre-Export Facility - PXF) that was signed on 29th July 2022. The maximum aggregate liability of the PXF Guarantors is 110% of the outstanding loan amount. The shareholders have issued the following guarantees, for which the Group is liable

- $2,980,906,000 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.
- $52,500,000 – work obligations under Block 28. (beneficiary ANPG)
- $26,250,000 – work obligations under the Block 1/14 RSC (beneficiary ANPG)
- $19,084,276 in favour of ADMINISTRACÃO GERAL TRIBUTARIA
- $12,750,000 – work obligations under the Cabinda Centro RSC (beneficiary ANPG)
- $6,930,000 – work obligations under Block 29 (beneficiary ANPG)
- $4,556,000 – Gas transportation services (beneficiary Florida Gas Transmission Company)

27. Financial risk management

Categories of financial instruments

	2022 **$'000**
Financial assets	
Financial assets measured at amortized cost	
Trade and other receivables	2,124,421
Cash and Cash equivalents	1,030,863
Financial liabilities measured at amortized cost	
Trade and other payables	(2,131,128)
Lease liabilities	(2,360,550)
Finance debt	(2,452,976)
	(3,789,370)

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.

27. Financial risk management(continued)

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 primary commodity price risks that the company is exposed to include oil and gas that could adversely affect the value of the Company's financial assets, liabilities or expected future cash flows. The major components of market risk are commodity price risk, foreign currency exchange risk and interest rate risk, each of which is discussed below.

Commodity Price Risk
The Group is exposed to commodity price risk resulting from fluctuations in the price of oil and gas, as sales are subject to floating prices. A $1/bbl variation in oil prices would lead to a $30,000,000 change in net profit annually. For 2023, the Group has undertaken an oil price risk management “hedging” program to protect against volatility in oil prices.

Foreign currency exchange risk

The Azule group has minimal foreign currency exchange exposure since it is a USD reported company with the majority of its revenues also being received in USD and the majority of payments are in USD or indexed to USD.

Interest rate risk

In addition to the inter-company balances, as at 31 December 2022 finance debt payable on the Pre- Export Facility (PXF) loan had a carrying value of $2,500 million. Under such facilities, the Company is exposed to the Secured Overnight Financing Rate (SOFR). A 1% variation on SOFR would have impacted net profit by approximately $10,500,000 for the period.

Credit risk

Credit risk represents the Company’s potential exposure to incur a loss in the event of non-performance by a counterparty including joint venture partners. Credit risk arising from the Company’s normal commercial operations is managed by the Company within Azule approved guidelines. Central Treasury monitors the counterparty credit ratings for all of the Company’s banks. Only independently rated parties with a high credit rating are accepted for investing excess liquidity and holding cash. The Group’s cash balance is represented in the table below.

	As at 31 December 2022
AAA to AA-	678,000,000
A+ to A-	1,022,707,000
B+ to B-	85,052,633
CCC+ and below	-

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

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company’s business activities may not be available. The Company’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 in the market.

Management aims to maintain flexibility in funding by maintaining sufficient cash. Of the Company’s total cash, $115,742,514 is considered restricted and relates to cash held as a requirement under the PXF described below.

Pre-Export Facility (PXF)

The PXF was signed on 29th July 2022, the total loan is for a period of 7 years and the amount is $2,500 million. It is a syndicated loan with several banks forming the group of lenders.

The first drawdown of $1,700 million was on 8th August 2022 and the second drawdown of $800 million was on 22 December 2022.

27. Financial risk management(continued)

The repayment of the loan is in pre-agreed instalments, starting in September 2024, with interest paid quarterly, which started in September 2022. Total interest on the PXF loan paid in 2022 was $51,400,000.

The interest rate contains a fixed and floating element, the fixed amount is 4.5% and the floating amount is based on the daily SOFR (Secured Overnight Financing Rate).

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 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.

28. Changes in liabilities arising from financial activities

	Acquisition $'000	Cash flows $'000	New Leases $'000	Other $'000	2022 $'000
Non-current 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**

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.

29. Capital management

Capital management involves the overall financial resources of the Company, including equity and third-party debt. The Company 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 Azule 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.

	2022 $'000
Loans and borrowings	2,500,000
Less: Cash and cash equivalents	(1,030,863)
Net Debt	**1,469,137**
EBITDA	**1,495,992**
Leverage	**0.98**

30. 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 by the company for which contracts had been placed but not provided in the financial statements at 31 December 2022 is estimated at $1,945,261,000 mainly on Block 15/06 development.

31. Events after the reporting date

- On 23 February 2023, 1 deferred ordinary share of $0.01 was issued on receipt of the Leakage receivable from shareholders associated with the business combination.

- The Company declared and approved the following interim dividends during the year
  - On 23 February 2023, dividend of $378 million.
  - On 30 March 2023, dividend of $450 million.
  - On 22 June 2023, dividend of $340 million.
  - On 22 September 2023, dividend of $125 million.
  - On 22 December 2023, dividend of $500 million.

- During the year; the group signed the following
  - On 30th August 2023, Production Sharing Agreement for Block 31/21 with ANPG and Equinor with a 50% participating interest, as the operator for the block.
  - On 20th December 2023 Risk Service Contracts ("RSCs") for Offshore Blocks Blocks 46 and 47 in partnership with Equinor and Sonangol Pesquisa e Produção, S.A. ("Sonangol P&P") with a 40% participating interest, as the operator for the blocks.
  - On 20th December 2023, Risk Service Contracts ("RSCs") for Offshore Blocks Blocks 18/15 in partnership with Sonangol P&P with an 80% participating interest, as the operator for the block.

- The Group DB Pension Plan's in note 22 have been subsequently closed to new entrants on 28 February 2023.
- On 1 March 2023 all employees were transferred to Azule Energy Angola BV as their employing entity and are eligible for membership of a defined contribution scheme.
- On 6th March 2023, Azule Energy Angola Production B.V. acquired 50% holding in Solenova Limited for a purchase price of $20,860,000 which will be equity accounted in the financial statements.
- On 9th March 2023, Azule Energy Holdings Limited acquired the investments that were held in its subsidiary Azule Energy Limited. Azule Energy Exploration (Angola) Limited, Azule Energy Exploration Angola (KB) Limited and Azule Energy Angola (Block 18) B.V. were acquired in exchange for the cancellation of the promissory note held between Azule Energy Holdings Limited and Azule Energy Limited of $7,590,000,000. This was an intragroup transaction.
- On 19th July 2023 Azule Energy Angola Production B.V. has signed a Sale and Purchase Agreement with Afentra, to sell its working interests in Block 3/05 and Block 3/05A for a firm consideration of $48.5 million and deferred contingent payments of up to $36 million subject to oil price, production and development conditions. The Sale and Purchase agreement is subject to fulfilment of all precedent conditions and as such the determination of gain/loss on disposal is yet to be determined.
- In October 2023, the Company successfully executed a Revolving Credit Facility (RCF) for liquidity management with a value of $345million. As part of this, a charge was registered over the dedicated RCF bank accounts.
- On 5th December 2023 Azule Energy Limited was released from its obligation as guarantor of the PXF loan facility following the restructuring on 9th March 2023.

32. 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 IFRSs that have been issued but are not yet effective:

Standard	Effective date
Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9 and IFRS 17 for insurance contracts and its initial adoption in conjunction with IFRS 9.	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2	1 January 2023
Amendments to IAS 12 *Income Taxes* relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* relating to Classification of Liabilities as Current or Non-Current with Covenants.	1 January 2024
Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*	1 January 2024

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.