# Independent auditor's report
## to the members of EnQuest PLC



## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of EnQuest PLC (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted International Financial Reporting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group Income Statement;
- the Group Balance Sheet;
- the Group Statement of Changes in Equity;
- the Group Statement of Cash Flows;
- the related notes 1 to 31 to the Group Financial Statements;
- the Company Balance Sheet;
- the Company Statement of Changes in Equity; and
- the related notes 1 to 14 to the Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted International Financial Reporting 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

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

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

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

### 3. Summary of our audit approach

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| **Key audit matters** | The key audit matters that we identified in the current year were:<br>• Valuation of oil and gas related assets and liabilities<br>• Valuation of decommissioning liability<br><br>Within this report, key audit matters are identified as follows:<br>Newly identified<br>Increased level of risk<br>Similar level of risk<br>Decreased level of risk |
| **Materiality** | The materiality that we used for the group financial statements was $23m which was determined on the basis of 2.8% of adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, remeasurements and exceptional items). |
| **Scoping** | EnQuest PLC has two components, being the North Sea and Malaysia. They account for 100% of the group's revenue, 100% of its adjusted EBITDA and 100% of its net assets. |
| **Significant changes in our approach** | There were no significant changes in our approach compared to the prior year. |

### 4. Conclusions relating to going concern

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

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

- assessing the reasonableness of the assumptions used in the cash flow forecasts, in particular commodity prices, production levels and cash costs;
- assessing the historical accuracy of forecasts prepared by management;
- assessing the financing facilities throughout the going concern period, including repayment terms and financial covenants;
- considering the levels of cash and covenant headroom throughout the going concern period, including sensitivity analysis and reverse stress testing;
- assessing the mathematical accuracy of the forecasts and the going concern model, involving our modelling specialists; and
- assessing the appropriateness of the group's and parent company's going concern related financial statement disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

### 5. Key audit matters

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

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

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

**Key audit matter description**

Management is required to assess the carrying value of oil and gas related assets and liabilities, in line with the relevant accounting standard, at each balance sheet date. In order to appropriately value these assets and liabilities, management is required to forecast future cash flows. These forecast cash flows are used consistently across the:
- Impairment assessment of oil and gas assets;
- Impairment assessment of goodwill;
- Impairment assessment of the parent company investments;
- Valuation of Magnus contingent consideration; and
- Valuation of the deferred tax asset.

The forecast future cash flows contain a high level of management judgment and estimation, particularly in relation to the following significant assumptions:
- Forecast commodity prices;
- Discount rate applied; and
- Reserve estimates and production profiles.

In addition to the above, the assumed cost savings on the Kraken CGU as a result of alternative fuel sources was a key judgment during the year.

Commodity prices, reserve estimates and production profiles are also impacted by climate-related risks, which increases the level of estimation uncertainty.

Given the level of management judgment and estimation applied in determining the recoverable value of the oil and gas related assets and liabilities, including estimation uncertainty within the significant assumptions outlined above, we consider this to be a key audit matter related to the potential risk of fraud.

**Impairment assessment of oil and gas assets, goodwill and parent company investments**
Management performed an impairment assessment for oil and gas assets and goodwill carrying value, by reference to IAS 36 Impairment of Assets. As at 31 December 2023, the net book value of oil and gas assets was $1,880 million (2022: $2,037 million) and management have recorded a pre-tax impairment of $117 million (2022: $81 million) against certain oil and gas assets, including related right of use assets, as disclosed in note 10.

As at 31 December 2023, the net book value of goodwill was $134 million (2022: $134 million). No goodwill impairment charge has been recorded in 2023 (2022: nil), as disclosed in note 11.

Management also performed an assessment of the carrying values of the parent company's investment in subsidiaries by reference to IAS36 Impairment of Assets and IFRS9 Financial Instruments. As at 31 December 2023, the net book value of investments recognised in the parent company balance sheet was $300 million (2022: $370 million) and management have recorded an impairment of $74 million (2022: $31 million impairment), as disclosed in note 3 to the parent company financial statements.

**Valuation of Magnus contingent consideration**
The valuation of Magnus contingent consideration was $488 million (2022: $567 million) as at 31 December 2023, based on the estimated future cash flows for the Magnus oil and gas asset, as disclosed in note 22.

**Valuation of the deferred tax asset**
As at 31 December 2023, a deferred tax asset of $540m (2022: $706m) was recognised, based on the expected utilisation of historical tax losses, underpinned by forecasts of future profitability. The forecast cash flows used to value the deferred tax asset are consistent with the cash flows used for impairment purposes. Further details on the deferred tax asset are disclosed in note 7(c).

Given the interrelated nature of the key areas noted above, management have applied consistent assumptions across all of these valuations where appropriate. Further details on this matter have been disclosed in the audit committee report on page 95 and 96.



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

**How the scope of our audit responded to the key audit matter**

Our procedures comprised the following:

**Procedures on internal controls and valuation models**
- obtaining an understanding of relevant controls over management's process for identifying indicators of impairment and for performing their impairment assessment and related valuations;
- assessing management's forecasting accuracy through a retrospective review of previous forecasts;
- assessing whether forecast cash flows were consistent with board approved forecasts and budgets, and forecasts used elsewhere, including for going concern and viability purposes;
- challenging the reasonableness of the operating and capital cost assumptions within the models;
- assessing, with input from our tax specialists, whether the models appropriately incorporate tax cash flows, including the Energy Profits Levy;
- working with our modelling specialists to evaluate the arithmetical accuracy of the models;
- challenging management's determination of oil and gas cash generating units for impairment purposes, in comparison to the requirements of IAS36;
- assessing the reasonableness of the various valuations on an aggregate basis, as part of our stand-back procedures;
- evaluating compliance with the relevant accounting standards, including IAS12 Income taxes, IAS36 Impairment of assets and IFRS13 Fair Value Measurements; and
- evaluating the adequacy of management's disclosures in relation to impairment and related valuations, including related sensitivity analysis and climate-related disclosures.

**Procedures related to the key assumptions used for valuation purposes**
Our procedures related to the key assumptions in this key audit matter are:

***Forecast commodity prices***
- assessing the appropriateness of management's forecast commodity prices, through benchmarking against forward curves, peer information and market data;
- performing sensitivity analysis on the pricing assumptions to determine the impact on the valuation conclusions of reasonably possible changes; and
- evaluating whether management's pricing assumptions have adequately considered the impact of lower oil and gas demand due to climate change.

***Discount rate***
- evaluating, with input from our valuations specialists, the group's discount rates used in impairment tests and valuations; and
- assessing whether country risks and tax adjustments are appropriately reflected in the group's discount rate.

***Reserves estimates and production profiles***
- comparing management's reserves estimate and production profile to those of their management's independent reserves expert;
- assessing the technical competence, capabilities and objectivity of management's internal and external experts;
- evaluating, with involvement from our oil and gas reserves specialist, the reasonableness of reserves estimates and production profiles; and
- working with our oil and gas reserves specialist to challenge management on significant changes in the reserves estimates and production profiles.

***Kraken cost savings***
- We challenged management on the inclusion of the assumed cost savings on Kraken as a result of alternative fuel sources, with reference to available external evidence.

**Key observations**

We are satisfied with management's conclusions in respect of the valuation of oil and gas related assets and liabilities, including the related impairment charges.

In reaching this conclusion, we observed that:
- Future commodity price assumptions are within our acceptable range;
- Impairment discount rates were within our acceptable range, calculated by our valuations specialist;
- Reserves estimates and production profiles were concluded as reasonable, based on estimates from management's reserves expert;
- The carrying value of the oil and gas assets and goodwill, including the related impairment charge, is reasonable;
- The carrying value of the investment in subsidiaries, including the related impairment charge, is reasonable;
- The carrying value of the Magnus contingent consideration is reasonable; and
- The deferred tax asset recognition is appropriate and the carrying value is a reasonable estimate.

# Independent auditor's report
## to the members of EnQuest PLC continued



### 5.2. Valuation of decommissioning liability

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| **Key audit matter description** | The group is required by law to decommission the oil and gas assets and associated infrastructure at the end of their operating life. An estimate of the future cost of decommissioning is required to be provided for in accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets.<br><br>The decommissioning provision at 31 December 2023 is $781 million (2022: $724 million). The provision represents the present value of decommissioning costs which are expected to be incurred during the decommissioning period, which is assumed to run to 2048, assuming no further development of the group's assets. Further details on the key sources of estimation uncertainty underpinning the valuation of decommissioning provisions can be found in note 2. This key audit matter is considered to be a risk due to fraud.<br><br>Decommissioning liabilities are inherently judgemental areas, particularly in relation to cost estimates and the related assumptions. The key management estimates containing the most estimation uncertainty, and therefore the focus of our key audit matter, are:<br>• internal well cost estimates included in the decommissioning model; and<br>• internal cost reduction factors applied to the gross decommissioning cost estimates to reflect anticipated cost savings.<br><br>The Group's Audit Committee has considered this key audit matter in their Audit Committee Report for the year ended 31 December 2023 on page 96. Further detail on decommissioning provisions is included in note 23. |
| **How the scope of our audit responded to the key audit matter** | Our procedures comprised the following:<br><br>**Procedures on internal controls and the decommissioning model**<br>• obtaining an understanding of the relevant controls relating to the decommissioning provision;<br>• assessing the technical competence, capabilities and objectivity of management's internal and external experts;<br>• assessing the decommissioning provision for compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets;<br>• working with our modelling specialists to evaluate the arithmetical accuracy of the decommissioning model;<br>• assessing available benchmarking reports for indications of developments in industry practice in light of climate change goals;<br>• testing a sample of actual decommissioning spend incurred during the period, by agreeing to invoices and payments from bank statements;<br>• assessing the historical forecasting accuracy of management for decommissioning expenditure, by comparing actual spend with historical estimates;<br>• re-calculating the closing decommissioning provision from the gross decommissioning cost estimate, and agreeing this to the group's financial records; and<br>• evaluating the adequacy of management's disclosures, including the key sources of estimation uncertainty and associated sensitivity analysis of decommissioning assumptions.<br><br>**Procedures on cost estimates and related assumptions**<br>***Internal well cost estimates***<br>• challenging the group's assumptions within the cost estimate by referencing to available third-party data and benchmarking to peer and market rates; and<br>• assessing the assumed durations for plug and abandonment of wells, by comparison to available benchmarking data and potential contradictory evidence available from active decommissioning projects or operator estimates.<br><br>***Internal cost reduction factors***<br>• challenging the group's cost reduction factors applied to the decommissioning model, through comparison with available evidence for the factors applied;<br>• benchmarking cost reduction factors to peers and other applicable sources; and<br>• considering potentially contradictory evidence from actual decommissioning spend, changes in market rates and industry publications. |
| **Key observations** | • The key assumptions within the well cost estimates are reasonable;<br>• Cost reduction factors are reasonable, albeit considered to be towards the optimistic end of an acceptable range;<br>• We are satisfied that the group's decommissioning provision is prepared in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and<br>• We are satisfied the disclosures in the financial statements are adequate. |

### 6. Our application of materiality

**6.1. Materiality**

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

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

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | $23 million (2022: $30 million) | $11.4m (2022: $12.7 million) |
| **Basis for determining materiality** | 2.8% of adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, remeasurements and exceptional items) (2022: 3% of adjusted EBITDA).<br><br>Management have presented a reconciliation of $825 million adjusted EBITDA to profit from operations before tax and interest in the glossary to the financial statements on page 193. | 3% of net assets (2022: 3% of net assets) |
| **Rationale for the benchmark applied** | Adjusted EBITDA was considered to be the most relevant benchmark as it is a key performance measure used by the group and by investors. It represents a consistent profit measure used widely by stakeholders. | The parent company acts principally as a holding company and therefore net assets is a key measure for this business. |


**6.2. Performance materiality**

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

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Performance materiality** | 70% (2022: 70%) of group materiality | 70% (2022: 70%) of parent company materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered the following factors:<br>• the quality of the control environment and whether we were able to rely on controls;<br>• the nature, volume and size of corrected and uncorrected misstatements identified in the previous audit;<br>• macro-economic factors such as commodity price volatility and geo-political instability; and<br>• management's willingness to correct errors identified in the prior year and current year. | |

**6.3.Error reporting threshold**

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $1.15m (2022: $1.5m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

**7. An overview of the scope of our audit**

**7.1. Identification and scoping of components**

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

The materiality applied for the Malaysia component was \$11.5 million (2022: \$15.0 million). The materiality applied for the North Sea component was \$20.6 million (2022: \$27.0 million).

The North Sea and Malaysia components, where we performed full scope audit procedures, accounted for 100% of the group's revenue, 100% of the group's adjusted EBITDA and 100% of the group's net assets, consistent with the prior year.

**7.2. Our consideration of the control environment**

We obtained an understanding of the relevant controls in relation to key business processes as well as IT systems that were relevant to the audit, being the financial reporting system. We worked with our IT specialists to test the operating effectiveness of the general IT control environment. Weaknesses were identified and as a result of this we were unable to place reliance on the general IT controls. Where appropriate, we adapted our audit procedures in response.

**7.3. Our consideration of climate-related risks**

We performed enquiries of management to understand the impact of climate-related risks and controls relevant to the group. We performed a review of the climate change risk assessment and related documentation prepared by management and considered the completeness and accuracy of the climate-related risks identified and summarised in the Task Force on Climate-related Financial Disclosures report on page 66 and 75.

As disclosed in note 2, management identified key judgements and estimates with elevated climate-related risk, relating to impairment of oil and gas assets, valuation of contingent consideration, valuation of the decommissioning provision, valuation of deferred tax assets, and estimation of oil and gas reserves.

We considered whether the risks identified by management within their climate change risk assessment and related documentation are complete and challenged assumptions impacting the financial statements. The key piece of climate-related regulation enacted to date and impacting the group continues to relate to carbon costs and emission allowances. The key market-related matter which could have a material impact on the valuation of the items noted above is in respect of future demand for, and pricing of, oil and gas as the energy mix evolves in response to climate change risk and other matters. There continues to be a physical climate-related risk relating to the early cessation of production of oil and gas assets, which would impact all of the judgments and estimates outlined above. This is disclosed in the annual report on page 69.

We performed a review of the climate disclosures within the Annual Report, including the climate-related financial disclosures referred to on page 66 to 75, with the involvement of our climate specialists. We considered whether these were materially consistent with the financial disclosures and consistent with our understanding of the climate-related risks, assumptions and judgements during the year. Both of our key audit matters are considered to contain climate-related risks, being the risks to commodity prices and cessation of production, which could have a material impact on the valuation of oil and gas related assets and liabilities and valuation of the decommissioning provision. The procedures performed for these key audit matters are discussed in detail in the key audit matters section above.

**7.4. Working with other auditors**

We engaged Deloitte Malaysia as our component auditor, directed and supervised by the group engagement team in the UK. Detailed referral instructions were sent to the component audit team as part of planning procedures.

The group engagement team directed and supervised the component team throughout the year via attendance at planning meetings, regular communication between the teams and attendance at closing meetings. The group engagement team reviewed and challenged the reporting deliverables and audit file as part of concluding procedures.

We are satisfied that the level of involvement of the lead audit partner and team in the component audit has been appropriate and has enabled us to conclude that sufficient appropriate audit evidence has been obtained in support of our opinion on the group financial statements as a whole.

**8. Other information**

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**9. Responsibilities of directors**

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

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

**10. Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www. frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**11. Extent to which the audit was considered capable of detecting irregularities, including fraud**
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

**11.1. Identifying and assessing potential risks related to irregularities**
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:
- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur, either as a result of fraud or error, that was approved by the board;
- results of our enquiries of management, internal audit, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team including the component audit team and relevant internal specialists, including tax, valuations, IT, modelling and oil and gas reserves specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:
- valuation of oil and gas related assets and liabilities;
- valuation of decommissioning provision; and
- crude oil revenue recognition.

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

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

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

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

In addition to the above, our procedures to respond to risks identified included the following:
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant authorities;
- in addressing the risk of fraud in revenue recognition associated with the cut-off of crude oil sales, we tested a sample of invoices from a population of December 2023 and January 2024 sales; and
- in addressing the risk of fraud through management override of controls: testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

# Independent auditor's report
**to the members of EnQuest PLC** continued

## Report on other legal and regulatory requirements

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

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

### 13. Corporate Governance Statement

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

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit: :
- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 29 and 30;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 29 and 30;
- the directors' statement on fair, balanced and understandable set out on page 93;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 46 to 64;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 97; and
- the section describing the work of the audit committee set out on pages 92 and 93.

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

**14.1. Adequacy of explanations received and accounting records**

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

We have nothing to report in respect of these matters.

**14.2. Directors' remuneration**

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

We have nothing to report in respect of these matters.

### 15. Other matters which we are required to address

**15.1. Auditor tenure**

Following the recommendation of the Audit Committee, we were appointed by shareholders on 21 May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ended 31 December 2020 to 31 December 2023.

**15.2. Consistency of the audit report with the additional report to the Audit Committee**

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

### 16. Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

James Leigh FCA (Senior statutory auditor)
**For and on behalf of Deloitte LLP**
Statutory Auditor

London, United Kingdom

27 March 2024

# Group Income Statement
## For the year ended 31 December 2023

| | Notes | 2023 Business performance $'000 | 2023 Remeasurements and exceptional items (note 4) $'000 | 2023 Reported in year $'000 | 2022 Business performance $'000 | 2022 Remeasurements and exceptional items (note 4) $'000 | 2022 Reported in year $'000 |
|---|---|---|---|---|---|---|---|
| Revenue and other operating income | 5(a) | **1,458,956** | **28,463** | **1,487,419** | 1,839,147 | 14,475 | 1,853,622 |
| Cost of sales | 5(b) | **(941,102)** | **(5,650)** | **(946,752)** | (1,195,806) | (4,900) | (1,200,706) |
| **Gross profit/(loss)** | | **517,854** | **22,813** | **540,667** | 643,341 | 9,575 | 652,916 |
| Net impairment (charge)/ reversal to oil and gas assets | 4,10 | **–** | **(117,396)** | **(117,396)** | – | (81,049) | (81,049) |
| General and administration expenses | 5(c) | **(6,348)** | **–** | **(6,348)** | (7,553) | – | (7,553) |
| Other income | 5(d) | **17,897** | **78,984** | **96,881** | 76,247 | 7,706 | 83,953 |
| Other expenses | 5(e) | **(46,846)** | **(10,731)** | **(57,577)** | (2,810) | (233,570) | (236,380) |
| **Profit/(loss) from operations before tax and finance income/(costs)** | | **482,557** | **(26,330)** | **456,227** | 709,225 | (297,338) | 411,887 |
| Finance costs | 6 | **(172,087)** | **(58,854)** | **(230,941)** | (176,227) | (36,410) | (212,637) |
| Finance income | 6 | **6,493** | **–** | **6,493** | 1,816 | 2,148 | 3,964 |
| **Profit/(loss) before tax** | | **316,963** | **(85,184)** | **231,779** | 534,814 | (331,600) | 203,214 |
| Income tax | 7 | **(287,750)** | **25,138** | **(262,612)** | (322,468) | 78,020 | (244,448) |
| **Profit/(loss) for the year attributable to owners of the parent** | | **29,213** | **(60,046)** | **(30,833)** | 212,346 | (253,580) | (41,234) |
| **Total comprehensive profit/(loss) for the year, attributable to owners of the parent** | | | | **(30,833)** | | | (41,234) |

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

| | Notes | 2023 Business performance | 2023 Reported in year | 2022 Business performance | 2022 Reported in year |
|---|---|---|---|---|---|
| **Earnings per share** | 8 | **$** | **$** | $ | $ |
| Basic | | **0.016** | **(0.016)** | 0.114 | (0.022) |
| Diluted | | **0.016** | **(0.016)** | 0.112 | (0.022) |

The attached notes 1 to 31 form part of these Group financial statements.



# Group Balance Sheet
## At 31 December 2023

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **2,296,740** | 2,476,975 |
| Goodwill | 11 | **134,400** | 134,400 |
| Intangible assets | 12 | **18,323** | 45,299 |
| Deferred tax assets | 7(c) | **540,122** | 705,808 |
| Other financial assets | 19 | **36,282** | 6 |
| | | **3,025,867** | 3,362,488 |
| **Current assets** | | | |
| Intangible assets | 12 | **876** | 1,199 |
| Inventories | 13 | **84,797** | 76,418 |
| Trade and other receivables | 16 | **225,486** | 276,363 |
| Current tax receivable | | **1,858** | 1,491 |
| Cash and cash equivalents | 14 | **313,572** | 301,611 |
| Other financial assets | 19 | **113,326** | 4,705 |
| | | **739,915** | 661,787 |
| **TOTAL ASSETS** | | **3,765,782** | 4,024,275 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital and premium | 20 | **393,831** | 392,196 |
| Share-based payments reserve | | **13,195** | 11,510 |
| Retained earnings | 20 | **49,702** | 80,535 |
| **TOTAL EQUITY** | | **456,728** | 484,241 |
| **Non-current liabilities** | | | |
| Borrowings | 18 | **283,867** | 281,422 |
| Bonds | 18 | **463,945** | 452,386 |
| Lease liabilities | 24 | **288,892** | 362,966 |
| Contingent consideration | 22 | **461,271** | 513,677 |
| Provisions | 23 | **715,436** | 667,335 |
| Deferred income | 25 | **138,416** | – |
| Trade and other payables | 17 | **32,917** | – |
| Deferred tax liabilities | 7(c) | **77,643** | 166,334 |
| | | **2,462,387** | 2,444,120 |
| **Current liabilities** | | | |
| Borrowings | 18 | **27,364** | 131,936 |
| Bonds | 18 | **–** | 134,544 |
| Lease liabilities | 24 | **133,282** | 119,100 |
| Contingent consideration | 22 | **46,525** | 123,198 |
| Provisions | 23 | **79,861** | 70,335 |
| Trade and other payables | 17 | **347,409** | 426,647 |
| Other financial liabilities | 19 | **26,679** | 50,966 |
| Current tax payable | | **185,547** | 39,188 |
| | | **846,667** | 1,095,914 |
| **TOTAL LIABILITIES** | | **3,309,054** | 3,540,034 |
| **TOTAL EQUITY AND LIABILITIES** | | **3,765,782** | 4,024,275 |

The attached notes 1 to 31 form part of these Group financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2024 and signed on its behalf by:

Amjad Bseisu
**Chief Executive Officer**

# Group Statement of Changes in Equity
## For the year ended 31 December 2023

| | Notes | Share capital and share premium $'000 | Share-based payments reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2022** | | **392,196** | **6,791** | **121,769** | **520,756** |
| Loss for the year | | – | – | (41,234) | (41,234) |
| Total comprehensive expense for the year | | – | – | (41,234) | (41,234) |
| Share-based payment | | – | 4,719 | – | 4,719 |
| **Balance at 31 December 2022** | | **392,196** | **11,510** | **80,535** | **484,241** |
| Loss for the year | | **–** | **–** | **(30,833)** | **(30,833)** |
| Total comprehensive expense for the year | | **–** | **–** | **(30,833)** | **(30,833)** |
| Issue of shares to Employee Benefit Trust | 20 | **1,635** | **(1,635)** | **–** | **–** |
| Share-based payment | 21 | **–** | **3,320** | **–** | **3,320** |
| **Balance at 31 December 2023** | | **393,831** | **13,195** | **49,702** | **456,728** |

The attached notes 1 to 31 form part of these Group financial statements.

# Group Statement of Cash Flows
## For the year ended 31 December 2023

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| **Cash generated from operations** | 30 | **854,746** | 1,026,149 |
| Cash received from insurance | | **5,190** | 15,015 |
| Cash (paid)/received on purchase of financial instruments | | **(5,795)** | (1,354) |
| Decommissioning spend | | **(58,911)** | (58,964) |
| Income taxes paid | | **(40,986)** | (49,293) |
| **Net cash flows from/(used in) operating activities** | | **754,244** | 931,553 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(141,741)** | (107,668) |
| Proceeds from farm-down | 25 | **141,360** | – |
| Vendor financing facility | 25 | **(141,360)** | – |
| Purchase of intangible oil and gas assets | | **(10,467)** | (8,168) |
| Purchase of other intangible assets | 12 | **(876)** | (1,199) |
| Payment of Magnus contingent consideration – Profit share | 22 | **(65,506)** | (45,975) |
| Payment of Golden Eagle contingent consideration – Acquisition | 22 | **(50,000)** | – |
| Interest received | | **5,895** | 1,763 |
| **Net cash flows (used in)/from investing activities** | | **(262,695)** | (161,247) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from loans and borrowings | | **190,657** | 87,215 |
| Repayment of loans and borrowings | | **(427,736)** | (567,020) |
| Payment of obligations under financing leases | 24 | **(135,675)** | (147,971) |
| Interest paid | | **(105,877)** | (103,387) |
| **Net cash flows (used in)/from financing activities** | | **(478,631)** | (731,163) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **12,918** | 39,143 |
| Net foreign exchange on cash and cash equivalents | | **(957)** | (24,193) |
| Cash and cash equivalents at 1 January | | **301,611** | 286,661 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | | **313,572** | 301,611 |
| **Reconciliation of cash and cash equivalents** | | | |
| Total cash at bank and in hand | 14 | **313,028** | 293,866 |
| Restricted cash | 14 | **544** | 7,745 |
| **Cash and cash equivalents per balance sheet** | | **313,572** | 301,611 |

The attached notes 1 to 31 form part of these Group financial statements.

# Notes to the Group Financial Statements
## For the year ended 31 December 2023

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

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

The Group's financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 27 March 2024.

A listing of the Group's companies is contained in note 29 to these Group financial statements.

**2. Basis of preparation**
The consolidated financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards ('IFRS') in conformity with the requirements of the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023.

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

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

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

In recent years, given the prevailing macroeconomic and fiscal environment, the Group has prioritised deleverage - reducing gross debt (excluding leases) by c.$1.4 billion since 2017 to $794.5 million at 31 December 2023. During 2023, EnQuest net debt was reduced by $236.2 million (to $480.9 million) and the Group strengthened its net debt to adjusted EBITDA ratio to 0.6x, close to EnQuest's target of 0.5x. In this 12-month period, cash and available facilities increased by $149.9 million, to $498.8 million at 31 December 2023, and medium-term liquidity is secured, with all the Group's debt maturities now in 2027.

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

The Group's latest approved business plan underpins management's base case ('Base Case') and is in line with the Group's production guidance using oil price assumptions of $80.0/bbl for 2024 and $75.0/bbl for 2025.

A reverse stress test has been performed on the Base Case indicating that an average oil price of c.$63.0/bbl over the going concern period maintains covenant compliance, reflecting the Group's strong liquidity position.

The Base Case has also been subjected to further testing through a scenario reflecting the impact of the following plausible downside risks (the 'Downside Case'):
- 10% discount to Base Case prices resulting in Downside Case prices of $72.0/bbl for 2024 and $67.5/bbl for 2025;
- Production risking of 5.0%; and
- 2.5% increase in operating, capital and decommissioning expenditure.

The Base Case and Downside Case indicate that the Group is able to operate as a going concern and remain covenant compliant for 12 months from the date of publication of its full-year results.

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



**2. Basis of preparation** continued
**New standards and interpretations**
The following new standards became applicable for the current reporting period. No material impact was recognised upon application:
- Insurance contracts (IFRS 17)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- International Tax reform – Pillar Two Model Rules (Amendments to IAS 12)

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

| | |
|---|---|
| IFRS 10 and IAS 28 (amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to IAS 1 | Non-current Liabilities with Covenants |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback |

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

**Basis of consolidation**
The consolidated financial statements incorporate the financial statements of EnQuest PLC and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities relating to the arrangement. The Group recognises its share of assets, liabilities, income and expenses of the joint operation in the consolidated financial statements on a line-by-line basis. During 2023, the Group did not have any material interests in joint ventures or in associates as defined in IAS 28.

**2. Basis of preparation** continued

**Foreign currencies**

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

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

**Emissions liabilities**

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

**Use of judgements, estimates and assumptions**

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

The accounting judgements and estimates that have a significant impact on the results of the Group are set out below and should be read in conjunction with the information provided in the Notes to the financial statements. The Group does not consider contingent consideration and deferred taxation (including EPL) to represent a significant estimate or judgement as the estimates and assumptions relating to projected earnings and cash flows used to assess contingent consideration and deferred taxation are the same as those applied in the Group impairment process as described below in *Recoverability of asset carrying values*. Judgements and estimates, not all of which are significant, made in assessing the impact of climate change and the transition to a lower carbon economy on the consolidated financial statements are also set out below. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, this is specifically noted.

***Climate change and energy transition***

As covered in the Group's principal risks on oil and gas prices on page 52, the Group recognises that the energy transition is likely to impact the demand, and hence the future prices, of commodities such as oil and natural gas. This in turn may affect the recoverable amount of property, plant and equipment, and goodwill in the oil and gas industry. The Group acknowledges that there are a range of possible energy transition scenarios that may indicate different outcomes for oil prices. There are inherent limitations with scenario analysis and it is difficult to predict which, if any, of the scenarios might eventuate.

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

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

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



**2. Basis of preparation** continued

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

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

***Recoverability of asset carrying values***

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

**Estimates:** Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to dispose ('FVLCD') and value in use ('VIU'). The assessments require the use of estimates and assumptions, such as the effects of inflation and deflation on operating expenses, cost profile changes including those related to emission reduction initiatives such as alternative fuel provision at Kraken, 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. Such estimates reflect management's best estimate of the related cash flows based on management's plans for the assets and their future development.

As described above, the recoverable amount of an asset is the higher of its VIU and its FVLCD. When the recoverable amount is measured by reference to FVLCD, in the absence of quoted market prices or binding sale agreement, estimates are made regarding the present value of future post-tax cash flows. These estimates are made from the perspective of a market participant and include prices, life of field production profiles, operating costs, capital expenditure, decommissioning costs, tax attributes, risking factors applied to cash flows, and discount rates. Reserves and resources are included in the assessment of FVLCD to the extent that it is considered probable that a market participant would attribute value to them. Details of impairment charges and reversals recognised in the income statement and details on the carrying amounts of assets are shown in note 10, note 11 and note 12.

The estimates for assumptions made in impairment tests in 2023 relating to discount rates and oil prices are discussed below. Changes in the economic environment or other facts and circumstances may necessitate revisions to these assumptions and could result in a material change to the carrying values of the Group's assets within the next financial year.

***Discount rates***

For discounted cash flow calculations, future cash flows are adjusted for risks specific to the CGU. FVLCD discounted cash flow calculations use the post-tax discount rate. The discount rate is derived using the weighted average cost of capital methodology. The discount rates applied in impairment tests are reassessed each year and, in 2023, the post-tax discount rate was estimated at 11.0% (2022: 11.0%) with the effect of the Group's reduced debt position offset by the impact of the general increase in interest rates.

***Oil prices***

The price assumptions used for FVLCD impairment testing were based on latest internal forecasts as at 31 December 2023, which assume short-term market prices will revert to the Group's assessment of long-term price. These price forecasts reflect EnQuest's long-term views of global supply and demand, including the potential financial impacts on the Group of climate change and the transition to a low carbon economy as outlined in the Basis of Preparation, and are benchmarked with external sources of information such as analyst forecasts. The Group's price forecasts are reviewed and approved by management, the Audit Committee and the Board of Directors.

EnQuest revised its oil price assumptions for FVLCD impairment testing compared to those used in 2022. The Group's long-term price assumption was increased to better align with external forecasts. A summary of the Group's revised price assumptions is provided below. These assumptions, which represent management's best estimate of future prices, sit within the range of external forecasts. They do not correspond to any specific Paris–consistent scenario, but when compared to the International Energy Agency's ('IEA') forecast prices under its Announced Pledges Scenario ('APS'), which is considered to be a scenario achieving an emissions trajectory consistent with keeping the temperature rise in 2100 below 2°C, could, on average, be considered to be broadly in line with a Paris-consistent scenario. EnQuest's short- and medium-term assumptions are below those assumed under the APS, while its longer-term prices are slightly higher. The impact on the Group from the forecast prices under the APS are discussed in EnQuest's Task Force on Climate-related Financial Disclosures report on pages 66 to 75. Discounts or premiums are applied to price assumptions based on the characteristics of the oil produced and the terms of the relevant sales contracts.

An inflation rate of 2% (2022: 2%) is applied from 2027 onwards to determine the price assumptions in nominal terms (see table below). The price assumptions used in 2022 were $84.0/bbl (2023), $80.0/bbl (2024), $75.0/bbl (2025) and $70.0/bbl real thereafter, inflated at 2.0% per annum from 2026.

| | 2024 | 2025 | 2026 | 2027>* |
|---|---|---|---|---|
| Brent oil ($/bbl) | 80 | 80 | 75 | 77 |

* Inflated at 2% from 2027

## 2. Basis of preparation continued

***Oil and natural gas reserves***

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

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

***Sensitivity analyses***

Management tested the impact of a change in cash flows in FVLCD impairment testing arising from a 10% reduction in price assumptions, which it believes to be a reasonably possible change given the prevailing macroeconomic environment.

Price reductions of this magnitude in isolation could indicatively lead to a further reduction in the carrying amount of EnQuest's oil and gas properties by approximately $224.1 million, which is approximately 10% of the net book value of property, plant and equipment as at 31 December 2023.

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

Management also tested the impact of a one percentage point change in the discount rate of 11% used for FVLCD impairment testing of oil and gas properties, which is considered a reasonably possible change given the prevailing macroeconomic environment. If the discount rate was one percentage point higher across all tests performed, the net impairment charge in 2023 would have been approximately $51.3 million higher. If the discount rate was one percentage point lower, the net impairment charge would have been approximately $56.0 million lower.

***Goodwill***

Irrespective of whether there is any indication of impairment, EnQuest is required to test annually for impairment of goodwill acquired in business combinations. The Group carries goodwill of approximately $134.4 million on its balance sheet (2022: $134.4 million), principally relating to the acquistion of Magnus oil field. Sensitivities and additional information relating to impairment testing of goodwill are provided in note 11.

***Deferred tax***

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

***75% Magnus acquisition contingent consideration***

**Estimates:** Following the rising interest rate environment seen in 2023, the Group reassessed the fair value discount rate associated with the Magnus contingent consideration. This was estimated to be 11.3% as at the end of 2023 (2022: 10.0%), as calculated in line with IFRS 13. Sensitivities and additional information relating to the 75% Magnus acquisition contingent consideration are provided in note 22.

## 2. Basis of preparation continued

***Provisions***

**Estimates:** Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's oil and gas production facilities and pipelines. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques and experience at other production sites. The expected timing, extent and amount of expenditure may also change, for example, in response to changes in oil and gas reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results, although this is not expected within the next year.

The timing and amount of future expenditures relating to decommissioning and environmental liabilities are reviewed annually. The rate used in discounting the cash flows is reviewed half-yearly. The nominal discount rate used to determine the balance sheet obligations at the end of 2023 was 3.5% (2022: 3.5%), reflecting the wider interest rate environment. The weighted average period over which decommissioning costs are generally expected to be incurred is estimated to be approximately ten years. Costs at future prices are determined by applying inflation rates at 2.5% for 2024 and a long-term inflation rate of 2% thereafter (2022: 4% (2023), 3% (2024) and a long-term inflation rate of 2% thereafter) to decommissioning costs.

Further information about the Group's provisions is provided in note 23. Changes in assumptions, including cost reduction factors in relation to the Group's provisions, could result in a material change in their carrying amounts within the next financial year. A one percentage point decrease in the nominal discount rate applied, which is considered a reasonably possible change given the prevailing macroeconomic environment, could increase the Group's provision balances by approximately $68.0 million (2022: $54.0 million). The pre-tax impact on the Group income statement would be a charge of approximately $67.1 million.

***Intangible oil and gas assets***

**Judgements:** The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Refer to note 12 for further details.

### 3. Segment information

The Group's organisational structure reflects the various activities in which EnQuest is engaged. Management has considered the requirements of IFRS 8 Operating Segments in regard to the determination of operating segments and concluded that at 31 December 2023, the Group had two significant operating segments: the North Sea and Malaysia. Operations are managed by location and all information is presented per geographical segment. The Group's segmental reporting structure remained in place throughout 2023. The North Sea's activities include Upstream, Midstream, Decommissioning and Veri Energy. Veri Energy is not considered a separate operating segment as it does not yet earn revenues and does not yet have material capital and resources. Malaysia's activities include Upstream and Decommissioning. The Group's reportable segments may change in the future depending on the way that resources may be allocated and performance assessed by the Chief Operating Decision Maker, who for EnQuest is the Chief Executive. The information reported to the Chief Operating Decision Maker does not include an analysis of assets and liabilities, and accordingly this information is not presented, in line with IFRS 8 paragraph 23.

| Year ended 31 December 2023 $'000 | North Sea | Malaysia | All other segments | Total segments | Adjustments and eliminations(i), (ii) | Consolidated |
|---|---|---|---|---|---|---|
| **Revenue and other operating income:** | | | | | | |
| Revenue from contracts with customers | 1,325,200 | 142,510 | – | 1,467,710 | – | 1,467,710 |
| Other operating income/(expense) | 2,229 | – | 281 | 2,510 | 17,199 | 19,709 |
| **Total revenue and other operating income/(expense)** | 1,327,429 | 142,510 | 281 | 1,470,220 | 17,199 | 1,487,419 |
| **Income/(expenses) line items:** | | | | | | |
| Depreciation and depletion | (278,280) | (19,923) | (105) | (298,308) | – | (298,308) |
| Net impairment (charge)/reversal to oil and gas assets | (117,396) | – | – | (117,396) | – | (117,396) |
| Exploration write-off and impairments | – | (5,640) | – | (5,640) | – | (5,640) |
| **Segment profit/(loss)(ii)** | 389,355 | 46,192 | 4,474 | 440,021 | 16,206 | 456,227 |
| **Other disclosures:** | | | | | | |
| Capital expenditure(iii) | 149,093 | 11,817 | 12 | 160,922 | – | 160,922 |

| Year ended 31 December 2022 $'000 | North Sea | Malaysia | All other segments | Total segments | Adjustments and eliminations(i), (ii) | Consolidated |
|---|---|---|---|---|---|---|
| **Revenue and other operating income:** | | | | | | |
| Revenue from contracts with customers | 1,873,214 | 159,578 | – | 2,032,792 | – | 2,032,792 |
| Other operating income/(expense) | 9,832 | – | 264 | 10,096 | (189,266) | (179,170) |
| **Total revenue and other operating income/(expense)** | 1,883,046 | 159,578 | 264 | 2,042,888 | (189,266) | 1,853,622 |
| **Income/(expenses) line items:** | | | | | | |
| Depreciation and depletion | (319,025) | (14,116) | (107) | (333,248) | – | (333,248) |
| Net impairment (charge)/reversal to oil and gas assets | (81,049) | – | – | (81,049) | – | (81,049) |
| **Segment profit/(loss)(ii)** | 546,199 | 65,160 | 112 | 611,471 | (199,584) | 411,887 |
| **Other disclosures:** | | | | | | |
| Capital expenditure(iii) | 115,853 | 39,030 | 30 | 154,913 | – | 154,913 |

(i) Finance income and costs and gains and losses on derivatives are not allocated to individual segments as the underlying instruments are managed on a Group basis
(ii) Inter-segment revenues are eliminated on consolidation. All other adjustments are part of the reconciliations presented further below
(iii) Capital expenditure consists of property, plant and equipment and intangible exploration and appraisal assets



### 3. Segment information continued

**Reconciliation of profit/(loss):**

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| **Segment profit/(loss) before tax and finance income/(costs)** | 440,021 | 611,471 |
| Finance costs | (230,941) | (212,637) |
| Finance income | 6,493 | 3,964 |
| Gain/(loss) on oil and foreign exchange derivatives(i) | 16,206 | (199,584) |
| **Profit/(loss) before tax** | 231,779 | 203,214 |

(i) Includes $8.4 million realised losses on derivatives (2022: $209.2 million) and $24.6 million unrealised gains on derivatives (2022: $9.6 million)

Revenue from two customers relating to the North Sea operating segment each exceeds 10% of the Group's consolidated revenue arising from sales of crude oil, with amounts of $491.2 million and $201.3 million per each single customer (2022: two customers; $365.1 million and $321.7 million per each single customer).

### 4. Remeasurements and exceptional items

**Accounting policy**

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

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

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

| Year ended 31 December 2023 $'000 | Fair value remeasurement(i) | Impairments and write-offs(ii) | Other(iii) | Total |
|---|---|---|---|---|
| Revenue and other operating income | 28,463 | – | – | 28,463 |
| Cost of sales | (3,832) | – | (1,818) | (5,650) |
| Net impairment (charge)/reversal on oil and gas assets | – | (117,396) | – | (117,396) |
| Other income | 69,665 | – | 9,319 | 78,984 |
| Other expense | – | (5,640) | (5,091) | (10,731) |
| Finance costs | – | – | (58,854) | (58,854) |
| | 94,296 | (123,036) | (56,444) | (85,184) |
| Corporation tax on items above | (37,788) | 181 | 21,790 | (15,817) |
| UK Energy Profits Levy(iv) | (38,560) | 22,518 | 56,997 | 40,955 |
| | 17,948 | (100,337) | 22,343 | (60,046) |

## 4. Remeasurements and exceptional items continued

| Year ended 31 December 2022 $'000 | Fair value remeasurement(i) | Impairments and write-offs(ii) | Other(iii) | Total |
|---|---|---|---|---|
| Revenue and other operating income | 14,475 | – | – | 14,475 |
| Cost of sales | (4,900) | – | – | (4,900) |
| Net impairment (charge)/reversal on oil and gas assets | – | (81,049) | – | (81,049) |
| Other income | 1,070 | – | 6,636 | 7,706 |
| Other expenses | (233,570) | – | – | (233,570) |
| Finance costs | – | – | (36,410) | (36,410) |
| Finance income | – | – | 2,148 | 2,148 |
| | (222,925) | (81,049) | (27,626) | (331,600) |
| Corporation tax on items above | 89,599 | 32,420 | 7,817 | 129,836 |
| Recognition of undiscounted deferred tax asset(iv) | – | 127,024 | – | 127,024 |
| UK Energy Profits Levy(v) | – | – | (178,840) | (178,840) |
| | (133,326) | 78,395 | (198,649) | (253,581) |

(i) Fair value remeasurements include unrealised mark-to-market movements on derivative contracts and other financial instruments, and the impact of recycled realised gains and losses out of 'Remeasurements and exceptional items' and into Business performance profit or loss of $24.6 million (2022: $9.6 million). Other income relates to the fair value remeasurement of contingent consideration relating to the acquisition of Magnus and associated infrastructure of $69.7 million (note 22) (2022: net other expense of $232.5 million)
(ii) Impairments and write-offs include a net impairment charge of tangible oil and gas assets and right-of-use assets totalling $117.4 million (note 10) (2022: charge of $81.0 million) and write-off of exploration costs in Malaysia of $5.6 million (2022: nil)
(iii) Other items are made up of the following: other costs of sales includes $1.8 million related to an increase in a provision for a dispute with a third-party contractor (2022: nil). Other net income primarily includes $4.1 million recognition of insurance income related to the PM8/Seligi riser incident (2022: $6.6 million) and $0.1 million movement in other provisions (2022: nil). Finance costs relates to the finance cost element of the 75% acquisition of Magnus and associated infrastructure of $58.9 million (note 22) (2022: $36.4 million). In 2022, finance income of $2.1 million represents a realised gain on the partial buy back of the Group's 7.00% high yield bond
(iv) Non-cash deferred tax recognition in 2022 is due to the Group's higher oil price assumptions
(v) In 2022, UK Energy Profits Levy ('EPL') represented the charge on initial recognition. In 2023, the related assumptions were refined, resulting in a credit of $32.7 million in other items. The remaining EPL items relate to the EPL charges and credits on the items above

## 5. Revenue and expenses

### (a) Revenue and other operating income

***Accounting policy***

Revenue from contracts with customers

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

***Sale of crude oil, gas and condensate***

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

***Tariff revenue for the use of Group infrastructure***

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

***Other operating income***

Other operating revenue is recognised to the extent that it is probable economic benefits will flow to the Group and the revenue can be reliably measured.

The Group enters into oil derivative trading transactions which can be settled net in cash. Accordingly, any gains or losses are not considered to constitute revenue from contracts with customers in accordance with the requirements of IFRS 15, rather are accounted for in line with IFRS 9 and included within other operating income (see note 19).

## 5. Revenue and expenses continued

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| **Revenue from contracts with customers:** | | |
| Revenue from crude oil sales | **1,127,419** | 1,517,666 |
| Revenue from gas and condensate sales(i) | **338,973** | 514,206 |
| Tariff revenue | **1,318** | 920 |
| **Total revenue from contracts with customers** | **1,467,710** | 2,032,792 |
| Realised gains/(losses) on oil derivative contracts (see note 19) | **(11,264)** | (203,741) |
| Other | **2,510** | 10,096 |
| **Business performance revenue and other operating income** | **1,458,956** | 1,839,147 |
| Unrealised gains/(losses) on oil derivative contracts(ii) (see note 19) | **28,463** | 14,475 |
| **Total revenue and other operating income** | **1,487,419** | 1,853,622 |

(i) Includes onward sale of third-party gas purchases not required for injection activities at Magnus (see note 5(b))
(ii) Unrealised gains and losses on oil derivative contracts are disclosed as fair value remeasurement items in the income statement (see note 4)

***Disaggregation of revenue from contracts with customers***

| | Year ended 31 December 2023 $'000 | | | Year ended 31 December 2022 $'000 | | |
|---|---|---|---|---|---|---|
| | North Sea | Malaysia | Total | North Sea | Malaysia | Total |
| **Revenue from contracts with customers:** | | | | | | |
| Revenue from crude oil sales | **987,610** | **139,809** | **1,127,419** | 1,360,228 | 157,438 | 1,517,666 |
| Revenue from gas and condensate sales(i) | **336,902** | **2,071** | **338,973** | 512,066 | 2,140 | 514,206 |
| Tariff revenue | **689** | **629** | **1,318** | 920 | – | 920 |
| **Total revenue from contracts with customers** | **1,325,201** | **142,509** | **1,467,710** | 1,873,214 | 159,578 | 2,032,792 |

(i) Includes onward sale of third-party gas purchases not required for injection activities at Magnus (see note 5(b))

### (b) Cost of sales

***Accounting policy***

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

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| Production costs | **308,331** | 347,832 |
| Tariff and transportation expenses | **41,736** | 43,266 |
| Realised (gain)/loss on derivative contracts related to operating costs (see note 19) | **(2,839)** | 5,418 |
| Change in lifting position | **(2,669)** | (18,790) |
| Crude oil inventory movement | **(1,575)** | 3,222 |
| Depletion of oil and gas assets(i) | **292,199** | 327,027 |
| Other cost of operations(ii) | **305,919** | 487,831 |
| **Business performance cost of sales** | **941,102** | 1,195,806 |
| Unrealised losses/(gains) on derivative contracts related to operating costs(iii) (see note 19) | **3,832** | 4,900 |
| Movement in contractor dispute provision (see note 23) | **1,818** | – |
| **Total cost of sales** | **946,752** | 1,200,706 |

(i) Includes $28.6 million (2022: $38.7 million) Kraken FPSO right-of-use asset depreciation charge and $24.0 million (2022: $15.8 million) of other right-of-use assets depreciation charge
(ii) Includes $294.0 million (2022: $452.8 million) of purchases and associated costs of third-party gas not required for injection activities at Magnus which is sold on
(iii) Unrealised gains and losses on derivative contracts are disclosed as fair value remeasurement in the income statement (see note 4)

## 5. Revenue and expenses continued

### (c) General and administration expenses

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| Staff costs (see note 5(f)) | **77,517** | 75,266 |
| Depreciation(i) | **6,109** | 6,222 |
| Other general and administration costs | **25,490** | 21,740 |
| Recharge of costs to operations and joint venture partners | **(102,768)** | (95,675) |
| **Total general and administration expenses** | **6,348** | 7,553 |

(i) Includes $3.4 million (2022: $3.4 million) right-of-use assets depreciation charge on buildings

### (d) Other income

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| Net foreign exchange gains | **–** | 21,329 |
| Change in decommissioning provisions (see note 23) | **–** | 36,763 |
| Change in Thistle decommissioning provisions (see note 23) | **–** | 6,060 |
| Rental income from office sublease | **2,286** | 1,549 |
| Other | **15,611** | 10,546 |
| **Business performance other income** | **17,897** | 76,247 |
| Fair value changes in contingent consideration (see note 22) | **69,665** | 1,070 |
| Other non-business performance (see note 4) | **9,319** | 6,636 |
| **Total other income** | **96,881** | 83,953 |

### (e) Other expenses

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| Net foreign exchange losses | **11,659** | – |
| Change in decommissioning provisions (see note 23) | **31,159** | – |
| Change in Thistle decommissioning provisions (see note 23) | **1,605** | – |
| Other | **2,423** | 2,810 |
| **Business performance other expenses** | **46,846** | 2,810 |
| Fair value changes in contingent consideration (see note 22) | **–** | 233,570 |
| Other non-business performance (see note 4) | **10,731** | – |
| **Total other expenses** | **57,577** | 236,380 |



## 5. Revenue and expenses continued

### (f) Staff costs

***Accounting policy***

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

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

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| Wages and salaries | **63,458** | 63,430 |
| Social security costs | **5,457** | 6,547 |
| Defined contribution pension costs | **5,038** | 4,968 |
| Expense of share-based payments (see note 21) | **3,320** | 4,719 |
| Other staff costs | **11,079** | 12,984 |
| **Total employee costs** | **88,352** | 92,648 |
| Contractor costs | **38,304** | 33,661 |
| **Total staff costs** | **126,656** | 126,309 |
| General and administration staff costs (see note 5(c)) | **77,517** | 75,266 |
| Non-general and administration costs | **49,139** | 51,043 |
| **Total staff costs** | **126,656** | 126,309 |

The monthly average number of persons, excluding contractors, employed by the Group during the year was 697, with 343 in the general and administration staff costs and 354 directly attributable to assets (2022: 715 of which 335 in general and administration and 380 directly attributable to assets). Compensation of key management personnel is disclosed in note 26 and in the Directors' Remuneration Report on pages 99 to 117.

### (g) Auditor's remuneration

The following amounts for the year ended 31 December 2023 and for the comparative year ended 31 December 2022 were payable by the Group to Deloitte:

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the parent company and Group financial statements | **1,239** | 1,064 |
| The audit of the Company's subsidiaries | **177** | 274 |
| Total audit | **1,416** | 1,338 |
| Audit-related assurance services(i) | **314** | 649 |
| Total audit and audit-related assurance services | **1,730** | 1,987 |
| **Total auditor's remuneration** | **1,730** | 1,987 |

(i) Audit-related assurance services in both years include the review of the Group's interim results, G&A assurance review and the Bond refinancing activities

### 6. Finance costs/income

**Accounting policy**

Borrowing costs are recognised as interest payable within finance costs at amortised cost using the effective interest method.

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| **Finance costs:** | | |
| Loan interest payable | **30,708** | 14,906 |
| Bond interest payable | **58,999** | 62,260 |
| Unwinding of discount on decommissioning provisions (see note 23) | **24,236** | 16,995 |
| Unwinding of discount on other provisions (see note 23) | **1,145** | 777 |
| Finance charges payable under leases (see note 24) | **43,801** | 39,172 |
| Amortisation of finance fees on loans and bonds | **7,899** | 35,287 |
| Other financial expenses(i) | **5,299** | 6,830 |
| **Business performance finance expenses** | **172,087** | 176,227 |
| Unwinding of discount on Magnus-related contingent consideration (see note 22) | **58,854** | 36,410 |
| **Total finance costs** | **230,941** | 212,637 |
| **Finance income:** | | |
| Bank interest receivable | **6,493** | 1,816 |
| **Business performance finance income** | **6,493** | 1,816 |
| Other financial income (see note 4) | **–** | 2,148 |
| **Total finance income** | **6,493** | 3,964 |

(i) Includes unwinding of discount on Golden Eagle contingent consideration of $1.7 million (2022: $3.2 million). See note 22

### 7. Income tax

**(a) Income tax**

**Accounting policy**

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

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

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

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

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

**Production taxes**

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

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



### 7. Income tax continued

**Investment allowance**

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

**Energy Profits Levy**

The Energy (Oil & Gas) Profits Levy Act 2022 ('EPL') applies an additional tax on the profits earned by oil and gas companies from the production of oil and gas on the United Kingdom Continental Shelf until 31 March 2028 (see note 7(e) for extension to 31 March 2029). This is accounted for under IAS 12 Income Taxes since it has the characteristics of an income tax as it is imposed under government authority and the amount payable is based on taxable profits of the relevant UK companies. Current and deferred tax is provided on the same basis as described above for income taxes.

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

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| **Current UK income tax** | | |
| Current income tax charge | **–** | – |
| Adjustments in respect of current income tax of previous years | **(14)** | (243) |
| **Current overseas income tax** | | |
| Current income tax charge | **24,685** | 19,017 |
| Adjustments in respect of current income tax of previous years | **(2,567)** | (6,551) |
| **UK Energy Profits Levy** | | |
| Current year charge | **175,118** | 72,147 |
| Adjustments in respect of current charge of previous years | **(11,605)** | – |
| **Total current income tax** | **185,617** | 84,370 |
| **Deferred UK income tax** | | |
| Relating to origination and reversal of temporary differences | **160,712** | 1,784 |
| Adjustments in respect of changes in tax rates | **–** | 45 |
| Adjustments in respect of deferred income tax of previous years | **4,974** | (4,668) |
| **Deferred overseas income tax** | | |
| Relating to origination and reversal of temporary differences | **(3,761)** | 6,884 |
| Adjustments in respect of deferred income tax of previous years | **1,430** | 2,363 |
| **Deferred UK Energy Profits Levy** | | |
| Relating to origination and reversal of temporary differences | **(58,661)** | 153,670 |
| Adjustments in respect of deferred charge of previous years | **(27,699)** | – |
| **Total deferred income tax** | **76,995** | 160,078 |
| **Income tax expense reported in profit or loss** | **262,612** | 244,448 |

**7. Income tax** continued

**(b) Reconciliation of total income tax charge**

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

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| **Profit/(loss) before tax** | **231,779** | 203,214 |
| UK statutory tax rate applying to North Sea oil and gas activities of 40% (2022: 40%) | **92,712** | 81,284 |
| Supplementary corporation tax non-deductible expenditure | **10,580** | 11,486 |
| Non-deductible expenditure(i) | **69,494** | 47,951 |
| Petroleum revenue tax (net of income tax benefit) | **(8,200)** | – |
| Tax in respect of non-ring-fence trade | **7,418** | 8,892 |
| Deferred tax asset impairment in respect of non-ring-fence trade | **11,696** | 8,563 |
| Deferred tax asset recognition in respect of ring-fence trade | **–** | (127,022) |
| UK Energy Profits Levy(ii) | **116,457** | 225,817 |
| Adjustments in respect of prior years | **(35,481)** | (9,098) |
| Overseas tax rate differences | **(1,114)** | (1,264) |
| Share-based payments | **(90)** | (1,345) |
| Other differences | **(860)** | (816) |
| At the effective income tax rate of 113% (2022: 120%) | **262,612** | 244,448 |

(i) Predominantly in relation to non-qualifying expenditure relating to the initial recognition exemption utilised under IAS 12 upon acquisition of Golden Eagle given that at the time of the transaction, it affected neither accounting profit nor taxable profit
(ii) Includes current EPL charge of $175.1 million (2022: $72.1 million charge) and deferred EPL credit of $58.7 million (2022: $153.7 million charge)

**(c) Deferred income tax**

Deferred income tax relates to the following:

| | Group balance sheet | | Charge/(credit) for the year recognised in profit or loss | |
|---|---|---|---|---|
| | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| **Deferred tax liability** | | | | |
| Accelerated capital allowances | **877,800** | 963,816 | **(86,015)** | 195,185 |
| | **877,800** | 963,816 | | |
| **Deferred tax asset** | | | | |
| Losses | **(695,888)** | (902,101) | **206,213** | 114,996 |
| Decommissioning liability | **(265,800)** | (238,624) | **(27,176)** | 47,421 |
| Other temporary differences | **(378,592)** | (362,565) | **(16,027)** | (197,524) |
| | **(1,340,280)** | (1,503,290) | **76,995** | 160,078 |
| **Net deferred tax (assets)** | **(462,479)** | (539,474) | | |
| Reflected in the balance sheet as follows: | | | | |
| Deferred tax assets | **(540,122)** | (705,808) | | |
| Deferred tax liabilities | **77,643** | 166,334 | | |
| **Net deferred tax (assets)** | **(462,479)** | (539,474) | | |

Reconciliation of net deferred tax assets/(liabilities)

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| At 1 January | **539,474** | 699,552 |
| Tax expense during the period recognised in profit or loss | **(76,995)** | (160,078) |
| **At 31 December** | **462,479** | 539,474 |



**7. Income tax** continued

**(d) Tax losses**

The Group's deferred tax assets at 31 December 2023 are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised. In accordance with IAS 12 Income Taxes, the Group assesses the recoverability of its deferred tax assets at each period end. Sensitivities have been run on the oil price assumption, with a 10% change being considered a reasonable possible change for the purposes of sensitivity analysis (see note 2). A 10% reduction in oil price would result in a deferred tax asset derecognition of $62.5 million while a 10% increase in oil price would not result in any change as the Group is currently recognising all UK tax losses (with the exception of those noted below).

The Group has unused UK mainstream corporation tax losses of $442.1 million (2022: $389.7 million) and ring-fence tax losses of $1,163.0 million (2022: $1,163.0 million) associated with the Bentley acquisition, for which no deferred tax asset has been recognised at the balance sheet date as recovery of these losses is to be established. In addition, the Group has not recognised a deferred tax asset for the adjustment to bond valuations on the adoption of IFRS 9. The benefit of this deduction is taken over ten years, with a deduction of $2.2 million being taken in the current period and the remaining benefit of $8.5 million (2022: $10.7 million) remaining unrecognised.

The Group has unused Malaysian income tax losses of $14.3 million (2022: $14.3 million) arising in respect of the Tanjong Baram RSC for which no deferred tax asset has been recognised at the balance sheet date due to uncertainty of recovery of these losses.

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

**(e) Changes in legislation**

Finance Act 2001 amended the mainstream corporation tax rate to 25% from 1 April 2023. The change had no impact in the current year as UK mainstream corporation tax losses are not recognised.

In the Autumn Statement on 22 November 2023, the UK Government confirmed that it will bring in legislation for the Energy Security Investment Mechanism and has agreed to index link the trigger floor price to the CPI from April 2024. The Government also announced that once the decarbonisation allowance of 80% against EPL is withdrawn in March 2028, it will replace this with a new allowance at the same effective rate against the permanent tax regime. In March 2024, the UK Government announced that the sunset clause for EPL would be extended by a year to 31 March 2029, the impact on the current year financial statements would be an increase in the tax charge and deferred tax for EPL by $44.6 million. The Group will continue to monitor developments and any potential related impacts.

The UK has introduced legislation implementing the Organisation for Economic Co-operation and Development's ('OECD') proposals for a global minimum corporation tax rate (Pillar Two) which is effective for periods beginning on or after 31 December 2023. This legislation will ensure that profits earned internationally are subject to a minimum tax rate of 15%. The Group has performed an assessment of the potential exposure to Pillar Two income taxes from 1 January 2024 and as the only material overseas jurisdiction in which the Group operates is Malaysia, which is subject to a tax rate of 38%, the Group does not expect a material exposure to Pillar Two income taxes in any jurisdictions. The Group has applied the mandatory exception to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar Two income taxes in accordance with the amendments to IAS 12 published by the International Accounting Standards Board ('IASB') on 23 May 2023.

**8. Earnings per share**

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

Basic and diluted earnings per share are calculated as follows:

| | Profit/(loss) after tax | | Weighted average number of Ordinary shares | | Earnings per share | |
|---|---|---|---|---|---|---|
| | Year ended 31 December | | Year ended 31 December | | Year ended 31 December | |
| | 2023 $'000 | 2022 $'000 | 2023 million | 2022 million | 2023 $ | 2022 $ |
| Basic | **(30,833)** | (41,234) | **1,871.9** | 1,855.0 | **(0.016)** | (0.022) |
| Dilutive potential of Ordinary shares granted under share-based incentive schemes | **–** | – | **4.9** | 39.2 | **–** | – |
| Diluted(i) | **(30,833)** | (41,234) | **1,876.8** | 1,894.2 | **(0.016)** | (0.022) |
| Basic (excluding remeasurements and exceptional items) | **29,213** | 212,346 | **1,871.9** | 1,855.0 | **0.016** | 0.114 |
| Diluted (excluding remeasurements and exceptional items)(i) | **29,213** | 212,346 | **1,876.8** | 1,894.2 | **0.016** | 0.112 |

(i) Potential Ordinary shares are not treated as dilutive when they would decrease a loss per share

### 9. Distributions paid and proposed

The Company paid no dividends during the year ended 31 December 2023 (2022: none). At 31 December 2023, there are no proposed dividends (2022: none). The Board of Directors of EnQuest PLC are proposing making a $15.0 million share buy back, to be executed during 2024. The distribution will be below the limit granted at the 2023 Annual General Meeting allowing the Company to purchase up to 10% of its issued Ordinary share capital in the market.

### 10. Property, plant and equipment

**Accounting policy**

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

***Cost***

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

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

**Development assets**

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

**Carry arrangements**

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

**Borrowing costs**

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

**Depletion and depreciation**

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

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

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

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

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

***Impairment of tangible and intangible assets (excluding goodwill)***

At each balance sheet date, discounted cash flow models comprising asset-by-asset life-of-field projections and risks specific to assets, using Level 3 inputs (based on IFRS 13 fair value hierarchy), have been used to determine the recoverable amounts for each CGU. The life of a field depends on the interaction of a number of variables; see note 2 for further details. Estimated production volumes and cash flows up to the date of cessation of production on a field-by-field basis, including operating and capital expenditure, are derived from the Group's business plan. Oil price assumptions and discount rate assumptions used were as disclosed in note 2. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Group income statement.

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

### 10. Property, plant and equipment continued

| | Oil and gas assets $'000 | Office furniture, fixtures and fittings $'000 | Right-of-use assets (note 24) $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| **At 1 January 2022** | 8,997,353 | 65,385 | 867,893 | 9,930,631 |
| Additions | 116,415 | 1,936 | 28,394 | 146,745 |
| Change in decommissioning provision | (75,917) | – | – | (75,917) |
| Disposal | – | – | (19,428) | (19,428) |
| **At 1 January 2023** | **9,037,851** | **67,321** | **876,859** | **9,982,031** |
| Additions | **120,820** | **1,257** | **28,378** | **150,455** |
| Change in decommissioning provision (note 23) | **53,333** | **–** | **–** | **53,333** |
| Disposal | **–** | **–** | **(243)** | **(243)** |
| Reclassification from intangible assets (note 12) | **31,803** | **–** | **–** | **31,803** |
| **At 31 December 2023** | **9,243,807** | **68,578** | **904,994** | **10,217,379** |
| **Accumulated depreciation, depletion and impairment:** | | | | |
| **At 1 January 2022** | 6,650,304 | 53,829 | 404,500 | 7,108,633 |
| Charge for the year | 272,588 | 2,796 | 57,864 | 333,248 |
| Net impairment charge for the year | 78,058 | – | 2,991 | 81,049 |
| Disposal | – | – | (17,874) | (17,874) |
| **At 1 January 2023** | **7,000,950** | **56,625** | **447,481** | **7,505,056** |
| Charge for the year | **239,640** | **2,689** | **55,979** | **298,308** |
| Net impairment charge/(reversal) for the year | **123,473** | **–** | **(6,077)** | **117,396** |
| Disposal | **–** | **–** | **(121)** | **(121)** |
| **At 31 December 2023** | **7,364,063** | **59,314** | **497,262** | **7,920,639** |
| **Net carrying amount:** | | | | |
| **At 31 December 2023** | **1,879,744** | **9,264** | **407,732** | **2,296,740** |
| At 31 December 2022 | 2,036,901 | 10,696 | 429,378 | 2,476,975 |
| At 1 January 2022 | 2,347,049 | 11,556 | 463,393 | 2,821,998 |

The amount of borrowing costs capitalised during the year ended 31 December 2023 was nil (2022: nil), reflecting the short-term nature of the Group's capital expenditure programmes.

**Impairments**

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

| | Impairment reversal/(charge) | | Recoverable amount(i) | |
|---|---|---|---|---|
| | **Year ended 31 December 2023 $'000** | Year ended 31 December 2022 $'000 | **31 December 2023 $'000** | 31 December 2022 $'000 |
| North Sea | **(117,396)** | (81,049) | **1,323,009** | 1,448,391 |
| **Net pre-tax impairment reversal/(charge)** | **(117,396)** | (81,049) | | |

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

For information on judgements, estimates and assumptions made in relation to impairments, along with sensitivity analysis, see Use of judgements, estimates and assumptions: recoverability of asset carrying values within note 2.

The 2023 net impairment charge of $117.4 million relates to producing assets in the UK North Sea. Impairment charges/reversals were primarily driven by changes in production and cost profile updates on non-operated assets, partially offset by higher forecast oil prices. The 2022 net impairment charge was primarily driven by the introduction of EPL, changes in production profiles and an increased discount rate partially offset by an increase in EnQuest's oil price assumptions.

## 11. Goodwill

**Accounting policy**

***Cost***

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

***Impairment of goodwill***

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

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

A summary of goodwill is presented below:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Cost and net carrying amount** | | |
| At 1 January | **134,400** | 134,400 |
| **At 31 December** | **134,400** | 134,400 |

The majority of the goodwill relates to the 75% acquisition of the Magnus oil field and associated interests. The remaining balance relates to the acquisition of the GKA and Scolty Crathes fields.

***Impairment testing of goodwill***

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

The recoverable amounts of the CGU and fields have been determined on a fair value less costs of disposal basis. See notes 2 and 10 for further details. An impairment charge of nil was taken in 2023 (2022: nil) based on a fair value less costs to dispose valuation of the North Sea CGU, as described above.

***Sensitivity to changes in assumptions***

The Group's recoverable value of assets is highly sensitive, inter alia, to oil price achieved and production volumes. A sensitivity has been run on the oil price assumptions, with a 10% change being considered to be a reasonable possible change for the purposes of sensitivity analysis (see note 2). A 10% reduction in oil price would not result in an impairment charge (2022: 10% reduction would not result in an impairment charge). A 20% reduction in oil price would fully impair goodwill (2022: 25%).

## 12. Intangible assets

**Accounting policy**

***Exploration and appraisal assets***

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

During the year ended 31 December 2023, there was no impairment of historical exploration and appraisal expenditures (2022: nil), although $31.8 million of intangible assets associated with the Kraken field were transferred to property, plant and equipment, reflecting updated drilling plans following assessment of previous seismic survey information. During 2023, Malaysia drilled an exploration well on the PM409 licence. The results indicated that there were no commercial prospects and as a result costs of $5.6 million have been written off through the income statement.

***Other intangibles***

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

| | Exploration and appraisal assets $'000 | UK emissions allowances $'000 | Total $'000 |
|---|---|---|---|
| **Cost:** | | | |
| **At 1 January 2022** | 172,381 | 10,052 | 182,433 |
| Additions | 8,168 | 1,199 | 9,367 |
| Write-off of relinquished licences previously impaired | (25,612) | – | (25,612) |
| Disposal | – | (10,052) | (10,052) |
| **At 1 January 2023** | **154,937** | **1,199** | **156,136** |
| Additions | **10,467** | **876** | **11,343** |
| Write-off of relinquished licences previously impaired | **(485)** | **–** | **(485)** |
| Write-off of unsuccessful exploration expenditure | **(5,640)** | **–** | **(5,640)** |
| Transfer to property, plant and equipment (note 10) | **(31,803)** | **–** | **(31,803)** |
| Disposal | **–** | **(1,199)** | **(1,199)** |
| **At 31 December 2023** | **127,476** | **876** | **128,352** |
| **Accumulated impairment:** | | | |
| **At 1 January 2022** | (134,766) | – | (134,766) |
| Write-off of relinquished licences previously impaired | 25,128 | – | 25,128 |
| **At 1 January 2023** | **(109,638)** | **–** | **(109,638)** |
| Write-off of relinquished licences previously impaired | **485** | **–** | **485** |
| **At 31 December 2023** | **(109,153)** | **–** | **(109,153)** |
| **Net carrying amount:** | | | |
| **At 31 December 2023** | **18,323** | **876** | **19,199** |
| At 31 December 2022 | 45,299 | 1,199 | 46,498 |
| At 1 January 2022 | 37,615 | 10,052 | 47,667 |

### 13. Inventories

**Accounting policy**

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Hydrocarbon inventories | **21,189** | 19,613 |
| Well supplies | **63,608** | 56,805 |
| | **84,797** | 76,418 |

During 2023, a net gain of $2.2 million was recognised within cost of sales in the Group income statement relating to inventory (2022: net loss of $4.0 million). The $8.4 million increase in well supplies was primarily driven by increased drilling activities.

The inventory valuation at 31 December 2023 is stated net of a provision of $36.3 million (2022: $38.9 million) to write-down well supplies to their estimated net realisable value.

Inventory with a net book value of $2.9 million was sold as part of the Bressay farm-down (note 25).

### 14. Cash and cash equivalents

**Accounting policy**

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Available cash | **313,028** | 293,866 |
| Restricted cash | **544** | 7,745 |
| **Cash and cash equivalents** | **313,572** | 301,611 |

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

**Restricted cash**

Included within the cash balance at 31 December 2023 is restricted cash of $0.5 million placed on deposit in relation to bank guarantees for the Group's Malaysian assets (31 December 2022: $7.7 million).

### 15. Financial instruments and fair value measurement

**Accounting policy**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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

***Financial assets***

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

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

***Financial assets at amortised cost***

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

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

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

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

### 15. Financial instruments and fair value measurement continued

***Impairment of financial assets***

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

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

***Financial liabilities***

Financial liabilities are classified, at initial recognition, as amortised cost or at FVPL.

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

***Financial liabilities at amortised cost***

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

***Financial instruments at FVPL***

The Group holds derivative financial instruments classified as held for trading, not designated as effective hedging instruments. The derivative financial instruments include forward currency contracts and commodity contracts, to address the respective risks; see note 28. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

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

## 15. Financial instruments and fair value measurement continued

***Fair value measurement***

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

| 31 December 2023 | Notes | Total $'000 | Amortised cost $'000 | Quoted prices in active markets (Level 1) $'000 | Significant observable inputs (Level 2) $'000 | Significant unobservable inputs (Level 3) $'000 |
|---|---|---|---|---|---|---|
| **Financial assets measured at fair value:** | | | | | | |
| *Derivative financial assets measured at FVPL* | | | | | | |
| Gas commodity contracts | 19(a) | **4,499** | **–** | **–** | **4,499** | **–** |
| *Other financial assets measured at FVPL* | | | | | | |
| Quoted equity shares | | **6** | **–** | **6** | **–** | **–** |
| Total financial assets measured at fair value | | **4,505** | **–** | **6** | **4,499** | **–** |
| **Financial assets measured at amortised cost:** | | | | | | |
| Vendor financing facility | 19(f) | **145,103** | **145,103** | **–** | **–** | **–** |
| Total financial assets measured at amortised cost(ii) | | **145,103** | **145,103** | **–** | **–** | **–** |
| **Liabilities measured at fair value:** | | | | | | |
| *Derivative financial liabilities measured at FVPL* | | | | | | |
| Oil commodity derivative contracts | 19(a) | **18,418** | **–** | **–** | **18,418** | **–** |
| Forward UKA contracts | 19(a) | **8,261** | **–** | **–** | **8,261** | **–** |
| *Other financial liabilities measured at FVPL* | | | | | | |
| Contingent consideration | 22 | **507,796** | **–** | **–** | **–** | **507,796** |
| Total liabilities measured at fair value | | **534,475** | **–** | **–** | **26,679** | **507,796** |
| **Liabilities measured at amortised cost:** | | | | | | |
| Interest-bearing loans and borrowings(ii) | 18(a) | **319,784** | **319,784** | **–** | **–** | **–** |
| Retail bond 9.00% | 18(b) | **158,683** | **–** | **158,683** | **–** | **–** |
| High yield bond 11.625% | 18(b) | **292,419** | **–** | **292,419** | **–** | **–** |
| Total liabilities measured at amortised cost(i) | | **770,886** | **319,784** | **451,102** | **–** | **–** |

(i) Excludes related fees
(ii) Amortised cost is a reasonable approximation of the fair value



## 15. Financial instruments and fair value measurement continued

| 31 December 2022 | Notes | Total $'000 | Amortised cost $'000 | Quoted prices in active markets (Level 1) $'000 | Significant observable inputs (Level 2) $'000 | Significant unobservable inputs (Level 3) $'000 |
|---|---|---|---|---|---|---|
| **Financial assets measured at fair value:** | | | | | | |
| *Derivative financial assets measured at FVPL* | | | | | | |
| Gas commodity contracts | | 4,705 | – | – | 4,705 | – |
| *Other financial assets measured at FVPL* | | | | | | |
| Quoted equity shares | | 6 | – | 6 | – | – |
| Total financial assets measured at fair value | | 4,711 | – | 6 | 4,705 | – |
| **Liabilities measured at fair value:** | | | | | | |
| *Derivative financial liabilities measured at FVPL* | | | | | | |
| Oil commodity derivative contracts | 19(a) | 46,537 | – | – | 46,537 | – |
| Forward UKA contracts | 19(a) | 4,429 | – | – | 4,429 | – |
| *Other financial liabilities measured at FVPL* | | | | | | |
| Contingent consideration | 22 | 636,875 | – | – | – | 636,875 |
| Total liabilities measured at fair value | | 687,841 | – | – | 50,966 | 636,875 |
| **Liabilities measured at amortised cost:** | | | | | | |
| Interest-bearing loans and borrowings(ii) | 18(a) | 417,967 | 417,967 | – | – | – |
| Retail bond 7.00% | 18(b) | 133,535 | – | 133,535 | – | – |
| Retail bond 9.00% | 18(b) | 153,754 | – | 153,754 | – | – |
| High yield bond 11.625% | 18(b) | 297,528 | – | 297,528 | – | – |
| Total liabilities measured at amortised cost(i) | | 1,002,784 | 417,967 | 584,817 | – | – |

(i) Excludes related fees
(ii) Amortised cost is a reasonable approximation of the fair value

**Fair value hierarchy**

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. prices) or indirectly (i.e. derived from prices) observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Derivative financial instruments are valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data (Level 2). Contingent consideration is measured at FVPL using the Level 3 valuation processes, details of which and a reconciliation of movements are disclosed in note 22. There have been no transfers between Level 1 and Level 2 during the period (2022: no transfers).

For the financial assets and liabilities measured at amortised cost but for which fair value disclosures are required, the fair value of the bonds classified as Level 1 was derived from quoted prices for that financial instrument, while interest-bearing loans and borrowings and the vendor financing facility were calculated at amortised cost using the effective interest method to capture the present value (Level 3). A reconciliation of movements is disclosed in note 30.

### 16. Trade and other receivables

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | **31,905** | 69,508 |
| Joint venture receivables | **79,036** | 95,854 |
| Under-lift position | **22,309** | 26,474 |
| VAT receivable | **3,314** | – |
| Other receivables | **3,715** | 4,141 |
| Prepayments | **2,781** | 1,271 |
| Accrued income | **82,426** | 79,115 |
| | **225,486** | 276,363 |

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

Trade receivables are non-interest-bearing and are generally on 15 to 30-day terms. Joint venture receivables relate to amounts billable to, or recoverable from, joint venture partners. Receivables are reported net of any ECL with no losses recognised as at 31 December 2023 or 2022.

### 17. Trade and other payables

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Current** | | |
| Trade payables | **75,981** | 82,897 |
| Accrued expenses | **228,664** | 300,317 |
| Over-lift position | **18,824** | 25,658 |
| Joint venture creditors | **20,262** | 11,957 |
| VAT payable | **–** | 5,282 |
| Other payables | **3,678** | 536 |
| **Total Current** | **347,409** | 426,647 |
| **Non-current** | | |
| Joint venture creditors | **32,917** | – |
| **Total Non-current** | **32,917** | – |

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

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

The carrying value of the Group's non-current trade and other payables as stated above is considered to be a reasonable approximation to their fair value as this is a specific bi-lateral agreement between counterparties with the liability extinguished in full over time in accordance with the agreed schedule.

### 18. Loans and borrowings

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Borrowings | **311,231** | 413,358 |
| Bonds | **463,945** | 586,930 |
| | **775,176** | 1,000,288 |

**(a) Borrowings**
The Group's borrowings are carried at amortised cost as follows:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Principal $'000 | Fees $'000 | Total $'000 | Principal $'000 | Fees $'000 | Total $'000 |
| RBL facility | **140,000** | **(4,920)** | **135,080** | 400,000 | (4,609) | 395,391 |
| Term Loan facility | **150,000** | **(3,633)** | **146,367** | – | – | – |
| SVT working capital facility | **29,784** | **–** | **29,784** | 12,275 | – | 12,275 |
| Vendor loan facility | **–** | **–** | **–** | 5,692 | – | 5,692 |
| **Total borrowings** | **319,784** | **(8,553)** | **311,231** | 417,967 | (4,609) | 413,358 |
| Due within one year | | | **27,364** | | | 131,936 |
| Due after more than one year | | | **283,867** | | | 281,422 |
| **Total borrowings** | | | **311,231** | | | 413,358 |

See liquidity risk – note 28 for the timing of cash outflows relating to loans and borrowings.

***Reserve Based Lending ('RBL') facility***
In October 2022, the Group agreed an amended and restated RBL facility with commitments of $500.0 million, reducing in accordance with an amortisation schedule, a sub limit for drawings in the form of Letters of Credit of $75.0 million and a standard accordion facility which allowed the Group to increase commitments by an amount of up to $300.0 million on no more than three occasions. The maturity of the new facility is April 2027. Funds can only be drawn under the RBL to a maximum amount of the lesser of (i) the total commitments and (ii) the borrowing base amount. Interest accrues at 4.00% plus a combination of an agreed credit adjustment spread and Secured Overnight Financing Rate ('SOFR').

As at 31 December 2023, the carrying value of the facility was $135.1 million (2022: $395.4 million), comprising the principal of $140.0 million out of accessible commitments of $309.0 million (2022: $400.0 million out of commitments of $500.0 million) and unamortised fees of $4.9 million (2022: $4.6 million).

At 31 December 2023, $166.2 million (2022: $47.3 million) remained available for drawdown under the RBL.

At 31 December 2023, the Letter of Credit utilisation was $43.5 million (2022: $52.7 million).

By the end of February 2024, the Group had fully repaid the outstanding $140.0 million of its Reserve Based Lending Facility.

***Term Loan facility***
In August 2023, the Group agreed a second lien US Dollar Term Loan facility of $150.0 million. This facility, which was drawn down in full in September 2023, matures in July 2027 and incurs interest at SOFR +7.90%. As at 31 December 2023, the carrying amount of the facility was $146.4 million (2022: nil), comprising the principal of $150.0 million and unamortised fees of $3.6 million. See note 27.

***SVT working capital facility***
EnQuest has extended the £42.0 million revolving loan facility with a joint operator partner to fund the short-term working capital cash requirements of SVT and associated interests until April 2024. Agreements to transfer the facility to a replacement bank are expected to be executed in April 2024. The facility is guaranteed by BP EOC Limited until the earlier of: a) the date on which production from Magnus permanently ceases; or b) if the operating agreements for both SVT and associated infrastructure are amended to allow for cash calling. The facility is able to be drawn down against, in instalments, and accrues interest at 1.0% per annum plus GBP Sterling Over Night Index Average ('SONIA').

***Vendor loan facility***
In June 2023, the Group agreed an amended and restated facility with a third-party vendor providing capacity for refinancing the payment of existing invoices up to an amount of £15.0 million, with interest payable monthly at a rate of 9.00% per annum. At 31 December 2023, nil was drawn down on the facility and so this facility expired on 1 January 2024 in accordance with the terms of the facility.

In December 2022, the Group agreed a facility with a third-party vendor refinancing the payment of existing invoices up to an amount of £7.5 million. At 31 December 2022, £4.7 million was drawn down. This amount was fully repaid in May 2023. Interest was payable monthly at a rate of 8.00% per annum.

## 18. Loans and borrowings continued

**(b) Bonds**

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

| | 2023 Principal $'000 | 2023 Fees and discount $'000 | 2023 Total $'000 | 2022 Principal $'000 | 2022 Fees and discount $'000 | 2022 Total $'000 |
|---|---|---|---|---|---|---|
| High yield bond 11.625% | **305,000** | **(10,724)** | **294,276** | 305,000 | (13,815) | 291,185 |
| Retail bond 7.00% | **–** | **–** | **–** | 134,544 | – | 134,544 |
| Retail bond 9.00% | **169,669** | **–** | **169,669** | 161,201 | – | 161,201 |
| **Total** | **474,669** | **(10,724)** | **463,945** | 600,745 | (13,815) | 586,930 |
| Due within one year | | | **–** | | | 134,544 |
| Due after more than one year | | | **463,945** | | | 452,386 |
| **Total** | | | **463,945** | | | 586,930 |

***High yield bond 11.625%***

In October 2022, the Group concluded an offer of $305.0 million for a US Dollar high yield bond. The notes accrue a fixed coupon of 11.625% payable semi-annually in arrears with a maturity date of November 2027.

The above carrying value of the bond as at 31 December 2023 is $294.3 million (2022: $291.2 million). This includes bond principal of $305.0 million (2022: $305.0 million) less the unamortised original issue discount ('OID') of $3.3 million (2022: $4.2 million) and unamortised fees of $7.4 million (2022: $9.6 million). The high yield bond does not include accrued interest of $5.8 million (2022: $6.5 million), which is reported within trade and other payables. The fair value of the high yield bond is disclosed in note 15.

***Retail bond 7.00%***

On 27 April 2022, following a successful partial exchange and cash offer, £79.3 million of the retail bond 7.00% were exchanged for the retail bond 9.00%. This resulted in an outstanding principal of £111.3 million. On 13 October 2023, the outstanding principal of £111.3 million was repaid in full.

***Retail bond 9.00%***

On 27 April 2022, the Group issued a new 9.00% retail bond following a successful partial exchange and cash offer. The principal of the retail bond 9.00% raised by the partial exchange and cash offer totalled £133.3 million. The notes accrue a fixed coupon of 9.00% payable semi-annually in arrears and are due to mature in October 2027.

The above carrying value of the bond as at 31 December 2023 is $169.7 million (2022: $161.2 million). All fees associated with this offer were recognised in the income statement in 2022. The retail bond 9.00% does not include accrued interest of $2.7 million (2022: $2.6 million), which is reported within trade and other payables. The fair value of the retail bond 9.00% is disclosed in note 15.

## 19. Other financial assets and financial liabilities

**(a) Summary as at year end**

| | Notes | 2023 Assets $'000 | 2023 Liabilities $'000 | 2022 Assets $'000 | 2022 Liabilities $'000 |
|---|---|---|---|---|---|
| **Fair value through profit or loss:** | | | | | |
| Derivative commodity contracts | | **4,499** | **18,418** | 4,705 | 46,537 |
| Derivative UKA contracts | | **–** | **8,261** | – | 4,429 |
| **Amortised cost:** | | | | | |
| Other receivables (Vendor financing facility)[(i)] | 19(f), 25 | **108,827** | **–** | – | – |
| **Total current** | | **113,326** | **26,679** | 4,705 | 50,966 |
| **Fair value through profit or loss:** | | | | | |
| Quoted equity shares | | **6** | **–** | 6 | – |
| **Amortised cost:** | | | | | |
| Other receivables (Vendor financing facility) | 19(f), 25 | **36,276** | **–** | – | – |
| **Total non-current** | | **36,282** | **–** | 6 | – |
| **Total other financial assets and liabilities** | | **149,608** | **26,679** | 4,711 | 50,966 |

(i) Repayment of $108.8 million was received in the first quarter of 2024 in accordance with the agreed payment schedule between EnQuest and RockRose

**(b) Income statement impact**

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

| Year ended 31 December 2023 | Revenue and other operating income Realised $'000 | Revenue and other operating income Unrealised $'000 | Cost of sales Realised $'000 | Cost of sales Unrealised $'000 |
|---|---|---|---|---|
| Commodity options | **(21,463)** | **19,148** | **–** | **–** |
| Commodity swaps | **12,474** | **9,315** | **–** | **–** |
| Commodity futures | **(2,275)** | **–** | **–** | **–** |
| Foreign exchange contracts | **–** | **–** | **5,695** | **–** |
| UKA contracts | **–** | **–** | **(2,856)** | **(3,832)** |
| | **(11,264)** | **28,463** | **2,839** | **(3,832)** |

| Year ended 31 December 2022 | Revenue and other operating income Realised $'000 | Revenue and other operating income Unrealised $'000 | Cost of sales Realised $'000 | Cost of sales Unrealised $'000 |
|---|---|---|---|---|
| Commodity options | (204,943) | 20,401 | – | – |
| Commodity swaps | (86) | (5,928) | – | – |
| Commodity futures | 1,288 | 2 | – | – |
| Foreign exchange contracts | – | – | (5,158) | (381) |
| UKA contracts | – | – | (260) | (4,519) |
| | (203,741) | 14,475 | (5,418) | (4,900) |

**(c) Commodity contracts**

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

For the year ended 31 December 2023, gains totalling $17.2 million (2022: losses of $189.3 million) were recognised in respect of commodity contracts designated as FVPL. This included losses totalling $11.3 million (2022: losses of $203.7 million) realised on contracts that matured during the year, and mark-to-market unrealised gains totalling $28.5 million (2022: gains of $14.5 million).

The mark-to-market value of the Group's open commodity contracts as at 31 December 2023 was a net liability of $13.9 million (2022: net liability of $41.8 million).

## 19. Other financial assets and financial liabilities continued

**(d) Foreign currency contracts**

The Group enters into a variety of foreign currency contracts, primarily in relation to Sterling. During the year ended 31 December 2023, gains totalling $5.7 million (2022: losses of $5.4 million) were recognised in the Group income statement. This included realised gains totalling $5.7 million (2022: losses of $5.2 million) on contracts that matured in the year.

The mark-to-market value of the Group's open contracts as at 31 December 2023 was nil (2022: nil).

**(e) UK emissions allowance forward contracts**

The Group enters into forward contracts for the purchase of UKAs to manage its exposure to carbon emission credit prices.

The mark-to-market value of the Group's open contracts as at 31 December 2023 was $8.3 million (2022: $4.4 million).

**(f) Other receivables**

| | Other receivables $'000 | Equity shares $'000 | Total $'000 |
|---|---|---|---|
| **At 1 January 2022 and 2023** | – | 6 | 6 |
| Additions(i) | 145,103 | – | 145,103 |
| **At 31 December 2023** | **145,103** | **6** | **145,109** |
| Current | | | 108,827 |
| Non-current | | | 36,282 |
| | | | 145,109 |

(i) Additions relate to a vendor financing facility entered into with RockRose Energy Limited on 29 December 2023 following the farm-down of a 15.0% share in the EnQuest Producer FPSO and capital items associated with the Bressay development. $108.8 million was repaid in the first quarter of 2024 with the remainder of $36.3 million repayable through future net cash flows from the Bressay field. Interest on the outstanding amount accrues at 2.5% plus the Bank of England's Base Rate

## 20. Share capital and premium

**Accounting policy**

***Share capital and share premium***

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

***Retained earnings***

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

***Share-based payments reserve***

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

| Authorised, issued and fully paid | Ordinary shares of £0.05 each Number | Share capital $'000 | Share premium $'000 | Total $'000 |
|---|---|---|---|---|
| **At 1 January 2023** | **1,885,924,339** | **131,650** | **260,546** | **392,196** |
| Issue of new shares to EBT | 26,379,774 | 1,635 | – | 1,635 |
| **At 31 December 2023** | **1,912,304,113** | **133,285** | **260,546** | **393,831** |

At 31 December 2023, there were 8,449,793 shares held by the Employee Benefit Trust (2022: 21,663,181). The movement in the year was shares used to satisfy awards made under the Company's share-based incentive schemes offset by a subscription for additional Ordinary shares.

## 21. Share-based payment plans

**Accounting policy**

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

Information on these plans for Executive Directors is shown in the Directors' Remuneration Report on pages 110 to 111.

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

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

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

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

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Performance Share Plan | **2,120** | 3,264 |
| Other performance share plans | **231** | 261 |
| Sharesave Plan | **969** | 1,194 |
| | **3,320** | 4,719 |

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

| Share plans | 2023 Number | 2022 Number |
|---|---|---|
| Outstanding at 1 January | **102,271,264** | 125,493,995 |
| Granted during the year | **33,940,859** | 17,368,011 |
| Exercised during the year | **(19,459,260)** | (15,712,039) |
| Forfeited during the year | **(29,385,408)** | (24,878,703) |
| **Outstanding at 31 December** | **87,367,455** | 102,271,264 |
| **Exercisable at 31 December** | **17,944,371** | 10,490,719 |

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

## 21. Share-based payment plans continued

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

| Share options | 2023 Number | 2023 Weighted average exercise price $ | 2022 Number | 2022 Weighted average exercise price $ |
|---|---|---|---|---|
| Outstanding at 1 January | **33,308,249** | **0.14** | 37,518,927 | 0.14 |
| Granted during the year | **10,268,853** | **0.14** | 1,292,788 | 0.32 |
| Exercised during the year | **(19,977,354)** | **0.13** | (2,150,313) | 0.17 |
| Forfeited during the year | **(4,941,604)** | **0.17** | (3,353,153) | 0.14 |
| **Outstanding at 31 December** | **18,658,144** | **0.16** | 33,308,249 | 0.14 |
| **Exercisable at 31 December** | **6,553,159** | **0.13** | 445,318 | 0.17 |

## 22. Contingent consideration

**Accounting policy**

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

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

Contingent consideration is discounted at a risk-free rate combined with a risk premium, calculated in alignment with IFRS 13 and the unwinding of the discount is presented within finance costs.

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

| | Notes | Magnus 75% $'000 | Magnus decommissioning-linked liability $'000 | Golden Eagle $'000 | Total $'000 |
|---|---|---|---|---|---|
| **At 31 December 2022** | | **566,685** | **21,853** | **48,337** | **636,875** |
| Change in fair value | 5(d) | **(69,840)** | **175** | **–** | **(69,665)** |
| Unwinding of discount | 6 | **56,668** | **2,186** | **1,663** | **60,517** |
| Utilisation | | **(65,506)** | **(4,425)** | **(50,000)** | **(119,931)** |
| **At 31 December 2023** | | **488,007** | **19,789** | **–** | **507,796** |
| Classified as: | | | | | |
| Current | | **43,073** | **3,452** | **–** | **46,525** |
| Non-current | | **444,934** | **16,337** | **–** | **461,271** |
| | | **488,007** | **19,789** | **–** | **507,796** |

## 22. Contingent consideration continued

**75% Magnus acquisition contingent consideration**

On 1 December 2018, EnQuest completed the acquisition of the additional 75% interest in the Magnus oil field ('Magnus') and associated interests (collectively the 'Transaction assets') which was part funded through a profit share arrangement with bp whereby EnQuest and bp share the net cash flow generated by the 75% interest on a 50:50 basis, subject to a cap of $1.0 billion received by bp. This contingent consideration is a financial liability classified as measured at FVPL. The fair value of contingent consideration has been determined by calculating the present value of the future expected cash flows expected to be paid and is considered a Level 3 valuation under the fair value hierarchy. Future cash flows are estimated based on inputs including future oil prices, production volumes and operating costs. Oil price assumptions and discount rate assumptions used were as disclosed in Use of judgements, estimates and assumptions within note 2. The contingent consideration was fair valued at 31 December 2023, which resulted in a decrease in fair value of $69.8 million (2022: increase of $233.6 million). The decrease in fair value in 2023 reflects a 1.3% increase in the discount rate to 11.3% (2022: 10.0%) and changes in the asset cost profile, partially offset by the Group's increased oil price assumptions. The increase in 2022 reflected the Group's higher long-term oil price assumptions and changes in asset profiles and cost assumptions. The fair value accounting effect and finance costs of $56.7 million (2022: $34.5 million) on the contingent consideration were recognised through remeasurements and exceptional items in the Group income statement. At 31 December 2023, the contingent profit-sharing arrangement cap of $1.0 billion was forecast to be met in the present value calculations (31 December 2022: cap was forecast to be met). Within the statement of cash flows, the profit share element of the repayment, $65.5 million (2022: $46.0 million) is disclosed separately under investing activities. At 31 December 2023, the contingent consideration for Magnus was $488.0 million (31 December 2022: $566.7 million).

Management has considered alternative scenarios to assess the valuation of the contingent consideration including, but not limited to, the key accounting estimate relating to discount rate, the oil price and the interrelationship with production and the profit-share arrangement. A 1.0% reduction in the discount rate applied, which is considered a reasonably possible change given the prevailing macroeconomic conditions, would increase reported contingent consideration by $19.9 million. A 1.0% increase would decrease reported contingent consideration by $18.6 million. As the profit-sharing cap of $1.0 billion is forecast to be met in the present value calculations, sensitivity analysis has only been undertaken on a reduction in the price assumptions of 10%, which is considered to be a reasonably possible change. This results in a reduction of $83.3 million to the contingent consideration (2022: reduction of $73.6 million).

The payment of contingent consideration is limited to cash flows generated from Magnus. Therefore, no contingent consideration is payable if insufficient cash flows are generated over and above the requirements to operate the asset. By reference to the conditions existing at 31 December 2023, the maturity analysis of the contingent consideration is disclosed in Risk management and financial instruments: liquidity risk (note 28).

**Magnus decommissioning-linked contingent consideration**

As part of the Magnus and associated interests acquisition, bp retained the decommissioning liability in respect of the existing wells and infrastructure and EnQuest agreed to pay additional consideration in relation to the management of the physical decommissioning costs of Magnus. At 31 December 2023, the amount due to bp calculated on an after-tax basis by reference to 30% of bp's decommissioning costs on Magnus was $19.8 million (2022: $21.9 million). Any reasonably possible change in assumptions would not have a material impact on the provision.

**Golden Eagle contingent consideration**

Part of the Golden Eagle acquisition consideration included an amount that was contingent on the average oil price between July 2021 and June 2023. Over the period July 2021 to June 2023, the average oil price was $89.6/bbl. As such, at 30 June 2023, the contingent consideration was valued at $50.0 million with settlement of this liability completing in July 2023 (2022: liability of $48.3 million).

## 23. Provisions

**Accounting policy**

***Decommissioning***

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

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

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

***Other***

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

| | Decommissioning provision $'000 | Thistle decommissioning provision $'000 | Other provisions $'000 | Total $'000 |
|---|---|---|---|---|
| **At 31 December 2022** | 691,584 | 32,720 | 13,366 | 737,670 |
| Additions during the year(i) | 6,245 | – | 7,017 | 13,262 |
| Changes in estimates(i) | 78,247 | 1,605 | (5,192) | 74,660 |
| Unwinding of discount | 24,236 | 1,145 | – | 25,381 |
| Utilisation | (44,550) | (10,160) | (797) | (55,507) |
| Foreign exchange | – | 45 | (214) | (169) |
| **At 31 December 2023** | 755,762 | 25,355 | 14,180 | 795,297 |
| Classified as: | | | | |
| Current | 55,924 | 9,757 | 14,180 | 79,861 |
| Non-current | 699,838 | 15,598 | – | 715,436 |
| | 755,762 | 25,355 | 14,180 | 795,297 |

(i) Includes $31.2 million relating to assets in decommissioning disclosed in note 5(e) and $53.3 million related to producing assets disclosed in note 10

**Decommissioning provision**

The Group's total provision represents the present value of decommissioning costs which are expected to be incurred up to 2048, assuming no further development of the Group's assets. Additions during the year primarily relate to the decommissioning provision recognised due to drilling of new wells in Magnus and Golden Eagle. Changes in estimates during the year primarily reflect the net effect of $61.0 million increase in the underlying cost estimates and $35.0 million foreign exchange impact due to the strengthening Sterling to US Dollar exchange rates. At 31 December 2023, an estimated $175.7 million is expected to be utilised between one and five years (2022: $407.0 million), $355.6 million within six to ten years (2022: $67.6 million), and the remainder in later periods. For sensitivity analysis see Use of judgements, estimates and assumptions within note 2.

The Group enters into surety bonds principally to provide security for its decommissioning obligations. The surety bond facilities, which expired in December 2022, were renewed for 12 months, subject to ongoing compliance with the terms of the Group's borrowings. At 31 December 2023, the Group held surety bonds totalling $250.4 million (2022: $227.6 million).

## 23. Provisions continued

**Thistle decommissioning provision**

In 2018, EnQuest exercised the option to receive $50.0 million from bp in exchange for undertaking the management of the physical decommissioning activities for Thistle and Deveron and making payments by reference to 7.5% of bp's share of decommissioning costs of the Thistle and Deveron fields, with the liability recognised within provisions. At 31 December 2023, the amount due to bp by reference to 7.5% of bp's decommissioning costs on Thistle and Deveron was $25.4 million (2022: $32.7 million), with the reduction mainly reflecting the utilisation in the period. Change in estimates of $1.6 million are included within other expense (2022: $6.1 million other income) and unwinding of discount of $1.1 million is included within finance income (2022: $0.8 million).

**Other provisions**

During 2021, the Group recognised $8.2 million in relation to disputes with third-party contractors. In 2022, one dispute was settled for $0.5 million and the other dispute is ongoing. At 31 December 2023, the provision was increased to $9.1 million (31 December 2022: $7.5 million) reflecting legal costs and interest charges. The Group expects the dispute to be settled in 2024.

## 24. Leases

**Accounting policy**

***As a lessee***

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

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

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

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

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

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

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

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

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'property, plant and equipment' policy (see note 10).

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

**24. Leases** continued

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

***As a lessor***

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

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

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

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

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

**Right-of-use assets and lease liabilities**

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

| | Notes | Right-of-use assets $'000 | Lease liabilities $'000 |
|---|---|---|---|
| **As at 31 December 2021** | | 463,393 | 570,781 |
| Additions in the period | | 28,394 | 28,130 |
| Depreciation expense | | (57,864) | – |
| Impairment charge | | (2,991) | – |
| Disposal | | (1,554) | (1,432) |
| Interest expense | | – | 39,172 |
| Payments | | – | (147,971) |
| Foreign exchange movements | | – | (6,614) |
| **As at 31 December 2022** | | 429,378 | 482,066 |
| Additions in the period | 10 | **28,378** | **28,378** |
| Depreciation expense | 10 | **(55,979)** | **–** |
| Impairment reversal | 10 | **6,077** | **–** |
| Disposal | | **(122)** | **–** |
| Interest expense | | **–** | **43,801** |
| Payments | | **–** | **(135,675)** |
| Foreign exchange movements | | **–** | **3,604** |
| **As at 31 December 2023** | | **407,732** | **422,174** |
| Current | | | **133,282** |
| Non-current | | | **288,892** |
| | | | **422,174** |

The Group leases assets, including the Kraken FPSO, property, and oil and gas vessels, with a weighted average lease term of four years. The maturity analysis of lease liabilities is disclosed in note 28.



**24. Leases** continued

***Amounts recognised in profit or loss***

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| Depreciation expense of right-of-use assets | **55,979** | 57,864 |
| Interest expense on lease liabilities | **43,801** | 39,172 |
| Rent expense – short-term leases | **5,153** | 7,116 |
| Rent expense – leases of low-value assets | **113** | 50 |
| **Total amounts recognised in profit or loss** | **105,046** | 104,202 |

***Amounts recognised in statement of cash flows***

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| **Total cash outflow for leases** | **135,675** | 147,971 |

**Leases as lessor**

The Group sub-leases part of Annan House, the Aberdeen office. The sub-lease is classified as an operating lease, as all the risks and rewards incidental to the ownership of the right-of-use asset are not all substantially transferred to the lessee. Rental income recognised by the Group during 2023 was $2.3 million (2022: $1.5 million).

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Less than one year | **2,682** | 2,313 |
| One to two years | **2,011** | 2,542 |
| Two to three years | **872** | 1,905 |
| Three to four years | **873** | 822 |
| Four to five years | **889** | 824 |
| More than five years | **2,790** | 3,710 |
| **Total undiscounted lease payments** | **10,117** | 12,116 |

**25. Deferred income**

**Accounting policy**

Income is not recognised in the income statement until it is highly probable that the conditions attached to the income will be met.

| | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|
| **Deferred income** | **138,416** | – |

In December 2023 a farm-down of an equity interest in the EnQuest Producer FPSO and certain capital spares related to the Bressay development was completed and cash received of $141.3 million. The same amount was lent back to the acquirer in December 2023 as vendor financing (see note 19(f)). Proceeds from the transaction are reported within deferred income, as these are contingent upon the Bressay development project achieving regulatory approval. Both parties are committed to delivering the development, however should the project not achieve regulatory approval there remains the option to deploy the assets on an alternative project.

**26. Commitments and contingencies**

**Capital commitments**

At 31 December 2023, the Group had commitments for future capital expenditure amounting to $43.8 million (2022: $9.5 million). The key components of this relate to drilling commitments for the Kraken and Golden Eagle fields and commitments for the new stabilisation facility at Sullom Voe Terminal. Where the commitment relates to a joint venture, the amount represents the Group's net share of the commitment. Where the Group is not the operator of the joint venture then the amounts are based on the Group's net share of committed future work programmes.

**Other commitments**

In the normal course of business, the Group will obtain surety bonds, Letters of Credit and guarantees. At 31 December 2023, the Group held surety bonds totalling $250.4 million (2022: $227.6 million) to provide security for its decommissioning obligations. See note 23 for further details.

### 26. Commitments and contingencies continued

**Contingencies**

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

A contingent payment of $15.0 million to Equinor is due upon regulatory approval of a Bressay field development plan.

### 27. Related party transactions

The Group financial statements include the financial statements of EnQuest PLC and its subsidiaries. A list of the Group's principal subsidiaries is contained in note 29 to these Group financial statements.

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

All sales to and purchases from related parties are made at normal market prices and the pricing policies and terms of these transactions are approved by the Group's management. With the exception of the transactions disclosed below, there have been no transactions with related parties who are not members of the Group during the year ended 31 December 2023 (2022: none).

Within the $150.0 million Term Loan, Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, lent $9.0 million on the same terms and conditions as all other lending parties. This is considered a smaller related party transaction under Listing Rule 11.1.10.

**Compensation of key management personnel**

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Short-term employee benefits | **5,360** | 6,195 |
| Share-based payments | **144** | 3,049 |
| Post-employment pension benefits | **241** | 164 |
| Termination payments | **367** | 228 |
| | **6,112** | 9,636 |

### 28. Risk management and financial instruments

**Risk management objectives and policies**

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

The Group's activities expose it to various financial risks particularly associated with fluctuations in oil price, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks, which are summarised below. Also presented below is a sensitivity analysis to indicate sensitivity to changes in market variables on the Group's financial instruments and to show the impact on profit and shareholders' equity, where applicable. The sensitivity has been prepared for periods ended 31 December 2023 and 2022, using the amounts of debt and other financial assets and liabilities held at those reporting dates.

**Commodity price risk – oil prices**

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

The Group's policy is to have the ability to hedge oil prices up to a maximum of 75% of the next 12 months' production on a rolling annual basis, up to 60% in the following 12-month period and 50% in the subsequent 12-month period. On a rolling quarterly basis, under the RBL facility, the Group is required to hedge a minimum of 45% of volumes of net entitlement production expected to be produced in the next 12 months, and between 35% and 15% of volumes of net entitlement production expected for the following 12 months dependent on the proportion of the facility that is utilised. This requirement ceases at the end date of the facility.

Details of the commodity derivative contracts entered into during and open at the end of 2023 are disclosed in note 19. As of 31 December 2023, the Group held financial instruments (options and swaps) related to crude oil that covered 5.2 MMbbls of 2024 production and 1.6 MMbbls of 2025 production. The instruments have an effective average floor price of around $60/bbl in both 2024 and 2025. The Group utilises multiple benchmarks when hedging production to achieve optimal results for the Group. No derivatives were designated in hedging relationships at 31 December 2023.

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



### 28. Risk management and financial instruments continued

| | Pre-tax profit | |
|---|---|---|
| | +$10/bbl increase $'000 | -$10/bbl decrease $'000 |
| **31 December 2023** | **(4,000)** | **7,400** |
| 31 December 2022 | (25,321) | 19,922 |

***Foreign exchange risk***

The Group is exposed to foreign exchange risk arising from movements in currency exchange rates. Such exposure arises from sales or purchases in currencies other than the Group's functional currency and the 9.00% retail bond which is denominated in Sterling. To mitigate the risks of large fluctuations in the currency markets, the hedging policy agreed by the Board allows for up to 70% of the non-US Dollar portion of the Group's annual capital budget and operating expenditure to be hedged. For specific contracted capital expenditure projects, up to 100% can be hedged. Approximately 22% (2022: 26%) of the Group's sales and 95% (2022: 85%) of costs (including operating and capital expenditure and general and administration costs) are denominated in currencies other than the functional currency.

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

| Year ended 31 December 2023 | GBP $'000 | MYR $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| Total financial assets | **241,844** | **42,233** | **954** | **285,031** |
| Total financial liabilities | **618,235** | **9,801** | **1,295** | **629,331** |

| Year ended 31 December 2022 | GBP $'000 | MYR $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| Total financial assets | 45,732 | 38,664 | 746 | 85,142 |
| Total financial liabilities | 502,307 | 13,202 | 151 | 515,660 |

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

| | Pre-tax profit | |
|---|---|---|
| | 10% rate increase $'000 | 10% rate decrease $'000 |
| **31 December 2023** | **(34,908)** | **34,908** |
| 31 December 2022 | (50,615) | 50,615 |

***Credit risk***

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

In addition, there are credit risks of commercial counterparties, including exposures in respect of outstanding receivables. The Group trades only with recognised international oil and gas companies, commodity traders and shipping companies and at 31 December 2023, there were no trade receivables past due but not impaired (2022: nil) and no joint venture receivables past due (2022: $0.1 million) but not impaired. Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary. Any impact from ECL is disclosed in note 16.

| Ageing of past due but not impaired receivables | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Less than 30 days | **–** | – |
| 30–60 days | **–** | – |
| 60–90 days | **–** | – |
| 90–120 days | **–** | – |
| 120+ days | **–** | 123 |
| | **–** | 123 |

At 31 December 2023, the Group had one customer accounting for 58% of outstanding trade receivables (2022: two customers, 79%) and no joint venture partner accounting for over 10% of outstanding joint venture receivables (2022: one joint venture partner, 25%).

### 28. Risk management and financial instruments continued

***Liquidity risk***

The Group monitors its risk of a shortage of funds by reviewing its cash flow requirements on a regular basis relative to its existing bank facilities and the maturity profile of its borrowings. Specifically, the Group's policy is to ensure that sufficient liquidity or committed facilities exist within the Group to meet its operational funding requirements and to ensure the Group can service its debt and adhere to its financial covenants. At 31 December 2023, $166.2 million (2022: $47.3 million) was available for drawdown under the Group's facilities (see note 18).

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

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

| Year ended 31 December 2023 | On demand $'000 | Up to 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Loans and borrowings | – | 64,518 | 131,081 | 221,311 | – | 416,910 |
| Bonds | – | 50,749 | 50,749 | 576,415 | – | 677,913 |
| Contingent consideration | – | 46,555 | 95,335 | 289,823 | 393,187 | 824,900 |
| Obligations under finance leases | – | 160,341 | 70,062 | 229,310 | 36,322 | 496,035 |
| Trade and other payables | – | 347,408 | 13,167 | 19,750 | – | 380,325 |
| | – | 669,571 | 360,394 | 1,336,609 | 429,509 | 2,796,083 |

| Year ended 31 December 2022 | On demand $'000 | Up to 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Loans and borrowings | – | 163,223 | 175,400 | 152,000 | – | 490,623 |
| Bonds | – | 194,991 | 49,919 | 615,449 | – | 860,359 |
| Contingent consideration | – | 126,910 | 85,267 | 327,642 | 400,480 | 940,299 |
| Obligations under finance leases | – | 151,621 | 127,592 | 256,139 | 37,693 | 573,045 |
| Trade and other payables | – | 426,643 | – | – | – | 426,643 |
| | – | 1,063,388 | 438,178 | 1,351,230 | 438,173 | 3,290,969 |

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

| Year ended 31 December 2023 | On demand $'000 | Less than 3 months $'000 | 3 to 12 months $'000 | 1 to 2 years $'000 | Over 2 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Commodity derivative contracts | 414 | 3,111 | 17,264 | 1,000 | – | 21,789 |
| Other derivative contracts | – | 8,261 | – | – | – | 8,261 |
| | 414 | 11,372 | 17,264 | 1,000 | – | 30,050 |

| Year ended 31 December 2022 | On demand $'000 | Less than 3 months $'000 | 3 to 12 months $'000 | 1 to 2 years $'000 | Over 2 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Commodity derivative contracts | 9,549 | 27,496 | 15,553 | – | – | 52,598 |
| Other derivative contracts | 880 | 4,429 | – | – | – | 5,309 |
| | 10,429 | 31,925 | 15,553 | – | – | 57,907 |



### 28. Risk management and financial instruments continued

**Capital management**

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

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

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

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

The Group monitors capital using the gearing ratio and return on shareholders' equity as follows. Further information relating to the movement year-on-year is provided within the relevant notes and within the Financial review (pages 26 to 30).

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Loans, borrowings and bond[(i)] (A) | 18 | 794,453 | 1,018,712 |
| Cash and short-term deposits | 14 | (313,572) | (301,611) |
| EnQuest net debt[(ii)] (B) | | 480,881 | 717,101 |
| Equity attributable to EnQuest PLC shareholders (C) | | 456,728 | 484,241 |
| Profit/(loss) for the year attributable to EnQuest PLC shareholders (D) | | (30,833) | (41,234) |
| Profit/(loss) for the year attributable to EnQuest PLC shareholders excluding remeasurements and exceptionals (E) | | 29,213 | 212,346 |
| Adjusted EBITDA[(ii)] (F) | | 824,666 | 979,084 |
| Gross gearing ratio (A/C) | | 1.7 | 2.1 |
| Net gearing ratio (B/C) | | 1.1 | 1.5 |
| EnQuest net debt/adjusted EBITDA[(ii)] (B/F) | | 0.6 | 0.7 |
| Shareholders' return on investment (D/C) | | N/A | N/A |
| Shareholders' return on investment excluding exceptionals (E/C) | | 6% | 44% |

(i) Principal amounts drawn, excludes netting off of fees (see note 18)
(ii) See Glossary – non GAAP measures on pages 193 to 196

## 29. Subsidiaries

At 31 December 2023, EnQuest PLC had investments in the following subsidiaries:

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

(i) Held by subsidiary undertaking

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

Registered office addresses:
1 Annan House, Palmerston Road, Aberdeen, Scotland, AB11 5QP, United Kingdom
2 Ground Floor, Colomberie House, St Helier, JE4 0RX, Jersey
3 c/o TMF, 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia

## 30. Cash flow information

**Cash generated from operations**

| | Notes | Year ended 31 December 2023 $'000 | Year ended 31 December 2022 $'000 |
|---|---|---|---|
| Profit/(loss) before tax | | **231,779** | 203,214 |
| Depreciation | 5(c) | **6,109** | 6,222 |
| Depletion | 5(b) | **292,199** | 327,026 |
| Exploration and appraisal expense | | **5,640** | – |
| Net impairment charge to oil and gas assets | 4 | **117,396** | 81,049 |
| Net (write back)/disposal of inventory | | **(622)** | 762 |
| Share-based payment charge | 5(f) | **3,320** | 4,719 |
| Change in Magnus related contingent consideration | 22 | **(10,811)** | 268,910 |
| Change in provisions | 23 | **59,970** | (25,001) |
| Other non-cash income | 5(d) | **(4,058)** | (6,636) |
| Change in Golden Eagle related contingent consideration | 22 | **1,663** | 3,162 |
| Option premium recognition | | **–** | 1,331 |
| Unrealised (gain)/loss on commodity financial instruments | 5(a) | **(28,463)** | (14,475) |
| Unrealised loss/(gain) on other financial instruments | 5(b) | **3,832** | 4,900 |
| Unrealised exchange loss/(gain) | | **12,401** | (13,588) |
| Net finance expense | | **140,213** | 154,492 |
| **Operating cash flow before working capital changes** | | **830,568** | 996,087 |
| Decrease in trade and other receivables | | **51,724** | 12,714 |
| Increase in inventories | | **(9,518)** | (5,388) |
| (Decrease)/increase in trade and other payables | | **(18,028)** | 22,736 |
| **Cash generated from operations** | | **854,746** | 1,026,149 |

### 30. Cash flow information continued

**Changes in liabilities arising from financing activities**

| | Loans and borrowings $'000 | Bonds $'000 | Lease liabilities $'000 | Total $'000 |
|---|---|---|---|---|
| **At 1 January 2022** | (402,065) | (1,109,920) | (570,781) | (2,082,766) |
| **Cash movements:** | | | | |
| Repayments of loans and borrowings | 415,000 | 827,166 | – | 1,242,166 |
| Proceeds from loans and borrowings | (409,180) | (376,163) | – | (785,343) |
| Payment of lease liabilities | – | – | 147,971 | 147,971 |
| Cash interest paid in year | 14,771 | 80,189 | – | 94,960 |
| **Non-cash movements:** | | | | |
| Additions | 4,038 | 14,323 | (28,130) | (9,769) |
| Interest/finance charge payable | (14,490) | (62,262) | (39,172) | (115,924) |
| Fee amortisation | (22,679) | (2,652) | – | (25,331) |
| Disposal | – | – | 1,432 | 1,432 |
| Foreign exchange and other non-cash movements | 1,077 | 32,036 | 6,614 | 39,727 |
| **At 31 December 2022** | (413,528) | (597,283) | (482,066) | (1,492,877) |
| **Cash movements:** | | | | |
| Repayments of loans and borrowings | **265,809** | **138,052** | **–** | **403,861** |
| Proceeds from loans and borrowings | **(166,782)** | **–** | **–** | **(166,782)** |
| Payment of lease liabilities | **–** | **–** | **135,675** | **135,675** |
| Cash interest paid in year | **36,285** | **62,130** | **–** | **98,415** |
| **Non-cash movements:** | | | | |
| Additions | **–** | **–** | **(28,377)** | **(28,377)** |
| Interest/finance charge payable | **(30,708)** | **(58,999)** | **(43,801)** | **(133,508)** |
| Fee amortisation | **(1,476)** | **(3,091)** | **–** | **(4,567)** |
| Foreign exchange and other non-cash movements | **(810)** | **(11,828)** | **(3,605)** | **(16,243)** |
| **At 31 December 2023** | **(311,210)** | **(471,019)** | **(422,174)** | **(1,204,403)** |

**Reconciliation of carrying value**

| | Notes | Loans and borrowings (see note 18) $'000 | Bonds (see note 18) $'000 | Lease liabilities (see note 24) $'000 | Total $'000 |
|---|---|---|---|---|---|
| Principal | | (417,967) | (600,745) | (482,066) | (1,500,778) |
| Unamortised fees | | 4,609 | 13,815 | – | 18,424 |
| Accrued interest | 17 | (170) | (10,353) | – | (10,523) |
| **At 31 December 2022** | | (413,528) | (597,283) | (482,066) | (1,492,877) |
| Principal | | **(319,784)** | **(474,669)** | **(422,174)** | **(1,216,627)** |
| Unamortised fees | | **8,553** | **10,724** | **–** | **19,277** |
| Accrued interest | 17 | **21** | **(7,074)** | **–** | **(7,053)** |
| **At 31 December 2023** | | **(311,210)** | **(471,019)** | **(422,174)** | **(1,204,403)** |

### 31. Subsequent events

In March 2024, the UK Government announced that the sunset clause for EPL would be extended by a year to 31 March 2029, although no date has yet been set for when this will be legislated. The Group estimates the impact of this one year extension to be an additional deferred tax liability of approximately $44.6 million, with a reduction in the carrying value of the Group's assets of approximately $22.3 million.

In February 2024, the regulator approved the 15.0% disposal of a share in the Bressay licence to RockRose.

By the end of February 2024, the Group had fully repaid the outstanding $140.0 million of its Reserve Based Lending Facility.

The Board of Directors of EnQuest PLC are proposing making a $15.0 million share buy back, to be executed during 2024. The distribution will be below the limit granted at the 2023 Annual General Meeting allowing the Company to purchase up to 10% of its issued Ordinary share capital in the market.



# Statement of Directors' Responsibilities
## for the Parent Company Financial Statements

The Directors are responsible for preparing the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the parent company financial statements, the Directors are required to:
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the Company's specific corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Company Balance Sheet (Registered number: 07140891)
## At 31 December 2023

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 3 | **299,770** | 370,355 |
| **Current assets** | | | |
| Trade and other debtors | | | |
| – due within one year | 4 | **108,878** | 3 |
| – due after one year | 4 | **589,029** | 700,243 |
| Cash at bank and in hand | | **178** | 89 |
| | | **698,085** | 700,335 |
| **Trade and other creditors:** amounts falling due within one year | 6 | **(152,634)** | (12,398) |
| **Net current assets** | | **545,451** | 687,937 |
| **Total assets less current liabilities** | | **845,221** | 1,058,292 |
| **Trade and other creditors:** amounts falling due after one year | 7 | **(463,946)** | (586,930) |
| **Net assets** | | **381,275** | 471,362 |
| **Share capital and reserves** | | | |
| Share capital and premium | 8 | **393,831** | 392,196 |
| Other reserve | | **40,143** | 40,143 |
| Share-based payment reserve | | **13,195** | 11,510 |
| Profit and loss account | | **(65,894)** | 27,513 |
| **Shareholders' funds** | | **381,275** | 471,362 |

The attached notes 1 to 14 form part of these Company financial statements.

The Company reported a loss for the financial year ended 31 December 2023 of $93.4 million (2022: profit of $8.3 million). There were no other recognised gains or losses in the period (2022: nil).

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2024 and signed on its behalf by:

Amjad Bseisu
**Chief Executive Officer**

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

| | Notes | Share capital and share premium $'000 | Other reserve $'000 | Share-based payments reserve $'000 | Profit and loss account $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2021** | | 392,196 | 40,143 | 6,791 | 19,238 | 458,368 |
| Profit/(loss) for the year | | – | – | – | 8,275 | 8,275 |
| Total comprehensive income for the year | | – | – | – | 8,275 | 8,275 |
| Share-based payment charge | | – | – | 4,719 | – | 4,719 |
| **At 31 December 2022** | | 392,196 | 40,143 | 11,510 | 27,513 | 471,362 |
| Profit/(loss) for the year | | **–** | **–** | **–** | **(93,407)** | **(93,407)** |
| Total comprehensive expense for the year | | **–** | **–** | **–** | **(93,407)** | **(93,407)** |
| Issue of shares to Employee Benefit Trust | 8 | **1,635** | **–** | **(1,635)** | **–** | **–** |
| Share-based payment charge | | **–** | **–** | **3,320** | **–** | **3,320** |
| **At 31 December 2023** | | **393,831** | **40,143** | **13,195** | **(65,894)** | **381,275** |

### 1. Corporate information

The separate parent company financial statements of EnQuest PLC ('EnQuest' or the 'Company') for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 27 March 2024.

EnQuest PLC is a public limited company incorporated and registered in England and is the holding and ultimate controlling company for the Group of EnQuest subsidiaries (together the 'Group'). The Company address can be found on the inside back cover.

### 2. Summary of significant accounting policies

**Basis of preparation**

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

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, fair value measurement, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts. For new standards and interpretations see note 2 of the Group financial statements. No material impact was recognised upon application in the Company financial statements.

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

**Going concern**

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023.

**Critical accounting estimates and judgements**

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

***Key sources of estimation uncertainty: Impairment/reversal of investments in subsidiaries***

Determination of whether investments have suffered any impairment requires an estimation of the assets' recoverable value. The recoverable value is based on the discounted cash flows expected to arise from the subsidiaries' oil and gas assets, using asset-by-asset life-of-field projections as part of the Group's assessment for the impairment of the oil and gas assets. The Company's investment in subsidiaries is tested for impairment annually (see note 3 for recoverable values and sensitivities). See Group critical accounting estimates and judgements in note 2 for recoverability of oil and gas subsidiary asset carrying values.

No critical accounting judgements have been identified in the preparation of these financial statements.

**Foreign currencies**

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



### 3. Investments

**Accounting policy**

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

***(a) Summary***

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Subsidiary undertakings | **299,764** | 370,349 |
| Other financial assets at FVPL | **6** | 6 |
| **Total** | **299,770** | 370,355 |

***(b) Subsidiary undertakings***

| | $'000 |
|---|---|
| **Cost** | |
| At 1 January 2022 | 1,394,157 |
| Additions | 4,719 |
| At 31 December 2022 | **1,398,876** |
| Additions | **3,320** |
| **At 31 December 2023** | **1,402,196** |
| **Provision for impairment** | |
| At 1 January 2022 | 997,432 |
| Impairment charge for the year | 31,095 |
| At 31 December 2022 | **1,028,527** |
| Impairment charge for the year | **73,905** |
| **At 31 December 2023** | **1,102,432** |
| **Net book value** | |
| **At 31 December 2023** | **299,764** |
| At 31 December 2022 | 370,349 |
| At 31 December 2021 | 396,725 |

The Company has recognised an impairment charge of its investment in subsidiary undertakings of $73.9 million (2022: impairment charge of $31.1 million). The impairment charge for the year ended 31 December 2023 is primarily driven by changes in production and cost profiles and an increase in EnQuest's long-term oil price assumption.

The Group's recoverable value of its investments is highly sensitive, inter alia, to oil price achieved. A sensitivity has been run on the oil price assumption, with a 10.0% change being considered to be a reasonable possible change for the purposes of sensitivity analysis (see note 2 of the Group financial statements). A 10.0% decrease in oil price would have increased the impairment charge by $162.5 million.

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

Details of the Company's subsidiaries at 31 December 2023 are provided in note 29 of the Group financial statements.

***(c) Other financial assets at fair value through profit or loss***

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

### 4. Trade and other debtors

**Financial assets**

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

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

**Financial assets at amortised cost**

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

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

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

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

**Impairment of financial assets**

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

The Company evaluates the concentration of risk with respect to intercompany debtors as low, as its customers are intercompany ventures, and has considered the risk relating to the probability of default on loans that are repayable on demand. The Company has evaluated an expected credit loss of $nil for the year ended 31 December 2023, as required by IFRS 9's expected credit loss model (2022: $2.2 million).

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Due within one year** | | |
| Prepayments | **51** | 3 |
| Other receivables – vendor financing facility | **108,827** | – |
| | **108,878** | 3 |
| **Due after one year** | | |
| Amounts due from subsidiaries | **552,753** | 698,462 |
| Other receivables – vendor financing facility | **36,276** | – |
| | **589,029** | 698,462 |

Included within the amounts due from Group undertakings are balances of $512.4 million (2022: $667.2 million) on which interest was charged at between 9.0%-11.625% (2022: 7.0%-11.625%). All other balances are interest free.

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

A vendor financing facility was entered into with RockRose Energy Limited on 29 December 2023 following the farm-down of a 15.0% share in the EnQuest Producer FPSO and capital items associated with the Bressay development. $108.8 million was repaid in the first quarter of 2024 with the remainder of $36.3 million repayable through future net cash flows from the Bressay field. Interest on the outstanding amount accrues at 2.5% plus the Bank of England's Base Rate.

### 5. Deferred tax

The Company has unused UK mainstream corporation tax losses of $67.8 million (2022: $23.6 million) for which no deferred tax asset has been recognised at the balance sheet date due to the uncertainty of recovery of these losses.

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

**Accounting policy**

***Financial liabilities***

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

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

***Financial liabilities at amortised cost***

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Bond and other interest | **7,073** | 10,353 |
| Amounts due to subsidiaries | **145,434** | 1,934 |
| Accruals | **127** | 111 |
| | **152,634** | 12,398 |

Included within the amounts owed to Group undertakings are balances of $7.9 million (2022: nil) on which interest was charged at 10.98% (2022: 9.89%). All other balances are interest free.

All amounts owed to Group undertakings are unsecured and repayable on demand.

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Bonds | **463,946** | 586,930 |

At 31 December 2023, bonds comprise a high yield bond and a retail bond. The carrying value of the high yield bond is $294.3 million (2022: $291.2 million) and pays a coupon of 11.625% bi-annually with a maturity date of November 2027. The retail bond has a carrying value of $169.7 million (2022: $161.2 million) and pays a coupon of 9.00% with a maturity date of October 2027. See note 18 of the Group financial statements. The maturity profile of the bonds is disclosed in note 28 of the Group financial statements.

### 8. Share capital and share premium

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

| Authorised, issued and fully paid | Ordinary shares of £0.05 each Number | Share capital $'000 | Share premium $'000 | Total $'000 |
|---|---|---|---|---|
| At 1 January 2023 | **1,885,924,339** | **131,650** | **260,546** | **392,196** |
| Issue of shares to Employee Benefit Trust | **26,379,774** | **1,635** | **–** | **1,635** |
| **At 31 December 2023** | **1,912,304,113** | **133,285** | **260,546** | **393,831** |

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

At 31 December 2023, there were 8,449,793 shares held by the Employee Benefit Trust (2022: 21,663,181). The movement in the year was due to shares used to satisfy awards made under the Company's share-based incentive schemes offset by the subscription for additional Ordinary shares.

## 9. Reserves

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

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

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

## 10. Auditor's remuneration

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

## 11. Directors' remuneration

The emoluments of the Directors are paid to them in their capacity as Directors of the Company for qualifying services to the Company and the EnQuest Group. Further information is provided in the Directors' Remuneration Report on pages 99 to 117.

## 12. Distributions proposed

Further details are disclosed in note 9 of the Group financial statements.

## 13. Contingencies

The Company provides a number of parent company guarantees. These have been assessed as having no material value.

## 14. Subsequent events

In March 2024, the Company received $106.8 million of dividends from subsidiary undertakings.



# Glossary – Non-GAAP Measures

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

The use of the Business performance APM is explained in note 2 of the Group's consolidated financial statements on page 142.

| Business performance net profit attributable to EnQuest PLC shareholders | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Reported net profit/(loss) (A)** | | **(30,833)** | (41,234) |
| Adjustments – remeasurements and exceptional items | 4 | | |
| Unrealised gains on derivative contracts | 19 | **24,631** | 9,575 |
| Net impairment (charge)/reversal to oil and gas assets | 10,11,12 | **(117,396)** | (81,049) |
| Finance costs on Magnus contingent consideration | 6 | **(58,854)** | (36,410) |
| Change in Magnus contingent consideration | 2023: 5(d); 2022: 5(d),5(e) | **69,665** | (232,500) |
| Movement in other provisions | | **3,374** | – |
| Other exceptional income | 5(d) | **4,127** | 6,636 |
| Other exceptional expenses | 5(e) | **(10,731)** | – |
| Other exceptional finance income | 6 | **–** | 2,148 |
| **Pre-tax remeasurements and exceptional items (B)** | | **(85,184)** | (331,600) |
| **Tax on remeasurements and exceptional items (C)** | | **25,138** | 78,020 |
| **Post-tax remeasurements and exceptional items (D = B + C)** | | **(60,046)** | (253,580) |
| **Business performance net profit attributable to EnQuest PLC shareholders (A – D)** | | **29,213** | 212,346 |

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

| Adjusted EBITDA | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Reported profit from operations before tax and finance income/(costs) | | **456,227** | 411,887 |
| Adjustments: | | | |
| Remeasurements and exceptional items | 4 | **26,330** | 297,338 |
| Depletion and depreciation | 5(b),5(c) | **298,308** | 333,248 |
| Inventory revaluation | | **(622)** | 763 |
| Change in provision | 5(d),5(e) | **32,764** | (42,823) |
| Net foreign exchange loss/(gain) | 5(d),5(e) | **11,659** | (21,329) |
| **Adjusted EBITDA (E)** | | **824,666** | 979,084 |

Total cash and available facilities is a measure of the Group's liquidity at the end of the reporting period. The Group believes this is a useful metric as it is an important reference point for the Group's going concern and viability assessments, see pages 29 to 30.

| Total cash and available facilities | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Available cash | | **313,028** | 293,866 |
| Restricted cash | | **544** | 7,745 |
| **Total cash and cash equivalents (F)** | 14 | **313,572** | 301,611 |
| Available credit facilities | | **518,794** | 505,692 |
| Credit facility – drawn down | | **(290,000)** | (405,692) |
| Letter of credit | 18 | **(43,545)** | (52,700) |
| **Available undrawn facility (G)** | | **185,249** | 47,300 |
| **Total cash and available facilities (F + G)(i)** | | **498,821** | 348,911 |

(i) Includes $19.0 million in relation to a vendor loan facility which expired on 1 January 2024. This facility is currently being renegotiated.

Net debt is a liquidity measure that shows how much debt a company has on its balance sheet compared to its cash and cash equivalents. With deleveraging a strategic priority, the Group believes this is a useful metric to demonstrate progress in this regard. It is also an important reference point for the Group's going concern and viability assessments, see pages 29 to 30. The Group's definition of net debt, referred to as EnQuest net debt, excludes the Group's finance lease liabilities as the Group's focus is the management of cash borrowings and a lease is viewed as deferred capital investment.

| EnQuest net debt | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Borrowings: | 18 | | |
| RBL facility | | **135,080** | 395,391 |
| Term Loan facility | | **146,367** | – |
| SVT working capital facility | | **29,784** | 12,275 |
| Vendor loan facility | | **–** | 5,692 |
| **Borrowings (H)** | | **311,231** | 413,358 |
| Bonds: | 18 | | |
| High yield bond | | **294,276** | 291,185 |
| Retail bonds | | **169,669** | 295,745 |
| **Bonds (I)** | | **463,945** | 586,930 |
| Non-cash accounting adjustments: | 18 | | |
| Unamortised fees on loans and borrowings | | **8,553** | 4,609 |
| Unamortised fees on bonds | | **10,724** | 13,815 |
| **Non-cash accounting adjustments (J)** | | **19,277** | 18,424 |
| **Debt (H + I + J) (K)** | | **794,453** | 1,018,712 |
| Less: Cash and cash equivalents (E) | 14 | **313,572** | 301,611 |
| **EnQuest net debt (K – F) (L)** | | **480,881** | 717,101 |

The EnQuest net debt/adjusted EBITDA metric is a ratio that provides management and users of the Group's consolidated financial statements with an indication of the Group's ability to settle its debt. This is a helpful metric to monitor the Group's progress against its strategic objective of deleveraging.

| EnQuest net debt/adjusted EBITDA | 2023 $'000 | 2022 $'000 |
|---|---|---|
| EnQuest net debt (L) | **480,881** | 717,101 |
| Adjusted EBITDA (E) | **824,666** | 979,084 |
| **EnQuest net debt/adjusted EBITDA (L/E)** | **0.6** | 0.7 |

Cash capital expenditure (nearest equivalent measure on an IFRS basis is purchase of property, plant and equipment) monitors investing activities on a cash basis, while cash decommissioning expense monitors the Group's cash spend on decommissioning activities. The Group provides guidance to the financial markets for both these metrics given the materiality of the work programme and the focus on the Group's liquidity position and ability to reduce its debt.

| Cash capital and decommissioning expense | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Reported net cash flows from/(used in) investing activities | **(206,895)** | (161,247) |
| Adjustments: | | |
| Purchase of other intangible assets | **876** | 1,199 |
| Payment of Magnus contingent consideration – Profit share | **65,506** | 45,975 |
| Payment of Golden Eagle contingent consideration – Acquisition costs | **50,000** | – |
| Proceeds received from farm-down of equity interest in the EnQuest Producer FPSO | **(55,800)** | – |
| Interest received | **(5,895)** | (1,763) |
| **Cash capital expenditure** | **(152,208)** | (115,836) |
| Decommissioning expenditure | **(58,911)** | (58,964) |
| **Cash capital and decommissioning expense** | **(211,119)** | (174,800) |

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

The Group's definition of free cash flow is net cash flow adjusted for net repayment/proceeds of loans and borrowings, net proceeds of share issues and cost of acquisitions.

| Free cash flow | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Net cash flows from/(used in) operating activities | **754,244** | 931,553 |
| Net cash flows (used in)/from investing activities | **(262,695)** | (161,247) |
| Net cash flows (used in)/from financing activities | **(478,631)** | (731,163) |
| Adjustments: | | |
| Proceeds from loans and borrowings | **(166,782)** | (65,473) |
| Repayment of loans and borrowings | **403,861** | 545,278 |
| Payment of Golden Eagle contingent consideration – Acquisition costs | **50,000** | – |
| **Free cash flow** | **299,997** | 518,948 |

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

| Revenue sales | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Revenue from crude oil sales (M) | 5(a) | **1,127,419** | 1,517,666 |
| Revenue from gas and condensate sales (N) | 5(a) | **338,973** | 514,206 |
| Realised (losses)/gains on oil derivative contracts (P) | 5(a) | **(11,264)** | (203,741) |

| Barrels equivalent sales | 2023 kboe | 2022 kboe |
|---|---|---|
| Sales of crude oil (Q) | **13,714** | 14,786 |
| Sales of gas and condensate(i) | **4,107** | 3,366 |
| **Total sales (R)** | **17,821** | 18,152 |

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

# Glossary – Non-GAAP Measures continued

| Average realised prices | 2023 $/Boe | 2022 $/Boe |
|---|---|---|
| Average realised oil price, excluding hedging (M/Q) | **82.2** | 102.6 |
| Average realised oil price, including hedging ((M + P)/Q) | **81.4** | 88.9 |

Operating costs ('opex') is a measure of the Group's cost management performance (reconciled to reported cost of sales, the nearest equivalent measure on an IFRS basis). Opex is a key measure to monitor the Group's alignment to its strategic pillars of financial discipline and value enhancement and is required in order to calculate opex per barrel (see below).

| Operating costs | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Reported cost of sales | 5(b) | **946,752** | 1,200,706 |
| Adjustments: | | | |
| Remeasurements and exceptional items | 5(b) | **(5,650)** | (4,900) |
| Depletion of oil and gas assets | 5(b) | **(292,199)** | (327,027) |
| Credit/(charge) relating to the Group's lifting position and inventory | 5(b) | **4,244** | 15,568 |
| Other cost of operations(i) | 5(b) | **(305,919)** | (487,831) |
| **Operating costs** | | **347,228** | 396,516 |
| Less: realised loss/(gain) on derivative contracts (S) | 5(b) | **2,839** | (5,418) |
| **Operating costs directly attributable to production** | | **350,067** | 391,098 |
| Comprising of: | | | |
| Production costs (T) | 5(b) | **308,331** | 347,832 |
| Tariff and transportation expenses (U) | 5(b) | **41,736** | 43,266 |
| **Operating costs directly attributable to production** | | **350,067** | 391,098 |

(i) Includes $294.0 million (2022: $452.8 million) of purchases and associated costs of third-party gas not required for injection activities at Magnus which is sold on

| Barrels equivalent produced | 2023 kboe | 2022 kboe |
|---|---|---|
| **Total produced (working interest) (V)(i)** | **15,992** | 17,250 |

(i) Production for 2023 includes 604 kboe associated with Seligi gas

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

| Unit opex | 2023 $/Boe | 2022 $/Boe |
|---|---|---|
| Production costs (T/V) | **19.3** | 20.2 |
| Tariff and transportation expenses (U/V) | **2.6** | 2.5 |
| **Total unit opex ((T + U)/V)** | **21.9** | 22.7 |
| Realised (gain)/loss on derivative contracts (S/V) | **(0.2)** | 0.3 |
| **Total unit opex including hedging ((S + T+ U)/V)** | **21.7** | 23.0 |



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**Financial calendar**
30 May 2024: Annual General Meeting
September 2024: Half year results

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

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