2023 Annual Report and Accounts

Kistos Holdings plc

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		2023 (actual)	2023 (pro forma)[1]	2022 (actual)	2022 (pro forma)[1]
Total production	kboe	2,995	3,191	2,732	3,962
Average production rate[2]	boepd	9,200	8,800	10,600	10,900
Revenue	€'000	206,997	223,092	411,512	568,445
Average realised sales price[2]	€/boe	71	71	167	158
Unit opex[3]	€/boe	24	25	10	12
Adjusted EBITDA[4]	€'000	120,777	122,319	380,015	517,202
Statutory (loss)/profit before tax	€'000	(45,858)	n/a	254,125	n/a
Operating cashflow	€'000	203,159	n/a	290,702	n/a
Net (debt)/cash[5]	€'000	(24,319)	(24,319)	130,408	130,408

1. Pro forma figures for 2023 include Kistos Norway as if it had been acquired on 1 January 2023. The acquisition completed on 23 May 2023. Pro forma figures for 2022 include GLA as if it had been acquired on 1 January 2022. The acquisition completed in July 2022 and is therefore not included in the actual results to 30 June 2022. Minor adjustments have been made to comparative pro forma information following receipt of additional information after completion of the GLA Acquisition and to align with the Group's accounting policies and methodology as used in the 2022 Annual Report and Accounts.
2. Total production rate includes gas, oil and natural gas liquids, and is rounded to the nearest 100 barrels of oil equivalent produced per day (boepd). Actual average production rate reflects the number of days during the year businesses were controlled by the Group. Sales and production volumes are converted to estimated barrels of oil equivalent (boe) using the conversion factors in Appendix C to the financial statements.
3. Non-IFRS measure. Refer to the definition within the glossary and reconciliation in Appendix B3 to the financial statements.
4. Non-IFRS measure. Refer to the definition within the glossary and reconciliation in note 2.2.2 to the financial statements.
5. Non-IFRS measure. Refer to the definition within the glossary and reconciliation in Appendix B2 to the financial statements.

2023 Year in Review

Strategic and Operational Highlights

Entry into Norway

Acquisition of Mime Petroleum AS (Mime) for consideration of $1 plus up to six million warrants, adding 24 MMboe of 2P reserves and in excess of 2,000 boepd of production with material future production upside from the Balder Future development (Kistos 10%).

Debt reduction

Used surplus cash to redeem fully the €150 million bonds issued by Kistos NL2, saving €15 million of future interest costs, and increasing the Group's financial flexibility by removing restrictions on distributions.

8,800 boepd production

Pro forma production in 2023 net to Kistos averaged 8.8 kboepd across our three regions (2022: 10.9 kboepd across two regions).

Benriach

Safe completion of the Benriach exploration well (Kistos 25%) at a post-tax cost of €4 million.

Continued business development

After completing three upstream oil and gas deals in three years, Kistos completed the acquisition of EDF's onshore UK gas storage assets in April 2024.

Diversifying and increasing reserves base

Year-end 2P reserves of 27.9 MMboe, up from 12.7 MMboe at 31 December 2022 following the Mime Acquisition. 2P reserves plus 2C resources now estimated at 95.4 MMboe.

Onshore gas storage assets in Cheshire, UK, acquired April 2024

2023 Year in Review

Financial Highlights

EBITDA €122 million

Pro forma Adjusted EBITDA[1] of €122 million for the 12 months to 31 December 2023 (2022: €517 million).

€195 million cash balance

Cash balances on 31 December 2023 of €195 million (31 December 2022: €212 million) and net debt[2] of €24 million following the assumption of $225 million of bonds issued by Mime (31 December 2022: net cash of €130 million).

€119 million capital expenditure

Capital expenditure on a cash basis was €119 million (2022: €20 million), representing the significant planned ongoing investment in Norway to progress the Balder Future project to production.

Debt management

Retired all the outstanding debt issued by Kistos NL2 by exercising call options in December 2023.

Result for the period

Statutory loss after tax of €25 million (2022: €26 million profit after tax), including €59 million of impairment charges.

1. Non-IFRS measure. Refer to note 2.2.2 to the financial statements for definition and calculation.
2. Non-IFRS measure. Refer to Appendix B2 to the financial statements for definition and calculation.

Strategic Report

Executive Chairman's Statement

Continued Growth

I am delighted to be able to report Kistos' results for the year ended 31 December 2023, with Adjusted EBITDA for the period €122 million on a pro forma basis.

Andrew Austin
Executive Chairman

This result was a reduction from the 2022 pro forma Adjusted EBITDA of €517 million, primarily due to the exceptionally high gas prices seen in the prior period.

We ended 2023 with total cash of €195 million (2022: €212 million), and Kistos' strong financial position during the year was one of the reasons we were able to acquire Mime Petroleum (subsequently renamed Kistos Energy Norway AS) in May 2023 and assume its bond debt. This resulted in a Group net debt position at the end of the period of €24 million, following the redemption in December of the remaining outstanding bonds originally issued on acquisition of Tulip Oil. The redemption of these bonds has resulted in a €15 million saving on future interest costs, as well as improving our financial flexibility by making it easier to manage cash within the Group and permit future external distributions to shareholders.

Production from the Kistos-operated Q10-A field in the Netherlands was impacted by downtime from the scheduled maintenance period, which began in June, and a planned workover campaign that commenced in the fourth quarter of 2022 and concluded in the first quarter of 2023. The results of this campaign were mixed, mainly due to mechanical issues arising from utilising the existing well stock rather than reservoir performance issues. Nevertheless net output from Q10-A reduced significantly from 4,700 boepd in 2022 to 2,700 boepd in 2023 and our team is now focused on minimising future production declines to ensure we extract the maximum value from this asset.

Following its acquisition by Kistos and successful integration into the Group, Norway production increased by more than 50% from 312 kbbl in the first half of 2023 to 478 kbbl in the second half of 2023. This was achieved as Vår Energi ASA (Vår), the Balder area operator, brought new wells onstream and production efficiency improved following a summer maintenance turnaround. The average net daily production in Norway for the year was 2,200 boepd, but more than 3,000 boepd in the final quarter.

> **"Kistos' strong financial position was one of the reasons we were able to acquire Mime in May 2023 and assume its bond debt."**

Meanwhile, the Balder Future development, which is expected to boost our output from the Norwegian Continental Shelf (NCS) to a daily peak during 2025 of 10,000 boepd, continues to make progress. The upgrade of the Jotun floating production storage and offloading vessel (FPSO) is ongoing, with Vår reporting that work on the vessel is more than 95% complete. It is focused on executing the remaining construction and commissioning work to enable inshore sail away in time to allow production start-up in the fourth quarter of the year. The project's drilling and subsea facilities activities are progressing according to schedule.

In the Greater Laggan Area (GLA) offshore from the UK, despite an unplanned shutdown at the Shetland Gas Plant (SGP) in December, which was caused by an incident in the heating medium system, the GLA fields and infrastructure enjoyed good uptime and produced an average of 4,000 boepd net to Kistos, in line with budget, but a decrease from 5,900 boepd in 2022. Looking forward, the GLA partners continue to pursue the potential development of the Glendronach field and expect to benefit from Shell's decision to develop the Victory gas field, which will utilise GLA infrastructure and the SGP, and is due onstream before the end of 2025.

We were disappointed when the Benriach exploration well failed to find hydrocarbons in commercial quantities. However, we were pleased that operations were completed safely and under budget and an extensive data acquisition programme was conducted, which will help inform the geological interpretation of the area. Although we benefitted from enhanced capital allowances in relation to this well (resulting in the post-tax cost to Kistos being only €4 million) under the Energy Profits Levy (EPL) regime, we continue to see this tax in particular, and fiscal uncertainty in general, as major barriers to investment in the UK North Sea. The recent announcement by the UK Government that EPL is to be extended for another year (to 2029) is at odds with what was supposed to be a temporary 'windfall' tax on exceptional profits, especially as the average 2023 UK gas price was lower than the 2021 average (which was prior to the commencement of the Russia-Ukraine conflict).

Executive Chairman's Statement

Looking forward, the GLA partners continue to pursue the development of the Glendronach field and will benefit from Shell's decision to develop the Victory gas field, which will utilise GLA infrastructure and the SGP, and is due onstream before the end of 2025.

Since the end of 2023, we announced and completed the acquisition of EDF's onshore UK gas storage business for cash consideration of £25 million (less closing working capital adjustments). Our entry into this market is another step in our strategy to expand the business through value-accretive acquisitions. However, these facilities also diversify our presence across the energy value chain, giving us a foothold in the midstream market, and align with our objective to own assets with a role to play in the energy transition.

We welcome the gas storage team to Kistos and look forward to benefiting from its experience at these sites as we assume operatorship. Its specialist expertise will be highly valuable as we seek to maximise the potential of the assets and evaluate all options to expand and extend operations via other energy storage sources such as compressed air or hydrogen. In essence, Kistos now owns one of the most flexible 'batteries' in the UK, which is vital for the nation's energy security and supply.

Finally, I would like to thank our employees and contractors for their work and commitment to the Company and to thank our suppliers, co-venturers and others for their continued support. This has enabled us to build on our platform since the end of 2022 and we will continue to do so in the future. Although we do not set explicit long-term targets for reserves or production, we will maintain our focus on generating substantial returns for investors and I look forward to reporting further progress during the remainder of 2024.

Andrew Austin
Executive Chairman

10 May 2024

Chief Executive Officer's Review

Review of Operations

2023 saw Kistos enter Norway with the acquisition of Mime, bringing geographical and operational diversification, and significantly increasing the Group's reserves and resources base.

Peter Mann
Chief Executive Officer

The Netherlands

Q10-A

Q10-A (Kistos 60% and operator) production in 2023 was 2,700 kboepd compared to 4,700 kboepd in 2022. Production was adversely impacted by downtime due to a compressor leak on the TAQA-operated P15-D platform identified following restart of operations after the planned summer maintenance shutdown. This resulted in significantly reduced production rates until the issue was rectified in early September.

Production for the year was also impacted by the mixed results of the well intervention campaign, which concluded during Q1 2023 without achieving the forecasted increase in production rates. We continue to review and integrate the results of these activities into our wider subsurface understanding of the field to evaluate any remaining opportunities, but we now anticipate the 2P reserves recoverable from the field to be lower than originally thought.

The Group is also cooperating closely with the operator and other users of the P15-D platform and associated infrastructure to ensure volumes are maximised and unit operating costs are minimised in the coming years. The objective of this collaborative exercise, which includes potential new developments, is to extend the economic life of the hub for the benefit of all users.

Average realised gas prices fell by 59% to €43/MWh from €105/MWh a year earlier. Combined with a 45% decrease in production rates, this caused total Netherlands revenue in the period to decrease by 76% to €67 million versus €285 million in 2022.

Critically, our Scope 1 emissions intensity remained one of the lowest in the industry, at less than 0.002 kg CO_2e/boe (excluding flaring from drilling operations).

Orion

The Q10-A Orion oil field (Kistos 60% and operator) is located in the Vlieland sandstone formation, which is a stratigraphically shallower formation deposited above the Q10-A gas field. This is a proven play in the area and, although this reservoir has low porosity and permeability, it contains natural fractures that can significantly enhance productivity. This was demonstrated in the third quarter of 2021, when Kistos drilled an appraisal well and flow tested an 825-metre horizontal section at a maximum rate of 3,200 boepd.

The Concept Select phase of the development was split into two parts, the first of which completed during Q3 2023. The second phase is nearing completion and, should the decision be taken to progress the project, a Final Investment Decision (FID) could occur in the second half of 2024, with first oil in early 2026. In the event it goes ahead, this relatively low-cost project is expected to utilise the existing facilities at Q10-A and P15-D. Under currently enacted fiscal regimes, the oil produced would be among the lowest-taxed barrels in the North Sea at a rate of approximately 50%.

M10a/M11

During the first half of 2022, Kistos applied for the M10a and M11 licences (Kistos 60% and operator) north of the Wadden Islands to be extended beyond 30 June 2022. Initially, the extension was denied but during 2023, Kistos successfully appealed against this decision and the licences were re-awarded and extended to 31 August 2028. As part of the licence extension, Kistos was required, prior to 28 February 2024, to apply for a permit to drill an appraisal well and to commence operations no later than 31 August 2025.

Following a period of close engagement with local municipalities and other stakeholders in the latter part of 2023, we submitted a request for an extension to the 28 February submission deadline. An update on the status of M10a/M11 will be provided once we receive responses from the relevant authorities.

Other

In January 2023, Kistos was awarded three new offshore exploration licences (P12b, Q13b and Q14), which are adjacent to the existing Q10 block and cover a total of 507 km². Kistos holds a 60% operated working interest in these licences and is partnered by Energie Beheer Nederland (EBN), which holds the remaining 40%. Initial evaluation of the acreage has now commenced, with previously identified prospects being ranked against our wider portfolio of exploration opportunities.

Onshore, after concluding the safe abandonment of three wells (HRK-1, DKK-3 and DKK-4) at the end of 2022, Kistos commenced the process of land remediation and returning sites to landowners. In 2024, Kistos will continue the remaining abandonment work, focusing on removing the pipeline and filling in remaining cavities.

Norway

Production and drilling activity

Net production from the Balder and Ringhorne Øst fields (Kistos 10%) in the period from acquisition to the end of the year averaged 2,500 boepd, with 22 wells producing oil during the year. Under the joint lifting agreement with Vår, 10 cargoes of crude were lifted from the Balder floating production unit (FPU) in the period post-acquisition, totalling 533 kboe net to Kistos with an average realised price of $81/bbl. For 2024, Kistos has entered into a new sales and lifting arrangement whereby Kistos will sell its share of crude oil only when it has built up sufficient entitlement to fill an offload tanker but will continue to be paid monthly on a produced quantity basis.

Production was positively impacted in the period by the restart in May of the rich-gas riser between the Balder FPU and the Ringhorne platform. This had been temporarily shut in during the first quarter of the year and was permanently replaced in September 2023 during the planned Balder FPU turnaround. Overall production efficiency for Balder and Ringhorne Øst was 87% but improved as the year progressed, reaching 98% in the final quarter.

Other activities in 2023 included a well intervention campaign to restore output from Ringhorne Øst; the drilling and completion of six new wells with the West Phoenix semi-submersible drilling rig as part of the Balder Future campaign; and the completion of the first of five planned Ringhorne Phase IV wells to be drilled from the Ringhorne platform. The remaining Ringhorne Phase IV wells are anticipated to be completed by early 2025.

We estimate that the full year Scope 1 and Scope 2 emissions intensity from our Norwegian assets was 18 kg CO_2e/boe.

Balder Future and other developments

The Balder Future project involves the drilling of 14 new production wells plus one new water injector on the Balder field, alongside the refurbishment of the Jotun FPSO, which will be integrated within the Balder area hub to increase processing and handling capacities across the Balder and Ringhorne Øst fields. The project's target is to extract an additional c.140 MMboe from the area and it will also provide expansion capacity to tie in extra wells to the FPSO after the completion of Balder Future drilling programme.

The upgrade of the Jotun FPSO for the Balder Future development project is ongoing and the refloat of the vessel occurred in late June 2023. This enabled the safe completion of the heavy-lift installation of the turret, turntable and gantry in July. The subsea umbilicals, risers and flowlines (SURF) systems have now all been installed, with templates, multi-flow bases, flowlines and buoyancy elements for risers also in place. Dewatering of the gas export line and gas lift lines along with flushing of lines and umbilical testing have all been conducted.

In mid-February 2024, the FPSO refurbishment was reported by the operator to be more than 90% complete and only slightly behind the revised plan, with the SURF elements more than 80% complete (all subsea equipment has been delivered and the majority installed, with a summer 2024 campaign scheduled to pre-lay risers ready for the FPSO arrival). Ten out of 14 new production wells have been completed, and all production wells will be ready for start-up as soon as the Jotun FPSO is installed in the field and tie-ins are complete. The operator's current focus is on executing the remaining construction and commissioning work while drilling and subsea facilities activities are progressing according to schedule. The operator's targeted start-up date of the FPSO has been moved to the fourth quarter of 2024, based on an inshore sail away by August 2024.

The United Kingdom

Greater Laggan Area

In July 2022, Kistos marked its entry to the UK Continental Shelf with the completion of the acquisition of a 20% interest in the GLA from TotalEnergies E&P UK Limited. As part of the acquisition terms, a contingent consideration payment of €15.6 million was made in January 2023. This payment was calculated by reference to the average gas price and GLA production during 2022.

The average net production rate from the GLA in 2023 was 4,000 boepd, compared to 6,200 boepd (pro forma) in 2022, reflecting primarily natural reservoir decline. In addition, production during the year was impacted by a period of unplanned outages during March as a result of compressor unavailability, a failure of the monoethylene glycol (MEG) reboiler facilities from August to November, and by an emergency shutdown and 10-day outage following a heating medium pipework failure at the SGP in December. Planned activities, which included approximately three weeks of shut-ins during April to allow for planned pipeline pigging operations, and a three-day planned maintenance window during May were completed according to schedule.

Production from the single well on the Edradour field remains suspended due to facilities constraints relating to MEG management and saw negligible production during 2023. The GLA joint venture (JV) continues to monitor the well and its potential restart. So far, other GLA wells have compensated for the production shortfall. Overall GLA output last year was within the original forecast range until the emergency shutdown of the SGP in December 2023.

On a pro forma basis, average realised gas prices fell by 53% to 99p/therm in 2023 from 210p/therm a year earlier. This, combined with the reduction in average production rates outlined above, resulted in a decrease in revenue to €99 million from €126 million. Kistos also saw regular liftings of natural gas liquids (NGLs) (C3, C4 and C5+) and the sale of one parcel of crude oil from GLA during 2023.

A series of three 4D seismic surveys were acquired over the producing GLA fields, with completion occurring ahead of schedule in early July and (due to favourable weather conditions) significantly under budget. The primary aim of the campaign is to evaluate potential infill opportunities over Laggan, Tormore and Glenlivet, and to provide better reservoir monitoring and management of the GLA as a whole. The acquired seismic is currently subject to ongoing processing for 3D and 4D applications, and final results are expected early 2024.

The results of the seismic survey may also help inform JV decisions over the other future developments, including Edradour West. During the year, the JV partners continued to progress options for the Edradour West development, while the Glendronach development previously passed all technical stage gates with the operator and partners.

Chief Executive Officer's Review

It is now undergoing a recycling of project economics following changes to the cost environment since it was originally assessed. Both of these projects have so far exhibited accretive economics and would utilise the existing GLA subsea infrastructure and the SGP if they are approved for development. The JV is also in the initial stages of evaluating other infill drilling opportunities on the Laggan and Tormore fields.

The nearby Victory development (Shell 100%) is planned to be a single subsea well tied back to the existing GLA infrastructure and the SGP, with first gas targeted for the fourth quarter of 2025. The project received regulatory approval to proceed in January 2024 and, once onstream, will significantly reduce unit operating costs for the GLA partners while providing a life extension for the existing GLA fields.

In 2023, the CO_2 emissions intensity from GLA production (on a Scope 1 and Scope 2 basis) was estimated at 15 kg CO_2e/boe (2022: 12 kg CO_2e/boe), well below the UK average for offshore gas fields of 25 kg per boe[1]. As production from the GLA naturally declines in 2024, this intensity ratio is anticipated to increase. However, it will be reduced again once Victory comes onstream. The JV partners continue to evaluate and execute energy efficiency and electrification options at the SGP to further reduce the asset's carbon intensity.

1. Source: Welligence Energy Analytics.

Benriach

The Benriach exploration well, located on block 206/05c (Kistos 25%), was spudded on 21 March 2023 by the Transocean Barents drilling rig. A total measured depth of approximately 4,400 metres was reached and an extensive data acquisition programme was conducted, including obtaining rotary sidewall cores, full wireline coverage, live pressures and fluid samples. The campaign confirmed the presence of gas-bearing sands in the target Royal Sovereign formation. However, based on initial analysis, the discovered resource is expected to be sub-commercial and a decision was taken to plug and abandon the well. Drilling concluded ahead of schedule in June 2023, with zero lost time incidents or first aid cases and at a post-tax cost net to Kistos of approximately €4 million. Detailed analysis of the acquired data by the operator is expected to conclude in the first half of 2024 and has the potential to benefit nearby developments (such as Glendronach).

Reserves and resources

Kistos exited 2022 with 2P reserves of 12.7 MMboe. Following the acquisition of the Norwegian interests in May 2023, Group 2P reserves at the end of 2023 were 27.9 MMboe.

Pro forma production in 2023 was 3.2 MMboe, while net downwards revisions in the UK and the Netherlands amounted to 4.5 MMboe, arising from revisions to subsurface models and taking into account the reduced performance potential of the single well on the Edradour field.

Our 2C contingent resources are estimated to be 67.5 MMboe at the end of 2023, including the other opportunities in the Balder area in Norway, Orion and M10a/M11 in the Netherlands, and Glendronach and Edradour West in the GLA.

Onshore UK Gas Storage Acquisition

In February 2024, we announced an agreement to purchase EDF's onshore gas storage assets at Hill Top Farm and Hole House in Cheshire, UK, for £25 million payable in cash at completion less closing working capital adjustments (the 'Gas Storage Acquisition'). The acquisition, which completed in April, is in line with our strategy to pursue opportunities that align with the energy transition and provides diversification of our asset portfolio into a stable marketplace that offers significant growth potential.

Hill Top's working gas capacity is 17.8 million therms, with an ongoing programme to increase this to 21.2 million therms in the short term. At current levels, Hill Top accounts for 3.1% of the UK's total available onshore gas storage capacity. Due to the fast cycle nature of the facility, Hill Top can deliver up to 11% of the UK's flexible daily gas capacity if called upon. With the potential reactivation of the Hole House facility, which is currently non-operational, it would be possible to increase materially our share of the UK's total onshore gas storage.

Both Hill Top and Hole House have the potential to be repurposed for future energy storage uses, including the storage of compressed air or hydrogen, and concept studies are underway. This would place these assets firmly into the transitional energy space beyond the current key role they play in the UK's supply of gas.

Peter Mann
Chief Executive Officer

10 May 2024

Financial Review

		31 December 2023 (actual)	31 December 2023 (pro forma)[1]	31 December 2022 (actual)	31 December 2022 (pro forma)[1]
Revenue	€'000	206,997	223,092	411,512	568,445
Average realised sales price[2]	€/boe	71	71	167	158
Unit opex[3]	€/boe	24	25	10	12
Adjusted EBITDA[4]	€'000	120,777	122,319	380,015	517,202
Profit/(loss) before tax	€'000	(45,858)	n/a	254,125	n/a
Earnings/(loss) per share	€	(0.30)	n/a	0.31	n/a
Net cash from operations	€'000	203,159	n/a	290,702	n/a
Net (debt)/cash[5]	€'000	(24,319)	(24,319)	130,408	130,408

1. Pro forma figures for 2023 include Kistos Norway as if it had been acquired on 1 January 2023. The acquisition completed on 23 May 2023. Pro forma figures for 2022 include GLA as if it had been acquired on 1 January 2022. The acquisition completed on 10 July 2022. Minor adjustments have been made to comparative pro forma information following receipt of additional information after completion of the GLA Acquisition and to align with the Group's accounting policies and methodology as used in the 2022 Annual Report and Accounts.
2. Non-IFRS measure. Refer to definition within the glossary. Sales volumes are converted to estimated boe using the conversion factors in Appendix C to the financial statements.
3. Non-IFRS measure. Refer to definition in the glossary and Appendix B3 to the financial statements.
4. Non-IFRS measure. Refer to the definition within the glossary and reconciliation in note 2.2.2 to the financial statements.
5. Non-IFRS measure. Refer to the definition within the glossary and reconciliation in Appendix B2 and B3 to the financial statements.
6. Non-IFRS measure. Refer to definition in the glossary and Appendix B3 to the financial statements.

Production and revenue

Actual production on a working interest basis averaged 9,200 boepd in 2023 (2022: 10,600 boepd). This represents a decrease of 14% from a year earlier and reflects the natural decline in production from our UK and Dutch assets, unplanned production interruptions in the Netherlands, partially offset by the inclusion of the Group's interests in Norway from 23 May 2023.

On a pro forma basis (assuming Kistos had completed the acquisitions of the GLA interests and Mime on 1 January 2022 and 1 January 2023 respectively), production was 8,800 boepd (2022: 10,900 boepd). As well as natural decline, this reduction reflects periods of downtime in the Netherlands during the drilling campaign in the first quarter of 2023, unplanned production interruptions following attempted restarts after the planned annual maintenance at the P15-D platform in the summer, and planned annual maintenance and pigging campaigns in the GLA in the UK during April. Again, this was offset by the addition of oil production from the Balder Area in Norway, which saw increases in production rates as the year progressed as new wells came onstream at the Ringhorne platform.

The Group's average realised price across gas and oil sales during the period was €71/boe, and total revenue from gas and oil sales was €207 million, versus €167/boe and €412 million a year earlier. On a pro forma basis, these figures were €71/boe and €223 million, a decrease from €158/boe and €568 million realised in 2022. The 55% reduction in average realisations was a function of the significant reduction in UK and Dutch gas prices in 2023, with realised oil prices improving slightly as the proportion of the Group's revenue derived from the sale of crude increased and we received more frequent payments.

In the Netherlands, the average realised gas price for the year was €43/MWh (2022: €105/MWh, which included the impact of hedges during the first quarter of the year). Based on the average 2023 realised price, *cijns* (a 'windfall' royalty tax) was not payable for the year. In the UK, the average realised gas price for the period was 99p/therm (2022 pro forma: 210p/therm). The average realised oil price from crude oil sales in Norway on a pro forma basis was $80/boe. This was approximately 3% lower than the average Brent crude price for the period, which was a function of the norm price differential applied by the Norwegian Petroleum Price Council to Balder crude.

Operating costs

Total adjusted operating costs[6] (which exclude non-cash accounting movements in inventory) were €72 million (2022: €27 million). On a pro forma basis, adjusted operating costs were €82 million (2022: €47 million), with this figure reflecting the inclusion of a full year of production costs in Norway. On a unit opex basis, pro forma costs were €25/boe (2022; €12/boe), reflecting higher production costs in Norway, lower production rates in the UK and Netherlands, and a contracted change from tariff payments to a cost share arrangement for Q10-A at the TAQA-operated P15-D platform.

Financial Review

Adjusted EBITDA

€'000	Year ended 31 December 2023	Year ended 31 December 2022
Pro forma[1] Adjusted EBITDA	122,319	517,202
Pro forma[1] adjustment	(1,542)	(137,187)
Adjusted EBITDA	**120,777**	**380,015**
Depreciation and amortisation	(99,230)	(83,234)
Impairments	(59,023)	(44,547)
Development expenses	(1,146)	(1,752)
Transaction costs	(2,581)	(681)
Share-based payments	(159)	(538)
Contingent consideration movements	3,355	26,993
Operating profit/(loss)	**(38,007)**	**276,256**

1. Pro forma figures for 2023 include Kistos Norway as if it had been acquired on 1 January 2023. The acquisition completed on 23 May 2023. Pro forma figures for 2022 include GLA as if it had been acquired on 1 January 2022. Adjusted EBITDA by region is reconciled to total Adjusted EBITDA in note 2.2.2 to the financial statements. Pro forma information is reconciled to actual results in Appendix B1 to the financial statements.

Adjusted EBITDA was €121 million or €41 per boe of production in 2023, compared with €380 million and €139/boe in 2022. This reduction was caused by the significant drop in average gas prices year-on-year in conjunction with a reduction in overall production rates and higher operating costs arising from lower production and Norway incurring higher unit operating costs than our pre-existing assets. The same dynamic resulted in pro forma EBITDA falling to €122 million or €38/boe of production from €517 million or €130/boe a year earlier. The depreciation charge for the year was €99 million, equivalent to €33/boe produced (2022: €83 million or €30/boe produced).

Impairment charges of €59 million were recognised during the year, primarily relating to the GLA assets, where a sub-commercial result on the Benriach exploration well (Kistos 25%) and decisions by the JV partners to relinquish the Roseisle (14%) and Cardhu (20%) licences has resulted in the acquisition fair values and expenditure post-acquisition being written off. A downwards revision to reserves in the Netherlands combined with a reduction in European gas prices triggered an impairment of €13 million against the Q10-A field.

Capital expenditure

Cash capital expenditure in 2023 was €119 million. Of this, €14 million related to the drilling campaign on Q10-A, which concluded in March 2023. Capital expenditure on the Benriach exploration well, which spudded in March 2023 and completed operations in June 2023, was €20 million net to Kistos. This reduced to €4 million on a post-tax basis after taking into account the investment allowance available under the UK EPL.

In Norway, Kistos' share of cash capital expenditure was €77 million, which was primarily spent on drilling for the Balder Future project, refurbishment costs on the Jotun FPSO and associated subsea facilities. Capital expenditure in Norway is relievable at an effective rate of 78%, with any tax losses generated during the year creating a tax credit that is receivable as a cash tax rebate in the following December. The receivable in respect of 2023 Norwegian tax losses (primarily generated by capital expenditure) is anticipated to be approximately €80 million, to be received in December 2024.

Profit/loss before tax

The operating loss for the period was €38 million (2022: operating profit of €276 million). After net finance costs of €8 million (2022: net finance costs of €22 million) principally relating to higher bond interest expense due to the additional debt assumed as part of the Mime Acquisition, which was partially offset by associated foreign exchange gains, a loss before tax of €46 million was recorded (2022: €254 million profit before tax).

Tax

The net accounting tax credit for the period was €21 million, reflecting the deferred tax benefit of the Benriach well impairment, the EPL investment allowance on capital expenditure in the UK and pre-tax losses in Norway arising from the significant capital investment underway on the Balder Future project. The net current tax credit for the year (representing primarily tax due or receivable on profits or losses made in the year) was €23 million (2022: €196 million charge). This is based on the statutory headline rates of 75%, 78% and 50% in the UK, Norway and the Netherlands respectively, offset by capital allowances from our drilling campaign at Benriach, the Balder Future project and the well intervention activity on Q10-A. The prior period included the impact of the Solidarity Contribution Tax, a one-off tax levied by the Dutch Government on so-called 'surplus profits' generated in 2022.

Net cash tax receipts for the period were €38 million, comprising €34 million payments in the Netherlands offset by a cash tax refund of €72 million in Norway (2022: €66 million net cash tax payments wholly relating to the Netherlands).

Balance sheet and liquidity

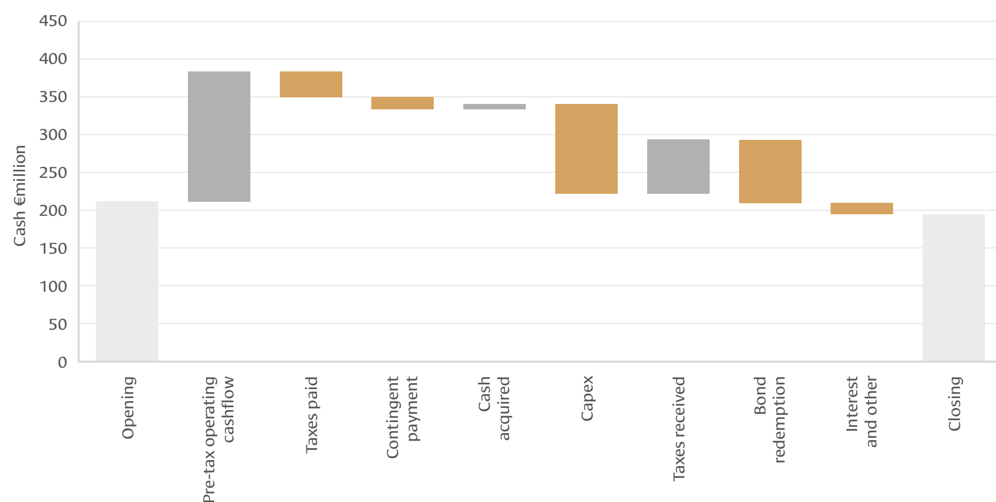
At the end of 2023, the Group held cash and cash equivalents of €195 million (31 December 2022: €212 million) and net debt of €24 million (31 December 2022: €130 million). Pre-tax operating cashflow for the year was €165 million (2022: €356 million); the reduction reflecting the decrease in production and realised sales prices offset by a positive working capital movement arising from settlement of gas sales made in December 2022 when prices were significantly higher than 2023's averages. As part of Kistos' acquisition of Mime in May 2023, the latter's outstanding bond debt was restructured. This resulted in Kistos assuming $270 million of debt, including $45 million of Hybrid Bonds. These only become payable in whole or part if 500 kbbl is offloaded and sold from the Jotun FPSO by certain dates. In the event this has not been achieved by 31 May 2025, then no payment will be due under the terms of the Hybrid Bonds.

The remaining $225 million bond debt is split between a $120 million bond and a $105 million bond. The former matures in September 2026 and carries a coupon of 9.75% (4.5% in cash and 5.25% payment in kind). The latter matures in November 2027 and carries interest at 10.25% wholly payable in kind. At 31 December 2023, the face value of the bonds had increased to $242 million following the issuance of payment in kind bonds.

During the year, the Group made market purchases of certain amounts of bond debt issued by its Dutch subsidiary in 2021 as part of the Tulip acquisition. Then, in December 2023, it utilised surplus cash on its balance sheet to exercise a call option to redeem in full the remainder of the bonds.

Financial Review

2023 cashflow



The total cash cost of bond repurchases in 2023 was €84 million (excluding accrued interest) and resulted in a net saving of €15 million in scheduled interest payments to original maturity.

The current tax liability at the end of 2023 was €129 million (2022: €143 million). Both periods include €47 million provided for in respect of the Solidarity Contribution Tax, for which the Group believes there is a strong argument that the relevant Dutch subsidiary, Kistos NL2 BV, is out of scope (see note 6.3 to the financial statements). This is because, in its opinion, less than 75% of its turnover under Dutch GAAP (the relevant measure for Dutch taxation purposes) was derived from the production of petroleum or natural gas, coal mining, petroleum refining or coke oven products. Nonetheless, the settlement of the remaining €82 million of other current tax liabilities will have a material impact on operating cash flow in 2024.

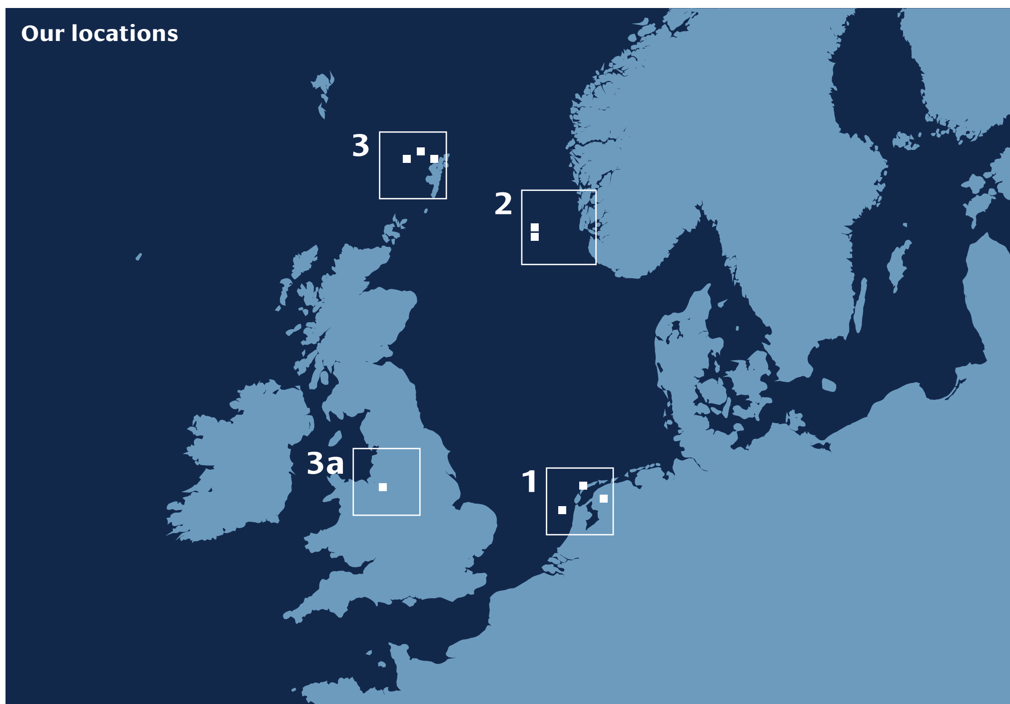
Due to the significant capital expenditure being incurred on the Balder Future project, tax losses have been generated in Norway. Unlike the UK and Dutch tax regimes, whereby tax losses are carried forward and only offset against any future taxable profits, tax losses in Norway result in cash tax repayments. After receiving NOK 857 million in December 2023, Kistos expects to receive over NOK 900 million (€80 million), not including accrued interest, in December 2024.

Who We Are

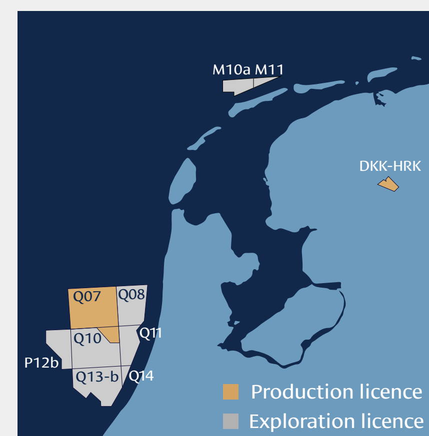
Kistos Holdings plc is an independent, UK-based company that strives to create value for investors and other stakeholders through the acquisition and management of businesses in the energy sector.

Established in October 2020 and headquartered in London, we aim to build a balanced, long-term portfolio with high-quality production and development assets, energy storage infrastructure and energy generation projects, along with industry-leading carbon footprint credentials.

Our Board continues to leverage its extensive experience to identify opportunities for further acquisitions in the energy sector as well as operational improvements while fully embracing the Net Zero 2050 and energy transition agenda.



1. The Netherlands



Interest

Kistos operates several exploration and production licences offshore the Netherlands, in which we have a 60% working interest.

Our partner in the Netherlands, EBN, holds the remaining 40% interest for all our licences.

Oil and gas production and operations

In May 2021, Kistos acquired Tulip Oil Netherlands (renamed Kistos NL1) and its subsidiary, Tulip Oil Netherlands Offshore (Kistos NL2). This transaction delivered significant gas reserves, production and technical expertise.

The deal provided us with 60% interests in, and operatorship of, the producing Q10-A gas field – located 20 km offshore the Netherlands – as well as other oil and gas discoveries in the Dutch sector of the North Sea.

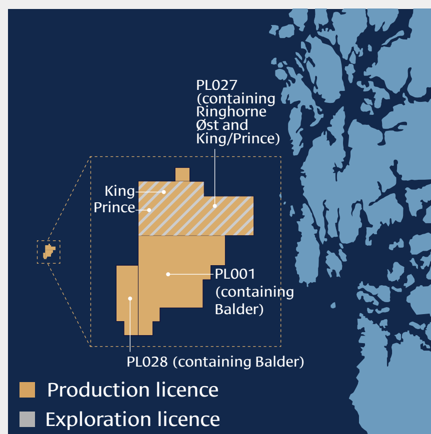
Commercial gas production began in February 2019 from the unmanned, primarily solar- and wind-powered Q10-A platform. The natural gas is exported through a 42 km pipeline to the TAQA-operated P15-D platform, where it is processed and transported to shore for sale.

Exploration and development

- Q10-A Orion: Oil development adjacent to existing gas field
- M10a/11: Gas development offshore
- P12b, Q13b, Q14: New exploration licences awarded January 2023

Who We Are

2. Norway



This licence area includes both production and exploration

Interest

In Norway, Kistos has working interests of between 7.4% and 10% in the Ringhorne Øst and Balder fields. This includes a 10% working interest in the Balder Future project. This comprises the drilling of 14 new production wells and one new water injector on the Balder field alongside the refurbishment of the Jotun FPSO, which will be integrated within the Balder area hub to increase processing and handling capacities across the Balder and Ringhorne Øst fields. The licences are operated by Vår Energi.

Oil and gas production and operations

Our third acquisition in three years was completed in May 2023 when we acquired Mime.

Marking our entry into the NCS, this transaction added significant oil reserves and resources to our portfolio and further diversified our production base.

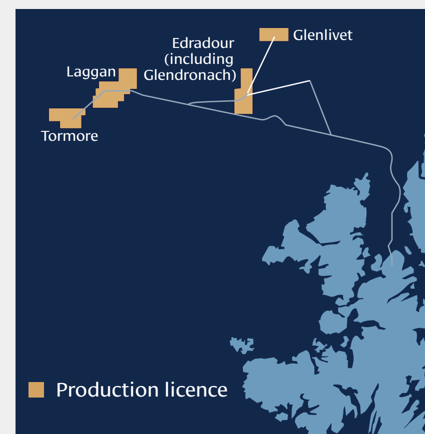
It will boost Group production to more than 15,000 boepd in 2025 once the Jotun FPSO is on production at the Balder Future development.

Oil is processed and stored at the Balder FPU, where it is offloaded onto shuttle tankers under a joint lifting agreement with Vår. In 2023, the majority of Kistos' Norwegian crude oil was shipped via tanker to refineries in the UK, which positively impacts UK energy security.

Exploration and development

- Balder Phase V
- Balder Phase VI
- King/Prince

3. The UK



Interest

Offshore the UK, Kistos has working interests of between 20% and 25% in a number of licences west of Shetland. These interests include 20% of the Laggan, Tormore, Edradour and Glenlivet producing gas fields, the onshore SGP and 20% of the Glendronach gas discovery. The licences are operated by TotalEnergies.

Oil and gas production and operations

In July 2022, Kistos consolidated its position as a North Sea gas producer with the acquisition of a 20% interest in the GLA from TotalEnergies. This non-operated interest more than doubled our gas production capacity at the time and provided a foothold in the UK.

Commercial gas production from the GLA commenced in 2016. The producing GLA fields are connected to the SGP by a 140 km dual pipeline network.

After processing, crude oil is transferred and stored at the nearby Sullom Voe Terminal until lifted, with wet gas exported to the St Fergus Gas Terminal in Scotland. Here, it is separated into dry gas and NGLs, with the gas entering the grid and NGLs (including propane and butane) exported to Braefoot Bay via a further pipeline ready for sale.

3a: Gas storage

In early 2024, we announced a further expansion and diversification, agreeing to purchase EDF's onshore gas storage assets in Cheshire, UK. This transaction diversifies our presence across the energy value chain and gives us a foothold in the midstream market, while providing potential future alternative energy sources for the asset such as compressed air or hydrogen.

Exploration and development

- Glendronach
- Edradour West
- Potential future additional infill wells at Laggan and Tormore

What We Do

What we rely on

People

- 33 employees across three countries

Natural resources

- 27.9 MMboe proved and probable (2P) reserves (end 2023)
- 67.5 MMboe contingent resources (2C)

Financial resources

- €195 million of cash at end 2023
- €638 million capital employed (total assets less current liabilities)
- €119 million cash capital expenditure

Tangible assets

- 37 producing wells and associated infrastructure
- 20% interest in the SGP
- 10% share in the Jotun FPSO

How we add value

Identify and explore

We seek to identify natural gas and oil fields through acquisition or exploration, and other opportunities in the energy and transition space.

Drill and develop

We drill appraisal wells to assess the viability of oil and natural gas discoveries, and develop the infrastructure and assets needed for viable commercial production.

Extraction

We progress development assets into oil and gas production from our operated licences in a safe, responsible and sustainable manner.

Transport and trading

We transport natural gas produced offshore the Netherlands and the UK to shore where it is sold, while oil produced from our interests in Norway is exported via shuttle tanker to refineries predominantly in Europe.

Sale

Our gas production in the UK and the Netherlands is sold domestically, enhancing energy security for both countries.

Storage

Our recent acquisition of onshore gas storage assets provides a way to future-proof our business.

Use

Our produced gas is used by industrial and other commercial companies, utility and other power generation businesses, and by residential customers. Produced oil is refined into various components including gasoline, diesel and fuel oil used by both individuals and businesses.

Outcomes

Investors and shareholders

- €122 million of pro forma Adjusted EBITDA
- €82 million of consolidated net assets

Employees and contractors

- €9 million in employee salary and benefits
- 17% women represented on the Board

Partners and suppliers

- €78 million paid to suppliers for goods and services

Governments and regulators

- €34 million paid in corporation taxes

Our Business Strategy

Our main objectives are to generate value for shareholders and other stakeholders while maximising our credentials for sustainability and low-carbon production. In short, we want to make returns to shareholders in a way that benefits current and future generations.

Market context

The energy market in which we operate remains in a state of significant change. With society's growing demand for power and the impact that greenhouse gases (GHGs) from fossil fuels are having on our climate, we are starting to see a concerted shift towards renewable and low-carbon alternatives.

Russia's invasion of Ukraine in February 2022 still hangs over the industry and Western Europe can no longer rely on large quantities of gas imported from Russia, bringing energy security into sharp focus and causing volatile price movements. While gas prices in particular have now broadly returned to their pre-pandemic levels, governments – in particular the UK Government – still view the oil and gas industry as an easy target from which to extract taxation revenue. There is a significant risk that this drives away investment in domestically produced oil and gas.

Our role in energy transition

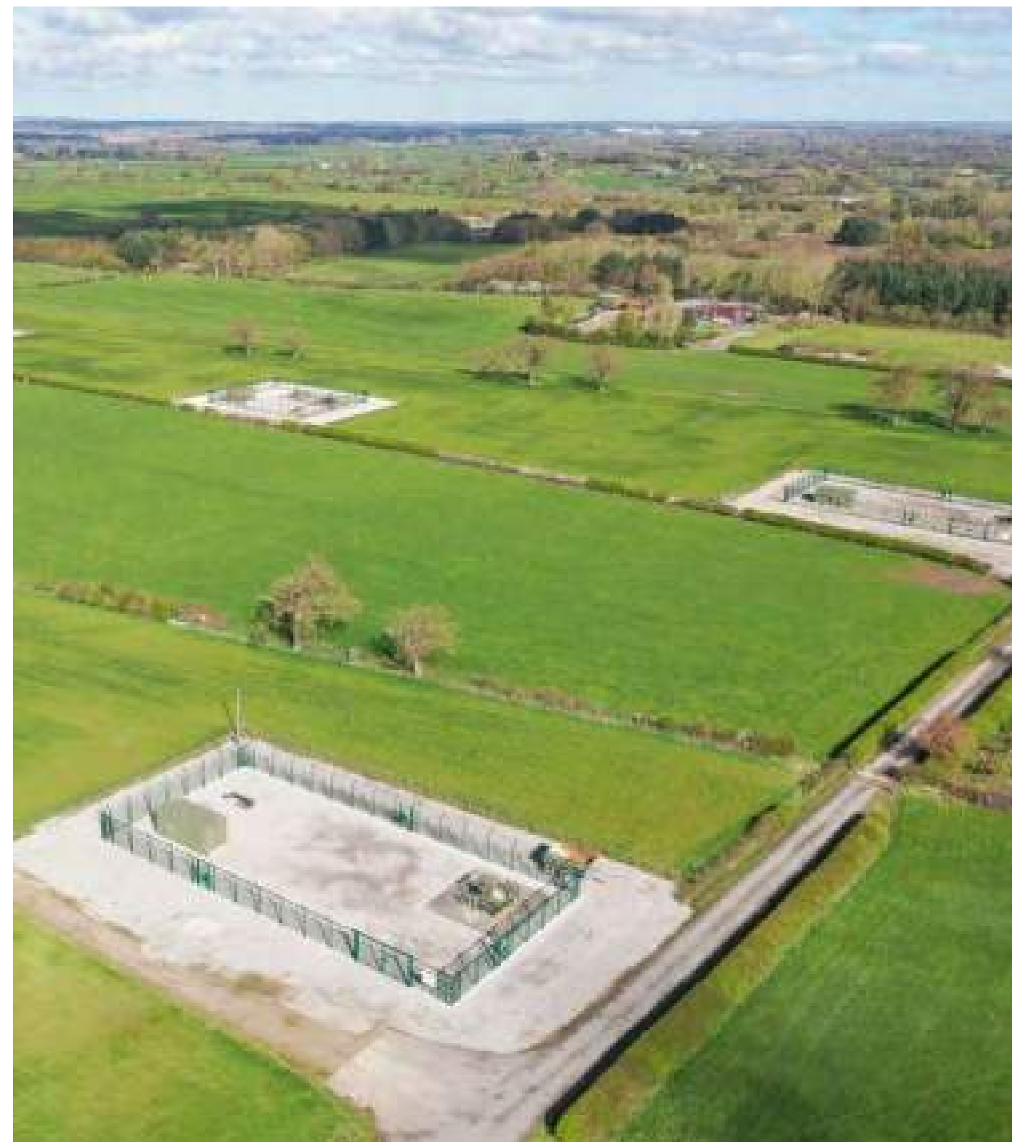
We recognise that the world needs to move on from fossil fuels such as coal towards more sustainable sources of energy. This is not straightforward, but Kistos is a gas and oil business that fully embraces the Net Zero 2050 agenda. Our founding principle is to be part of the energy transition by producing hydrocarbons with the lowest-possible carbon footprint.

Natural gas will be critical to Europe's transition to a low-carbon future, so our approach involves increasing our reserves and production capacity of natural gas with low Scope 1 and Scope 2 GHG emissions. Oil will also remain part of Europe's energy mix for the foreseeable future, and it will be important to minimise the carbon footprint of those barrels.

We already proudly produce gas in the Dutch and UK sectors of the North Sea through the unmanned Q10-A platform, which is powered by renewable wind and solar energy, and from the GLA.

Focusing on ESG issues

Beyond our business strategy, it is important to manage the environmental, social and governance (ESG) issues associated with our Company through responsible business practices. On the following pages, we summarise our priority ESG issues, ESG strategy and ESG goals.



Our Material ESG Issues

We undertook our inaugural ESG materiality assessment in 2021. This sought to identify and prioritise the issues related to sustainability and responsible business that are most important to Kistos and our stakeholders.

The materiality process

To help us manage risk, we need to understand the ESG issues that matter most to our stakeholders and that are most significant to our business. In the second half of 2021, we commissioned a third party to undertake our first-ever materiality analysis.

The process involved:

- Desk-based research and a media scan;
- A review of Kistos' corporate approach and policies;
- A review of material issues reported by a benchmark group of peers and best practice companies; and
- Interviews with internal and external subject matter experts to score potential material issues in terms of impact on the business and influence over stakeholders.

The key responses and findings from this assessment are summarised in the matrix.

Materiality matrix

All issues plotted on the matrix are significant to both stakeholders and Kistos, but the most material issues were deemed to be spills and incidents, risk management, and health and safety. Risk management includes the governance approach to risk, considering short-, medium- and long-term risks and opportunities. It also encompasses the major accident prevention and crisis management systems we have in place. Most issues are interrelated and should not be considered in isolation.

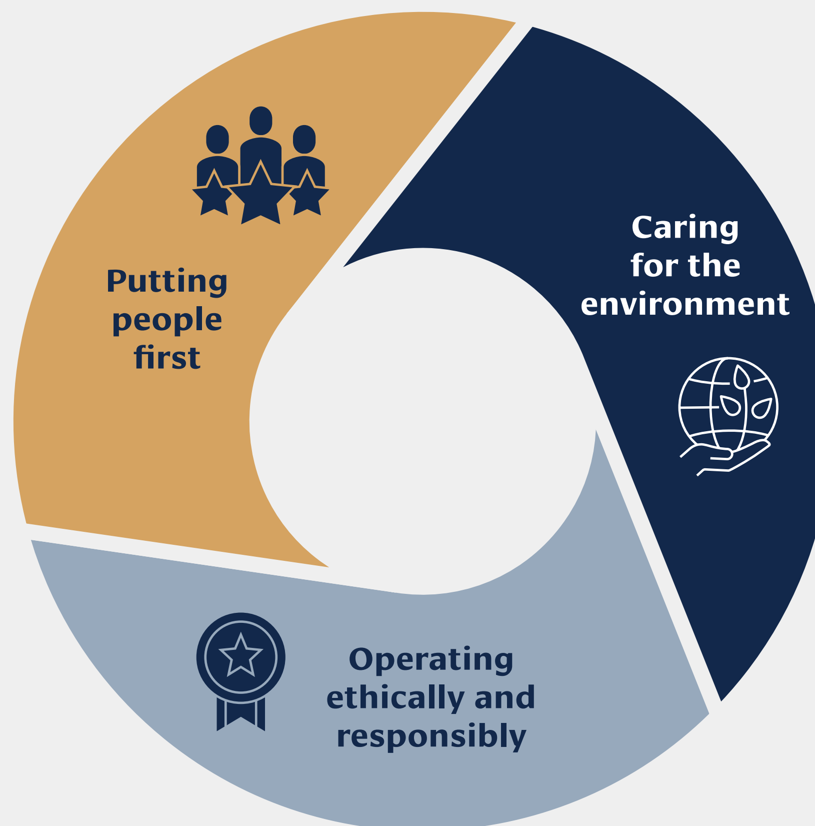
As the Group continues to grow, we will continuously monitor what issues are material to both our business and our stakeholders, and aim to perform a broader reassessment in the coming years.

Our ESG Strategy

As an energy business with a vital role to play in society's transition to a low-carbon future, we seek to grow and create value for our investors in harmony with the planet and with people at the heart of our approach.

In 2021, we identified the material ESG issues that are most important to the Group and our stakeholders (see page 18). These issues form the foundation for our ESG strategy. In particular, our strategy guides our approach to reducing our impact in the environment, operating responsibly and putting people first.

We remain committed to supplying the natural gas that will enable the transition to an economy based on renewable energy, while emitting as little CO_2 as possible. We support the aims of the countries in which we operate – the UK, the Netherlands and Norway – to reach their national GHG emissions targets by 2050, and we continue to work closely with partners and suppliers to promote good environmental practice. By doing so, we are confident that we can contribute to a more sustainable future without compromising our own ambitions for growth.



Our ESG strategy is grouped under three pillars.

Caring for the environment

We will continue to prioritise sustainable business practices with every decision we make.

- Action on climate change
- Global energy transition
- Operational energy use
- Spill performance
- Air quality, emissions and waste
- Decommissioning
- Ecological impacts and biodiversity

Operating ethically and responsibly

We will act with integrity to ensure we're always doing the right thing.

- Risk management
- Business ethics and governance
- Operations in sensitive or complex locations
- Sustainable procurement
- Financial risks of climate change
- Funding and investment
- Economic performance

Putting people first

We will create safe, inclusive workplaces, promote human rights and strengthen our local communities.

- Health and safety
- Access to energy
- Engagement with communities and stakeholders
- Employment, training and education
- Diversity, equality and inclusion
- Human rights

Our ESG Goals

In late 2023, we began re-evaluating our ESG goals to explore whether any adjustments or refinements were needed. We have now developed a revised set of ESG goals for 2024.

We concluded that some of our previously published goals were no longer aligned with our evolving business while others were not applicable at a Group level. We have therefore developed, approved and published a revised set of ESG goals, which will apply from 2024.

We believe the following ESG goals more accurately align with our current business strategy and will allow both Kistos and our stakeholders to measure progress across our strategic operations more effectively.

Caring for the environment

- Achieve carbon neutrality for Scope 1 and Scope 2 emissions by 2030.
- Maintain zero operational spills annually in our operated sites[1].
- Maintain zero hazardous contaminants in discharges to water annually in our operated sites[1].
- Incorporate nature-inclusive design principles into new operated projects[1].

Putting people first

- Achieve zero harm to workers annually in our offices and operated sites[1].
- Recruit from a diverse, qualified group of candidates to increase range of thinking and perspective.
- Foster a culture that encourages collaboration, flexibility and fairness to enable all employees to contribute to their potential and increase retention.
- Embed diversity and inclusion in policies and practices, and equip leaders with the ability to manage diversity and be accountable for the results.

1. Operated sites and projects comprise oil and gas fields, facilities and infrastructure where the Group has control, responsibility and accountability over activities, safety, emissions and decisions impacting the sites. Operated sites therefore comprise all Dutch licences, including the Q10-A platform, and offices owned or leased by the Group.

Our ESG Performance

We manage the ESG issues associated with our Group through responsible and sustainable business practices.

Environment

We believe that natural gas and oil have an important role to play in the energy transition, bridging the gap on the journey from fossil fuels to a renewable, zero-carbon future. In the short term, there is unlikely to be sufficient renewable energy to fully meet demand so developing and extracting oil and gas contributes to the security of supply in the meantime. The emissions intensity and the carbon footprint of future projects are actively evaluated, reflected in the decision making related to potential acquisitions and also included as part of ongoing operational and project decisions.

Our recently announced acquisition of onshore gas storage assets in the UK means that we will be able to further contribute to the security of energy supply in the UK. The assets have around 3% of the UK's total available onshore gas storage capacity and up to 11% of the UK's flexible daily gas capacity if called upon. As well as enhancing Kistos' current place in the traditional energy space, these new assets could be potentially deployed to support the energy transition in the future.

Direct emissions and air quality

In 2023, our operations included drilling infill wells offshore the Netherlands at the start of the year. And in the UK, we worked with operator TotalEnergies to drill the Benriach exploration well west of Shetland in the second quarter. Drilling work in Norway was ongoing, with six wells drilled and completed as part of the Balder Future campaign, and a further five Ringhorne Phase IV wells drilled from the Ringhorne drilling platform.

One of our new ESG goals is to achieve carbon neutrality for Scope 1 and Scope 2 emissions by 2030. Our Scope 1 emissions levels (from our operated assets) are minimal, thanks to the solar panels and wind turbines that power the Q10-A platform. Due to declining production levels from the Q10-A wells in 2023 compared to 2022, our Scope 1 emissions intensity increased year-on-year. However, we saw a reduction in the absolute level of Scope 1 emissions due to the increased capacity for generating renewable energy on the platform – see page 22.

Our Scope 2 emissions primarily relate to the combustion of gas in compressors on the P15-D platform for processing and exporting the gas produced from Q10-A.

Actual emissions from operated assets

kg CO_2e/boe		2023	2022
Scope 1	Excluding flaring	<0.01	<0.01
	Including flaring	0.37	0.28
Scope 1 and Scope 2	Excluding flaring	18.5	13.8
	Including flaring	18.9	14.1

tonnes CO_2e		2023	2022
Scope 1	Excluding flaring	3	5
	Including flaring	643	855
Scope 1 and Scope 2	Excluding flaring	32,261	42,393
	Including flaring	32,901	43,243

We don't flare as part of routine production operations, and only permit it when starting up or closing down to depressurise systems, and from operated rigs during drilling and well-intervention campaigns. Even then, we have improved these processes to make them more carbon efficient. We have also implemented a programme to identify and prevent methane leaks from our operations with annual inspections, exceeding the four-year inspection requirement.

Across the Q10-A platform in the Netherlands, as well as our non-operated interests in the GLA offshore the UK and on the NCS, the Group's Scope 1 and Scope 2 emissions are significantly below the North Sea average.

They are also estimated to be significantly lower than the average CO_2 emissions intensity associated with the import of liquefied natural gas (LNG), estimated by the North Sea Transition Authority (NSTA) as being 79 kg CO_2/boe[1].

Operational energy use

The Q10-A platform is unmanned and is powered using renewable energy generated by solar panels and wind turbines. Compared to using diesel generators, Kistos estimates this saved approximately 21 tonnes of CO_2 emissions per year. Similarly, we estimate that our policy of conducting offshore visits via boat rather than helicopter saved more than 15 tonnes of CO_2 emissions in 2023.

In Norway, the Balder FPU is relatively old and uses about 100,000 tonnes of diesel per year. As part of the Balder Future project, this vessel will be retired from the field by 2030 at the latest, with the newer and more efficient Jotun FPSO moving onto station and eventually taking over the processing and storage of all production from the Balder field. We are also working closely with Vår on electrification-from-shore options for the wider Balder/Grane area.

1. Source: North Sea Transition Authority.

Our ESG Performance

Environment continued

Carbon capture and storage: The Porthos project

Our expertise is being used to support the Porthos (Port of Rotterdam CO_2 Transport Hub and Offshore Storage) project, which aims to store CO_2 in a depleted gas field beneath the North Sea.

Such carbon capture, utilisation and storage (CCUS) initiatives are a key component of the Netherlands' energy transition strategy. Under the Dutch Climate Agreement, national GHG emissions must fall by at least 55% by 2030, compared with 1990, and the country aims to be climate neutral by 2050. Each of the partner organisations involved in the project – the Port of Rotterdam Authority, Gasunie and EBN – is committed to playing its part in reducing CO_2 emissions and facilitating the shift to a lower-carbon economy.

Through the Porthos project, the CO_2 – captured from industrial companies in the Port of Rotterdam – will be transferred through a collective pipeline, via a compression station, to an unmanned platform approximately 20 km offshore. From there, it will be pumped into a sealed reservoir of porous sandstone in the seabed.

Two Kistos engineers will continue to help the team from EBN convert the former gas platform. Our knowledge will be invaluable in upgrading the Porthos platform to match the capabilities of Q10-A in terms of renewable power generation, automated systems and safeguarding controls. Construction of the necessary infrastructure is due to start this year and the system is expected to be operational from 2026.

New wind turbine on Q10-A

In 2023, we increased the capacity for the unmanned Q10-A offshore gas production platform to generate renewable energy by installing a third wind turbine.

Although not new, the design is unique in the North Sea due to the limited number of new platforms being built.

The 9-metre tower complements the existing 4-metre and 6-metre turbines and should ensure the diesel-powered backup generator is no longer needed.

The combined impact of the new wind turbine and existing solar and wind power generation is an 88% decrease in our Scope 1 emissions intensity compared to using diesel power alone.

Spills and incidents

Recognising that spills and incidents is one of our main material issues (see page 18), we have set ourselves a goal to maintain zero operational spills annually in our operated sites.

We have robust processes in place to prevent major accidents and avoid spillages at sea, as well as clearly defined mitigation and clean-up procedures should an unexpected incident occur. For our operated assets, we are obliged to have an emergency response team available around the clock and we take part in emergency response exercises run by the operator for our other assets.

During 2023, we experienced no spills or loss of containment within our operated assets. In December 2023, we experienced an unplanned shutdown of operations at the SGP following a failure of the heating medium system. This resulted in a release of steam, with no harm to personnel. We worked closely with the operator TotalEnergies during and after the incident to understand the root causes of the failure while also acknowledging the strong performance by the operator on its incident management and communication.

Effluents and waste

In line with the strict regulations governing our sector, one of our revised ESG goals is to maintain zero hazardous contaminants in discharges to water annually in our operated sites.

We strictly adhere to guidelines, compliant with EU REACH regulations, which prevent the use of certain chemicals and materials that are considered harmful to the environment.

Biodiversity

In working towards our stated ESG goal to incorporate nature-inclusive design principles into new operated projects, we aim to use building materials and construction methods that promote local habitats where feasible.

Furthermore, we employ people to watch bird migrations and inform us when flaring can be conducted safely without affecting birds and other local wildlife. We also limit the ultrasonic sounds from our operations to prevent harm to marine life and take specialist advice to keep seals away from our offshore platforms.

Our ESG Performance

Social

Health and safety

Reflecting its importance as one of our most material issues (see page 18), we have revised our relevant ESG goal for health and safety. We now define our aim as being to achieve zero harm to workers annually in our offices and operated sites.

Having incorporated third-party contractors into our safety culture, our health, safety and environmental (HSE) performance remains strong. In pursuit of our zero-harm goal, we had zero lost time incidents (LTI), zero incidents of non-compliance, one near miss and zero identified (non-reportable) hazards during three months of drilling and testing operations in 2023.

We already have strict protocols and rigorous testing procedures in place to keep our employees and contractors safe but we continue to make improvements where we can.

- In 2023, we established a Process Safety Management Standard. This comprises 15 requirements for managing the main risks across our operated and non-operated assets. This standard covers activities for safeguarding the integrity of wells, pipelines and facilities associated with Major Accident Hazards (MAHs). The requirements are grouped under four categories: risk management; design and construction; operations, inspection and maintenance; and process safety culture.
- We also replaced our 12 safety rules with the International Association of Oil & Gas Producers' (IOGP) nine Life-Saving Rules in 2023. By adopting these industry-wide actions, which cover topics such as driving, confined spaces, energy isolation and working at height, we have simplified, expanded and added to the controls we use to keep everyone safe while at work. These Life-Saving Rules are combined with our 13 Start-Work Checks, which help workers verify that the necessary controls and safeguards are in place before starting a task.

Looking ahead to 2025, when our Dutch subsidiaries will need to report in line with the new Corporate Sustainability Reporting Directive (CSRD), we are already aligning our businesses in the UK, the Netherlands and Norway under a five-year HSE plan. As well as having annual plans for asset integrity and process safety, we now have a timeline for improving HSE leadership, certification, contractor management and behavioural safety programmes that runs to 2028.

Community engagement

In 2023, Kistos was re-awarded the exclusive rights for the exploration, development and production of natural gas from blocks M10a and M11 in the North Sea, off the Dutch coast. The blocks are easily accessible and there is a natural gas transport pipeline nearby.

However, the fields are close to Terschelling, one of the West Frisian Islands, and to one of the network of Natura 2000 conservation areas that protect threatened species and habitats across Europe. The site has therefore raised both environmental and social concerns.

Prior to our involvement, earlier plans for extracting gas from under the island faced opposition from local residents and environmental groups, necessitating a shift in approach. Kistos now plans to drill 9 km north of the island, using a small, unmanned gas platform. Like Q10-A, the M10a/M11 platform will use solar panels and wind turbines to generate all its own energy from renewable sources.

Furthermore, we will support the local economy by using suppliers and maintenance companies from the area, flaring will be limited to well-cleaning processes to minimise the risk to local bird populations and we will use the best available techniques to safeguard seals and other marine life.

Trust and understanding are always important but there were particular environmental and social sensitivities associated with this project that needed addressing. Recognising this, we undertook a comprehensive stakeholder engagement programme to share information about our plans, incorporating presentations, open days, TV interviews and newspaper articles. The small Terschelling community now understands our aims, supports our approach and trusts us to act responsibly.

Our ESG Performance

Social continued

Workplace culture

Our revised ESG goals now include our ambition to foster a culture that encourages collaboration, flexibility and fairness to enable all employees to contribute to their potential and increase retention.

We have retained a flexible working environment for all employees. However, we remain mindful of the need for direct interactions and networking to support the professional development of our people.

We encourage employees to seek out relevant training courses that will further their professional development and provide benefits to the Group. We will cover the cost of such courses and grant employees time off to attend courses that are relevant or appropriate to the role.

Diversity, equality and inclusion

The importance we place on diversity, equality and inclusion (DEI) is reflected in two of our ESG goals. As well as recruiting from a wide range of candidates to increase diversity of thinking and perspective, we also intend to identify and break down systemic barriers to full inclusion by embedding diversity and inclusion in policies and practices and equipping leaders with the ability to manage diversity and be accountable for the results. When hiring, we do not discriminate on grounds of disability, ethnicity or gender; and offer the same access to training to all employees regardless of background or situation.

As we have a relatively small number of employees across the organisation, each role is unique within its region. It is therefore not meaningful to measure the pay gap across genders. When seeking to fill new roles, we offer remuneration packages commensurate with level, experience and technical expertise required, and do not consider the gender of the applicant.

Human rights

Kistos recognises its responsibility to respecting human rights in all aspects of doing business and we have embedded human rights in our Code of Business Conduct and in our Modern Slavery Statement. We believe that an integrated approach to human rights, embedded into our policies, business systems and processes, allows us to efficiently and effectively manage human rights within our existing ways of working. Our approach applies to all our employees and contractors. We focus on four areas where respect for human rights is particularly critical to the way we operate: labour rights, communities, supply chains and security. We have community feedback mechanisms at all our major facilities. These mechanisms enable employees, people in the communities where we operate, contractors and any third party to raise concerns, so they can be resolved, enabling us to meet our commitment to provide access to remedy.

Our ESG Performance

Governance

The Board is responsible for setting the Group's strategic aims, defining the business plan and strategy, and managing Kistos' financial and operational resources. Overall supervision, acquisition, divestment and other strategic decisions are determined by the Board. In conjunction with other Executive Directors, our Executive Chairman is charged with day-to-day responsibility for the implementation of the Group's strategy. Due to our relatively small workforce, the Board's level of collaboration with management-level staff is high. Following the acquisition of Mime in 2023, policies, processes and structures are now being harmonised across Kistos.

In revising our ESG goals, we have now stated our ambition to develop an ESG governance structure, which the Board will progress during 2024.

Board of Directors

See page 39

Audit and Risk Committees

Chair: Julie Barlow

See page 50

Remuneration Committee

Chair: Alan Booth

See page 46

Nomination Committee

Chair: Richard Benmore

See page 49

Senior leadership team

The senior leadership team works closely with the Executive Directors on operational and strategic areas, including financial planning and analysis, risk management and controls, corporate governance, business development and HSE matters. The senior leadership team meets on a weekly basis and includes representation from the operational areas below.

Kistos Norway

Kistos Norway comprises the Group's non-operated interests in the Balder and Ringhorne Øst licences in the Norwegian North Sea.

Kistos Norway is led by Sverre Skogen, CEO Kistos Norway.

Kistos Netherlands

Kistos Netherlands comprises the Group's operated interests in the Netherlands, primarily in the Dutch North Sea.

Kistos Netherlands is led by Renee Borsch, Country Manager.

Kistos UK

Kistos UK comprises the Group's non-operated interests in the GLA, oversight of which is managed by UK employees and head office functions.

The head office functions include Group finance and accounting, legal, company secretarial, HSE and business development.

Our ESG Performance

Governance continued

Risk management

Having identified risk management as one of our most material issues, we work hard to identify, assess and manage the risks that are critical to the success of the Group and that protect our business, people and reputation. We use our risk management process to provide reasonable assurance that the financial, operational and reputational risks we face are recognised and controlled, enabling our organisation to achieve its strategic objectives and create value. A Group-wide Corporate Risk Register is maintained, regularly updated and presented at Board meetings.

Ethics, anti-corruption and bribery

We foster a culture that promotes ethical and responsible behaviour. Even though we work in locations where bribery and corruption are unlikely, we remain vigilant to the risk. In line with our ESG goal, we provide all permanent employees and longer-term contractors within the Group with training on our Code of Business Conduct, which was refreshed during the year alongside our Anti-Bribery Statement and Policy to take into account latest legislative and regulatory developments.

Funding and investment

Management regularly reviews the Group's cash flow projections and forecast compliance with covenants to ensure an adequate headroom of cash availability. Each project has a clear delivery framework with a responsible project lead. Delivery against the project objectives, timeline and cost is regularly monitored. Risks being faced are discussed and where appropriate risk mitigation steps implemented.

Procurement practices and sustainability of suppliers

We treat suppliers equally, without discrimination, and promote a 'one-team' culture. Where applicable, we work with suppliers that are pre-qualified for oil and gas operations. We ensure any risks and costs borne by suppliers undertaking activities that support our business are proportional to the scope of the work.

Economic performance

Price volatility is both an opportunity and a risk to our business. During 2023, oil prices remained fairly stable while the cost of gas was more volatile and unpredictable. While we benefit financially from rises in the price of gas, we still need to consider the wider impacts in terms of fuel poverty and the effect on both manufacturing and the fertiliser industry.

Operations in sensitive or complex locations

The Group manages such risks in the context of upcoming developments through engagement with a wide range of stakeholders. Where necessary, alternative options are also considered to mitigate the risks. External consultants with experience in managing these developments are employed to complement our skills and knowledge.

Maintaining high standards of business conduct

Kistos Holdings plc is incorporated in the UK and governed by the Companies Act 2006. The Board recognises the importance of maintaining a good level of corporate governance and we have adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code'). This, together with the requirements to comply with the London Stock Exchange's AIM Rules, ensures that we safeguard the interests of our stakeholders.

Ethical behaviour and responsible business practices are embedded throughout the business. For example:

- Our Anti-Bribery Statement and Policy, available on our website (www.kistosplc.com), reflects our expectation of honest, fair and professional behaviour and our zero-tolerance approach to bribery and unethical behaviour.
- Our Whistleblowing Policy enables staff to raise any concerns freely and confidentially.
- We have strong, well-documented financial controls in place. The Board regularly considers the key business risks and maintains a Corporate Risk Register.

Section 172

Stakeholder Engagement

We understand the importance of considering our many stakeholders when making long-term decisions and engage with various stakeholder groups in line with Section 172 of the UK Government's Companies Act 2006.

Kistos Directors seek to promote the success of our Group for the benefit of all our stakeholders. Section 172 specifies that they must consider, among other things, the interests of our employees, the need to maintain high standards of business conduct, our relationships with partners and customers, and the impacts of our operations on local communities and the environment. The Board of Directors is collectively responsible for the long-term success of the Group and the likely long-term consequences of any decision taken. The way in which the strategic, operational and risk management decisions are implemented throughout our business is detailed in this Strategic Report.

Key Board decisions

In May 2023, we completed the acquisition of Mime Petroleum. After evaluating Mime's assets, resources and growth opportunities, the Board agreed to make Kistos a non-operating partner in the Balder Area with interests of up to 10% in the relevant licences. The deal increased the Group's gas and oil reserves, production and development capacity, and granted us entry to the NCS for the first time.

In December 2023, the Board resolved to call the remaining bond debt originally issued by the Group as part of the acquisition of Tulip Oil in 2021. This will result in a saving of approximately €15 million in future interest costs and removes certain restrictions concerning the distribution of funds within the Group.

Interactions with our stakeholders

We regularly engage with stakeholders to inform decision making and support the Board's understanding of how our activities impact on them. Examples of how we engage with some of our key stakeholder groups are outlined below.

Stakeholder Engagement

Employees and contractors

Our employees and contractors are a significant asset to our business. The Board engages with employees to understand how we can ensure Kistos remains a great place to work. The Executive Directors, who are primarily based on London, regularly visit our other offices in Oslo and The Hague to engage with employees and facilitate two-way communications. The Executive Directors host weekly video conferences with members of the senior leadership team across all assets, with key messages and updates passed onto employees via their line managers. Contractors are included within these meetings where they are integral to projects and developments currently being undertaken. The Executive Directors also host town-hall-style meetings for all staff and longer-term contractors to communicate strategic messages such as the impact of acquisitions to the wider business.

Our interactions with employees include remuneration reviews and work appraisals, training and development opportunities, making policies freely available and communicating important business decisions. Such dialogue and interaction helps to ensure that we provide favourable working conditions, prioritise health and safety, and nurture a mindset of continuous improvement.

Partners and suppliers

Kistos works closely with joint operation partners to deliver solutions that prioritise asset safety, integrity and field life, and collaborate on strategies to mitigate risks, delays or instances of underperformance in our operations.

We engage regularly with TotalEnergies and Vår, as the operators of our GLA and NCS assets, to share knowledge, offer support and use our influence to establish best practices. Senior management prepare for and attend Technical Committee Meetings (TCMs) and Operating Committee Meetings (OCMs) to advise on material decisions, together with Board representatives, both as an operator in the Netherlands and as a non-operating partner in the UK and Norway.

Governments and regulators

We seek to build strong, transparent relationships with host governments, politicians and regulatory authorities. All our activities require the involvement of the relevant regulatory bodies and we comply with all relevant legislation, disclosing all necessary information in the areas where we have our operations.

- In the Netherlands, Kistos engages with the State Supervisor of Mines (SodM) on our business and development activity. The Group's external advisors provide guidance to the Board in respect of changes to legislation or regulation. We are also a member of Element NL, which represents the interests of extractive companies when working with regulatory bodies and the Dutch Government.
- In the UK, we are a member of Offshore Energies UK (OEUK) and the Association of British Independent Exploration Companies (BRINDEX), both of which work closely with the NSTA and enter into dialogue with the UK Government on regulatory and fiscal matters impacting oil and gas operators.
- In Norway, we engage with the Norwegian Offshore Directorate and are a member of Offshore Norge.

We also collaborate with our listings agencies such as the Alternative Investment Market (AIM) and the Oslo Børs.

Community and environment

We recognise the potential impact that our operations may have on the coastal communities who live near our operations, and work with non-governmental organisations (NGOs), coastguards, the Port of Amsterdam and local people to address any concerns that may arise.

As our work in Norway and the UK is as a non-operator, much of our community engagement is concentrated in the Netherlands. One notable example in 2023 saw extensive engagement with the local people of Terschelling with regards to the M10a/M11 licences (see page 23).

Shareholders and bondholders

We have responsibilities as a listed company, with shares on the AIM market of the London Stock Exchange and bonds on the Oslo Børs. Engagement with shareholders and bondholders, both key stakeholder groups, is the responsibility of the Executive Chairman, Chief Executive Officer (CEO) and Chief Financial Officer (CFO). They are also responsible for ensuring other Board members are fully briefed on shareholder and bondholder discussions from investor days and fund manager meetings. More formally, the Board engages with shareholders at the Annual General Meeting.

The investors section of our website serves as our primary method for shareholder and bondholder communication. This is where we publish reports, financial results, investor presentations, share price updates and regulatory news announcements. Regular dialogue with investors and analysts is maintained through meetings, conferences and presentations.

Principal Board Decisions

Principal Risks and Risk Management

Kistos identifies, assesses and manages the risks critical to its success.

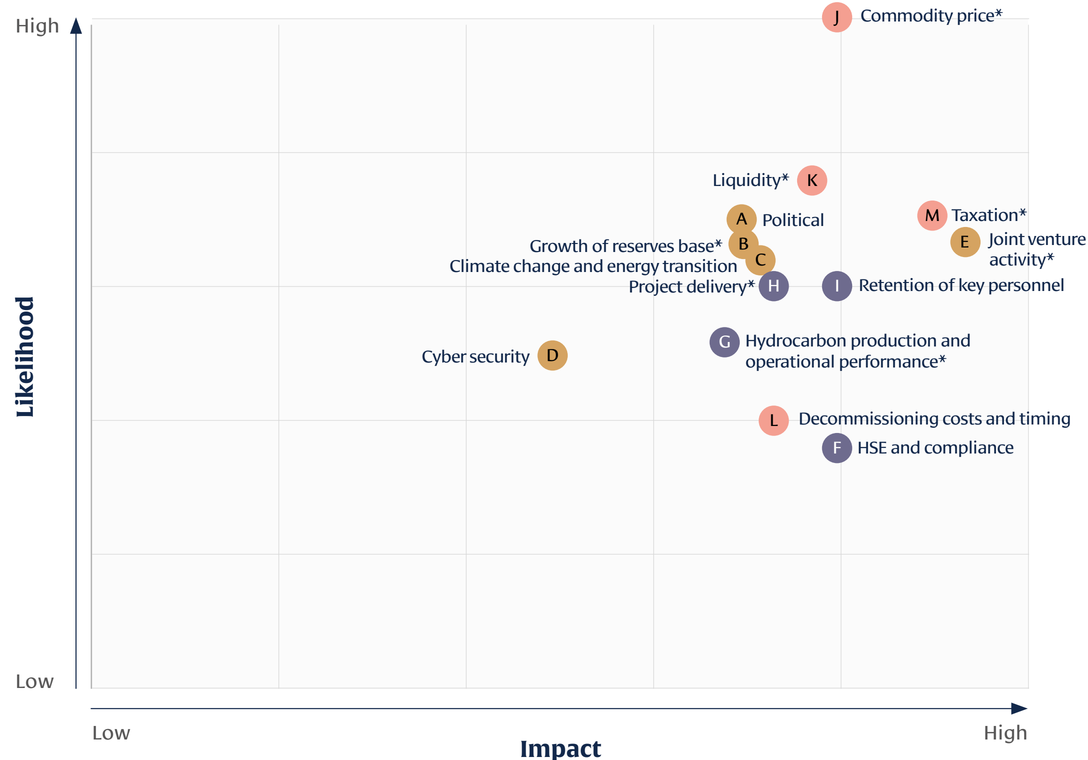
The Group's business, people and reputation are safeguarded by overseeing these risks. We use the risk management process to ensure that we are aware, and in control, of the risks we face. This way, we can achieve our strategic goals and create value. We may choose to accept, manage, transfer or remove the risk depending on its nature. We may manage the risk with controls or other actions that reduce its impact. We may transfer the risk to others who can handle it better. Or we may remove the risk by stopping the activities that cause it.

Management maintains a Corporate Risk Register based on risks identified at asset and business level, which includes the underlying risks and mitigating actions for each. This is reviewed by senior management, the Executive Directors, the Audit Committee and the Board.

The principal risks facing the Group, and the actions taken to minimise their likelihood and/or mitigate their impact, are listed in the following table. The Directors confirm they have conducted a thorough assessment of the main risks that affect the Group, including those that would significantly harm its strategy, business model, future performance or liquidity.

Strategic	Movement
A Political	↑
B Growth of reserves base*	↑
C Climate change and energy transition	↔
D Cyber security	↑
E Joint venture activity*	↑
Operational	
F HSE and compliance	↑
G Hydrocarbon production and operational performance*	↓
H Project delivery*	↑
I Retention of key personnel	↑
Financial	
J Commodity price*	↔
K Liquidity*	↑
L Decommissioning costs and timing	↔
M Taxation*	↔

* Link to going concern assessment



Principal Risks and Risk Management

A Political

Changes in national government policies towards oil and gas-focused companies could adversely impact the ability of the Group to deliver its strategy.

Change in risk level: Increase

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Refusal of permitting applications for development, appraisal and exploratory drilling. • Increased costs relating to permitting and legal matters, and delay to projects. • Impairment of intangible assets. • Inability to win new licences. • Loss of value to stakeholders.	• Active member of Element NL, OEUK, BRINDEX, Offshore Norge and other industry associations. • Engagement with the respective governments and other appropriate organisations to ensure the Group is kept abreast of expected political changes. • Active role taken in making appropriate representations to the relevant departments in governments.	This risk has increased in 2023: • Changes in the Dutch political landscape occurred in 2023. • A general election is anticipated in the UK later in 2024, which may result in a change in government.

B Growth of business and reserves base

The Group's growth strategy is primarily dependent on identifying new reserves and resources, and is delivered through development and acquisition. Organic growth is focused on developing existing resources into producible reserves. A focus on growth of the business and the reserves base outside of existing assets to increase immediate perceived shareholder value may give rise to missed opportunities and reduced capital allocation to the existing portfolio. As part of this growth strategy, there is a risk that the Group may fail to identify attractive acquisition opportunities, acquire businesses without performing appropriate due diligence or select inappropriate exploration work programmes. Exploration drilling may deliver adverse results due to factors including poor quality (or misinterpretation of) data, failure/underperformance of offshore vessels or other crucial equipment, unforeseen problems occurring during drilling and delays to offshore operations due to unfavourable weather. Long-term commodity price forecasts and other assumptions used when assessing potential projects and investment opportunities can have a significant influence on the forecast return on investment. Any expansion into new markets, such as onshore gas storage, may give rise to lower-than-expected returns due to unfamiliarity with the relevant activities and higher than anticipated integration costs.

Change in risk level: Increase

Owner: Andrew Austin (Executive Chairman)

Potential impact	Mitigation	Risk movement
• Reduced asset value, leading to potential impairment of oil and gas assets, and/or intangible exploration and evaluation (E&E) assets. • Actual or perceived overpayment for acquisitions, leading to impairments of goodwill and assets. • Adverse reputational and share price impact.	• A broad range of acquisitions and similar opportunities are evaluated internally, with support from subject matter experts where appropriate. Such targets are scrutinised by the Board, including the Non-Executive Directors, who challenge the Executive team and other senior management. • Strong relationships are maintained within the industry. • A rigorous assessment process evaluates and determines the risks associated with all potential business acquisitions and strategic alliances, including conducting stress-test scenarios for sensitivity analysis. If applicable, each assessment includes an analysis of the Group's ability to operate in a new jurisdiction. • Country Managers and senior team members with responsibility for activities attend weekly senior management meetings, where concerns can be raised and the status of current business development projects is updated. • Exploration, appraisal and development cases are robustly assessed and stress tested against cost, price and taxation sensitivities.	This risk has increased in 2023: • The Group maintains its strategy of securing additional reserves. • The upstream mergers and acquisitions (M&A) environment, while still remaining active on a global scale, has seen fewer attractive opportunities arising in the UK and the Netherlands.

Principal Risks and Risk Management

C Climate change and energy transition

Changes in laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy could lead to higher costs, or reduced demand and prices for oil and gas, impacting the profitability of the Group. Sources of debt and equity finance may become more expensive or restricted as investors diversify away from oil and gas-based investments. Climate change may result in an increase in the frequency of severe adverse weather conditions.

Change in risk level: No change

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Increased difficulty in accessing finance due to reduced appetite for investing in the oil and gas industry. • Increased difficulty in obtaining regulatory approval for new or increased offshore production activities. • Stranded assets. • Adverse impact on operating cash flow due to higher carbon credit costs. • Disruption to operations from extreme weather events may result in shut-ins, physical damage to assets, lost production and reduced cash flow.	• Active reviews of the Group's strategy towards energy transition, with an aim to provide long-term returns to shareholders, and consideration of the impact of climate change and potential changes to policy in decision making. • Environmental considerations are a key factor in determining any potential inorganic growth activity. • Value of projects is discounted in the future for later life production to take into account possible reduced demand for hydrocarbons. • Stress tests of budgets and forecasts in respect to the cost of carbon emission allowances. • Continue to investigate and implement actions that could reduce the Group's environmental footprint, where it makes commercial and financial sense to do so. • Design and operated assets to work in the majority of weather conditions and undertake lessons learnt when storms and other events disrupt production. • Working closely with operators and partners to understand and manage planning, production forecasting.	No change in 2023: • Although climate change and energy transition remain a key focus for the Group, limited adverse impact has been experienced with regards to the availability of financing opportunities and wider hydrocarbon demand. This is expected to remain in the short to medium term.

Principal Risks and Risk Management

D Cyber security

There is a risk of financial loss, reputational damage and general disruption from a failure of the Group's IT systems or an attack for the purposes of espionage, extortion, terrorism or to cause embarrassment. Any failure of, or attack against, the Group's IT systems may be difficult to prevent or detect, and the Group's internal policies to mitigate these risks may be inadequate or ineffective. The Group may not be able to recover any losses that may arise from a failure or attack.

As the Group grows, there are more IT areas to standardise and migrate up to Group standards. In interim periods, there is an increased risk of incidents until such time as policies and standards are fully aligned.

Change in risk level: Increase

Owner: Richard Slape (CFO)

Potential impact	Mitigation	Risk movement
• Financial loss from phishing attacks that may not be recovered. • Reputational impact from leak of market-sensitive data or personal information. • Fines and financial penalties may be levied in the event of a data breach.	• Outsourcing of the provision of IT equipment and help-desk services to competent and experienced third parties. • Robust network management systems in place to protect the Group's IT environment. • Well-designed IT security management model with defensive structural controls. • Set of rules and procedures in place, including a Disaster Recovery Plan, to restore critical IT functions. • Regular mandatory staff training and awareness of cyber security matters such as phishing attacks. • Following any acquisition, plans in place to move acquired businesses onto common IT platforms as soon as possible, using its IT contractor to undertake assessments, gap analyses and on-site audits. • A detailed understanding of the IT environment on any potential acquisition target is typically obtained during due diligence to assess level of current risk (if unacceptable, transactions may not go ahead).	This risk has increased in 2023: • Higher level of attempted cyber security incidents experienced to date. • Business acquisitions give rise to diverse IT systems, bringing additional risk before, during and after integration.

Principal Risks and Risk Management

E Joint venture activity

As a minority non-operating partner in the GLA and Balder partnerships, operated by TotalEnergies and Vår respectively, the interests and objectives of the partners may not be aligned.

Change in risk level: Increase

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Longer decision-making processes resulting in loss of asset value. • Impairment of oil and gas assets, and E&E assets. • Reduction in reserves and resources. • Capital diverted into projects and developments not aligned with Group strategy. • Inability to meet JV cash calls, which may ultimately mean breach of joint operating agreements (JOAs) and loss of licence.	• Representation and active participation in all of the JVs' committees (including operating, finance and technical). • Regular engagement with the JV operator and other participants with regards to key decision making, preparation and approval of work programmes and budgets, and general strategic direction.	This risk has increased in 2023: • The Mime Acquisition has resulted in the Group being a minority partner in another JV. • However, with a non-blocking vote in its non-operated interests, the Group is always at risk of being voted into decisions with which it does not agree.

F HSE and compliance

The Group is exposed to various risks in relation to HSE, compliance, planning, environmental, regulatory, licensing and other permitting rules associated primarily with production operations, drilling and construction. There is a risk that the Group and/or its primary contractors are in breach of their regulatory obligations with one of the principal regulators in connection with the Group's activities, whether operational (for example, maintaining offshore production consents or a loss of hydrocarbon containment) or corporate (for example, adhering to listing rules and market disclosure regulations). This could restrict the Group and/or its primary contractors' capacity to obtain permits or carry out the Group's activities.

Change in risk level: Increase

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Injuries to workforce. • Harm to the environment. • Physical damage to assets and infrastructure. • Financial or other penalties imposed. • Reputational damage. • Loss of licence to operate.	• Working closely with regulators to ensure that all required planning consents and permits for operations are in place. Maintenance of continual dialogue with all stakeholders to understand emerging requirements. • Conducting activities in accordance with Board-approved policies, standards and procedures. • Code of Business Conduct and compliance programmes in place to provide assurance on conformity with relevant legal and ethical requirements. • Emergency response plans in place and exercises undertaken to prepare for incidents. • External consultants with experience in managing risk developments employed to help complement the existing team skills. • Audit and Disclosure Committees.	This risk has increased in 2023: • The Group is now operating in a new jurisdiction following the Mime Acquisition. • Increased level of offshore operations and regular oil tanker liftings have a greater potential for HSE incidents. • Greater focus from regulatory bodies on compliance matters in current environment.

Principal Risks and Risk Management

G Hydrocarbon production and operational performance

The Group's production volumes (and therefore revenue) are dependent on the operational performance of its producing assets. The Group's producing assets are subject to operational risks, including, but not limited to, compressor failures, lack of sufficient critical chemical stocks and spare parts, failure of electrical power supply lines, pipeline corrosion, asset integrity and health, safety, security and environment incidents; low reserves recovery from the field; and exposure to natural hazards such as extreme weather events.

Change in risk level: Decrease

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Reduced cash flow from operations. • Increased cash costs per barrel equivalent. • Earlier cessation of production if operational performance issues cannot be rectified economically. • Impairment of assets and loss of stakeholder value.	• Continuous review of production performance from each asset, facilitating performance planning well intervention activities as needed. • To the extent possible, discussions held with third parties to manage shutdowns both planned and unplanned. • Planned and unplanned downtime assumptions built into the corporate budgeting cycle and cash flow projections.	This risk has decreased in 2023: • Following the acquisition of interests in Norway, the Group's production base is further diversified and thus is no longer exposed to single points of failure.

H Project delivery

There is a risk of delays in project delivery and higher costs being incurred, especially under the current high inflationary environment. Continued delays to the Balder Future project risk material cost increases and potential additional delay to first oil.

Change in risk level: Increase

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Delayed and/or reduced cash flow from operations, leading to an inability to adequately finance other future developments. • Impairment of assets. • Reduction in reserves and resources.	• Projects have a clear project delivery framework with a responsible project lead. • Delivery against project objectives, timeline and cost are regularly monitored. • Project costs are stress tested against cost increases with adequate contingency built in to estimates. • Cash flow risk on the Balder project is partially mitigated via the Hybrid Bond structure, whereby the Hybrid Bond will be released in full if Balder Future first oil is delayed beyond May 2025.	This risk has increased in 2023: • Operator progress on the Balder Future project, and in particular upgrade of the Jotun FPSO, has consistently fallen behind schedule and over budget, giving rise to a risk of further delay to the projected first oil date.

Principal Risks and Risk Management

I Retention of key personnel

The Group may not be able to retain key personnel, and there can be no assurance that it will be able to continue to attract and retain all personnel suitably qualified and competent necessary for the safe and efficient operation and development of its business. Share options previously granted may be out of the money, reducing incentives for staff to remain with the Group.

Change in risk level: Increase

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Delay to, or cancellation of, projects as a result of lack of appropriately qualified employees to undertake activities. • Loss of 'corporate knowledge' through lack of staff retention, leading to inefficiencies, delays and increased cost.	• The Board seeks to cultivate a safe, respectful working environment where people can thrive. • Benchmarking exercise undertaken by management on reward packages to ensure that acquired staff are retained through a strong remuneration culture. • Workplace surveys undertaken to ascertain morale and employee concerns and allow management to swiftly address any issues. • Long-term share incentive plans in place are regularly reviewed by the Remuneration Committee.	This risk has increased in 2023: • Current share prices means employee share options granted in 2022 and 2023 are now out of the money. • Increased competition for qualified staff seen in adjacent green industries such as CCUS.

J Commodity price

The Group's cash flow and results are heavily dependent on natural gas and other commodity prices. These, in turn, are dependent on several factors including the impact of climate change concerns, geopolitics (including events such as the Russia-Ukraine and Israel-Palestine conflicts and other unrest in the Middle East impacting shipping activities) and regulatory developments.

Change in risk level: No change

Owner: Richard Slape (CFO)

Potential impact	Mitigation	Risk movement
• Adverse impact on operating cash flow. • Impairment of oil and gas assets. • Inability to meet bond covenants or repay debt. • Restricted access to financing opportunities in case of a sustained low-price environment.	• Oil and gas markets continuously reviewed by the Board to determine whether future hedges are needed. • Necessary contracts in place to undertake hedging activities if required. • Cash flow projections, liquidity analyses and economic models regularly tested for downside price scenarios. • Exercises undertaken to identify cost reduction and rationalisation opportunities to optimise operating cost per barrel (while maintaining safe and compliant operations).	No change to this risk in 2023: • Gas prices are lower compared to prior year but still higher than historic norms. • Market no more or less volatile compared to prior year. • Volatility provides increased opportunity to generate profits from gas storage trading activity.

Principal Risks and Risk Management

K Liquidity

Adverse changes to production, commodity prices, taxation and surety bond requirements may put pressure on the Group's available liquidity, constraining its options to grow the business or meet obligations to JV partners, suppliers and tax authorities. In extreme downside cases, liquidity pressures may result in minimum liquidity covenants being breached and risk of insolvency.

Change in risk level: Increase

Owner: Richard Slape (CFO)

Potential impact	Mitigation	Risk movement
• Inability to pay suppliers, contractors and employees as liabilities fall due, leading to reputational damage and withdrawal of services. • Non-payment of taxes as they fall due may result in investigations or stringent penalties charged. • Inability to meet bond covenants or repay debt leading to restructuring, shareholder dilution or insolvency.	• Regular review of the Group's cash forecasts and its covenants to ensure an adequate headroom of cash availability. • Engagement and strong relationships with the bond market, surety bond providers and other potential providers of finance to manage access to liquidity if required.	This risk has increased in 2023: • Bond debt issued by Kistos NL2 has been fully redeemed, removing those bond covenants and reducing future interest cash outflows. • Redeeming Kistos NL2's bonds has materially reduced the overall cash position. • Material additional debt has been taken on as part of the Mime Acquisition, and there is a reduced level of cash headroom overall.

L Decommissioning costs and timing

The future costs and timing of decommissioning is a significant estimate; any adverse movement in price, operational issues or reductions in reserves and resource estimates could have a significant impact on the cost and timing of decommissioning. Where decommissioning costs are to be shared as part of a joint venture, the Group is exposed to the risk of partners not fulfilling their commitments. Changes to commodity prices, the taxation regime, inflation rates and other factors may mean that the Group is not able to renew its surety bonds in respect of its Decommissioning Security Agreement (DSA) obligations, resulting in the Group having to cover its obligations fully in cash and restricting the amount of funds available for other opportunities and day-to-day operations. Significant adverse changes to cash flows may result in insufficient resources to meet its decommissioning obligations, exposing the Group to sanction from regulators.

Change in risk level: No change

Owner: Richard Slape (CFO)

Potential impact	Mitigation	Risk movement
• Reduction in cash flows available for other projects if decommissioning costs materially exceed estimates. • Adverse reputational, regulatory and legal impact if decommissioning obligations cannot be fulfilled.	• In-house decommissioning experience, coupled with focus on delivering asset value to defer abandonment liabilities. • DSAs and postings in place for UK assets, which mitigate risk from a regulatory and JV partner perspective. • Strong relationships with surety bond providers and confidence that the surety market can continue to provide security for the expected DSA provisions.	No change to this risk in 2023: • Underlying nature of decommissioning risks remain unchanged.

Principal Risks and Risk Management

M Taxation

Longer-term additional and increased taxes imposed on oil and gas companies by governments, in reaction to so-called 'windfall profits' arising from short-term movements in commodity prices, have led to a higher tax burden. Uncertainty over tax regimes may also hinder future investment decisions and reduce the returns from, and profitability of, operations. Should the Dutch tax office rule unfavourably against the Group with regards to the Solidarity Contribution Tax, this would have a material impact to the Group's liquidity.

Change in risk level: No change

Owner: Richard Slape (CFO)

Potential impact	Mitigation	Risk movement
• Material adverse impact to liquidity position if adverse finding received with regards to Solidarity Contribution Tax. • Retrospective taxation or material changes to tax regimes may render currently economic projects unviable, forcing earlier cessation of production (and reducing overall government tax take), giving rise to asset impairment risk. • An increase in jurisdictions with higher tax rates and unpredictable tax regimes may reduce the hopper of available acquisition and expansion opportunities.	• Engagement with various industry bodies to raise concerns and suggest alternative approaches to proposed taxation policies. • Projects and liquidity projections modelled with various tax sensitivities in place. • Support and advice of external experts and legal counsel on taxation matters, including the Solidarity Contribution Tax, is regularly obtained for areas where significant uncertainty and judgement exists. • Our investment strategy is continuously reviewed, and decisions may be taken to not invest further in, or to withdraw from, jurisdictions with a recent history of significant adverse tax changes, implementation of retrospective taxation, or where the taxation regime proves too burdensome.	No change to this risk in 2023: • Taxation regimes have, on the whole, been more stable than in 2022, when governments hastily introduced adverse tax changes in response to higher commodity prices. • Risk remains that tax take remains elevated, even in a lower commodity price environment.

This Strategic Report was approved by the Board of Directors and signed on its behalf by:

Andrew Austin
Executive Chairman

10 May 2024

Corporate Governance Report

Board of Directors

Andrew Austin
Executive Chairman

Tenure

Andrew Austin founded Kistos in November 2020, and held the position of Non-Executive Chairman until admission of Kistos to AIM when he assumed the position of interim Chief Executive Officer (CEO). In October 2021, he assumed the position of Executive Chairman following the appointments of Peter Mann and Richard Slape.

Experience

Andrew Austin served as Executive Chairman of RockRose Energy from 2016 until 2020, delivering a 42x return to shareholders through a strategy of counter-cyclical acquisitions of legacy/non-core assets in the UK and Dutch sectors of the North Sea. RockRose Energy was sold to Viaro Energy in August 2020 at a price per share of £18.50, representing a premium to the prevailing share price of 64%. Prior to RockRose Energy, Andrew jointly founded IGas in 2004 and developed it to become the leading onshore hydrocarbon producer in the UK, delivering natural gas and crude oil to Britain's energy market. Andrew left IGas in 2015, having delivered partnerships with Total, GDF and Ineos. Prior to his tenure at IGas, Andrew spent six years in management and consulting roles with clean tech companies including Generics Group and Whitfield Solar. Andrew spent 17 years working in investment banking in the City of London with Merrill Lynch, Nomura, Citibank and Barclays Capital.

External appointments

Austin Capital Limited (Director)
Austin Acquisitions 1 Ltd (Director)
Austin Ginyard Ltd (Director)

Peter Mann
Chief Executive Officer

Tenure

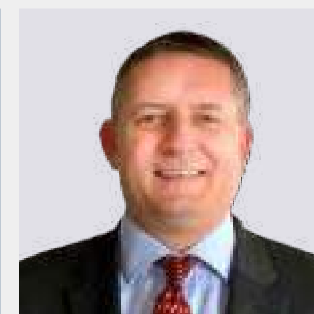
Appointed October 2023

Experience

Peter Mann was CEO and Managing Director of RockRose Energy from 2017 until 2021 following five years in the UK onshore oil and gas industry. During this period, Peter was responsible for business strategy and implementing a restructuring strategy in the difficult oil price environment at the time. Prior to joining the oil and gas industry, Peter's career included various management roles. He also served in the British Army for six years.

External appointments

Peter Mann does not hold any current external appointments.



Richard Slape
Chief Financial Officer

Tenure

Appointed October 2021

Experience

Richard Slape was Chief Financial Officer (CFO) of RockRose Energy from 2019 until 2021. Richard has over 30 years of experience working with oil and gas exploration and production companies. He spent much of his career working in equity capital markets but also held roles at Rockhopper Exploration and Lansdowne Oil & Gas, where he was a Director.

External appointments

Richard Slape does not hold any current external appointments

Board of Directors

Richard Benmore
Non-Executive Director

Tenure

Appointed November 2020

Experience

Richard Benmore has over 35 years' experience in the oil and gas industry with Conoco, Oryx Energy, Nimir Petroleum, EnCana, Nexen Petroleum and IGas. Richard has held a variety of roles – starting his career as a petroleum geologist before moving into various commercial, business development and exploration and production (E&P) managerial positions. He recently managed Nexen's unconventional projects in the UK and Poland and was a Board member of Nexen Exploration UK. Richard was a Non-Executive Director of RockRose Energy.

External appointments

Richard Benmore does not hold any current external appointments.

Committees

- Nomination Committee (Chair)

Julie Barlow
Non-Executive Director

Tenure

Appointed November 2020

Experience

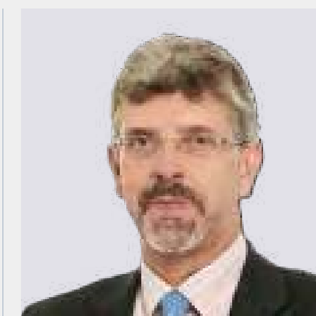
Julie Barlow joined the Pentex Group of companies in 1999 as Financial Controller. As a result of a management buyout (MBO) in 2003, she was retained as Group Financial Controller and Company Secretary. In 2005, the Star Energy Group acquired the Pentex Group and Julie was promoted, initially to Financial Controller and then to Managing Director of the Production Division. In 2008, the Star Energy Group became part of the PETRONAS Global Group of Companies. In 2011, the Production Division of the Star Energy Group was acquired by IGas. Since 2017, Julie has been an independent contractor, latterly working with RockRose Energy, supporting its mergers and acquisitions (M&A) capability and integration of acquisitions. Julie is a chartered management accountant.

External appointments

Julie Barlow does not hold any current external appointments.

Committees

- Audit and Disclosure Committees (Chair)
- Remuneration Committee



Alan Booth
Non-Executive Director

Tenure

Appointed November 2020

Experience

Alan Booth has over 30 years' experience in oil and gas exploration. He is currently Executive Chair of Storegga, a company delivering CCS, hydrogen and other subsurface renewable projects in the UK and internationally. Between 2013 and 2018, Alan was a Non-Executive Director of Ophir Energy plc, becoming CEO in May 2018. Previously, Alan was founder and CEO of EnCore Oil plc, an Alternative Investment Market (AIM)-listed oil and gas exploration company and was the founder and Director of EnCounter Oil Ltd. Alan holds a BSc in geology from the University of Nottingham and a MSc DIC (Diploma of Imperial College) in petroleum geology from the Royal School of Mines, Imperial College. He is a former President of the UK Offshore Operators Association (UKOOA) and was a Director of the Oil and Gas Independents' Association (OGIA) between 2006 and February 2020.

External appointments

Storegga Limited (Director)

Committees

- Remuneration Committee (Chair)
- Audit and Disclosure Committees
- Nomination Committee

Chairman's Introduction

The Board has established the corporate governance values of the Company and has overall responsibility for setting the Company's strategic aims, defining the business plan and strategy, and managing the financial and operational resources of the Company.

Andrew Austin
Executive Chairman

Overall supervision, acquisition, divestment and other strategic decisions are considered and determined by the Board. Andrew Austin, in addition to acting as Executive Chairman and in conjunction with the other Executive Directors, is charged with the day-to-day responsibility for the implementation of the Company's strategy. The Executive Directors are supported by the Non-Executive Directors, senior management of the Group, the wider team and external service providers as required.

The Board follows the Quoted Companies Alliance's Corporate Governance Code (QCA Code) on the basis it is most suited to our requirements, size, strategy, resources and stage of development. It offers a flexible but rigorous framework that allows Kistos to continue to develop its governance model in support of the business. We explain how we apply the 10 provisions of the QCA Code on the following pages.

The Board is united in working to ensure that the Company delivers for its shareholders while maintaining high standards of employee welfare, safety and corporate governance, and a commitment to the environment.

Building and maintaining strong relationships with our shareholders is critical to the success of the business. The Board seeks to ensure that it engages regularly with investors. In 2023, this again included one-to-one meetings with larger investors, attendance at conferences and interviews with the Executive Chairman that were made freely available to all investors online.

As at the date of this document, the Board has adopted the policies and procedures to comply with applicable market abuse legislation, including its Share Dealing Code relating to the dealing in securities of the Company by Directors, Senior Managers and employees.

Signed on behalf of the Board of Directors by:

Andrew Austin
Executive Chairman

10 May 2024

Corporate Governance Statement

Kistos Holdings plc is listed on AIM and complies with obligations under the AIM Rules for Companies, and its shares are traded under the KIST ticker.

This Corporate Governance Report incorporates committee reports from the Audit and Disclosure Committees, the Nominations Committees, the Remuneration Report and the Directors' Report.

Kistos operates within a corporate and regulatory framework commensurate with the scale and scope of its operations, consisting of effective Board and committee processes to ensure leadership, strategic direction and operational effectiveness; effective internal controls both financial and non-financial; and appropriate remuneration and reward policies and procedures.

Kistos has adopted the 2018 edition of the QCA Code and the section sets out below details of how we meet those governance principles, or explains how and why compliance is not achieved in full.

Governance principle	Application and compliance	Further information
1. Establish a strategy and business model which promotes long-term value for shareholders.	Kistos' strategy is considered and approved by the Board, along with continuous monitoring of delivery and progress against objectives. Board deliberations and decisions focus on how shareholder value can be increased and delivered in the short to medium term.	See page 17 of the Strategic Report for more on our strategy and business model.
2. Seek to understand and meet shareholder needs and expectations.	The Board considers how its decisions could impact and be received by shareholders and stakeholders. Kistos engages with shareholders at the Annual General Meeting (AGM), after results announcements and following significant operational events or transactions (subject to compliance with legal and regulatory requirements, including Market Abuse Regulations). It also regularly presents at investor events. During 2023, the representatives of the Board engaged with stakeholders through a combination of online forums and face-to-face meetings.	See pages 17, 18, 27 in the Strategic Report and page 53 in the Corporate Governance Report on Kistos' relations with shareholders and wider stakeholder engagement.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	The Board and senior management routinely consider the wider impact of its decisions on bondholders, shareholders, employees, suppliers, regulators, business partners and local communities in which Kistos operates.	See pages on stakeholder engagement including our Section 172 Statement (page 27) and our ESG Strategy and ESG Goals on pages 19 and 20 that aim to demonstrate how Kistos manages stakeholder and wider social responsibilities.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The principal risks and uncertainties and the actions required to mitigate against these have all been identified and assessed by the Board of Directors and the members of the Audit Committee and senior management. The Board aims to balance the opportunity for growth in shareholder value against the context of our industry's associated risks. Significant decisions are deliberated by the Board taking into account the principal risks, any mitigations and the overall risk tolerance and appetite. Kistos has a Corporate Risk Register, which is prepared using a bottom-up process and is regularly reviewed and updated to take account of any changes to the business, wider environment and likely impact.	See pages 29 to 37 in the Principal Risks and Risk Management section that outline those risks relevant to Kistos and how those risks are managed across the Group.

Corporate Governance Statement

Governance principle	Application and compliance	Further information
5. Maintain the Board as a well-functioning and balanced team led by the Chairman.	The Chair of the Board is Andrew Austin. As the founder and 17.25% shareholder, he is not independent. Of the Non-Executive Directors, Alan Booth and Richard Benmore are shareholders in the Company, and Julie Barlow and Richard Benmore have previously held Board and other roles at IGas and RockRose Energy (companies founded by Andrew Austin). Nonetheless, because they are not financially reliant on Kistos, all the Non-Executive Directors are considered to be independent. This is after taking note of The Investment Association's Principles of Remuneration, which encourages share ownership by Non-Executive Directors provided they do not receive incentive awards geared to the share price or corporate performance. Given the size of the Board and the Company, the Directors have not considered it appropriate to have a senior independent Director.	See pages 39 to 40 and 44 to 45 on the Board composition, meetings held and the work carried out by the Board during the year.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The Board, collectively, has significant experience in the North Sea oil and gas, exploration, development and production sector. The Directors have also consummated at least 14 significant acquisitions, including the Mime Acquisition in 2023, and planned and executed three farm-out transactions with energy majors as counterparties. In addition, the Board has significant expertise and experience of dealing with the political and social issues facing the industry at both the local and national governmental levels, in the UK and overseas. Where relevant, Board members are given training on their role and fiduciary duties as Director of a listed company. They also have access to internal training materials and resources and receive updates on key matters from the external statutory auditor at least twice a year. The Board and Company does not have an individual who acts as the Company Secretary.	See pages 39 to 40 for details of the Board's biographies.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	The Board does not undergo a formal internal evaluation process, has not engaged a third party to perform an independent review of its effectiveness and has no current plans to do so as the Executive Chairman considers the Board performance to be of an appropriate level.	n/a
8. Promote a corporate culture that is based on ethical values and behaviours.	The Board encourages and promotes a corporate culture based on ethical values and behaviours. It endorses policies consistent with fair, safe and ethical values (such as its Anti-Bribery Statement and Policy and Code of Business Conduct) commensurate with its regulatory environment.	See page 26 in the Our ESG performance section. Kistos' Anti-Bribery Statement and Policy is published on our website.
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	The Board is accountable for good governance and maintains control over the Company. Kistos holds regular Board meetings at which financial, operational and other reports are considered and voted on. There is an organisational structure with lines of responsibility and delegation of authority to executive management. Where needed, the Board has access to, and uses, external independent advisers to assist in discharging its duties.	See pages 25 to 26 of the Corporate Governance Report for details of the governance framework. The roles of each Board Committee are set out in their relevant reports.
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	The Board recognises the benefits of engaging with shareholders and stakeholders and, to ensure this happens, meets regularly to update them with the activities of the Company. Although due to its size Kistos does not have a formal investor relations department, investor communications are facilitated in conjunction with the Company's NOMAD and IR advisors. In addition, the Company's financial and operational performance is summarised in the Annual Report and the Interim Report. Other timely and market-sensitive updates are provided throughout the year through the Regulatory News Services (RNS), press releases and regular updates to the Company's website.	See pages 27 to 28 outlining the Company's processes on governance and stakeholder engagement.

Board roles and composition

As of 31 December 2023, the Board comprised the Executive Chairman, Chief Executive Officer, Chief Financial Officer and three Non-Executive Directors (all of whom the Board has judged to be independent).

The minimum qualifications for serving as a member of the Board of Directors of Kistos Holdings plc (Kistos) are that a person demonstrates, by significant accomplishment in their field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of Kistos and that a person has an impeccable record and reputation for honesty and ethical conduct in both their professional and personal activities.

Executive Directors are expected to commit full time to matters concerning the Company. Non-Executive Directors are expected to spend at least one day per month on work for the Company, including attendance at each Board meeting and any committee meetings to which they are appointed.

In addition, any nominees for the position of Director shall be selected based on, among other things, experience, knowledge, skills, expertise, diversity, ability to make independent analytical inquiries, understanding of Kistos' business environment and willingness to devote adequate time and effort to Board responsibilities.

Executive Chairman

The Executive Chairman's role should be to lead the Board and ensure that the Board determines the nature and extent of the significant risks the Company is willing to take to implement its strategy; make sure that the Board receives accurate, timely and clear information, is consulted on all relevant matters, and, in so doing, endeavours to promote appropriate standards of corporate governance; monitor the contribution and performance of Board members; lead on business development and networking opportunities; aim that the Company communicates clearly to the markets; engage in honest and robust discussions with stakeholders, shareholders and advisers; and work closely with the CEO to represent the Company in key strategic and stakeholder relationships.

Chief Executive Officer

The CEO's role is to lead the Group's performance, Executive Directors and senior management, propose strategies, business plans and policies to the Board; implement Board decisions, policies and strategies including mergers and acquisitions; oversee integration of new businesses into the Group; lead in the day-to-day running of every part of the business; and lead, motivate and monitor the performance of the Company's executive and senior management team.

Chief Financial Officer

The CFO's role is to lead the Group's financial operations. This includes tracking cash flow and financial planning, evaluating M&A opportunities as well as analysing the Company's financial strengths and weaknesses and proposing corrective actions; ensuring compliance with internal and external financial reporting; ensuring appropriate stewardship of assets and cash management via appropriate internal controls; and managing the financial actions of the Group.

Non-Executive Director

Non-Executive Directors bring experience and independent judgement to the Board, provide constructive challenge to the Group's strategy and developments, and act as the Chair of one of the Board Committees.

Board objectives/activities

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Board ensures that major business risks are actively monitored and managed, going beyond regulatory compliance, to be accountable to all the Company's stakeholders.

The Board's responsibilities include the development of strategy including exploration, appraisal and development activity; acquisition and divestment policy; the approval of all major capital expenditure and awarding of major contracts; the Group's capital structure; the consideration of significant financing matters, insurance levels, controls and all financial reporting; oversight and review of principal risks and uncertainties; oversight of independent assurance of policies and procedures; Board membership and appointments; Board and senior management remuneration; and key regulatory and corporate governance matters (including ESG policies). The Board is assisted by principal committees outlined on the next page. Each committee is responsible for dealing with matters within its own terms of reference.

Statement of Compliance

Board committees and structure

The Board has four committees:

- Nomination Committee
- Audit Committee
- Disclosure Committee
- Remuneration Committee

All committees operate under clearly defined terms of reference to ensure proper functioning and effective application of best practice. Committees are required to report back to the Board following a committee meeting.

More information regarding each committee can be found on pages 46 to 51.

Board meetings

Meetings attended

- Andrew Austin 9/9
- Peter Mann 9/9
- Richard Slape 9/9
- Richard Benmore 9/9
- Alan Booth 9/9
- Julie Barlow 9/9

Succession planning

The Nominations Committee reviews the composition of the Board with a view to ensuring that its members have a combination of skills and experience that fits with the future of the Company and, within these criteria, promotes gender and ethnic diversity.

Remuneration Committee Report

Overview

The Committee comprises only Non-Executive Directors, being chaired by Alan Booth and having Julie Barlow as its other member. The Committee met twice during the year ended 31 December 2023. The Executive Chairman was also invited to attend these meetings. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

Summary of the Committee's responsibilities

The Committee's responsibilities include the following:

- Making recommendations to the Board of Directors on the Company's policy on the remuneration of the Executive Chairman, Executive Directors and any other Senior Managers delegated to the Committee to consider;
- Determining, within agreed terms of reference, the remainder of the remuneration packages for each of them, including pension arrangements, bonuses, any compensation payments and the implementation of other executive incentive schemes;
- Ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- Monitoring the level and structure of remuneration for senior management; and
- Reviewing the design of employee share incentive plans for approval by the Board and determining the policy on annual awards to Executive Directors and Senior Managers.

Key areas of focus in the year ended 31 December 2023

The Committee's particular areas of focus during the year were as follows:

- Review and alignment of employee remuneration packages following the acquisition of Kistos Energy Norway;
- Review of the Executive Chairman's and Executive Directors' salaries and bonus arrangements for the year; and
- Agreement of bonuses and bonus principles for senior employees.

Chairman's statement

The Committee is pleased to present its Annual Report on Remuneration for 2023. The aim of the Remuneration Committee is to set clear objectives for each individual Executive Director and executive team member, taking into account where an individual has particular influence and responsibility.

Commensurate with increases granted to other employees in the Group, and in line with the general inflationary environment at the time, the annual salary of the Executive Directors was increased by 10% for the year ended 31 December 2023. In the absence of a share incentive plan for Executive Directors, additional one-off payments were granted during the year with a retention mechanism.

A performance bonus was also granted at the year-end partly as a reward for successfully completing the Mime Acquisition and integrating the new business into the wider Kistos Group.

The Committee continued to conclude that while it has a general framework for targets, it was not appropriate to set specific targets for 2023. It will not set specific targets for 2024, with the Company still in an active acquisition mode, and is looking to ensure that the senior management team and Executive Directors focus on evaluating and pursuing further development and acquisition opportunities throughout the year.

Directors' remuneration policy

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives of the highest calibre who can deliver growth in shareholder value. Executive Directors' remuneration currently consists of basic salary, benefits, Company pension contributions and bonuses. Long-term incentive schemes, including share option plans, may be introduced in the future, in line with Company expansion and feedback from shareholders. The Company aims to strike an appropriate balance between fixed and performance-related rewards so that the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance.

The performance targets for staff, senior executives and the Executive Directors are intended to be aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between staff, Executive Directors and shareholders.

The Remuneration Committee will continue to review the Company's remuneration policy and make amendments, as and when necessary, to ensure it remains fit for purpose, continues to drive high levels of executive performance and remains both affordable and competitive in the market.

Key activities during the year

- Approving the price and amount of annual share incentive awards granted to employees and senior management.
- Introducing additional payments for Executive Directors in the absence of a Directors' equity incentive scheme.
- Approving the award of bonuses payable to Executive Directors following the completion of the Mime Acquisition.
- Agreeing the changes in remuneration for employees and Directors for 2024.

Remuneration Committee Report

Policy table

Element of reward – Base salary

Purpose and link to strategy	To provide fixed remuneration to: • Help recruit and retain key individuals; and • Reflect the individual's experience, role and contribution within the Company.
Operation	The Remuneration Committee takes into account a number of factors when setting salaries, including: • Scope and complexity of the role; • The skills and experience of the individual; • Salary levels for similar roles within the industry; and • Pay elsewhere in the Company. Salaries are reviewed, but not necessarily increased, annually with any increase usually taking effect in January.
Performance conditions	None.
Maximum opportunity	The current base salary of the Directors is shown in the table below. Salary increases, if granted, are made with reference to the average increase for the wider Company. The Committee retains discretion to make higher increases in certain circumstances, for example, following an increase in the scope and/or responsibility of the role or the development of the individual in the role, by benchmarking or following the completion of a material transaction.

Element of reward – Other benefits and pension contributions

Purpose and link to strategy	To provide a basic benefits package, to help recruit and retain key individuals.
Operation	The Company provides Executive Directors with medical insurance and death-in-service cover for themselves (and their family, if elected), either through policies directly arranged by the Company or by making additional contributions to Executive Directors if the individual arranges their own cover. The Company makes pension contributions into a defined contribution scheme at a percentage of gross salary for Executive Directors. Where Executive Directors cannot, or do not wish to, receive contributions from the Company into a pension scheme, an equivalent amount net of relevant deductions is payable in cash. The contribution percentage granted by the Company is equal to that provided to other UK employees.
Performance conditions	None.

Element of reward – Annual bonus

Purpose and link to strategy	To incentivise and reward the achievement of annual financial, operational and individual objectives that are key to the delivery of the Company's strategy.
Operation	• The Remuneration Committee shall determine, on an annual basis, the level of deferral, if any, of the bonus payment into Company shares. • Maximum bonus levels, if applicable, and the proportion payable are considered in the light of market bonus levels for similar roles within the industry sector. • In the absence of an agreed equity incentive scheme for Executive Directors, bonuses may contain clawback conditions triggered upon receipt of a resignation notice to encourage retention. • The Remuneration Committee may set targets that require appropriate levels of performance, taking into account internal and external expectations. • As soon as practicable after the year end, the Remuneration Committee meets to review performance against objectives, if applicable, and determines amounts payable.
Performance conditions	The award may be based on performance against individual objectives.
Maximum opportunity	No maximum potential bonus has been set.

Share option schemes and long-term incentive plans for Executive Directors

There are currently no share option schemes or long-term incentive plans available to the Executive and Non-Executive Directors.

Annual report on remuneration remit of the Remuneration Committee

The remit of the Remuneration Committee is outlined in the Corporate Governance section.

Share price movements during the year

The Group's closing share price on 31 December 2023 was 165 pence. The highest closing price during the period was 435 pence.

Remuneration Committee Report

Current arrangements in financial year (audited)

Executive Directors

Executive Directors are employed with either party being able to give a notice period of 12 months.

Directors' emoluments for the year were as follows:

					Year ended 31 December 2023	
£	Salary	Benefits in kind	Bonus (cash)[1]	Bonus (shares)	Pension contributions	Total
Andrew Austin	440,000	16,573	421,000	–	91,388[2]	968,961
Peter Mann	385,000	3,762	355,875	–	38,500	783,137
Richard Slape	330,000	5,165	290,750	–	33,137	659,052
Total – Executive Directors	**1,155,000**	**25,500**	**1,067,625**	**–**	**163,025**	**2,411,150**

					Year ended 31 December 2022	
£	Salary	Benefits in kind	Bonus (cash)	Bonus (shares)	Pension contributions	Total
Andrew Austin	400,000	16,888	400,000	–	–	816,888
Peter Mann	350,000	2,765	350,000	–	87,500	790,265
Richard Slape	300,000	17,276	300,000	–	75,501	692,777
Total – Executive Directors	**1,050,000**	**36,929**	**1,050,000**	**–**	**163,001**	**2,299,930**

1. Bonuses paid and payable in 2023 comprised the following components:
   - A one-off payment granted in January 2023, intended principally as a retention payment in the absence of an equity incentive scheme available to the Executive Directors (being £300,000 for Andrew Austin, £250,000 for Peter Mann and £200,000 for Richard Slape). These payments were subject to clawback on a pro-rata basis if the Director resigned between 1 January 2023 and 30 June 2023.
   - A bonus payable in respect of 2023 performance, including the successful completion of the Mime Acquisition (being £121,000 for Andrew Austin, £105,875 for Peter Mann and £90,750 for Richard Slape).
2. Representing additional pay in lieu of pension contributions.

The 2024 annual salaries for the Executive Directors have been agreed by the Committee as remaining at the 2023 level of £440,000 for Andrew Austin, £385,000 for Peter Mann and £330,000 for Richard Slape.

Non-Executive Directors

Non-Executive Directors are employed under rolling contracts with notice periods of three months, under which they are not entitled to any pension, benefits or bonuses.

					Year ended 31 December 2023	
£	Salary	Benefits in kind	Bonus (cash)	Bonus (shares)	Pension contributions	Total
Richard Benmore	40,000	–	–	–	–	40,000
Alan Booth	40,000	–	–	–	–	40,000
Julie Barlow	40,000	–	–	–	–	40,000
Total – Non-Executive Directors	**120,000**	**–**	**–**	**–**	**–**	**120,000**

					Year ended 31 December 2022	
£	Salary	Benefits in kind	Bonus (cash)	Bonus (shares)	Pension contributions	Total
Richard Benmore	36,000	–	–	–	–	36,000
Alan Booth	36,000	–	–	–	–	36,000
Julie Barlow	36,000	–	–	–	–	36,000
Total – Non-Executive Directors	**108,000**	**–**	**–**	**–**	**–**	**108,000**

The 2024 annual salary for each Non-Executive Director has been agreed by the Committee as remaining at £40,000.

Directors' interest in ordinary shares

	Shares at 31/12/23	% of total shares in issue at 31/12/23	Shares at 31/12/22	% of total shares in issue at 31/12/22
Andrew Austin	14,295,162	17.25	14,295,162	17.25
Peter Mann	1,264,516	1.53	1,264,516	1.53
Richard Slape	129,032	0.15	129,032	0.15
Richard Benmore	1,132,258	1.37	1,132,258	1.37
Alan Booth	232,258	0.28	232,258	0.28
Julie Barlow	–	–	–	–

Alan Booth
Chair, Remuneration Committee

10 May 2024

Nomination Committee Report

Summary of the Committee's responsibilities

The Committee's responsibilities include the following:

- Regularly reviewing the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board of Directors, and making recommendations to the Board with regard to any changes;
- Keeping under review the leadership needs of the organisation, at both executive and non-executive levels, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Being responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Reviewing annually the time required from Non-Executive Directors; and
- Ensuring that plans are in place for orderly succession to the Board of Directors and senior management positions, so as to maintain an appropriate balance of skills and experience within the Group and the Board of Directors.

Nomination Committee

The Nomination Committee is chaired by Richard Benmore and its other member is Alan Booth.

The Committee did not have the need for any formal meetings during 2023. On an informal basis, discussions within the Committee continue on a potential widening of the Board and, where practicable, enhancing its diversity.

Audit and Disclosure Committees' Report

Summary of the Committees' responsibilities

The Audit Committee and Disclosure Committee, although having separate remits, discharge their responsibilities in the same meetings and have the same Directors sitting on both. As such, the overview of both Committees' activities is presented on a combined basis in this report.

The Committees' responsibilities include the following:

- The Audit Committee reviews reports from management and the Group's auditors relating to the Group's Annual Report and Accounts and the interim results announcements. It advises the Board on whether the Annual Report and interim announcement are fair, balanced and understandable, and provide the information necessary for Kistos' stakeholders to assess performance against the Group's strategy. The ultimate responsibility for reviewing and approving the Annual Report and Accounts remains with the Board of Directors.
- The Audit Committee ensures compliance with accounting standards and the AIM Rules and ensures that effective systems of internal financial and non-financial controls (including the management of risk and whistleblowing) are maintained.
- The Audit Committee reviews the external auditors' independence and considers the nature, scope and results of the auditors' work and policy on any non-audit services that are provided by the external auditors. The Committee is also responsible for making recommendations to the Board of Directors on the appointment of the external auditors and remuneration.
- The Disclosure Committee enforces the Group's inside information policy and assesses whether information is 'inside information' and resolves queries about its materiality. For instance, the Committee will determine whether an announcement is required in respect of any such inside information and procure that such announcement is made as soon as possible, in accordance with the provisions of the AIM Rules and UK Market Abuse Regulations (MAR).
- The Disclosure Committee operates as part of the Audit Committee and monitors and reports upon the Company's obligations under the Disclosure Guidance and Transparency Rules.

Audit Committee

The Committee comprises only Non-Executive Directors, being chaired by Julie Barlow and with Alan Booth as its other member. Meetings are aligned with the Group's financial reporting calendar and the Committee met three times during the year ended 31 December 2023, and again in April 2024.

The Executive Chairman, CEO and CFO are invited to attend each meeting of the Committee and participated in all the meetings during the year. Members of the senior management team are also invited to attend where appropriate. The external auditors attend meetings and meet the Committee without the presence of management at least annually.

Audit Committee membership

Audit Committee meetings attended during 2023 (out of a total possible):

- Julie Barlow (Chair) 3/3
- Alan Booth 3/3

In May 2023, the Committee met primarily to review and approve the 2022 Annual Report and Accounts. In support of this, the Committee received papers from management on significant and judgemental financial reporting issues and considered the appropriateness of the conclusions therein and disclosures made in the financial statements. The Committee also received the audit completion paper from BDO and challenged the external auditor on their approach and findings, considered the effectiveness of the external auditor and reviewed their independence.

At the September 2023 meeting, the Committee met to review and approve the 2023 Interim Results announcement, including the disclosures made around the Mime Acquisition, pro forma information and other matters.

During the December 2023 meeting, the Committee received the proposed plan for the external audit of the Group's 2023 Annual Report and Accounts by BDO, including the approach to be taken in auditing the Mime Acquisition, the acquisition accounting arising therein, the impact of new auditing standards, and received an update from BDO on new and developing accounting and disclosure requirements. The Committee also received an update from management concerning internal controls and risk management, compliance, whistleblowing and fraud.

Other matters considered included the review of the Committee's remit, the appropriateness of its resources and training, the need for a formal policy on non-audit services, assessing the external auditor's independence and objectivity, and agreeing the annual audit fees payable to BDO.

Annual Report and financial reporting

With regards to the 2023 Annual Report and Accounts, the areas of focus for the Committee included:

- The Directors' assessment of going concern and the completeness, accuracy and appropriateness of the disclosure in the financial statements;
- The business combination accounting under IFRS 3 following the Mime Acquisition, including the accounting for, and presentation, of the warrants included as consideration;
- Impairment tests undertaken, and the results of those tests, for the Netherlands, Norway and UK producing assets, intangible exploration assets and goodwill;
- Taxation matters including any developments to the Solidarity Contribution Tax liability and appropriate disclosure of this and other unpaid tax liabilities;
- Consistency of application of accounting policies;
- Ongoing compliance with relevant financial reporting standards, AIM and legal requirements;
- The appropriateness of assumptions and judgements for items subject to estimates; and
- The clarity and completeness of disclosures in the financial statements.

Audit and Disclosure Committees' Report

Overall, the Committee focuses on whether, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders and stakeholders to assess the Group's performance, business model and strategy. The Committee and the Board believe this to be the case. The Committee considered in particular the following major financial statement items that require significant judgement and contain key sources of estimation uncertainty in the preparation of the 2023 Annual Report and Accounts:

New accounting issues arising during the year

Acquisition of Mime Petroleum AS

The Committee considered the judgements, estimates and other assumptions in deriving the fair value of assets and liabilities acquired, and the corresponding goodwill arising on acquisition. The Committee challenged management on the assumptions used (including discount rate, production forecasts, future capital expenditures required to complete the Balder Future project, and estimates of future oil prices) and other key areas of judgement such as the accounting for warrants issued as consideration and the treatment of the Hybrid Bond in the consolidated accounts. The Committee was satisfied as to the assumptions made and that appropriate disclosures had been made in the financial statements.

Recurring accounting issues

Going concern

The Committee received up-to-date cash flow projections prepared by management that supported the use of the going concern assumption in the preparation of the financial statements.

The Committee noted that following the redemption of the remaining bonds issued by Kistos NL2 in December 2023, and the declines in gas prices during the fourth quarter of 2023, forecast headroom had reduced considerably and therefore the assessment of going concern was to be a key area of focus. After the completion of the Gas Storage Acquisition, this headroom was forecast to be further reduced, due to the headline cash consideration of £25 million payable on completion; integration costs to be incurred; and the uncertainty of future profits and timings of cash flows from the acquisition due to the volatile nature of gas trading activities. Another major source of uncertainty was the timing of completion of the Balder Future project, and the additional capital expenditure required in 2024 and potentially 2025 given recent announcements by the Vår concerning delays to the schedule and increased costs anticipated to be incurred. The impact of continued availability of surety bonds to cover obligations under Decommissioning Security Agreements (DSAs) was also considered, as was the timing of tax payments, including the Solidarity Contribution Tax (should the Group ultimately be required to settle this).

The Committee reviewed management's proposed going concern disclosures, including the factors influencing both the base case and the various reasonably plausible downside scenarios. It concurred with management that, notwithstanding the headroom available under the base case, given uncertainty over a number of factors there existed a material uncertainty that may cast significant doubt about the Group's continued ability to operate as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business.

Taxes

The Committee noted that there had been minimal change to the underlying fact patterns that led to the recognition of the Solidarity Contribution Tax charge in the prior year financial statements, and that therefore it remained appropriate to retain the provision on the balance sheet.

Impairment

The Committee received management's memoranda on impairment testing of intangible and tangible assets and agreed with management that an impairment test was required for the UK Production cash-generating unit (CGU) and Norway Production CGU (due to the requirements under IFRS 3 to perform a test annually where goodwill is allocated to a CGU) and that sufficient impairment triggers (primarily a reduction in gas prices) had arisen that required an impairment test of the Netherlands Production CGU. Management presented to the Committee cash flow forecasts, including various risks and sensitivities covering production rates, capital expenditure and commodity prices. It also examined the discount rate used by management to discount the cash flows to present value and concluded that the rate was appropriate. The Committee challenged management's methodology and agreed that an impairment charge of €13 million should be recognised against the Netherlands production CGU, and that the other impairment tests demonstrated the recoverable amounts were in excess of the relevant CGU's carrying amount.

For intangible assets, the Committee concurred with management that the carrying amounts relating to the Benriach, Roseisle and Cardhu licences in the UK should be impaired due to sub-commercial drilling results and licence relinquishments.

Other financial reporting matters

The Committee also considered other disclosures, judgements and areas of estimation that had an impact on the financial statements including:

- Non-IFRS measures;
- Estimation and disclosure of abandonment liabilities;
- The reserves bases and methodology for unit-of-production depreciation charges;
- Accounting for the repurchases and subsequent derecognition of bond debt; and
- Events after the balance sheet date, including the Gas Storage Acquisition.

The Committee agreed with management's treatment in each case.

Julie Barlow
Chair, Audit and Disclosure Committees

Directors' Report

The Directors present their report and audited consolidated financial statements of the Group for the year ended 31 December 2023.

Company registration

Kistos Holdings plc is a public company limited by shares, incorporated in England and Wales with registered number 14490676, and is the ultimate parent company of the Kistos group of companies. Its registered office is 2nd Floor, 3 St James's Square, London SW1Y 4JU.

Principal activities and status

The Group's principal area of activity is the acquisition and operation of companies or businesses in the energy sector, with a focus on upstream oil and gas activities. The Group's operations are currently based in the Netherlands, Norway and United Kingdom.

Dividends

The Directors did not pay an interim dividend and have not proposed a final dividend.

Future developments

The likely and current future developments of the Group's business are outlined within the Strategic Report.

Research and development

The Group undertakes various research and development studies as part of its continuous evaluation of reservoirs. It does so by improving its internal geological and petrophysical models, production forecasting and other outputs.

Streamlined energy and carbon reporting

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the '2018 Regulations'), the Company is an unquoted company and therefore the energy use and associated greenhouse gas (GHG) emissions to be considered are those assets located in the UK and UK offshore area within the Group's boundary of reporting. The Group has set the boundary for reporting to be the operational control boundary, which would therefore include only those assets where the Group is the nominated or legal operator of the joint venture (JV) or consortium. As the Company is a non-operator in its UK offshore activities (which are operated by TotalEnergies E&P UK), the emissions and energy usage from these assets are not taken into account for the purposes of the 2018 Regulations. For the remaining activities within the reporting boundary, being primarily UK head office activities, the Company consumed less than 40,000 kWh of energy during the year.

Political donations

The Group made no political donations during the year.

Charitable donations

The Group made no charitable donations during the year.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

- Andrew Austin (Executive Chairman)
- Peter Mann (Chief Executive Officer
- Richard Slape (Chief Financial Officer)
- Alan Booth (Non-Executive Director)
- Julie Barlow (Non-Executive Director)
- Richard Benmore (Non-Executive Director)

Under the Company's Articles of Association, all Directors currently in office retire at the AGM.

Directors' indemnities and insurance

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors and Officers insurance to indemnify the Directors and Officers against liability in respect of proceedings brought by third parties. Such provision remains in force at the date of this report.

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third-party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Section 154 of the Company's Articles of Association as adopted on 17 November 2022. These provisions remained in force throughout the year and remain in place at the date of this report.

Substantial shareholdings

As at 19 April 2024, the latest practicable date in compiling this information, in addition to the Directors' interests as set out in the Remuneration Report, the Company had received notification from the following institutions and individuals of interests more than 3% of the Company's issued ordinary shares with voting rights:

Holder	Number	Interest
Tulip Oil Holding B.V.	8,742,775	10.55%
Canaccord Genuity Wealth	4,620,970	5.58%
Investec Wealth & Investment Limited	4,160,700	5.02%
Schroders plc	4,125,000	4.97%
Fidelity Worldwide Investment	4,071,962	4.91%
Chelverton Asset Management	3,250,000	3.92%
Trium Capital LLP	3,219,035	3.88%

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988. The Company is incorporated, domiciled and registered in the United Kingdom.

Rights and obligations of ordinary shares

At a General Meeting, every holder of ordinary shares present in person and entitled to vote shall have one vote, and every proxy entitled to vote shall have one vote (unless the proxy is appointed by more than one member, in which case the proxy has one vote for or one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution; or if the proxy has been instructed by one or more shareholders to vote either for or against a resolution and by one or more of those shareholders to use their discretion on how to vote). On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. Subject to the relevant statutory provisions and the Articles of Association, holders of ordinary shares are entitled to a dividend if declared and paid out of profits available for such purposes. Subject to the relevant statutory provisions and the Articles of Association, on a return of capital on a winding-up, holders of ordinary shares are entitled to participate in such a return. There are no redemption rights in relation to the ordinary shares.

AGM notice

Notice of the forthcoming Annual General Meeting (AGM) will be advised separately.

Independent auditors

The Audit Committee continues to review the external auditors' independence and consider the quality, nature, scope and results of their work. The auditors, BDO LLP, have indicated willingness to continue in office and a resolution that they be reappointed as auditor of the Company will be proposed at the next AGM.

As required under s418(2) of the Companies Act, the Directors have ensured that all relevant information has been provided to the auditors.

Information included elsewhere in the Annual Report

The Strategic Report is set out on pages 6 to 37 and includes a comprehensive review of the business and the future developments of the Group.

Other disclosures required by the Companies Act 2006 have been included in the Strategic Report and/or financial statements as follows:

- Page 74 and note 4.6 to the financial statements – the Group's financial risk management objectives and policies.
- Pages 18 to 28 – information concerning environmental matters, engagement of employees, policy for employment of disabled people and training thereof, community issues, social matters, human rights, anti-corruption and anti-bribery matters.
- Page 27 – stakeholder engagement.
- Page 24 – business conduct, including anti-slavery and the UK Bribery Act.
- Page 60 and note 1.3 to the financial statements – significant events occurring after the reporting period.
- Page 70 and note 2.8 to the financial statements – acquisitions during the reporting period.

Details of any long-term incentive schemes can be found within the Remuneration Committee Report.

Directors' Report

Corporate governance

The Company's statements on corporate governance can be found in the Corporate Governance Report section above, which forms part of this Directors' report and is incorporated into it by cross reference.

Going concern

To assess the Group's ability to continue as a going concern, base case and downside cash flow forecasts have been prepared that cover a period of at least twelve months from the approval of this Report.

The forecasts and projections made in adopting the going concern basis take into account forecasts of commodity prices, production rates, operating and general and administrative (G&A) expenditure, committed and sanctioned capital expenditure, foreign exchange rates and the timing and quantum of future tax payments and receipts.

Based on the judgements summarised below, and provided in detail within note 1.2 to the financial statements (which includes consideration of both reasonably plausible downside scenarios, and mitigating actions management could take) these financial statements have been prepared on a going concern basis.

The Group's cash balance as at the end of April 2024 was €80 million. To assess the Group's ability to continue as a going concern, cash flow forecasts were evaluated for the period to June 2025 (the going concern period), by preparing a base case forecast and various downside sensitivity scenarios.

The base case forecast indicated that the Group would be able to maintain a sufficient amount of liquidity to meet its bond covenant requirement (being a minimum liquidity of $10 million required to be held within Kistos Energy Norway) and day-to-day operations across the going concern period.

However, due to the potential for one or more of the reasonably plausible downside scenarios occurring, and due to their being no guarantee that the Group would be successful in achieving mitigating actions to remedy the adverse impact thereof, a material uncertainty exists that may cast significant doubt about the Group's continued ability to operate as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business. Nonetheless, this Annual Report and financial statements have been prepared on the going concern basis and do not include any adjustments that may result from the outcome of these uncertainties. Further information concerning the key assumptions and judgements made in the assessment of going concern is disclosed in note 1.2 to the financial statements.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards, and the Directors have elected to prepare the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (GAAP) (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit of the Group for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with UK adopted international accounting standards 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 Group and 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 financial statements comply with the requirements of 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 website, including the publication of its Annual Report and financial statements thereon. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

This report was approved by the Board of Directors on 10 May 2024 and signed on its behalf by:

Andrew Austin
Executive Chairman

10 May 2024

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Consolidated Financial Statements

Consolidated income statement

€'000	Note	Year ended 31 December 2023	Year ended 31 December 2022
Revenue	2.1	206,997	411,512
Other operating (expense) income		(188)	11
Exploration expenses		(2,194)	(374)
Production costs		(72,888)	(22,927)
Development expenses		(1,146)	(1,752)
Abandonment expenses		(1,693)	–
General and administrative expenses	3.2	(11,997)	(9,426)
Depreciation and amortisation	2.4, 2.5	(99,230)	(83,234)
Impairment	2.6	(59,023)	(44,547)
Change in fair value and releases of contingent consideration	2.8.2	3,355	26,993
Operating (loss)/profit		**(38,007)**	**276,256**
Interest income	3.5	9,296	267
Interest expenses	3.5	(28,771)	(11,283)
Other net finance income/(costs)	3.5	11,624	(11,115)
Net finance costs		**(7,851)**	**(22,131)**
(Loss)/profit before tax		**(45,858)**	**254,125**
Tax credit/(charge)	6.1	21,177	(181,229)
Solidarity Contribution Tax charge	6.4	–	(46,935)
Total tax credit/(charge)	6.1	**21,177**	**(228,164)**
(Loss)/profit for the period		**(24,681)**	**25,961**
Basic earnings per share (€)	3.1	**(0.30)**	**0.31**
Diluted earnings per share (€)	3.1	**(0.30)**	**0.31**

Consolidated statement of other comprehensive income

€'000	Note	Year ended 31 December 2023	Year ended 31 December 2022
(Loss)/profit for the period		**(24,681)**	**25,961**
Items that may be reclassified to profit or loss:			
Losses on cash flow hedges	5.6	–	(9,404)
Hedging losses reclassified to profit or loss	5.6	–	21,185
Income tax on items of other comprehensive income	5.6	–	(5,891)
Foreign currency translation differences	5.6	93	(43)
Total other comprehensive income		**(24,588)**	**31,808**

Consolidated balance sheet

€'000	Note	31 December 2023	31 December 2022
Non-current assets			
Goodwill	2.5	49,154	10,913
Intangible assets	2.5	31,315	43,338
Property, plant and equipment	2.4	411,901	282,474
Deferred tax assets	6.2.2	1,932	566
Investment in associates		62	61
Other long-term receivables		149	102
		494,513	**337,454**
Current assets			
Inventories	4.5	20,473	9,688
Trade and other receivables	4.2	26,463	54,562
Current tax receivable	6.3.1	80,409	–
Cash and cash equivalents	4.1	194,598	211,980
		321,943	**276,230**
Total assets		**816,456**	**613,684**
Equity			
Share capital and share premium	5.4	9,464	9,464
Other equity	5.5	3,672	–
Other reserves	5.6	60,239	59,987
Retained earnings		8,580	33,261
Total equity		**81,955**	**102,712**
Non-current liabilities			
Abandonment provision	2.3	209,041	123,503
Bond debt	5.1	215,722	80,800
Deferred tax liabilities	6.2.1	130,453	118,325
Other non-current liabilities	4.4	613	4,197
		555,829	**326,825**
Current liabilities			
Trade payables and accruals	4.3	40,256	21,317
Other current liabilities	4.4	5,627	17,111
Current tax payable	6.3.2	128,616	143,134
Abandonment provision	2.3	4,173	2,585
		178,672	**184,147**
Total liabilities		**734,501**	**510,972**
Total equity and liabilities		**816,456**	**613,684**

A reclassification to the presentation of certain prior period amounts has been made – see note 1.5.

The notes on pages 58 to 83 are an integral part of these financial statements and were approved by the Board of Directors on 10 May 2024.

Andrew Austin
Executive Chairman

Consolidated Financial Statements

Consolidated statement of changes in equity

€'000	**Share capital and share premium** (note 5.4)	**Other equity** (note 5.5)	**Other reserves** (note 5.6)	**Retained earnings**	**Total equity**
At 1 January 2022	103,808	–	9,226	(42,463)	70,571
Profit for the period	–	–	–	25,961	25,961
Other comprehensive income	–	–	5,847	–	5,847
Total comprehensive income for the period	**–**	**–**	**5,847**	**25,961**	**31,808**
Capital reduction	(35,266)	–	(14,734)	50,000	–
Share-based payments	–	–	538	–	538
Capital reorganisation	(59,078)	–	59,110	(237)	(205)
At 31 December 2022	**9,464**	**–**	**59,987**	**33,261**	**102,712**
Loss for the period	–	–	–	(24,681)	(24,681)
Other comprehensive income	–	–	93	–	93
Total comprehensive income for the period	**–**	**–**	**93**	**(24,681)**	**(24,588)**
Share-based payments (note 3.4)	–	–	159	–	159
Issue of warrants (note 5.5)	–	3,672	–	–	3,672
At 31 December 2023	**9,464**	**3,672**	**60,239**	**8,580**	**81,955**

Consolidated cash flow statement

€'000	**Note**	**Year ended 31 December 2023**	Year ended 31 December 2022
Cash flows from operating activities:			
(Loss)/profit for the period after tax		**(24,681)**	**25,961**
Tax (credit)/charge	6.1	(21,177)	228,164
Net finance costs	3.5	7,851	22,131
Depreciation and amortisation	2.4, 2.5	99,230	83,234
Impairment	2.6	59,023	44,547
Change in fair value and releases of contingent consideration	2.8.2	(3,355)	(26,993)
Share-based payment expense	3.4	159	538
Income tax paid		(33,794)	(65,729)
Income tax received		72,101	–
Interest income received		9,270	229
Abandonment costs paid	2.3	(1,941)	(2,319)
Decrease/(increase) in trade and other receivables		36,867	(1,382)
Decrease in trade and other payables		(1,131)	(13,094)
Decrease/(increase) in inventories		4,402	(4,717)
Movement in other working capital items		335	132
Net cash flow from operating activities		**203,159**	**290,702**
Cash flows from investing activities:			
Payments to acquire tangible and intangible fixed assets		(119,318)	(19,454)
Net cash acquired in Mime Acquisition	2.8	7,284	–
Consideration paid for GLA Acquisition	2.8.1	(16,219)	(40,047)
Contingent consideration payments	2.8.2	–	(7,500)
Net cash flow from investing activities		**(128,253)**	**(67,001)**
Cash flows from financing activities:			
Interest paid		(11,720)	(11,566)
Repurchase and redemption of bond debt	5.1.1	(83,599)	(71,773)
Lease repayments and other financing cash flows		(1,296)	(477)
Net cash flow from financing activities		**(96,615)**	**(83,816)**
(Decrease)/increase in cash and cash equivalents		**(21,709)**	**139,885**
Cash and cash equivalents at start of period	4.1	211,980	77,288
Effects of foreign exchange rate changes		4,327	(5,193)
Cash and cash equivalents at end of period	**4.1**	**194,598**	**211,980**

A reclassification to the presentation of certain prior period amounts has been made – see note 1.5.

Notes to the Consolidated Financial Statements

Section 1: General information and basis of preparation

Kistos Holdings plc (the 'Company') is a public company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006 (registered company number 14490676). The nature of the Company and its consolidated subsidiaries' (together, 'the Group') operations and principal activity is the exploration, development and production of gas and other hydrocarbon reserves principally in the North Sea and creating value for its shareholders through the acquisition and management of companies or businesses in the energy sector.

1.1 Basis of preparation and consolidation

The financial statements have been prepared under the historical cost convention (except for derivative financial instruments and certain financial liabilities, which have been measured at fair value) in accordance with UK-adopted International Accounting Standards, in conformity with the requirements of the Companies Act 2006 and in accordance with the requirements of the Alternative Investment Market (AIM) Rules.

These financial statements represent results from continuing operations, there being no discontinued operations in the periods presented.

The accounting period of these consolidated financial statements is the calendar year 2023, which ended at the balance sheet date of 31 December 2023. The comparative period is the calendar year 2022, ending at the balance sheet date of 31 December 2022.

On 22 December 2022, by means of a Scheme of Arrangement, the Company became the new parent company for the Kistos Group of companies; the previous parent company being Kistos plc (a company registered in England and Wales under the Companies Act 2006 with registered company number 12949154). Following the Scheme of Arrangement, shareholders in Kistos plc received the same number and nominal value of Kistos Holdings plc ordinary shares. As the owners of the original parent had the same absolute and relative interests in the net assets of the original Group and the new Group immediately before and after the reorganisation, these comparative period of these consolidated financial statements is presented as if the Company headed the new Group for all of the comparative reporting period. The change in parent Company and legal capital of the Group was reflected in the statement of changes in equity.

1.2 Going concern

Significant judgement – presumption of going concern

These financial statements have been prepared in accordance with the going concern basis of accounting. The forecasts and projections made in adopting the going concern basis take into account forecasts of commodity prices, production rates, operating and general and administrative (G&A) expenditure, committed and sanctioned capital expenditure, foreign exchange rates and the timing and quantum of future tax payments and receipts.

Based on the judgements set out below, which include consideration of both reasonably plausible downside scenarios and mitigating actions management could take, these financial statements have been prepared on a going concern basis.

The parent company has minimal trade and its going concern assessment has been performed as part of the Group's going concern assessment. The Group's cash balance as at the end of April 2024 was €80 million. To assess the Group's ability to continue as a going concern, management evaluated cash flow forecasts for the period to June 2025 (the going concern period), by preparing a base case forecast and considering reasonably plausible sensitivities and mitigating actions that could be undertaken by the Group.

The base case going concern assessment assumed:

- First oil from the Jotun floating production storage and offloading (FPSO) in the fourth quarter of 2024, in line with the current operator forecast and timetable, resulting in a cash outflow of $45 million on the Hybrid Bond in January 2025.
- Q10-A production in line with latest internal forecasts.
- Production from the Greater Laggan Area (GLA) and Balder/Ringhorne in line with latest available operator forecasts and, in the case of the latter, taking into account the first oil date from the Jotun FPSO as noted above.
- Committed and contracted capital expenditure only (being primarily the Group's share of Balder Future capital expenditure) in line with currently approved budgets and authorities for expenditure (AFEs).
- Obligations under Decommissioning Security Agreements (DSAs) for the GLA fields are satisfied in full by the purchase of surety bonds during the period covered by the going concern assessment (in respect of cover that needs to be in place for 2025).

Notes to the Consolidated Financial Statements

- A tax rebate of approximately €80 million is received in December 2024 in respect of Norwegian tax losses incurred in 2023.
- Completion of the Gas Storage Acquisition on 23 April 2024, for cash consideration of £25 million less closing working capital adjustments and including estimated incremental costs of integration.
- Ongoing cash flows from the Gas Storage Acquisition in line with existing budgets and conservative estimates from profits arising from gas trading activities.
- Solidarity Contribution Tax charge and accrued interest (should it be paid), will occur outside of the going concern period.
- Commodity prices based on forward curves prevailing at the date of assessment (being an average of 76p/therm, €30/MWh and $83/bbl across the going concern period).

The base case forecast indicated that the Group would be able to maintain a sufficient amount of liquidity to meet its bond covenant requirement (being a minimum liquidity of $10 million to be held within Kistos Energy Norway) and day-to-day operations across the going concern period.

A key assumption within the base case is the timing of any payment under the Solidarity Contribution Tax charge, for which the Group holds a provision of €47 million. A return in respect of this tax is required to be filed no later than 31 May 2024, along with the payment of any tax due. As set out in note 6.4, the Group believes that there is an argument that Kistos NL2 B.V. is out of scope of this charge in which case no tax would be payable. In the event the tax is payable, based on legal and tax advice received, the Group is of the opinion that a cash outflow would occur outside the going concern period, and after procedures, including re-assessments, objections, court hearings and appeals, had been exhausted. However, as there is no precedent for the payment, collection or appeal of this tax, should the Dutch Tax Authorities demand an earlier payment, or require payment prior to any appeal being admitted, this would have a further material adverse effect on the Group's liquidity (as illustrated in the reverse stress tests section below).

The other key assumption is the continued availability of surety bonds used to cover obligations under DSAs. The obligation for the GLA assets in respect of 2024 was €81 million, which the Group satisfied via the purchase of surety bonds at an approximate cost of €2.5 million. The next redetermination will take place in June 2024, with renewed surety bonds (or other arrangements, if applicable) to be put in place by the end of 2024 for cover of an estimated obligation of €125 million. As part of the going concern assessment the Directors sought advice from surety bond brokers over the Group's ability to renew surety bonds given the combined impact of lower commodity prices, and higher tax and inflation rates adversely impacting the calculation of the amount of security required. If the bonds are not able to be renewed in full or part, the Group would likely have to satisfy the obligations by lodging cash security, significantly reducing available liquidity. Based on the advice received from the surety bond providers, the Directors are of the view that the surety market will continue to provide security up to the current DSA provisions and those required in the foreseeable future.

As part of the assessment, reasonably plausible scenarios were also prepared and analysed. These include:

- A reduction to the oil and gas price assumptions based on recent price volatility;
- A reduction to forecast production rates based on reasonably plausible changes to technical assumptions and sensitivities to extending the impact of planned maintenance shut-ins;
- A delay in first oil from the Jotun FPSO to summer 2025, which would result in lower production rates in Norway throughout the latter half of the going concern period, an increase to capital expenditure incurred, but no cash outflow in relation to the Hybrid Bond (as, under the bond terms outlined in note 5.1 and 2.8.1, the Hybrid Bond will be cancelled in its entirety if the first oil milestone is not met by 31 May 2025);
- Adverse movement in foreign exchange rates; and
- A reduction to forecast cashflows generated from the Gas Storage Acquisition.

The outcome of applying one or more of these reasonably plausible scenarios against the base case indicated that during the fourth quarter of 2024 (prior to receiving a tax repayment of c.€80 million in Norway) the Group could breach its $10 million minimum liquidity covenant under the bonds issued by Kistos Energy Norway or fail to maintain appropriate liquidity to continue to meet day-to-day working capital requirements.

Reverse stress tests were also performed, which showed:

- A reduction in either sales volume or price assumption of approximately 15% (compared to the base case forecast) for the remainder of the going concern period, with all other factors held constant, would result in the liquidity covenants similarly being breached in November 2024.
- An increase to 2024 capital expenditure in Norway of approximately 20% would give rise to a similar outcome.
- If, prior to November 2024, the estimated DSA obligations were required to be fully covered in cash (with all other factors held constant), the resulting shortfall could be greater than €80 million.
- If, prior to November 2024, or the Solidarity Contribution Tax was required to be paid, including estimated interest, (with all other factors held constant) the resulting shortfall could be greater than €20 million.

The Group has also considered mitigating actions it would take in the event there was a cash shortfall. The Group is of the opinion that it would firstly manage its liquidity position and avoid any breach via temporary working capital management activities to cover the period of adverse liquidity prior to the receipt of the material tax receivable noted above. Should any larger shortfall not be able to be managed via temporary working capital management, the main potential sources of finance available to the Group include undertaking a tap issue of the KENO02 bond (see note 5.2), for which $60 million (€56 million) is available, securing another financing facility, and/or equity financing. A tap issue of the KENO02 bond would require the consent of two-thirds of bondholders represented at a bondholders meeting, although there

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is no guarantee all, if any, of the additional bonds would be taken up by bondholders (even if consent was granted). In respect of an equity raise, while the Group and its Board have a strong track record in raising funds via equity for Kistos and previous vehicles, raising equity financing is outside of managements control.

Due to the potential for one or more of the reasonably plausible downside scenarios occurring, along with the uncertainties around the payment of any Solidarity Contribution Tax and the ability to secure the surety bonds to fund the DSAs, the Group would be dependent on successfully completing a tap issue of the KENO02 bond, securing another financing facility, and/or raising equity, which are not guaranteed or wholly within the Directors' control. This indicates a material uncertainty exists which may cast significant doubt about the Group's and ultimate parent company's) continued ability to operate as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties.

1.3 Significant events and changes in the period

The financial performance and position of the Group was significantly affected by the following events and changes during the period:

- The acquisition of Mime, subsequently renamed Kistos Energy (Norway) AS (KENAS), in May 2023, resulting in additions of, among other items, €126 million of fixed assets, €105 million of current tax receivables, €68 million of abandonment liabilities, €39 million of goodwill and €204 million of debt recognised at their estimated fair values on acquisition (note 2.8).
- Impairment charges of €43 million in the UK segment following the Benriach well drilled during the period proving to be sub-commercial and the relinquishment of certain exploration licences (note 2.6.3).
- A goodwill impairment of €3 million relating to the UK exploration cash-generating unit (CGU) as a result of the above.
- Redemption in full (at a premium) of the two bonds issued by the Group's Dutch subsidiary, Kistos NL2 BV, resulting in a cash outflow of €84 million and a loss on redemption of €2 million (note 5.1.1).
- A decrease in average realised oil and gas sales prices and therefore significantly lower revenue as compared to the prior period (note 2.1).
- An impairment charge of €13 million relating to production assets in the Netherlands segment as a result of changes to commodity prices and a reduction to estimated reserves (note 2.6.1).

1.4 Foreign currencies and translation

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 each entity operates (the functional currency). Transactions in currencies other than the functional currency are translated to the entity's functional currency at the foreign exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Significant judgement – functional currency of Kistos Energy (Norway) AS

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, management is required to exercise judgement when determining an entity's functional currency, which is defined as 'the currency of the primary economic environment in which the entity operates'. Sales revenue and debt issued by the entity is denominated in United States Dollars (USD), whereas operating expenditure, capital expenditure, G&A and tax receivables are denominated primarily in Norwegian Krone (NOK). Furthermore, day-to-day working capital funding is provided by the Group in NOK. Having taken the factors and requirements in IAS 21 into account, management has determined the functional currency of Kistos Energy (Norway) AS to be NOK. If a different functional currency was chosen, this would affect the volatility of revenue and operating profit arising from exchange rate movements, determine which transactions could and could not be hedged, influence the identification of embedded currency derivatives and potentially give rise to temporary differences impacting profit or loss.

All UK-incorporated entities in the Group, including Kistos Holdings plc, have a functional currency of pounds Sterling (GBP). All Dutch-incorporated entities have a functional currency of Euros (EUR). Norwegian-incorporated entities have a functional currency of Norwegian Krone (NOK).

These financial statements are presented in EUR, a currency different to the functional currency of the reporting entity (which is GBP). All amounts have been rounded to the nearest thousand EUR, unless otherwise stated.

The results and balance sheet of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates for the period.
- All resulting exchange differences are recognised in 'Other comprehensive income'.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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1.5 Material accounting policies

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The adoption of these changes has not had any impact on the Group's accounting policies but does impact certain accounting policy information disclosed in its financial statements. The amendments require the disclosure of 'material' rather than 'significant' accounting policies and provide guidance as to the application of materiality to the disclosure of accounting policies, with the aim of providing useful, entity-specific accounting policy information. These amendments did not result in changes to accounting policies but have impacted the accounting policy information disclosed in this section.

Information concerning the Group's accounting policies is now disclosed in the relevant section of the financial statements if one or more of the following applies:

- There has been a change in accounting policies during the period.
- An accounting policy has been chosen from a set of alternatives under IFRS.
- An accounting policy has been derived using the general guidance in IAS 8 (in the absence of specific IFRS requirements).
- An accounting policy requires the application of significant judgement or assumptions.
- The accounting requirements for a transaction or event are complex.

The Group has applied its accounting policies consistently throughout the current and prior periods. A minor reclassification has been made to the presentation of certain line items in the financial statements and the notes:

- On the consolidated cash flow statement, interest income received is now presented within net cash flow from operating activities within the Consolidated cash flow statement (previously net Cash flow from financing activities).
- On the consolidated balance sheet, balances relating to amounts due to joint operators are now presented within trade payables and accruals (previously classified within 'Other liabilities').

1.6 New and amended accounting standards adopted by the Group

The Group has applied the following new accounting standards, amendments and interpretations for the first time:

- IFRS 17 Insurance Contracts.
- Definition of Accounting Estimates (Amendments to IAS 8).
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

The Group has elected to adopt the following amendments early:

- Classification of Liabilities with Covenants as Current or Non-current (Amendments to IAS 1).

International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) – provides a temporary exemption from deferred tax accounting for the top-up taxes and apply retrospectively. In July 2023, the UK Government enacted legislation to implement the Pillar Two Model Rules. However, as the Group is not currently in scope of these rules (due to it having global revenues of less than €750 million) the retrospective application has no impact of the Group's financial statements.

The adoption of changes and amendments above has not had any material impact on the disclosure or on the amounts reported in the financial statements, nor are they expected to significantly affect future periods.

1.7 New and amended accounting standards not yet adopted

A number of other new and amended accounting standards and interpretations have been published that are not mandatory for the reporting period ended 31 December 2023, nor have they been early adopted. These standards and interpretations are not expected to have a material impact on the consolidated financial statements.

1.8 Accounting judgements and major sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

- Determining the functional currency of Kistos Energy (Norway) AS (note 1.4);
- The assessment of borrowing costs to be capitalised (note 2.4);
- The identification of impairment indicators for assets and goodwill (note 2.6);
- The ongoing accounting treatment of the Hybrid Bond (note 5.1); and
- Uncertain tax positions (note 6.4).

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The assumptions concerning the future, and other major sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are:

- Estimated future cash flows from assets used as basis for impairment testing for fixed assets and goodwill (note 2.6);
- Estimated quantity of hydrocarbon reserves and contingent resources (section 2);
- The estimated cost for abandonment provisions (note 2.3); and
- The presumption of going concern (note 1.2).

1.9 Impact of climate change and energy transition on accounting judgements and major sources of estimation uncertainty

The Directors have taken into account climate change and the desire by national and international bodies to transition towards a lower carbon economy in preparing these consolidated financial statements. Most immediately, the energy transition is likely to impact future gas and oil prices, which in turn may affect the recoverable amount of the Group's assets, its ability to raise finance, income tax and royalties and operating and capital costs. The estimate of future cash flows from assets, which includes management's best estimate of future oil prices, is considered a key source of estimation uncertainty.

Under current forecasts assuming the assets in their current condition, the Group's UK and Dutch oil and gas assets are likely to be fully depreciated within five years, during which timeframe it is expected that global demand for gas and oil will remain robust. Accordingly, the impact of climate change on expected useful lives of those assets is not considered to be a significant judgement or estimate.

The Group's Norwegian assets are anticipated to have a remaining useful life of 25–30 years, during which period the energy transition could significantly impact supply and demand for oil and gas and therefore future commodity prices. In order to estimate the sensitivity on this, management undertook two additional sensitivity scenarios to demonstrate the potential impact of energy transition and/or net zero policies on the carrying value of the Group's assets. These scenarios were based on the International Energy Agency's 'World Energy Outlook 2023' report.

The two scenarios modelled were:

- The 'Announced Pledges' scenario, which assumes that governments will meet, in full and on time, all of the climate-related commitments that they have announced, including longer-term net zero emissions targets; and
- The 'Net Zero Emissions by 2050' scenario, which portrays a pathway for the energy sector to help limit the global temperature rise to 1.5 °C above pre-industrial levels in 2100 (with at least a 50% probability) with limited overshoot.

In both scenarios, management's assumptions over commodity prices for 2024 and 2025 were held at the same level as used in the impairment test undertaken (note 2.6.2) before aligning, on a declining straight-line basis, to the prices indicated in the table below. The estimated impact of these scenarios is as follows:

Scenario	2030 crude oil price ($/bbl, real)	2050 crude oil price ($/bbl, real)	Estimated additional impairment charge (€m)
Announced Pledges	**74**	60	n/a
Net Zero Emissions by 2050	42	25	15

In addition to oil and gas assets, climate change and energy transition could adversely impact the future development or viability of intangible exploration and evaluation assets. The existence of impairment triggers for such assets under IFRS 6 is considered a critical accounting judgement (see note 2.6).

Section 2: Gas and oil operations

Critical judgements and key sources of estimation uncertainty applicable to this section as a whole

Key source of estimation uncertainty – estimation of reserves and contingent resources

Reserves and contingent resources are those hydrocarbons that can be economically extracted from the Group's licence interests. The Group's reserves and contingent resources have been estimated based on information compiled by operators of the licence interests and other qualified persons and updated and refined by the Group's internal experts and external contractors. These estimates use standard recognised evaluation techniques and include geological and reservoir information (as updated from data obtained through operation of a field), capital expenditure, operating costs and decommissioning estimates. These inputs are validated where possible against analogue reservoirs and actual historical reservoir and production performance.

Changes to reserves estimates may significantly impact the financial position and performance of the Group. This could include a significant change in the depreciation charge for fixed assets, the timing (and carrying value) of abandonment provisions, the results of any impairment testing performed and the recognition and carrying value of any deferred tax assets.

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2.1 Revenue

Accounting policy

Revenue from contracts with customers is measured based on the transaction price specified in a contract with the customer, being based on quoted market prices for the gas or liquids. All revenue is measured at a point in time, being that point at which the Group meets its promise to transfer control of a quantity of gas or liquids to a customer. For gas, control is transferred once the hydrocarbons pass a specified delivery point in a pipeline. For liquids sales, control is transferred in accordance with the incoterms specified in the contract. Adjustments to sales prices arising from settlement of provisional pricing arrangements are recognised as a debit or credit to revenue and not separated or treated as an embedded derivative.

Where compensation is received as part of a claim under loss of production insurance, amounts receivable are presented within 'Other income' and not within 'Revenue'. Subsequent remeasurements to compensation, favourable or adverse, are also presented within 'Other income'.

€'000				Year ended 31 December 2023
	Netherlands	**Norway**	**UK**	**Total**
Sales of liquids	1,298	40,722	14,107	**56,127**
Sales of natural gas	65,881	–	84,989	**150,870**
Total revenue from contracts with customers	**67,179**	**40,722**	**99,096**	**206,997**

€'000				Year ended 31 December 2022
	Netherlands	**Norway**	**UK**	**Total**
Sales of liquids	–	–	–	**–**
Sales of natural gas	285,053	–	126,459	**411,512**
Total revenue from contracts with customers	**285,053**	**–**	**126,459**	**411,512**

All Norway segment revenue in the current year was derived from a single external customer. Revenues from transactions with another single external customer amounted to €135 million across the UK and Netherlands segments.

In the prior period, revenues from transactions with one single external customer in the Netherlands segment amounted to €285 million and revenues from transactions with another single external customer in the UK segment amounted to €126 million.

2.2 Segmental information

2.2.1 Segments and principal activities

The performance of the Group is monitored by the Executive Directors (comprising the Executive Chairman, Chief Executive Officer and Chief Financial Officer) on a geographical basis. For the period ended 31 December 2023, there are three (31 December 2022: two) reportable segments identified for the Group's business:

- The Netherlands: Comprising the production and sale of gas and other hydrocarbons from the Q10-A field, and the costs associated with exploration, appraisal and development of other Dutch licences.
- Norway: Comprising the production of oil from interests in the Balder and Ringhorne Øst fields offshore Norway. This segment was created during the current period, following the completion of the acquisition in May 2023 (note 2.8).
- The UK: Comprising the production and sale of gas and other hydrocarbons from the Group's interest in the GLA, and the costs associated with exploration, appraisal and development of other licences in the UK North Sea.

The key measure of performance used by the Executive Directors to review segment profit and loss is Adjusted EBITDA (note 2.2.2). They also receive disaggregated information concerning revenue, income tax charge and capital expenditure by segment on a regular basis. Information about other income statement measures, and the quantum of total assets and liabilities by segment, are not regularly provided to the Executive Directors. Transactions between segments are measured on the same basis as transactions with third parties and eliminate on consolidation.

2.2.2 Adjusted EBITDA

The Executive Directors use Adjusted EBITDA as a measure of profit and loss to assess the performance of the operating segments. Adjusted EBITDA is a non-IFRS measure, which management believe is a useful metric as it provides additional useful information on performance and trends. Adjusted EBITDA is not defined in IFRS or other accounting standards, and therefore may not be comparable with similarly described or defined measures reported by other companies. It is not intended to be a substitute for, or superior to, any nearest equivalent IFRS measure.

Adjusted EBITDA excludes the effects of significant items of income and expenditure that may have an impact on the quality of earnings such as impairment charges, other non-cash charges such as depreciation and share-based payment expense, transaction costs, changes in contingent consideration relating to business acquisitions and development expenditure.

A reconciliation of Adjusted EBITDA by segment to profit before tax, the nearest equivalent IFRS measure, is presented below.

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€'000	Note	Year ended 31 December 2023	Year ended 31 December 2022
Netherlands Adjusted EBITDA		48,438	270,626
Norway Adjusted EBITDA		24,123	–
UK Adjusted EBITDA		52,055	112,899
Head office costs and eliminations		(3,839)	(3,510)
Group Adjusted EBITDA		**120,777**	**380,015**
Development expenses		(1,146)	(1,752)
Share-based payment expense	3.4	(159)	(538)
Depreciation and amortisation	2.4, 2.5	(99,230)	(83,234)
Impairments	2.6	(59,023)	(44,547)
Transaction costs		(2,581)	(681)
Change in fair value and releases of contingent consideration	2.8.2	3,355	26,993
Operating (loss)/profit		**(38,007)**	**276,256**
Net finance costs	**3.5**	(7,851)	(22,131)
(Loss)/profit before tax		**(45,858)**	**254,125**

Transaction costs in the current period include amounts relating to the acquisition of Mime. Transaction costs in the prior period relate to those costs incurred on the GLA Acquisition, and certain costs in relation to a Proposed Combination with Serica Energy that did not proceed.

2.2.3 Other segmental and geographical disclosures

€'000	Year ended 31 December 2023	Year ended 31 December 2022
Income tax charge/(credit) by segment:		
Netherlands	4,861	135,414
Norway	19,377	–
UK	(33,317)	121,740
Unallocated and consolidation adjustments	(12,098)	(28,990)
Total	**(21,177)**	**228,164**

€'000	Year ended 31 December 2023	Year ended 31 December 2022
Impairment charges by segment:		
Netherlands	13,000	44,547
Norway	–	–
UK	46,023	–
Total	**59,023**	**44,547**

€'000	Year ended 31 December 2023	Year ended 31 December 2022
Non-current assets (other than financial instruments and deferred tax assets) by geographical region:		
Netherlands	96,728	136,735
Norway	252,690	–
UK	143,014	200,052
Total	**492,432**	**336,787**

Revenue by segment is presented in note 2.1. The amount of inter-segment revenue was not material.

2.3 Abandonment provision

Source of estimation uncertainty – estimate of abandonment provisions

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the expected cessation of production date of the related asset, the emergence of new technology or experiences at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore, significant estimates and assumptions are made in determining the abandonment provision balance. The estimated decommissioning costs, and inflation and discount rates applied to derive the amounts recognised on the balance sheet, are reviewed at least annually, and the results of this review are then assessed alongside estimates from operators (where the Group is a non-operating partner in an arrangement).

Accounting policy

An abandonment provision for decommissioning is recognised when the related facilities or wells are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas asset. Where the Group acts as operator in a joint operation, only the Group's share of abandonment liabilities is recognised on the balance sheet. The provision recognised is the estimated cost of abandonment at the time of undertaking the work, discounted to its net present value, and is typically reassessed annually. Abandonment costs expected to be incurred within 12 months of the balance sheet date (and thus classified as current liabilities) are not discounted.

Changes in the estimated timing of abandonment or abandonment cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. Where the related item of property, plant and equipment has been fully impaired, the corresponding adjustment is recognised in profit and loss.

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€'000	Abandonment provision
At 1 January 2023	**126,088**
Acquisitions (note 2.8)	68,273
Accretion expense	6,301
Changes in estimates to provisions	8,979
Utilisation	(1,941)
Effect of change to discount rate	(1,574)
Foreign exchange differences	7,088
At 31 December 2023	**213,214**
Of which:	
Current	4,173
Non-current	209,041
Total	**213,214**

Abandonment provisions comprise:

- In the Netherlands, the Group's share of the estimated cost of abandoning the producing Q10-A wells, decommissioning the associated infrastructure, plugging and abandoning the currently suspended Q11-B well, and removal and restoration of certain pipelines and corresponding land from historic onshore assets.
- In Norway, plugging and abandonment of drilled wells on Ringhorne Øst and Balder and removal of the Balder FPU and Ringhorne platform.
- In the UK, the Group's share of the estimated cost of plugging and abandoning the producing and suspended Laggan, Tormore, Edradour and Glenlivet wells, removal of the associated subsea infrastructure, and demolition of the Shetland Gas Plant (SGP) and restoration of the land upon which the plant is constructed.

The abandonment of the Q10-A wells and associated infrastructure is expected to take place between six and nine years from the balance sheet date, in 2025 for the Q11-B well (based on the regulatory requirement to abandon the well by that time as, at the balance sheet date, no extension of the suspension consent had been concluded) and within one year for the onshore pipelines and land restoration.

The abandonment of the UK fields, producing wells and associated infrastructure is expected to take place between five and fourteen years from the balance sheet based on current production and commodity price forecasts and sanctioned development plans. Certain suspended wells may be abandoned in 2025, pending regulatory clarification.

Abandonment of currently producing Norwegian infrastructure is anticipated to be abandoned between 2030 and 2050.

The utilisation of provisions in the period relates to the onshore abandonment of the onshore Donkerbroek-Hemrik location and certain Ringhorne Øst wells.

Abandonment provisions are initially estimated in nominal terms, based on management's assessment of publicly available economic forecasts and determined using inflation rates of 2.0% to 2.5% (2022: 2.5%) and discount rates of 2.2% to 3.8% (2022: 2.5% to 3.5%). The changes in estimates to provisions arises primarily as a result of the increased inflation rate assumed.

The Group has in issue €81 million of surety bonds as at 31 December 2023 (2022: €27 million) to cover its obligations under DSAs for the GLA fields and infrastructure. The amount of the bonds required is re-assessed each year, changing in line with estimated post-tax cash flows from the assets, revisions to the abandonment cost, inflation rates, discount rates and other inputs defined in the DSAs.

The Group is obliged to deposit to Vår a post-tax amount of $12.7 million (plus interest accruing at SOFR +3%), payable three months after the date of the first oil produced from the Balder and Ringhorne fields over the Jotun FPSO. Based on current estimates of interest rates and expected timing of Balder first oil, the amount to be deposited is anticipated to be approximately $16 million. This amount will be repaid to the Group upon decommissioning of the fields.

2.4 Property, plant and equipment

Significant judgement – assessment of capitalised borrowing costs

For longer-term upstream development projects, judgement is applied in determining when substantially all the activities necessary to prepare assets for their intended use are complete. This judgement impacts when the Group ceases capitalisation of borrowing costs in accordance with IAS 23 Borrowing costs. Due to the nature of these projects, in particular, where the Group does not operate the assets or fields in question, it can be difficult to separately identify the costs attributable to developed reserves (which are ready for their intended use) from those costs attributable to undeveloped reserves.

The Norwegian assets, as outlined in note 2.8, were acquired in May 2023 for a consideration of €4 million, including €204 million of borrowings acquired as part of the acquisition. Management has judged that these fields included in the fair value of oil and gas assets acquired had commenced production and that substantially all activities necessary to prepare the assets for their intended use were complete prior to the date of acquisition. As a result, no borrowing costs have been capitalised in respect of these fields post-acquisition. Capital expenditures incurred subsequent to the date of acquisition have been funded through the Group's operating cash flows and existing cash balances rather than borrowings.

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Accounting policy

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are depreciated typically on the unit-of-production method, with the exception of the Group's interest in the SGP, which is depreciated on a straight-line basis to the estimated cessation of production date of the related gas fields. Where a sidetrack from an original well is drilled, the costs of the original well are estimated and written off to the income statement. The cost of ordinary maintenance and repairs are expensed as incurred, whereas costs for improving and upgrading production facilities are added to the acquisition costs and depreciated together with the related asset.

All expenditure carried within each field is depreciated from the commencement of production on a unit-of-production basis, which is the ratio of oil and gas production in the period to the estimated quantities of reserves or resources at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields that are reliant on common infrastructure. For larger ongoing development projects where both production and significant capital expenditure are ongoing, the unit-of-production ratio is calculated by reference to total expected project costs and total field 2P reserves. For other projects, where there is no currently approved Final Investment Decision (FID) in place to access 2P reserves, the unit-of-production ratio is calculated by reference to the net book value of assets attributable to the field(s) and total 1P reserves. Reserves used as the basis for unit-of-production depreciation may not be the same as reserves used by management for other internal and external reporting purposes.

€'000	Oil and gas assets	Other assets	Total
Cost			
At 1 January 2022	185,413	325	**185,738**
Acquisition of business (note 2.8)	189,790	–	**189,790**
Additions	11,286	1,416	**12,702**
Disposals	(11,922)	(58)	**(11,980)**
Foreign exchange differences and other movements	(8,435)	–	**(8,435)**
At 31 December 2022	**366,132**	**1,683**	**367,815**
Acquisition of business	125,739	27	**125,766**
Additions	101,728	427	**102,155**
Foreign exchange differences and other movements	14,302	25	**14,327**
At 31 December 2023	**607,901**	**2,162**	**610,063**
Accumulated depreciation and impairment			
At 1 January 2022	(14,395)	(116)	**(14,511)**
Depreciation charge for the period	(83,023)	(211)	**(83,234)**
Disposals	11,922	31	**11,953**
Impairment (note 2.6)	(286)	–	**(286)**
Foreign exchange differences and other movements	734	3	**737**
At 31 December 2022	**(85,048)**	**(293)**	**(85,341)**
Depreciation charge for the period	(98,613)	(414)	**(99,027)**
Impairment (note 2.6)	(13,000)	–	**(13,000)**
Foreign exchange differences and other movements	(794)	–	**(794)**
At 31 December 2023	**(197,455)**	**(707)**	**(198,162)**
Net book value at 31 December 2022	281,084	1,390	**282,474**
Net book value at 31 December 2023	**410,446**	**1,455**	**411,901**

Due to the nature of the Group's oil and gas development projects it is not practical to ascertain the carrying amount of expenditure that is under construction.

The 'Other' category includes office and IT equipment, including assets (primarily office leases) held as right-of-use assets (note 5.3).

In the prior period, 'Disposals' represented the removal of fully depreciated assets following abandonment work undertaken in the Netherlands.

2.5 Intangible assets and goodwill

Accounting policy

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Costs incurred before a licence is awarded or obtained are expensed in the period. All licence acquisition, exploration and evaluation costs and directly attributable G&A costs are subsequently capitalised by well, field or exploration area, as appropriate. These costs are written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

Specific indicators that would result in an immediate impairment include relinquishment of a licence and a sub-commercial drilling result. In such circumstances, subsequent expenditure on those licences is also recognised as an impairment in the income statement.

Notes to the Consolidated Financial Statements

€'000	Goodwill	Exploration and evaluation assets	Other	Total
Cost				
At 1 January 2022	**7,000**	**158,573**	**–**	**165,573**
Acquisition of business (note 2.8)	10,913	32,923	–	**43,836**
Additions	–	8,660	–	**8,660**
Other	–	245	–	**245**
At 31 December 2022	**17,913**	**200,401**	**–**	**218,314**
Acquisition of business (note 2.8)	39,029	7,167	342	**46,538**
Additions	–	21,364	322	**21,686**
Foreign exchange differences	2,665	1,182	19	**3,866**
At 31 December 2023	**59,607**	**230,114**	**683**	**290,404**
Accumulated amortisation and impairment				
At 1 January 2022	**(7,000)**	**(112,802)**	**–**	**(119,802)**
Impairment (note 2.6)	–	(44,261)	–	**(44,261)**
At 31 December 2022	**(7,000)**	**(157,063)**	**–**	**(164,063)**
Amortisation for the period	–	–	(203)	**(203)**
Impairment (note 2.6)	(3,480)	(42,543)	–	**(46,023)**
Foreign exchange differences	27	331	(4)	**354**
At 31 December 2023	**(10,453)**	**(199,275)**	**(207)**	**(209,937)**
Net book value at 31 December 2022	10,913	43,338	–	**54,251**
Net book value at 31 December 2023	**49,154**	**30,839**	**476**	**80,469**

Exploration and evaluation assets at 31 December 2023 include the 2C contingent resources comprising the Glendronach development in the UK, the Orion oil prospect on the Q10-A licence and the King/Prince prospects in Norway. The Group's interests in oil and gas licences are outlined in note 2.7.

2.6 Impairment of assets and goodwill

Significant judgement – identification of impairment indicators

Under IAS 36 the Group is required to consider if there are any indicators of impairment for property, plant and equipment. The judgement as to whether there are any indicators of impairment takes into consideration a number of internal and external factors, including changes in estimated reserves, significant adverse changes to production versus previous estimates made by management, changes in estimated future oil and gas prices, changes in estimated future capital and operating expenditure to develop and produce commercial reserves, and adverse changes in applicable tax regimes. Where indicators are present and an impairment test is required, the calculation of the recoverable amount requires estimation of its value in use (VIU) and/or fair value less costs of disposal (FVLCOD), using discounted cash flow models or other approaches. These assessments are performed on a CGU basis unless a lower level is deemed appropriate.

The judgement as to whether there are any indicators of impairment for intangible exploration assets is made by reference to, among other factors, the indicators outlined in IFRS 6, including the lack of planned or budgeted substantive expenditure on a licence, a lack of commercially viable reserves discovered and other factors that indicate that the carrying amount of the intangible asset is unlikely to be recovered in full from successful development or by sale.

Key source of estimation uncertainty – estimated future cash flows used in impairment testing

In performing impairment tests, management uses discounted cash flow projections to estimate the FVLCOD of an asset's or CGU's recoverable amount. These forecasts include estimates of future production rates of gas and oil products, commodity prices and operating costs, and are thus subject to significant risk and uncertainty. Changes to external factors and internal developments and plans can significantly impact these projections, which could lead to additional impairments or reversals in future periods. Where applicable, a sensitivity analysis to the key estimates and assumptions is outlined below.

2.6.1 Netherlands segment impairments

The reduction in European gas prices, in conjunction with a downwards revision of reserves estimated to be in place at the Q10-A field, were considered by management to be impairment triggers for the Netherlands Production CGU. The CGU contains six producing wells at the Q10-A gas field, the Q10-A platform and associated infrastructure.

The recoverable amount was determined on a FVLCOD basis, using a discounted cash flow approach in line with how market participants would value the asset (and corresponding to how the Group would value similar assets), with the estimate therefore being classified as Level 3 in the fair value hierarchy due to a number of unobservable inputs used in the estimate.

Notes to the Consolidated Financial Statements

The key assumptions used in the valuation were as follows:

- TTF gas prices of €43/MWh in 2024, €42/MWh in 2025 and €36/MWh in 2026 based on independent forecasts and estimates.
- Gas production forecasts based on internal reservoir modelling until cessation of production in 2028 at which point the economic limit is reached.
- Operating expenditure based on forecasts and information provided by the operator of the P15-D platform, comprising the main component of operating costs.
- A nominal post-tax discount rate of 8%.

Costs of disposal were considered to be immaterial for the purposes of the impairment test. The recoverable amount of the CGU was estimated to be €50 million, giving rise to an impairment charge of €13 million recognised against oil and gas assets.

In the prior period, impairment charges of €45 million were recognised in the Netherlands segment primarily on exploration intangible assets, following, among other factors, the introduction of additional taxes by the Dutch tax authorities meaning there was no longer sufficient certainty over whether its carrying values could be recovered from future development. Included within these impairments was €7.5 million relating to the M10a/11 licences which, at the previous balance sheet date, was not held by the Group as it was in the process of appealing its non-renewal by the Dutch authorities. The licence was re-awarded to the Group in July 2023. As evaluation, permitting and stakeholder engagement is still underway, it is not considered that there is sufficient certainty that its previous carrying value will be recovered in full and therefore no impairment reversal has been recognised.

The cumulative impairments recognised in the Netherlands segment since the acquisition of Tulip Oil in 2021 are €179 million.

2.6.2 Norway segment impairment test

The Norway Production CGU, comprising the Group's working interests in the Balder and Ringhorne Øst fields and share of the Jotun FPSO, is required to be tested for impairment because the goodwill allocated to it (being €39 million) was acquired in a business combination during the current reporting period.

The recoverable amount was determined on a FVLCOD basis, using a discounted cash flow approach in line with how market participants would value the asset (and corresponding to how the Group would value similar assets), with the estimate therefore being classified as Level 3 in the fair value hierarchy due to a number of unobservable inputs used in the estimate. Costs of disposal were considered to be immaterial for the purposes of the impairment test.

The key assumptions used in the valuation were as follows:

- Production from the Balder and Ringhorne Øst continues until the end of field life at the end of the 2040s (with decommissioning occurring in the 2050s), beyond the current licence period that expires in 2030 on the basis that the Plan for Development and Operation (PDO) for Balder Future (which was approved by Norwegian Ministry of Energy in 2020) extends beyond this date. Due the nature of oil and gas production, it is not appropriate to extrapolate cash flows using a terminal value approach.
- Nominal oil prices of $84/bbl in 2024, $80/bbl in 2025, $76/bbl in 2026 rising to $81/bbl in 2030 and increasing by 2% per annum thereafter.
- USD/NOK exchange rate of 10.5, falling to 9.5 longer term.
- A nominal post-tax discount rate of 9% reflecting the specific risks relating to the segment and geographical region.
- Cost and production estimates reflecting the operator's view of the field and development project as at 31 December 2023, as reflected in the 2024 Work Programme and Budget (which was approved by both Kistos and Vår) and the operator's longer-term Revised National Budget (RNB) submission. The 2024 budget approved assumes first oil from the Jotun FPSO in 2024.

The assumptions and values used are consistent with external sources of information (for example, publicly available commodity price forecasts) and budgets and assessments provided by the operator of the assets.

The results of the impairment test were that the recoverable amount exceeded the carrying amount by €29 million and therefore no impairment charge was necessary.

Sensitivity analysis undertaken indicates that reasonably possible changes to certain key assumptions (after incorporating any consequential effects of that change on the other variables) would cause the recoverable amount to be equal to the carrying amount:

- A reduction in the commodity price curves used by 13%.
- An increase of the discount rate to 17%.
- A reduction of estimated production rates across the life of fields by 13%.
- A reduction in the longer term USD/NOK exchange rate to 7.2.

The sensitivity analysis undertaken indicated that a delay of first oil from the Jotun FPSO to 2025 is not anticipated to cause the recoverable amount to be lower than the carrying amount. The sensitivity analysis undertaken indicated that a delay of first oil from the Jotun FPSO to 2025 is not anticipated to cause the recoverable amount to be lower than the carrying amount.

Notes to the Consolidated Financial Statements

2.6.3 UK segment impairment test

The UK Production and Development CGU, comprising the Group's working interest in the producing Laggan, Tormore, Edradour and Glenlivet fields and the SGP, is required to be tested for impairment annually as goodwill allocated to the CGU (being €7 million) was acquired in a business combination.

The recoverable amount was determined on a FVLCOD basis, using a discounted cash flow approach in line with how market participants would value the asset (and corresponding to how the Group would value similar assets), with the estimate therefore being classified as Level 3 in the fair value hierarchy due to a number of unobservable inputs used in the estimate. Costs of disposal were considered to be immaterial for the purposes of the impairment test.

The key assumptions used in the valuation were as follows:

- NBP gas prices of 100p/therm in 2024, 101p/therm in 2025 and 82p/therm in 2026 and 2027 based on independent forecasts and estimates prevailing at the balance sheet date.
- Costs and production estimates forecast by the asset operator, with the expected natural decline consistent with past performance, extending to the estimated cessation of production date in 2027 at which point a technical production limit is reached. Due the nature of oil and gas production, it is not appropriate to extrapolate cash flows using a terminal value approach.
- A nominal post-tax discount rate of 9% reflecting the specific risks relating to the segment and geographical region.

The assumptions and values used are consistent with external sources of information (for example, publicly available commodity price forecasts) and budgets and assessments provided by the operator of the assets.

The results of the impairment test were that the recoverable amount exceeded the carrying amount by €2 million and therefore no impairment charge was necessary. It is estimated that a change to the following key assumptions would result in the recoverable amount being equal to the carrying amount:

- A reduction to the forward gas curve of approximately 4%.
- A reduction to projected production rate of approximately 4%.
- Use of a nominal post-tax discount rate of 13.5%.

Within the UK Segment Exploration CGU, the following impairments were recognised in the current period:

- €33 million relating to the Benriach licence, following the exploration well drilled during the period proving to be sub-commercial.
- €10 million relating to the Roseisle and Cardhu licences following the joint venture partners electing to relinquish the licences with effect from 1 December 2023.
- €3 million of goodwill associated with the Exploration CGU as a result of the licence impairments above.

2.7 Joint arrangements and licence interests

Accounting policy

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. Where the Group is a non-operated partner, it accounts for its proportionate net share of the assets, liabilities, revenue and expenses of these joint operations, with amounts billed by operators to the Group also recognised within trade payables. Where the Group acts as operator to the joint operation, the net amount of the liabilities is presented on the Group's balance sheet, with amounts billed to the partners in respect of recovery of costs paid on behalf of the joint operation recognised within receivables.

The Group has the following interests in joint arrangements at the balance sheet date that management has assessed as being joint operations.

The operator of the licences held by Kistos Energy Limited is TotalEnergies E&P UK Limited. The operator of the licences held by Kistos Energy (Norway) AS is Vår Energi ASA.

Field or licence	Country	Licence holder	Licence type	Status	Interest at 31 December 2023
M10a & M11[1]	Netherlands	Kistos NL1 B.V.	Exploration	Operated	60%
Donkerbroek	Netherlands	Kistos NL1 B.V.	Production	Operated	60%
Donkerbroek-West	Netherlands	Kistos NL1 B.V.	Production	Operated	60%
Akkrum-11	Netherlands	Kistos NL1 B.V.	Production	Operated	60%
Q07	Netherlands	Kistos NL2 B.V.	Production	Operated	60%
Q08	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
Q10-A	Netherlands	Kistos NL2 B.V.	Production	Operated	60%
Q10-B	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
Q11	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
P12b[2]	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
Q13b[2]	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
Q14[2]	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%

1. Following successful appeal against non-renewal (decision received in July 2023), the licence was re-awarded to Kistos retroactively from 30 June 2022.
2. Awarded during the current period.

Notes to the Consolidated Financial Statements

Field or licence	Country	Licence holder	Licence type	Status	Interest at 31 December 2023
P911, P1159, P1195, P1453[1] and P1678 (Laggan, Tormore, Edradour, Glendronach and Glenlivet)	UK	Kistos Energy Limited	Production	Non-operated	20%
P2411 and P1453[2] (Benriach)	UK	Kistos Energy Limited	Exploration	Non-operated	25%
PL001	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%
PL027[3]	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%[1]
PL027C	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%
PL027HS	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%
PL028	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%
PL028S	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%

1. Licence P1453 is split into the portion including and excluding the Benriach area.
2. Awarded during the current period.
3. Licence PL027 comprises Balder and Ringhorne Øst fields. Kistos' share of the Ringhorne Øst unit is 7.4%.

2.8 Business combinations

Accounting policy

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

Any contingent consideration is measured at fair value at the date of acquisition, and discounted to present value if the consideration is expected to be settled more than 12 months from the balance sheet date. If an obligation to pay contingent consideration meets the definition of equity it is not remeasured, and any subsequent settlement is accounted for within equity. (The existence of a contingent settlement provision in an equity instrument issued as consideration for a business combination is not considered to preclude the fixed-for-fixed criteria of IAS 32.) Otherwise, contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value are recognised in profit or loss presented in a separate line on the face of the income statement.

On 23 May 2023, the Group completed the acquisition of the entire share capital of, and voting interests in, Mime Petroleum AS (Mime) from Mime Petroleum S.a.r.l., a company incorporated and operating in Norway (the 'Mime Acquisition'). The primary purposes of the acquisition were to gain entry into oil and gas activities on the Norwegian Continental Shelf (NCS) and to increase and diversify the Group's hydrocarbon production, reserves and contingent resources.

The acquisition consideration, management's assessment of the fair value of net assets acquired, and subsequent goodwill arising are as follows:

€'000	At acquisition
Consideration:	
Cash[1]	–
Fair value of warrants issued	3,672
Total consideration	**3,672**
Net assets acquired:	
Property, plant and equipment	125,766
Intangible assets	7,509
Trade and other payables and accruals	(23,456)
Other net working capital	4,075
Inventory	14,052
Tax receivable	105,052
Cash and cash equivalents	7,284
Bond debt	(203,671)
Abandonment provisions	(68,273)
Deferred tax liabilities	(3,695)
Goodwill	39,029
Total net assets acquired	**3,672**

1. The cash consideration payable was $1.

Transaction costs of €3 million were incurred, recognised within 'General and administrative expenses' within the income statement, and within operating cashflows in the cash flow statement. The fair value of receivables acquired (included within 'Net working capital') was estimated to be equal to the gross contractual amounts receivable.

As part of the consideration, 5.5 million warrants over shares in Kistos Holdings plc were issued to the vendor with an exercise price of 385p. 3.6 million of these warrants can be exercised until 18 April 2028 and 1.9 million can be exercised only between 30 June 2025 and 18 April 2028, but are subject to cancellation as described below. The fair value of warrants was estimated using a Black-Scholes model and the Group's share price at the acquisition date, adjusted for the estimated probability of issuance, and are recognised within 'Other equity' on the balance sheet.

As part of the completion of the transaction, the terms of the acquiree's bonds were amended. A summary of the bonds acquired is disclosed in note 5.1.

Goodwill arises primarily from the requirement to recognise deferred tax on the difference between the fair value and the tax base of the assets acquired. This fair value adjustment is not tax deductible and therefore results in a net deferred tax liability and corresponding entry to goodwill. The goodwill itself is not deductible for tax purposes.

Notes to the Consolidated Financial Statements

The Mime Acquisition contributed €41 million of revenue and a loss after tax of €9 million for the period from acquisition date until 31 December 2023. If the acquisition had completed on 1 January 2023, consolidated revenue for the Group would have been €223 million and the consolidated loss after tax is estimated to have been €57 million. The latter has been estimated as if the fair value adjustments to fixed assets recognised at the acquisition date had occurred at the beginning of the reporting period, but no changes to the timing or nature of debt restructurings that occurred in the pro forma period. The impact to the non-IFRS measure Adjusted EBITDA as if the acquisition had completed on 1 January 2023 is disclosed in Appendix B1.

2.8.1 Acquisition in prior period

On 10 July 2022, the Group completed the acquisition of a 20% working interest in the P911, P1159, P1195, P1453 and P1678 licences, producing gas fields and associated infrastructure alongside various interests in certain other exploration licences, including a 25% interest in the Benriach prospect in licence P2411, from TotalEnergies E&P UK Limited; all comprising working interests in unincorporated joint operations (together, the GLA Acquisition). The headline consideration was $125 million based on an effective economic date of 1 January 2022, with the final firm consideration payment being reduced from $125 million by the post-tax cashflows generated from the assets between the effective economic date and the completion date (and other adjustments). The primary reasons for the acquisition were to diversify the Group's production base by gaining exposure to the UK North Sea and potential exploration upside.

The acquisition consideration, management's assessment of the net assets acquired and subsequent goodwill arising were as follows:

€'000	At acquisition
Consideration:	
Cash	40,047
Contingent consideration	38,029
Total consideration	**78,076**
Net assets acquired:	
Property, plant and equipment	189,790
Exploration and evaluation assets	32,923
Investment in associates	61
Net working capital	(3,826)
Abandonment provisions	(115,004)
Net deferred tax liability	(36,781)
Goodwill	10,913
Total net assets acquired	**78,076**

Goodwill arose primarily from the requirements to recognise deferred tax on the difference between the fair value and the tax base of the assets acquired. This fair value uplift is not tax deductible and therefore results in a net deferred tax liability and corresponding entry to goodwill.

The contingent consideration comprised two elements:

- Up to a maximum of $40 million (€39.3 million) payable based on a formula including GLA gas production and average quoted gas prices through 2022. The fair value of this contingent consideration was assessed to be €34.9 million at the acquisition date. The actual amount of the contingent consideration was €15.8 million, which was settled in cash in March 2023.
- Upon the successful development of the Benriach area, consideration of $0.25 per MMBtu of the approved net 2P reserves following first gas. The fair value of this contingent consideration was assessed by management to be €3.1 million on acquisition. Following the exploration well drilled on Benriach during the year proving to be sub-commercial, the full amount of this contingent consideration was derecognised (€3.4 million at the point of derecognition) and a corresponding gain recognised in the income statement.

2.8.2 Movement in contingent consideration payable

The movement of contingent consideration balances is as follows:

€'000	GLA Acquisition	Tulip Oil acquisition
At 1 January 2022	–	15,000
Recognised on acquisition	38,029	–
Contingent consideration paid in cash	–	(7,500)
Gain recognised following change in fair value	(19,493)	–
Accretion expense	153	–
Gain on derecognition	–	(7,500)
Foreign exchange differences	375	–
At 31 December 2022	**19,064**	**–**
Contingent consideration paid in cash	(16,219)	–
Gain on derecognition	(3,355)	–
Foreign exchange differences	510	–
At 31 December 2023	**–**	**–**

No contingent consideration was recognised as a result of the Mime Acquisition; however, the terms of the Hybrid Bond acquired contain provisions that, in substance, render it as highly analogous to contingent consideration (see the significant judgement in note 5.1).

Notes to the Consolidated Financial Statements

2.9 Commitments

The Group had outstanding contractual capital commitments at the reporting dates as follows:

€'000	**31 December 2023**	31 December 2022
Contractual commitments to acquire property, plant and equipment	91,430	2,553
Contractual commitments on intangible assets (including commitments on exploration assets)	93	27,483
Total	**91,523**	**30,036**

Section 3: Income statement

3.1 Earnings per share

	Year ended 31 December 2023	Year ended 31 December 2022
Consolidated (loss)/profit for the period attributable to shareholders of the Group (€'000)	(24,681)	25,961
Weighted average number of shares used in calculating basic earnings per share	82,863,743	82,863,743
Potential dilutive effect of:		
Employee share options[1]	–	135,989
Warrants[2]	–	–
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	82,863,743	82,999,732
Basic earnings per share (€)	**(0.30)**	**0.31**
Diluted earnings per share (€)	**(0.30)**	**0.31**

1. Employee share options are not dilutive for the current period as the average share price during the period did not exceed the exercise price of the options.
2. The warrants issued during the period as part consideration for the Mime Acquisition (note 2.8) are not dilutive as the average share price from the issue date of 23 May 2023 to the period end was below the exercise price.

3.2 General and administrative expenses

€'000	**Year ended 31 December 2023**	Year ended 31 December 2022
Salary and related expenditure	9,179	6,598
Non-salary expenditure	4,778	3,048
Recovery and capitalisation of costs	(1,960)	(220)
Total general and administrative expenses	**11,997**	**9,426**

3.3 Employee benefit expenses

€'000	**Year ended 31 December 2023**	Year ended 31 December 2022
Wages and salaries	7,844	6,286
Social security and pension costs	1,300	910
Equity-settled share-based payment expense (note 3.4)	159	538
Total employee benefit expenses	**9,303**	**7,734**

At 31 December 2023, the Group employed 33 people (31 December 2022: 24). The monthly average number of full-time equivalent employees in the Group, excluding non-Executive Directors, is as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Technical	12	14
Finance, legal and support	10	7
Management	7	3
Total	**29**	**24**

3.4 Share-based payment arrangements

The Group has in place share option schemes for certain employees across its subsidiaries that are accounted for as equity-settled share-based payments. The total charge in respect of share-based payments was €0.2 million (2022: €0.5 million).

The total number of share options outstanding at 31 December 2023 was 166,560 (31 December 2022: 191,068), which have exercise prices in the range of 273–441p/share (31 December 2022: 273–343p/share). The closing share price of the Group's ordinary shares at 31 December 2023 was 165p.

No share options are in place for Directors.

Notes to the Consolidated Financial Statements

3.5 Interest and other net finance costs

€'000	Year ended 31 December 2023	Year ended 31 December 2022
Bank interest income	7,446	267
Interest on tax receivables	1,824	–
Other interest income	26	–
Total interest income	**9,296**	**267**
Bond interest	(23,620)	(10,543)
Other interest	–	(268)
Interest on tax	(4,238)	–
Surety bond interest	(913)	(472)
Total interest expenses	**(28,771)**	**(11,283)**
Accretion expense on abandonment provisions and other liabilities (note 2.3 and 2.8.2)	(6,301)	(2,028)
Accretion expense on lease liabilities	(101)	(42)
Amortisation of bond costs (note 5.1)	(1,024)	(1,062)
Remeasurement loss on Hybrid Bond (note 5.1)	(3,169)	–
Loss on bond repurchases (note 5.1.1)	(2,404)	(6,414)
Net foreign exchange gains on bond debt	24,218	–
Net other foreign exchange gains/(losses)	405	(1,569)
Total other net finance costs	**11,624**	**(11,115)**
Total net finance costs	**(7,851)**	**(22,131)**

Section 4: Working capital

4.1 Cash and cash equivalents

Cash and cash equivalents consist of bank accounts and restricted cash balances. Restricted funds relate to a bank guarantee for the office leases and employee withholding taxes in Norway. Under the terms of its bonds, the Group is required to maintain a minimum liquidity balance of $10 million until first oil from the Jotun FPSO (note 5.1).

€'000	31 December 2023	31 December 2022
Bank accounts	194,431	211,958
Restricted funds	167	22
Cash and cash equivalents	**194,598**	**211,980**

4.2 Trade and other receivables

€'000	31 December 2023	31 December 2022
Trade receivables	8,287	–
Accrued income	8,892	47,962
Receivables due from joint operation partner	591	3,198
Other receivables and cash overcalls	1,807	1,594
Prepayments	6,262	679
VAT receivable	624	1,129
Total trade and other receivables	**26,463**	**54,562**

Accrued income represents amounts due in respect of gas sales that had not been invoiced at the balance sheet date. All accrued income amounts had been invoiced and collected in full within one month of the corresponding reporting date. Information about the Company's exposure to credit risk and impairment losses for other short-term receivables is included in note 4.6.

4.3 Trade payables and accruals

€'000	31 December 2023	31 December 2022
Trade payables	6,179	7,271
Payables to joint operators	2,612	1,945
Accruals	31,465	12,101
Total trade payables and accruals	**40,256**	**21,317**

Notes to the Consolidated Financial Statements

Trade payables are unsecured and generally paid within 30 days. Accrued expenses are also unsecured and represent estimates of expenses incurred but where no invoice has yet been received. The carrying value of trade payables and other accrued expenses are considered to be fair value given their short-term nature. A reclassification to the prior period has been made in order to present 'Payables to joint operators' within 'Trade payables and accruals' (previously classified within 'Other liabilities').

4.4 Other liabilities

€'000	**31 December 2023**	31 December 2022
Bond interest payable	971	831
Salary and other payroll-related liabilities	981	202
Contingent consideration (note 2.8.2)	–	15,796
Lease liabilities	295	282
VAT payable	621	–
Overlift	1,673	–
Other	1,086	–
Other liabilities – current	**5,627**	**17,111**
Contingent consideration	–	3,268
Lease liabilities	613	929
Other liabilities – non-current	**613**	**4,197**

4.5 Inventory

Accounting policy

Liquids inventory (comprising crude oil and natural gas liquids) is held at the lower of cost and net realisable value. The cost of liquids inventory is the cost of production, including direct labour and materials, depreciation and a portion of operating costs and other overheads allocated based on the ratio of liquids to gas production, determined on a weighted average cost basis. Net realisable value of liquids inventory is based on the market price of equivalent liquids at the balance sheet date, adjusted if the sale of inventories after that date gives additional evidence about its net realisable value. The cost of liquids inventory is expensed in the period in which the related revenue is recognised.

For spares and supplies inventories cost is determined on a specific identification basis, including the cost of direct materials and (where applicable) direct labour and a proportion of overhead expenses. Items are classified as spares and supplies inventory where they are either standard parts, easily resalable or available for use on non-specific campaigns, and within property, plant and equipment or intangible exploration and evaluation assets where they are specialised parts intended for specific projects. Write downs to estimated net realisable value are made for slow moving, damaged or obsolete items, typically based on the ageing of stock.

€'000	**31 December 2023**	31 December 2022
Spares and supplies	11,791	3,896
Crude oil and natural gas liquids	8,682	5,792
Total inventory	**20,473**	**9,688**

The amount of inventory recognised as an expense in the current period was €9.6 million (2022: nil). The movement in inventory net realisable value provisions amounted to a charge of €1.3 million (2022: €0.8 million).

4.6 Financial instruments and financial risk management

Accounting policy

Where a financial instrument, such as the Hybrid Bond, contains both a compound instrument and contingent settlement provisions, the entire instrument is measured as a financial liability and not separated.

Gains or losses arising from changes to the remeasurement of the Hybrid Bond are recognised within 'Other net finance costs' in the income statement.

4.6.1 Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The use of derivative financial instruments is governed by the Group's policies approved by the Kistos Board. Compliance with policies and exposure limits is monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

4.6.2 Financial assets and liabilities carried at fair value

At 31 December 2023, there were no financial assets or liabilities carried at fair value.

At 31 December 2022, the Group held one financial liability carried at fair value, being €19 million in respect of contingent consideration for the GLA Acquisition and classified as Level 3 in the fair value hierarchy. These contingent consideration balances were settled or released in full in the current year (note 2.8.2). There were no financial assets carried at fair value at 31 December 2022.

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4.6.3 Risk management framework

The Kistos Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Kistos Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls but also to monitor risks and adherence to limits. Risk management policies and systems are reviewed when needed to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

4.6.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group has been assessed as comprising foreign exchange risk, interest rate risk and other commodity price risk.

Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates within the Netherlands, UK and Norway and is therefore exposed to foreign exchange risk. Most of the Group's exposure to currency risk arises in Norway, where revenue receipts and bond debt are denominated in USD, whereas operating costs, tax receivables, working capital financing and the majority of capital expenditure is denominated in the local functional currency of NOK. Entities within the Group undertake transactions in currencies other than their functional currency, which gives rise to transactional currency risk. The Group manages this risk to an extent by holding certain amounts of cash in currencies other than the entity's functional currency to act as an economic hedge against foreign exchange movements; however, the Group does not currently have a formal currency risk management policy or enter into any currency hedges.

As at 31 December 2023, 17% of the Group's cash and cash equivalents was held in EUR (31 December 2022: 49%).

A 15% strengthening of USD relative to NOK at 31 December 2023 would have adversely impacted equity and profit and loss by approximately €24 million, with a corresponding 15% weakening positively impacting equity and profit and loss would have by approximately €24 million. This analysis assumes that all other variables, in particular interest rates, remain constant, and ignores any impact of forecast sales and/or expenses. The exposure to other foreign currency movements is not material.

The currency sensitivity analysis selected (USD to NOK) has changed from that used in the prior year (GBP to EUR) as, following the Mime Acquisition, the Group carries a material amount of bond debt denominated in a currency other than the issuing entity's functional currency and is therefore exposed to greater risk in respect of that currency pairing.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate movements through its cash and cash equivalents deposits that earn interest at variable interest rates. There is no interest rate exposure on the Group's borrowings as they carry fixed rates of interest (note 5.1).

For the year ended 31 December 2023, it is estimated that a 1% increase in interest rates would have increased the Group's profit after tax by approximately €2 million, and a 1% decrease would have reduced the Group's profit after tax by approximately €2 million. This sensitivity has been calculated only based on the average cash balances held and estimating an effective tax rate on interest income across the Group. The impact on equity would be the same as the impact on profit after tax.

Other price risk – commodity price risk

Commodity risk predominantly arises from the sale of natural gas and crude oil from the Group's interests in oil and gas licences, as the price realised from the sale of natural gas and crude oil is determined primarily by reference to quoted market prices on the day and/or month of delivery.

The Group has previously used derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Where such transactions are carried out, they are done based on the Company's guidelines.

In 2021, Kistos NL2 hedged a portion of monthly production from the Q10-A field (being the hedged item) at an amount of 100,000 MWh per month at a price of €25/MWh (being the hedged instrument) for the nine-month period from July 2021 to March 2022. The hedge was effective in the prior period.

As at 31 December 2023, the Group had no commodity price hedging arrangements in place.

The Group enters into other commodity contracts (such as purchases of carbon emission allowances, fuel and chemicals) in the normal course of business, which are not derivatives, and are recognised at cost when the transactions occur.

Notes to the Consolidated Financial Statements

4.6.5 Credit risk

Credit risk is the risk that the Group will suffer a financial loss as a result of another party failing to discharge an obligation and predominantly arises from cash and other liquid investments deposited with banks and financial institutions, receivables from the sale of natural gas and other hydrocarbons, and receivables outstanding from its joint operation partner.

The Group has policies that cover the management of credit risk, including review of counterparty credit limits and specific transaction approvals. The Group's oil and gas sales are made to international oil market participants including the oil majors, trading houses and refineries. Joint operators are international major oil and gas market participants and entities wholly owned by the Dutch state. Material counterparty evaluations are conducted utilising international credit rating agency and financial assessments. Where considered appropriate, security in the form of trade finance instruments from financial institutions with appropriate credit ratings, such as letters of credit, guarantees and credit insurance, are obtained to mitigate the risks.

The Group held cash and cash equivalents of €195 million as at 31 December 2023 (2022: €212 million). As at 31 December 2023, over 99% of the Group's cash and cash equivalents (2022: over 99%) are held with bank and financial institution counterparties that have an investment grade credit rating and as such the Group considers that its cash and cash equivalents have low credit risk.

The carrying values of cash and cash equivalents and trade and other receivables (excluding prepayments) represent the Group's maximum exposure to credit risk at year end, as the Group has not recognised an allowance for credit losses in the current or prior period. The Group has no material financial assets that are past due.

4.6.6 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Group manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Kistos Board, which has established an appropriate liquidity risk management framework covering the Group's short-, medium- and long-term funding and liquidity management requirements.

Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, proposed acquisitions and/or disposals, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group.

The Group's financial liabilities comprise trade payables (note 4.3), other liabilities (note 4.4) and bond debt (note 5.1). The maturity analysis of financial liabilities is shown in note 4.7.

In addition to the amounts held on balance sheet, the Group has in issue €81 million of surety bonds as at 31 December 2023 (2022: €27 million) to cover its obligations under DSAs for future abandonment of the GLA fields and infrastructure. Should the Group be in default under the DSAs resulting in the bond provider being required to pay out on those bonds, the Group would be required to indemnify the providers by paying cash to cover their liability. If the surety market were to deteriorate such that the Group is unable to renew its bonds, then the Group would be required to satisfy its DSA obligations by transferring an equivalent amount of its cash into trust.

4.7 Maturity analysis of financial liabilities

The maturity analysis of contractual undiscounted cash flows for non-derivative financial liabilities is as follows:

€'000	Within 3 months	3 months to 1 year	1–5 years	More than 5 years	Total
Bond debt[1]	1,272	3,917	295,237	–	**300,426**
Trade payables, accruals and other financial liabilities	42,947	–	–	–	**42,947**
Lease liabilities	92	274	735	–	**1,101**
At 31 December 2023	**44,311**	**4,191**	**295,972**	**–**	**344,474**
Bond debt	–	7,379	98,319	–	**105,698**
Contingent consideration	15,796	–	–	6,191	**21,987**
Trade payables, accruals and other financial liabilities	21,519	–	–	–	**21,519**
Lease liabilities	75	308	1,110	–	**1,493**
At 31 December 2022	**37,390**	**7,687**	**99,429**	**6,191**	**150,697**

1. Bond debt excludes the Hybrid Bond, which will have cash outflows in 2025 of either $45 million (payable within three months), $30 million (payable within three months to one year), $15 million (payable within three months to one year) or $nil depending on the timing of milestones achieved from the Jotun FPSO (note 5.1).

Where cash flows are denominated in foreign currencies, the prevailing spot rate at the end of the period has been used to translate into the presentational currency.

Notes to the Consolidated Financial Statements

Section 5: Capital and debt

5.1 Bond debt

The Group has in issue bond debt as follows:

Bond	Issuer	Currency	Coupon rate	Maturity date	31 December 2023 Face value (issued currency)	31 December 2023 Carrying amount €'000	31 December 2022 Face value (issued currency	31 December 2022 Carrying amount €'000
KENO01	KENAS	USD	10.25%[1]	November 2027	$116,809,148	90,655	–	–
KENO02	KENAS	USD	9.75%[2]	September 2026	$124,786,992	110,803	–	–
Hybrid Bond	KENAS	USD	n/a	March 2083[3]	$45,000,000	14,264	–	–
€90 million bond	Kistos NL2	EUR	8.75%	November 2024[4]	–	–	€21,572,000[5]	22,706
€60 million bond	Kistos NL2	EUR	9.15%	May 2026[4]	–	–	€60,000,000	60,000
Total €'000						**215,722**		**82,706**

1. Interest payable wholly in kind via issuance of new bonds, annually in December.
2. Interest payable partly in cash (4.5%) quarterly and partly in kind via issuance of new bonds (5.25%) quarterly.
3. Certain amounts of the Hybrid Bond will be cancelled for nil consideration should milestones relating to the Jotun FPSO not be met. If the milestones have not been met by 31 May 2025, the Hybrid Bond will be cancelled in its entirety.
4. These bonds were redeemed in full by exercise of call options in December 2023.
5. Net of €68.4 million of bonds held in treasury.

Significant judgement – accounting treatment of Hybrid Bond

Included within the bond debt acquired is the Hybrid Bond, payment of which is contingent on an operational milestone being met, being the offload of 500,000 barrels (gross) of Balder crude oil from the Jotun FPSO. The Hybrid Bond will be settled in full ($45 million) if the milestone is met by 31 December 2024. This will decline to $30 million if the milestone is met between 1 January 2025 and 28 February 2025, and to $15 million if the milestone is met between 1 March 2025 and 31 May 2025. If the milestone has not been met by 31 May 2025, the Hybrid Bond will be cancelled in its entirety and bondholders will instead be allocated 2.4 million warrants exercisable into ordinary shares of Kistos Holdings plc at a price of 385p each, exercisable between 30 June 2025 and 18 April 2028. Simultaneously, 1.9 million of the 5.5 million warrants issued to the vendor as consideration for the Mime Acquisition will be cancelled.

The Hybrid Bond is a financial liability and is measured at amortised cost. At each measurement date, the carrying value is re-estimated based on expected future cashflows that take into account the expectation and timing of the milestones being met. Any remeasurement is recorded in profit or loss within finance costs.

The KENO01 and KENO02 bonds have minimum liquidity requirements of the issuer, being $10 million minimum liquidity, applicable from 1 January 2024 until first oil from the Jotun FPSO. The minimum liquidity requirement prior to 1 January 2024 was $5 million, and the issuer complied with the covenants at all times.

The Group has call options to redeem its bonds as follows:

Bond	Call price	Period of call option
KENO01[1]	100%	From full discharge/redemption of KENO02 until maturity
KENO02[1]	100%	Anytime until maturity
Hybrid Bond[1]	100%	From full discharge/redemption of both KENO01 and KENO02 until maturity

1. Must be called in full, not in part.

5.1.1 Repurchase of bonds

Accounting policy

Where debt instruments issued by the Group are repurchased, the financial liability is derecognised at the point at which cash consideration is settled, even if the associated instruments cannot be legally cancelled. Upon derecognition, the difference between the liability's carrying amount that has been derecognised and the consideration paid is recognised as a gain or loss in the within finance costs. Upon early settlement or redemption of bonds, any unamortised bond costs are released to the income statement at the point at which the entire instrument is extinguished rather than on a pro rata basis.

During 2023, the Group repurchased €4.9 million in nominal value of its €90 million bonds in the open market at an average price of 102%. Although the bonds could not be cancelled, the liability relating to the repurchased amount was treated as being extinguished.

Notes to the Consolidated Financial Statements

In December 2023, the Group exercised its call options on the €60 million and remaining €16.8 million of the €90 million bonds; the applicable call price being 102.5%. Due to the bonds being repurchased at a premium, a total loss of €2 million was recognised, reconciled as follows:

€'000	
Cash consideration paid for repurchase of bond principal	83,599
Carrying value of bond derecognised	(81,195)
Loss on repurchase of bond	**2,404**

5.2 Reconciliation of liabilities arising from financing activities

€'000	Bond debt	Bond interest payable	Other liabilities	Total
At 1 January 2022	**145,074**	**1,854**	**122**	**147,050**
Financing cash flows	(71,773)	(11,566)	(209)	**(83,548)**
Non-cash movements:				
Interest expense and amortisation of bond costs	1,085	10,543	–	**11,628**
Loss on bond repurchase	6,414	–	–	**6,414**
New leases entered into	–	–	1,297	**1,297**
At 31 December 2022	**80,800**	**831**	**1,210**	**82,841**
Financing cash flows	(83,599)	(11,720)	(383)	**(95,702)**
Non-cash movements:				
Acquisitions (note 2.8)	203,671	7,402	–	**211,073**
Issue of new bonds via payment-in-kind interest	15,052	(15,052)	–	**–**
Interest expense and amortisation of bond costs	5,414	19,230	101	**24,745**
Loss on bond repurchase	2,404	–	–	**2,404**
Remeasurement of Hybrid Bond	3,169	–	–	**3,169**
Foreign exchange differences	(11,189)	280	(21)	**(10,930)**
At 31 December 2023	**215,722**	**971**	**907**	**217,600**

5.3 Leases

Lease liabilities are included within 'Other liabilities' on the balance sheet, and right-of-use assets are included within the 'Other' category of property, plant and equipment. The carrying value of right-of-use assets at 31 December 2023 was €0.9 million (31 December 2022: €1.2 million). The depreciation charge on right-of-use assets, cash outflow for leases and expenses relating to low-value and short-term leases was not material in either period presented.

In the prior period, additions of €1.3 million were made to right-of-use assets, primarily relating to the lease of the Group's new head office in London.

5.4 Share capital and premium

	Number of shares	Share capital (£'000)	Share premium (€'000)
At 1 January 2022	**82,863,743**	**9,627**	**94,181**
Issue and cancellation of bonus shares	–	–	14,734
Capital reduction	–	–	(50,000)
Capital reorganisation	–	(163)	(58,915)
At 31 December 2022	**82,863,743**	**9,464**	**–**
At 31 December 2023	**82,863,743**	**9,464**	**–**

Ordinary shares have a nominal value of £0.10 per share. The Group's policy is to manage a strong capital base so as to manage investor, creditor and market confidence, and to sustain growth of the business. Management monitors its return on capital. There are currently no covenants related to the equity of the Group.

Following approval by the Group's shareholders at the Annual General Meeting in June 2022 and subsequent sanction by the Court in October 2022, the full balance of the merger reserve in Kistos plc was allotted to share premium by means of a bonus share issue and cancellation. A capital reduction was then undertaken to reduce the share premium account of Kistos plc by €50 million with the corresponding credit to retained earnings. These transactions were undertaken in order to increase the distributable reserves of Kistos plc, the parent company of the consolidated Group at the time.

In December 2022, the Group's shareholders and the High Court of Justice of England and Wales sanctioned a scheme of arrangement whereby Kistos Holdings plc, a newly incorporated entity, became the new ultimate parent company of the Group with shareholders receiving one Kistos Holdings plc share for each Kistos plc share held.

The share premium reserve represented amounts paid up on ordinary shares in excess of their nominal value. Following the capital reorganisation, the share premium account reflects that of Kistos Holdings plc, which is nil.

5.5 Other equity

Other equity comprises the warrants reserve, which has a balance of €3.7 million. This reserve arose on completion of the Mime Acquisition (note 2.8), whereby 5.5 million warrants were issued to the vendor as part of the consideration. The warrants allow the holder to subscribe to shares in Kistos Holdings plc at an exercise price of £3.85 per share.

Upon issue, the warrants were measured at fair value using a Black-Scholes option pricing model, adjusted for probability of issuance, and are not subsequently remeasured.

Notes to the Consolidated Financial Statements

5.6 Other reserves

Accounting policy

Where a capital reorganisation takes place resulting in a newly incorporated entity acquiring the existing Group, the new entity does not meet the definition of a business and the transaction is therefore outside the scope of IFRS 3. In such a transaction, the substance of the Group has not changed therefore the consolidated financial statements of the new entity are presented using the balances and values from the consolidated financial statements from the previous entity. The net assets of the new Group remain the same as the existing Group.

The movements in ordinary shares and other transactions impacting share capital, share premium and the merger and capital reorganisation reserve are as follows:

€'000	Merger reserve	Capital reorganisation reserve	Hedge reserve	Translation reserve	Share-based payment reserve	Total
At 1 January 2022	**14,734**	**–**	**(5,890)**	**382**	**–**	**9,226**
Other comprehensive income	–	–	5,890	(43)	–	**5,847**
Transactions with owners:						
Issue and cancellation of bonus shares	(14,734)	–	–	–	–	**(14,734)**
Capital reorganisation	140,105	(80,995)	–	–	–	**59,110**
Equity-settled share-based payments	–	–	–	–	538	**538**
At 31 December 2022	**140,105**	**(80,995)**	**–**	**339**	**538**	**59,987**
Other comprehensive income	–	–	–	93	–	**93**
Transactions with owners:						
Equity-settled share-based payments	–	–	–	–	159	**159**
At 31 December 2023	**140,105**	**(80,995)**	**–**	**432**	**697**	**60,239**

The merger reserve originally represented the difference between the value of shares in Kistos plc issued as part of the total consideration of the acquisition of Kistos NL1 and the nominal value per share. Following the capital reorganisation and creation of Kistos Holdings plc as the new parent entity of the Group, the merger reserve now represents the merger reserve of Kistos Holdings plc, being the difference between the amount at which the investment in Kistos plc was recorded and the aggregate nominal value of the shares in Kistos Holdings plc issued.

The capital reorganisation reserve arises only on consolidation and represents the difference between the equity structure of Kistos Holdings plc (as the new parent company of the Group) and the equity structure of Kistos plc (as the parent company of the Group) following the scheme of arrangement.

The hedge reserve is used to record the effective portion of gains or losses on derivatives qualifying as cash flow hedges. Amounts are subsequently reclassified to the income statement when the related hedges are realised.

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

The share-based payment reserve is used to record the grant-date fair value of share options issued to employees of the Group. Corresponding entry to the share-based payment reserve is the charge of share-based payment expense (note 3.4).

Section 6: Tax

6.1 Tax charge or credit for the period

€'000	Year ended 31 December 2023	Year ended 31 December 2022
Current tax:		
Current tax charge for current year	(21,995)	195,531
Prior year adjustments for current tax	(1,327)	–
Total current tax	**(23,322)**	**195,531**
Deferred tax:		
Origination and reversal of temporary differences	5,791	(30,321)
Imposition of Energy Profits Levy in the UK	–	62,954
Adjustments in respect of prior periods	(3,646)	–
Total deferred tax	**2,145**	**32,633**
Total tax (credit)/charge	**(21,177)**	**228,164**

Notes to the Consolidated Financial Statements

The income tax credit or charge for the period can be reconciled to the accounting profit or loss as follows:

€'000	**Year ended 31 December 2023**	Year ended 31 December 2022
(Loss)/profit before tax	(45,858)	254,125
Income tax credit/(charge) calculated at the domestic tax rate applicable to each entity's activities	29,494	(142,880)
Investment allowances and other enhanced deductions	9,611	7,471
Income and expenditure not taxable or deductible	(22,119)	21,799
Utilisation of losses	–	7,021
Deferred tax not provided and losses not recognised	175	(3,406)
Impact of Energy Profits Levy in the UK	–	(71,573)
Solidarity Contribution Tax charge (note 6.4)	–	(46,935)
Adjustments in respect of prior periods	4,973	–
Other (including changes to, and differences in, tax rates)	(957)	339
Tax credit/(charge)	**21,177**	**(228,164)**
Effective tax rate	46.2%	89.8%

The applicable domestic tax rates for the Group's activities are as follows:

€'000	**Year ended 31 December 2023**	Year ended 31 December 2022
Netherlands	50%	50%[1]
Norway	78%	n/a
United Kingdom	75%	65%
United Kingdom (non-ring fence activity)	23.5%	19%

1. Excluding impact of the Solidarity Contribution Tax charge.

6.2 Deferred tax

6.2.1 Deferred tax liabilities

The movement in the deferred tax liability account is as follows:

€'000	**Year ended 31 December 2023**	Year ended 31 December 2022
Deferred tax liability at beginning of period	**118,325**	**57,288**
Recognised on acquisition (note 2.8)	3,695	36,781
Charged to income statement	3,511	25,594
Foreign exchange differences	4,922	(1,338)
Deferred tax liability at end of period	**130,453**	**118,325**

Deferred tax liabilities primarily comprise temporary differences arising on fixed assets.

6.2.2 Deferred tax assets

€'000	Tax losses	Provisions	Other	Total
At 1 January 2022	**7,015**	**4,168**	**2,313**	**13,496**
Charged to other comprehensive income	–	–	(5,891)	**(5,891)**
(Charged)/credited to income statement	(7,015)	(697)	673	**(7,039)**
At 31 December 2022	**–**	**3,471**	**(2,905)**	**566**
Credited to income statement	–	75	1,291	**1,366**
At 31 December 2023	**–**	**3,546**	**(1,614)**	**1,932**

In the prior period, deferred tax assets relating to tax losses related to Corporate Income Tax (CIT) and State Profit Share (SPS) losses in the Netherlands, losses that were fully utilised during the prior period.

Accumulated UK non-ring fence tax losses of €16 million have not been recognised due to the uncertainty of where future UK non-ring fence profits may arise from. SPS losses of €56 million in the Netherlands have not been recognised due to the uncertainty of future profits arising in the entity holding those losses. These losses can be carried forward indefinitely subject to the entity continuing to hold a production licence.

6.2.3 Changes to tax rates

In June 2023, the UK Government announced further changes to the Energy Profits Levy (EPL), introducing the Energy Security Investment Mechanism (ESIM) whereby if average oil and gas prices are sustained below $71.40/bbl and 54p/therm (adjusted annually by CPI) for a continuous period of six months then legislation will be introduced to remove EPL effective from that point. Based on management's assessment of future oil and gas prices, the ESIM is not anticipated to be triggered and therefore deferred tax balances have been measured on the basis of EPL applying until March 2028. In March 2024, the UK Government announced an extension of the EPL until March 2029. This extension has not yet been substantively enacted; however, given the economic life of the Group's UK oil and gas assets in their current condition and the status of future potential developments, this change is not anticipated to have a material impact to the Group's deferred taxation charge.

The tax rate applicable to UK entities outside of the ring-fence increased from 19% to 25% with effect from 1 April 2023.

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6.3 Current tax

6.3.1 Current tax receivable

The Group has a current tax asset of €80 million wholly relating to tax losses incurred in Norway that are repayable in cash. This is anticipated to be received by the Group in December 2024, and accrues repayment interest (the current statutory rate being 4.5%) from 1 January 2024.

6.3.2 Current tax liabilities

The Group has current tax liabilities by segment as follows:

€'000	**Year ended 31 December 2023**	Year ended 31 December 2022
Netherlands	49,919	77,627
Norway	–	–
United Kingdom	78,697	65,507
Total	**128,616**	**143,134**

All current tax liabilities relate to taxation of oil and gas activities and is anticipated to be settled within one year of the balance sheet date, except €47 million relating to the Solidarity Contribution Tax (note 6.4) in the Netherlands, for which the timing of settlement is uncertain.

Late or underpaid tax accrues interest at a rate of 6.25% in the UK and 10% in the Netherlands. €4 million of late payment interest was charged in the year (2022: nil).

6.4 Uncertain tax positions

Significant judgement – recognition of Solidarity Contribution Tax provision

In October 2022, the EU member states adopted Council Regulation (EU) 1854/2022, which required EU member states to introduce a Solidarity Contribution Tax for companies active in the oil, gas, coal and refinery sectors. The Dutch implementation of this solidarity contribution was legislated by a retrospective 33% tax on 'surplus profits' realised during 2022, defined as taxable profit exceeding 120% of the average taxable profit of the four previous financial years. Companies in scope are those realising at least 75% of their turnover through the production of oil and natural gas, coal mining activities and refining of petroleum or coke oven products.

The Group believes that there is an argument that Kistos NL2 B.V. is out of scope of the regulations as, in its opinion, less than 75% of its turnover under Dutch GAAP (the relevant measure for Dutch taxation purposes) was derived from the production of petroleum or natural gas, coal mining, petroleum refining or coke oven products. Furthermore, the Group understands the implementation of the tax, including its retrospective nature, is subject to legal challenges by other parties and certain EU member states. However, as there is no history or precedent for this tax being audited or collected by the Dutch tax authorities, the Directors, having taken all facts and circumstances into account, applied IFRIC 23, 'Uncertainty over Income Tax Treatments' and made a provision of €47 million relating to the Solidarity Contribution Tax within the current tax charge for the prior period. This is the single most likely amount of the charge if it becomes payable. The Group expects to get further certainty around this tax position in 2024. A return in respect of the Solidarity Contribution Tax is required to be filed no later than 31 May 2024, along with the payment of any tax due. Should the tax authorities issue an adverse ruling against the Group, and determine that the Group was grossly negligent or undertook wilful misconduct in submitting a nil return, non-filing or late filing of the tax return (or did not pay an amount indicated in the tax return) then material fines or penalties could apply. Late payment interest would also be incurred from 31 May 2024 until the date of final payment; the current rate of interest applicable being 10%.

Accounting policy

Where the Group takes positions in tax returns in which the applicable tax regulation is subject to interpretation, it considers whether it is probable that the relevant tax authority will accept that uncertain tax treatment. The Group also considers the range of potential penalties, interest or other charges that may arise from the late payment of taxes. The Group measures its tax liabilities (and related penalties, interest and other charges) based on either the most likely amount if the outcomes are binary, or the expected value if there is a range of possible outcomes.

Section 7: Other disclosures

7.1 Related party transactions

Details of transactions between the Group and other related parties are disclosed below.

7.1.1 Compensation of Directors and key management personnel

Key management personnel are considered to comprise the Directors of Kistos Holdings plc.

€'000	**Year ended 31 December 2023**	Year ended 31 December 2022
Short-term employee benefits	3,092	2,607
Post-employment benefits	224	191
Total Directors' remuneration	**3,316**	**2,798**

Short-term employee benefits include €0.4 million of bonuses payable that were unpaid at year end and are included within 'Other liabilities' on the balance sheet.

In the event of a change in control of the Group, the Group is committed to pay the Executive Chairman, CEO and CFO an amount equivalent to 100% of their cash compensation received in the 12 months prior to a change of control being announced.

No long-term benefits, termination benefits or share-based payment expense was recognised in respect of the Directors. Further information regarding Directors' remuneration is provided in the Remuneration Report. The highest-paid Director had total remuneration for the period of €1.1 million (2022: €0.9 million).

7.1.2 Loans to key management personnel

€'000	**Year ended 31 December 2023**	Year ended 31 December 2022
At start of the period	226	238
Foreign exchange movements	5	(12)
At end of the period	**231**	**226**

Loans to key management personnel are unsecured and interest free. No expense was recognised in the current or prior period for bad and doubtful debts in respect of loans made to related parties.

7.1.3 Other related party transactions

In the current period, the Group incurred costs of €14,000 in respect of short-term rental of an aircraft owned by a member of key management personnel. The amount was outstanding at the period end. The Group also sublet a portion of its office premises to an entity wholly controlled by a member of key management personnel for nil consideration.

In the prior period, the Group paid €56,000 in rental and other property-related costs in respect of premises owned by a member of key management personnel. No amounts were outstanding at the period end.

7.2 Contingencies

As part of the acquisition of Tulip Oil in 2021, the following contingent payments could be made to the vendor should certain events occur and/or milestones be achieved:

- Up to a maximum of €75 million relating to Vlieland Oil (now Orion), triggered at FID and payable upon first hydrocarbons based on the net reserves at time of sanction;
- Up to a maximum of €75 million relating to M10a and M11, triggered at FID and payable upon first gas, based on US$3/boe of sanctioned reserves; and
- €10 million payable should Kistos take FID on the Q10-Gamma prospect by 2025.

Based on management's current assessments and current status of the projects and developments above, the contingent considerations above remain unrecognised on the balance sheet.

All contingent payments relating to the GLA Acquisition have been either settled or derecognised (note 2.8.1).

The Group is obliged to deposit to Vår a post-tax amount of $12.7 million (plus interest accruing at SOFR +3%), payable three months after the date of the first oil produced from the Balder and Ringhorne Øst fields over the Jotun FPSO. Based on current estimates of interest rates and expected timing of Balder first oil, the amount to be deposited is anticipated to be approximately $16 million. This amount will be repaid upon decommissioning of the fields.

Contingencies arising from uncertain tax positions are disclosed in note 6.4.

7.3 Assets pledged as security

As at 31 December 2023, the carrying value of financial assets pledged as security under the Group's bond debt (note 5.1) comprised €7 million of trade receivables, €14 million of inventory and €15 million of cash. In addition, the bond terms grant security over the Group's Norwegian operating assets, which had a combined carrying value in the consolidated financial statements at 31 December 2023 of €211 million.

7.4 Auditor's remuneration

The Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates in respect of the financial years below:

€'000	Fees for audit of the 2023 accounts	Fees for audit of the 2022 accounts
Audit fees:		
Audit of the consolidated financial statements	406	223
Audit of the financial statements of the subsidiaries	421	421
Total audit fees	**827**	**644**
Non-audit fees:		
Other assurance services	6	20
Total non-audit fees	**6**	**20**
Total	**833**	**664**

7.5 Subsequent events

There are no adjusting events subsequent to the balance sheet date. Significant non-adjusting events are outlined below.

7.5.1 Acquisition of onshore gas storage assets

On 20 February 2024, the Group agreed to acquire 100% of the issued share capital in EDF Energy (Gas Storage) Limited, which owns and operates gas storage facilities onshore in the United Kingdom, for cash consideration of £25 million, less closing working capital adjustments (the 'Gas Storage Acquisition'). The acquisition completed on 23 April 2024. There are no contingent consideration arrangements in place. The amount of acquisition-related costs to be incurred in the subsequent accounting periods is not anticipated to be material.

At the time of authorisation of these financial statements the Group had not completed the accounting for the Gas Storage Acquisition. Based on a preliminary assessment, the Group anticipates that substantially all of the fair value of the gross assets being acquired are concentrated in a group of similar identifiable assets, and therefore the 'concentration test' provisions of IFRS 3 Business Combinations can be met and the transaction will be accounted for as an asset acquisition.

Company Financial Statements

Company balance sheet as at 31 December 2023

£'000	Note	31 December 2023	31 December 2022
Non-current assets			
Investments in subsidiaries	C	136,332	131,268
		136,332	**131,268**
Current assets			
Cash and cash equivalents		3	–
Other receivables		32	5
Total assets		**136,367**	**131,273**
Equity			
Share capital	D	8,286	8,286
Warrants reserve	D	4,502	–
Merger reserve	D	122,641	122,641
Share-based payment reserve	D	716	147
Accumulated loss		(186)	–
Total equity		**135,959**	**131,074**
Current liabilities			
Trade creditors		65	–
Amounts payable to Group undertakings		343	199
Total liabilities		**408**	**199**
Total equity and liabilities		**136,367**	**131,273**

The loss of the Company for the period was £0.2 million (2022: nil).

The notes on pages 85 to 86 are an integral part of these financial statements, which were approved by the Board of Directors on 10 May 2024.

Andrew Austin
Executive Chairman

Company statement of changes in equity

£'000	Share capital	Merger reserve	Share-based payment reserve	Warrants reserve	Retained earnings	Total equity
At 22 November 2022	**–**	**–**	**–**	**–**	**–**	**–**
New shares issued	5	–	–	–	–	**5**
New shares issued for capital reorganisation	8,281	122,641	–	–	–	**130,922**
Share-based payments	–	–	147	–	–	**147**
At 31 December 2022	**8,286**	**122,641**	**147**	**–**	**–**	**131,074**
Loss for the year	–	–	–	–	(186)	**(186)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(186)**	**(186)**
Share-based payments	–	–	569	–	–	**569**
Issue of warrants	–	–	–	4,502	–	**4,502**
At 31 December 2023	**8,286**	**122,641**	**716**	**4,502**	**(186)**	**135,959**

Notes to the Company Financial Statements

A: General

These company financial statements, and the consolidated financial statements together constitute the statutory financial statements of Kistos Holdings plc ('the Company'). The financial information of the Company is included in the consolidated financial statements, as presented above.

B: Basis of preparation

The financial statements of Kistos Holdings plc for the year ended 31 December 2023 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention, except for share warrants that have been initially measured at fair value.

The Company has minimal trading activity and therefore its going concern assessment has been performed as part of the going concern assessment of the Group (see note 1.2 to the consolidated financial statements). The Company has taken advantage of the exemption provided by Section 408 of the Companies Act 2006 not to publish its individual income statement and related notes, and has also taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined), as equivalent disclosures are included within the consolidated financial statements.
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations provided that equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated.
- The requirements of IFRS 7 Financial Instruments: Disclosures, as equivalent disclosures are included in the consolidated financial statements.
- The requirement in paragraph 38 of IAS 1 to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1 (a reconciliation of the number of shares outstanding at the beginning and end of the period);
  - Paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - Paragraph 118(e) of IAS 38 Intangible Assets.
- The following paragraphs of IAS 1 Presentation of Financial Statements:
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134–136 (capital management disclosures).
- The requirements of IAS 7 Statement of Cash Flows.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 Related Party Disclosures (key management compensation), and the other requirements of that standard to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary that is a party to the transaction is wholly owned by such a member.

These financial statements have been presented in GBP, being the functional currency of the Company. All amounts are presented rounded to the nearest thousand GBP, unless otherwise stated.

Material accounting policies

The Company's material accounting policies are aligned with the Group accounting policies as set out within the Group financial statements above, with the addition of the following:

- Investments in subsidiaries: Subsidiaries are carried at cost, less provision for impairment.

C: Investments in subsidiaries

£'000	
At 14 November 2022	**–**
Acquisition of subsidiaries	131,121
Capital contribution relating to share-based payments	147
At 31 December 2022	**131,268**
Capital contribution relating to acquisition of subsidiaries	4,495
Capital contribution relating to share-based payments	569
At 31 December 2023	**136,332**

Notes to the Company Financial Statements

During the current year, the Company recognised an addition to investments of £4.5 million in respect of the acquisition of Mime Petroleum by the Company's immediate subsidiary, Kistos plc (note 2.8 to the consolidated financial statements). As part of the acquisition, certain warrants over shares in the Company were issued both as a component of the acquisition consideration and also as potentially issuable warrants to holders of the Hybrid Bond issued by Mime (note 5.1 to the consolidated financial statements). The fair value of the warrants issued (adjusted, where relevant, for the estimated probability of issuance) has been recognised as an increase in the investment in Kistos plc with the corresponding entry to the warrants reserve within equity (note D).

In the prior period, the Company acquired the entire share capital of Kistos plc as part of a scheme of arrangement by issuing new shares as consideration. The cost of the Company's investment in Kistos plc was determined to be the net assets of Kistos plc in its separate financial statements at the transaction date, plus directly attributable transaction costs.

The subsidiaries of the Company as at 31 December 2023 are set out below. All subsidiaries have share capital comprising solely of ordinary shares.

Name of subsidiary	Principal activity	Place of incorporation and operation	Registered office	Proportion of ownership interest and voting power held
Kistos plc*	Provision of head office and administrative services	London, United Kingdom	2nd Floor 3 St James's Square London SW1Y 4JU	100%
Kistos Energy Limited	Offshore exploration and production of hydrocarbon volumes	London, United Kingdom	2nd Floor 3 St James's Square London SW1Y 4JU	100%
Kistos Finance Limited*	Dormant company	London, United Kingdom	2nd Floor 3 St James's Square London SW1Y 4JU	100%
Kistos NL1 B.V.	Onshore and offshore exploration and production of hydrocarbon volumes	The Hague, Netherlands	Alexanderstraat 18 2514 JM The Hague The Netherlands	100%
Kistos NL2 B.V.	Offshore exploration and production of hydrocarbon volumes	The Hague, Netherlands	Alexanderstraat 18 2514 JM The Hague The Netherlands	100%
Kistos Energy (Norway) AS	Offshore exploration and production of hydrocarbon volumes	Lysaker, Norway	Strandveien 50 1366 Lysaker, Norway	100%

* Held directly by the Company.

Kistos plc and Kistos Finance Limited are exempt from the requirements of the Companies Act 2006 relating to the audit of their individual accounts as the Company has given a guarantee under Section 479C of that Act in respect of the financial year ended 31 December 2023.

D: Capital and reserves

Share capital

Ordinary shares have a nominal value of £0.10 per share. Holders of ordinary shares are entitled to participate in dividends and the proceeds of the Company in the event of winding up in proportion to the number of and amounts paid on shares held. The Company does not have a limit to its authorised share capital.

Merger reserve

The merger reserve arose following the acquisition of Kistos plc by the Company in December 2022, and represents an unrealised profit from the investment in the subsidiary and is therefore not a distributable reserve.

Share-based payment reserve

Following the capital reorganisation, the amendment of share options granted originally by Kistos plc was considered to be a new award of options by the Company, and the options were remeasured at a new grant date (being the date of the acquisition of Kistos plc by the Company). A description of the terms and conditions of the share-based payment arrangements, including vesting requirements and number of options outstanding is disclosed in note 3.4 to the consolidated financial statements.

Warrants reserve

This reserve arose on completion of the Mime Acquisition by the Company's immediate subsidiary, Kistos plc. 5.5 million warrants were issued to the vendor as part of the consideration, with an additional 2.4 million warrants issuable if the Hybrid Bond is not repaid (see note 5.1 to the consolidated financial statements). If the latter event occurs, 1.9 million of the original 4.5 million warrants will be cancelled. The maximum total of warrants that could be issued therefore is 6 million. The warrants allow the holder to subscribe to shares in Kistos Holdings plc at an exercise price of £3.85 per share.

The warrants were measured on acquisition at fair value using an option pricing model and are not subsequently remeasured.

E: Subsequent events

In April 2024, a subsidiary of the Company (Kistos Energy Limited) acquired 100% of the share capital of EDF Energy (Gas Storage) Limited from EDF Energy (Thermal Generation) Limited (see note 7.5.1 to the consolidated financial statements).

Independent Auditor’s Report to the Members of Kistos Holdings plc

Opinion on the financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 31 December 2023 and of the Group’s loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Kistos Holdings plc (the ‘parent company’) and its subsidiaries (the ‘Group’) for the year ended 31 December 2023, which comprise the Consolidated income statement, the Consolidated statement of other comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Notes to the Consolidated financial statements, including a summary of material accounting policies, the Company balance sheet, the Company statement of changes in equity and the notes to the Company financial statements, including a summary of material accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

We draw your attention to note 1.2 of the financial statement that indicates that due to the potential for one or more of the reasonably plausible downside scenarios in the Directors’ going concern assessment occurring, along with the uncertainties around the payment of any Solidarity Contribution Tax and the ability to secure the surety bonds to fund the Decommissioning Security Arrangements (DSAs), the Group would be dependent on successfully completing a tap issue of the KENO02 bond, securing another financing facility and/or raising equity, which are not guaranteed.

As stated in note 1.2, these events or conditions, along with other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Group’s and the parent company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern to be a key audit matter having considered the judgements made by the Directors in respect of the downside scenarios, including the ability of the Group to obtain new funds, the significance of this area and the resulting effect on our audit strategy.

Independent Auditor's Report to the Members of Kistos Holdings plc

Our evaluation of the Directors' assessment of the Group and the parent company's ability to continue to adopt the going concern basis of accounting, and in response to the Key Audit Matter, included:

- We obtained the Board's paper and associated cash flow forecasts in respect of the Directors' assessment of going concern and challenged the key underlying judgments and assumptions. In doing so we compared commodity prices used in the forecast to prevailing forward curves, production levels, operating and capital expenditures to internal and operator forecasts as well as recent performance trends.
- We considered the appropriateness of the Board's judgement that Decommissioning Security Agreement (DSA) obligations will continue to be covered by surety bonds and not require covering in cash. This included reviewing correspondence from the Group's surety bond providers.
- We considered the appropriateness of the Board's judgement that the timing of solidarity tax payments being made, if it is determined that tax is payable, would fall outside of the going concern period. This included reviewing legal and tax advice received by the Group and through consulting with our own tax experts.
- We reviewed the reasonableness of the Board's mitigating actions in the event of cash shortfall and considered the Board's and management's judgment in preparing the Group and parent company financial statements on a going concern basis.
- We formed our own assessment of risks and uncertainties that could impact the Group based on evidence obtained in other audited areas as applicable and our knowledge of the industry.
- We verified the opening cash position (as of 29 March 2024) used in the cash flow forecast by agreeing it to bank account balances.
- We performed checks on the arithmetical accuracy of the cash flow forecasts approved by the Directors.
- We obtained and reviewed the stress test and plausible downside scenarios by checking that they are reasonable.
- We reviewed the financial statement disclosures regarding going concern to satisfy ourselves that the disclosures are appropriate and consistent with the Directors' going concern assessment.

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

Overview

Coverage	*100% (2022: 100%) of Group profit before tax* *100% (2022: 100%) of Group revenue* *100% (2022: 100%) of Group total assets*
Key audit matters	(see table below)
Materiality	*Group financial statements as a whole* €10,600,000 (2022: €8,130,000) based on 1.3% (2022: 1.3%) of total assets

Key audit matters:

	2023	2022
Application of oil and gas taxation legislation in the UK and the Netherlands	No	Yes
Accounting for business combinations	Yes	Yes
Valuation of subsidiary investments in the parent company financial statements	No	Yes
Carrying value of non-current assets	Yes	No
Going concern	Yes	No

Application of oil and gas taxation legislation in the UK and the Netherlands, and valuation of subsidiary investments in the parent company financial statements are no longer considered to be key audit matters because of the following:

- There were no significant changes to the tax legislations in the UK, Norway and the Netherlands with respect to windfall profits from oil and gas activities.
- The audit of the valuation of investment in subsidiaries in the parent company's financial statements did not involve significant auditor judgements or estimation.

Independent Auditor's Report to the Members of Kistos Holdings plc

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In approaching the audit, we considered how the Group is organised and managed. We assessed there to be four significant components, being the parent company (Kistos Holdings plc), Kistos Energy Limited, which holds working interests of between 14% and 25% in a number of licences west of the Shetlands, including the Laggan, Tormore, Edradour and Glenlivet producing gas fields as well as 20% of the Glendronach gas discovery and 25% of the Benriach exploration prospect; Kistos Energy (Norway) AS (KENAS), which holds a 10% interest in the Balder joint venture (comprising the Balder and Ringhorne fields) and a 7.4% stake in the Ringhorne Øst Unit and Kistos NL1 B.V., which is the Dutch sub-consolidation of the Kistos NL1 B.V. and Kistos NL2 B.V. entities operating the Q10-A platform and exploration licences.

The parent company and Kistos Energy Limited were subject to a full scope audit by the Group auditor. A full scope audit for Group reporting purposes was performed by BDO network firms in the Netherlands on the Kistos NL1 B.V. consolidated entity and in Norway on the Kistos Energy (Norway) AS (KENAS) entity.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audit (including areas that were considered to be key audit matters as detailed below) and set out the information required to be reported to the Group audit team.
- The Group audit team was actively involved in the direction of the audit performed by the component auditors for the Group reporting purposes along with the consideration of findings and determination of conclusions drawn.
- The Group audit team reviewed the component auditors' work papers remotely, including review of Group reporting documents and engaged with the component auditors regularly during their fieldwork and completion phases.
- The Group audit team performed procedures in respect of the significant risk areas that represented Key Audit Matters in addition to the procedures performed by the component auditors.

Our oversight of the component teams included maintaining a continuous and open dialogue, as well as holding formal meetings to ensure that we were fully aware of their progress and the results of their procedures.

Independent Auditor's Report to the Members of Kistos Holdings plc

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, including 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.

In addition to the matter described in the Material uncertainty related to going concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report:

Key audit matter		How the scope of our audit addressed the key audit matter
Accounting for business combinations Refer to note 2.8 for details of the accounting policy and critical accounting estimate and judgements relating to this key audit matter.	On 23 May 2023, the Group acquired 100% of Mime Petroleum A.S. now known as Kistos Energy Norway AS (KENAS) and its Norwegian Continental Shelf (NCS) assets that comprised 10% interest in the Balder joint venture and a 7.4% interest in Ringhorne oil fields. The consideration for the transaction was $1 plus the issue of up to 5.5 million warrants, with attached terms, exercisable into new Kistos ordinary shares. The acquisition accounting resulted in the recognition of material balances on the consolidated balance sheet and involved management making significant judgements and estimates, including assessing the fair value of the consideration paid and assigning fair values to the assets and liabilities acquired. Management used a third-party independent expert to assist them with the business combination accounting. Given the significant level of estimation and judgements involved, we considered this to be a key audit matter.	Our specific audit testing included: • We reviewed the purchase agreement and associated legal documents, made enquiries of Management and assessed the activities of the acquiree to confirm the appropriateness of Management's accounting treatment for the transaction as a business combination. • We held meetings with Management to understand the valuation methodologies used in the Purchase Price Allocation (PPA) were appropriate and in accordance with the relevant accounting standards. • We assessed the validity of the date at which control passed to the Group based on the contractual terms and the status of conditions precedent for completion. • We recalculated the fair value of the consideration paid and assets and liabilities acquired with support from our internal valuations experts. This included agreeing key inputs to supporting documents and challenging the reasonableness of Management's estimates. • We recalculated the deferred tax assets and liabilities recognised on acquisition with assistance from our internal tax specialists. • We engaged our own external auditor experts to review the completeness and appropriateness of the decommissioning liability and the reasonableness of the reserves figures used in Management's valuation model. • We assessed Management's independent expert's competence and capabilities by agreeing inputs to publicly available information and reading their terms of engagement with the Group to identify any matters that could have affected their independence and objectivity or imposed scope limitations upon them. **Key observations:** • Based on the procedures performed, we found the judgements and estimates made by Management in respect of the accounting for the business combination to be reasonable.

Independent Auditor's Report to the Members of Kistos Holdings plc

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Carrying value of non-current assets

See note 2.6 for information on critical accounting estimate and judgements relating to this key audit matter.</td><td>The Group recognised the following impairments in the period:
• €46 million relating to goodwill and exploration assets in the UK CGU; and
• €13 million relating to property plant and equipment in the Netherlands CGU.

Under IAS 36, management is required to carry out an assessment at least annually for any indicators of impairment on tangible assets . IFRS 6 also requires management to perform an impairment assessment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Where impairment indicators are identified impairment tests are required to be performed. In addition, Goodwill is required to be tested annually for impairment.

Given the materiality of Goodwill, exploration assets and property plant and equipment in the context of the Group's balance sheet, coupled with the judgements involved in determining if indicators of impairment exist, and estimates involved in estimating if the carrying value is supportable, we have considered this to be a key audit matter.</td><td>Our audit testing over the carrying value of exploration assets and associated goodwill included:
• We considered the results of management's exploration activity in the period to determine the presence of impairment indicators.
• We assessed whether the Group's exploration licences were in good standing at the year end.
• We inspected budgets and future work programmes to confirm future exploration activity in respect of each exploration was planned.
• We reviewed minutes of Board meetings and the lead operator meetings and correspondence with regulatory authorities to identify information that may impact the carrying value of the assets.

Our audit testing over the carrying value of property, plant and associated goodwill included:
• We obtained and reviewed management's impairment trigger assessment for each cash-generating unit (CGU) for reasonableness and bias. We also considered if the impairment indicator assessment complied with the relevant accounting framework.
• We obtained management's impairment models for each CGU and tested the mathematical accuracy of each impairment model.
• We engaged BDO's internal valuation experts to recalculate the discount rates applied in the impairment models.
• We engaged our own external auditor experts to review the reasonableness of the reserves figures used in Management's impairment model for the Netherlands CGU given the reduction in reserves in the period, and the Norway CGU as part of the audit of the acquisition accounting.
• We obtained and challenged the key estimates used in the models. In doing so, we compared commodity prices used in the forecast to prevailing forward curves and operating and capital expenditures to internal and operator forecasts as well as recent performance trends.
• We performed sensitivities on key inputs to the model where appropriate.
• Reviewed the financial statement disclosures regarding any impairment assumptions and sensitivities to check such disclosures are appropriate and in accordance with the accounting framework.

Key observations:
Based on the procedures performed, we found the judgement and estimates made by Management regarding the determination of the recoverable amount of goodwill, oil and gas assets and exploration assets to be reasonable.</td></tr>
</table>

Independent Auditor's Report to the Members of Kistos Holdings plc

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements	
	2023	2022
Materiality	€10,600,000	€8,130,000
Basis for determining materiality	1.3% of total assets	1.3% of total assets
Rationale for the benchmark applied	Materiality has been based on total assets. While the Group is revenue generating, its strategy is to identify new reserves and resources and does so through development and acquisitions. Since the Group continues to expand and explore new oil and gas fields, we consider total assets to be one of the principal considerations for users of the financial statements.	
Performance materiality	€6,890,000	€5,200,000
Basis for determining performance materiality	65% of materiality	
Rationale for the percentage applied for performance materiality	We considered several factors, including the expected total value of known and likely misstatements and our knowledge of the Group and parent company's internal controls.	

	Parent company financial statements	
	2023	2022
Materiality	€2,000,000	€1,735,000
Basis for determining materiality	1.5% of total assets	1.5% of total assets
Rationale for the benchmark applied	Materiality has been based on total assets because Kistos Holdings plc is a holding company with minimal trading activity. As a result, we consider total assets to be one of the principal considerations for users of the financial statements.	
Performance materiality	€1,300,000	€1,128,000
Basis for determining performance materiality	65% of materiality	
Rationale for the percentage applied for performance materiality	We considered several factors, including the expected total value of known and likely misstatements and our knowledge of the parent company's internal controls.	

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the parent company whose materiality is set out above, based on a percentage of between 35% and 61% (2022: 46% and 69%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from €3,700,000 to €6,500,000 (2022: €3,700,000 to €5,600,000). In the audit of each component, we further applied performance materiality levels of 65% (2022: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of €212,000 (2022: €162,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report to the Members of Kistos Holdings plc

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • The parent company financial statements are not in agreement with the accounting records and returns; or • Certain disclosures of Directors' remuneration specified by law are not made; or • We have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- Discussion with Management, the Audit Committee, the Component Auditors and Component Management.

We considered the significant laws and regulations to be elements of the applicable accounting framework, tax legislations, UK oil and gas legislation, the Dutch Mining Act, the Norwegian Petroleum Tax Act, AIM Listing Rules and the QCA corporate governance code.

Independent Auditor's Report to the Members of Kistos Holdings plc

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be environmental regulations and the health and safety legislation.

Our procedures in respect of the above included:

- Reviewing RNS announcements and minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Holding discussions with Management and the Audit Committee to consider any known or suspected instances of non-compliance with laws and regulations, or fraud; and
- Reviewing Management's correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations.

Fraud

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

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

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, revenue recognition and management bias regarding the following key accounting estimates and judgements:

- Accounting for business combinations;
- Valuation of decommissioning obligations;
- Depletion of producing assets;
- Impairment of non-current assets; and
- Accounting for Hybrid Bonds.

Our procedures in addressing these risks included:

- Testing the appropriateness journal entries throughout the year, which met specific risk-based criteria, by agreeing them supporting documentation;
- Performing a detailed review of the Group's year end adjusting entries and agreeing to supporting documentation any that appear unusual in nature or amount
- Testing 100% of revenue transactions to supporting documentation to address the cut-off, existence and accuracy assertions;
- Engaging our own external auditor experts to review the completeness and appropriateness of the asset decommissioning costs and the reasonableness of the reserves figures used in Management's depletion of producing assets calculation;
- Consulting our internal technical accounting experts to review the appropriateness of Management's judgement and accounting treatment of the Hybrid Bonds;
- Assessing the judgements made by Management when making key accounting estimates and judgements, and challenging Management on the appropriateness of these judgements, specifically around key audit matters as discussed above; and
- Performing a detailed review of the Group's consolidation entries and, investigating any that appear unusual in nature or amount by inspecting corroborative evidence.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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

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

Independent Auditor's Report to the Members of Kistos Holdings plc

Use of our report

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

Peter Acloque (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

10 May 2024

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

Additional
Information

Appendix A: Glossary

2C	Contingent resources
2P	Proved plus probable resources
Adjusted operating costs	Operating costs per the income statement less accounting movements in inventory.
average realised sales price	Calculated as revenue divided by volumes sold for the period.
bbl	barrel of oil
bcf	billion cubic feet
boe	barrels of oil equivalent
boepd	barrels of oil equivalent produced per day
CGU	cash-generating unit
CIT	Dutch Corporate Income Tax
Company	Kistos Holdings plc
DSA	Decommissioning Security Agreement
E&P	exploration and production
EBN	Energie Beheer Nederland
EIR	effective interest rate
FID	Final Investment Decision
FPSO	floating production storage and offloading vessel
FPU	floating production unit
G&A	general and administrative expenditure
Gas Storage Acquisition	The acquisition of the entire share capital of EDF Energy (Gas Storage) Limited from EDF Energy (Thermal Generation) Limited in April 2024.
GLA	Greater Laggan Area
GLA Acquisition	The acquisition, in July 2022, of a 20% working interest in the P911, P1159, P1195, P1453 and P1678 licences, producing gas fields and associated infrastructure alongside various interests in certain other exploration licences, including a 25% interest in the Benriach prospect in licence P2411, from TotalEnergies E&P UK Limited.
Group	Kistos Holdings plc and its subsidiaries
JV	joint venture
kbbl	thousand barrels
kboe	thousand barrels of oil equivalent
kboepd	thousand barrels of oil equivalent produced per day
KENAS	Kistos Energy (Norway) AS
LTI	lost time incident
MEG	monoethylene glycol
Mime	Mime Petroleum AS
Mime Acquisition	The acquisition, in May 2023, of the entire share capital of, and voting interests in, Mime Petroleum AS (Mime) from Mime Petroleum S.a.r.l., a company incorporated and operating in Norway.
MMBtu	million British thermal units
MT	metric ton
MWh	megawatt hour
NCS	Norwegian Continental Shelf
nm^3	normal cubic metre
norm price	The tax reference price set by the Petroleum Price Council for grades of crude oil sold in Norway.
NSTA	North Sea Transition Authority
PDO	Plan for Development and Operation
RNB	Norwegian Revised National Budget
ROU	right of use
scf	standard cubic feet
SGP	Shetland Gas Plant
sm^3	standard cubic metre
Solidarity Contribution Tax	A tax levied by the Dutch Government, following the adoption of Council Regulation (EU) 1854/2022, which required EU member states to introduce a 'solidarity contribution' for companies active in the oil, gas, coal and refinery sectors. The Dutch implementation of this solidarity contribution has been legislated by a retrospective 33% tax on 'excess profit' realised during 2022, with 'excess profit' defined as that profit exceeding 120% of the average profit of the four previous financial years. Companies in scope are those realising at least 75% of their turnover through the production of oil and natural gas, mining activities and refining of petroleum or coke oven products.
SPS	Dutch State Profit Share tax
SURF	subsea, umbilicals, risers and flowlines

Appendix B: Non-IFRS measures

Management believes that certain non-IFRS measures (also referred to as 'alternative performance measures') are useful metrics as they provide additional useful information on performance and trends. These measures are primarily used by management for internal performance analysis, are not defined in IFRS or other GAAPs and therefore may not be comparable with similarly described or defined measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures. Definitions and reconciliations to the nearest equivalent IFRS measure are presented below.

B1: Pro forma information

Pro forma information shows the impact to certain results of the Group as if the Mime Acquisition had completed on 1 January 2023, and as if the GLA Acquisition had completed on 1 January 2022. Management believe pro forma information is useful as it allows meaningful comparison of full year results across periods.

€'000	Revenue	Adjusted EBITDA
Period ended 31 December 2022:		
As reported	411,512	380,015
Pro forma period adjustments	156,933	137,187
Pro forma	**568,445**	**517,202**
Period ended 31 December 2023:		
As reported	206,997	120,777
Pro forma period adjustments	16,095	1,542
Pro forma	**223,092**	**122,319**

B2: Net debt

Net debt is a measure that management believe is useful as it provides an indicator of the Group's overall liquidity. It is defined as cash and cash equivalents less the face value of outstanding bond debt excluding the Hybrid Bond which, in management's view, represents contingent consideration rather than bond debt due to the payment triggers associated with it.

€'000	Note	31 December 2023	31 December 2022
Cash and cash equivalents	4.1	194,598	211,980
Face value of bond debt (excluding Hybrid Bond)	5.1	211,980	(81,572)
Net (debt)/cash		**(24,319)**	**130,408**

B3: Adjusted operating costs and unit opex

Adjusted operating costs are operating costs per the income statement less accounting movements in inventory, which are primarily those operating costs capitalised into liquids inventory as produced and expensed to the income statement only when the related product is sold.

€'000	Year ended 31 December 2023	Period ended 31 December 2022
Production costs	72,888	22,927
Accounting movements in inventory	(1,048)	4,135
Adjusted operating costs	**71,840**	**27,062**
Pro forma period adjustment	10,221	19.706
Pro forma adjusted operating costs	**82,061**	**46,768**
Total production (kboe)	2,995	2,732
Pro forma period adjustment (kboe)	226	1,230
Total pro forma production (kboe)	**3,221**	**3,962**
Unit opex	€24/boe	€10/boe
Pro forma unit opex	€25/boe	€12/boe

Appendix C: Conversion factors

The conversion factors below have been used by management in the presentation of certain disclosures in the Annual Report on a consistent basis.

37.3 scf of gas in 1 nm^3 of gas

5,561 scf of gas in 1 boe

149.2 nm^3 of gas in 1 boe

1.7 MWh of gas in 1 boe

34.12 therms of gas in 1 MWh of gas

7 MT of natural gas liquids in 1 boe

Exact conversions of volumes of gas to barrels of oil equivalent (boe), volumes of gas to energy (therms or MWh) and volumes of natural gas liquids to boe are dependent on the calorific value of gas and exact composition of natural gas liquids and therefore can change on a daily basis and may be different to those conversion factors used by other companies.

General Information

Directors

Andrew Austin – Executive Chairman
Peter Mann – Chief Executive Officer
Richard Slape – Chief Financial Officer
Richard Benmore – Non-Executive Director
Julie Barlow – Non-Executive Director
Alan Booth – Non-Executive Director

Company secretary

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Registered company number

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