

Annual Report & Financial Statements  
Year ended 31 December 2023

# **SPIRIT ENERGY**

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# GENERAL INFORMATION

## Directors

C.M. O'Shea (Chairman)  
Dr. T.C. Meerpohl (Deputy Chairman)  
N.J. McCulloch (Chief Executive Officer)  
R.L. O'Brien (appointed 1 August 2023)  
J.B. Shedden (appointed 1 August 2023)  
T. Holm  
J.S. Bessell (resigned 1 August 2023)  
D.J. House (resigned 1 August 2023)  
M.R. Scargill

## Registered office

Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## Auditor

Deloitte LLP  
1 New Street Square  
London  
EC4A 3HQ

## Company number

10854461

## Company type

Spirit Energy Limited is a private limited company and registered in England and Wales.

# STRATEGIC REPORT

The Directors present their Consolidated Strategic Report for Spirit Energy Limited (the 'Company') and its subsidiaries (together, the 'Group' or 'Spirit Energy') for the year ended 31 December 2023.

## Principal activities and strategy

Spirit Energy's strategy is to deliver a focused business that will realise value to its shareholders through the safe delivery of production from its existing assets, meeting and de-risking its decommissioning obligations, and exploring strategic energy transition opportunities from its existing assets.

## Section 172(1) Directors' Duty

As a result of being responsible for overseeing our strategy described above, the Directors remain conscious of the impact their decisions can have on employees, communities and the environment.

Proactive engagement remains a central focus for the Board, which ensures the Directors have regard to the matters set out in S.172(1) (a) to (f) of the Companies Act. They receive regular stakeholder insights and feedback, which enables them to place stakeholder considerations at the very heart of the Board's decisions as follows:

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How the Board engages with stakeholders and how the Directors have regard to the need to foster the Company's business relationships with all of its stakeholders, and the effect of that regard	Strategic Report – Business relationship	11
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**STRATEGIC REPORT**

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**Key performance indicators ('KPIs')**

In order to monitor the delivery of our strategy, we have identified KPIs which are used across the business to manage the assets and identify opportunities to improve performance and adapt operating plans to changing circumstances. Performance against KPIs is tracked and reviewed at monthly meetings of the Executive Committee and is reported to the Board of Directors. The Directors believe that these financial and non-financial KPIs provide additional useful information on business performance and underlying trends. These measures are used for internal performance purposes.

The adjusted measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies. Please refer to pages 89 to 90 for definitions and reconciliation of adjusted performance measures to the statutory results. The following tables discuss the financial and non-financial KPIs for the current year with prior year comparatives.

**Financial KPIs**

KPI	Description	Relevance to Group strategy	2023 Performance for year	2022 Performance for year
Adjusted operating profit	Operating profit before exceptional items and certain re-measurements of energy contracts <sup>(i)</sup>	Reflects Group profitability performance	£206m	£184m
Adjusted profit after tax	Profit for the year after tax before exceptional items and certain re-measurements of energy contracts and related taxation <sup>(i)</sup>	Reflects Group profitability performance	£42m	£91m
Adjusted operating cash flow	Net cash flow from operating activities before payments relating to exceptional charges	Reflects cash flow available for capital expenditure	£296m	£466m
Free cash flow	Adjusted operating cash flow less purchases of PP&E and intangibles and proceeds from sales of PP&E, intangibles and business	Reflects cash flow available for Shareholder dividends and servicing finance	£307m	£432m
Lifting cost per barrel	All field operating costs and tariffs (net of costs incurred for running a third-party terminal at Barrow)	Reflects competitive cost structure and ability to generate cash flow in a low-price environment	£22.1/boe	£16.9/boe

**Non-financial KPIs**

KPI	Description	Relevance to Group strategy	2023 Performance for year	2022 Performance for year
Total recordable incident frequency ('TRIF') rate	Total recordable incidents per 200,000 hours for operated assets	Reflects safety performance which is a core foundation of a sustainable company	0.38	0.30
Process safety incident rate ('PSIR')	Number of Tier 1 and Tier 2 process safety incidents per 200,000 hours for operated assets	Reflects safety performance which is a core foundation of a sustainable company	0.18	0.00
Production	Production of gas, oil and liquids	Core driver of revenue generation and long-term sustainability of production	14.8 mmboe	17.5 mmboe
Reserves/production	2P reserves/current year production	Reflects long-term sustainability of production	4.1	3.7

(i) A description of exceptional items and re-measurements of energy contracts is provided in note 2 within the notes to the Financial Statements.

# STRATEGIC REPORT

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## Operating review

In 2023, annual production decreased by 15% to 14.8 mmmboe compared to 2022. This decline was primarily due to diminished reserves and prolonged shutdowns of assets in both the Morecambe Hub and Greater Markham Area (GMA). Our 2P reserves were 4.1 mmmboe lower at the end of 2023 than at the end of 2022. Overall, this represented a reserves/production ratio of 4.1 times (2022: 3.7 times).

2023 has seen decreases in forward commodity prices, both in terms of observable market prices and forecast forward prices. Impairments of £31 million pre-tax have been recognised within operating costs (2022: £84 million). The 2023 impairment relates to Brae assets due to significant decommissioning provision increases driven by cost inflation, compared to 2022 impairment mainly relating to the Chiswick C7 well write off.

Lifting costs increased from £16.9/boe in 2022 to £22.1/boe in 2023, principally due to higher underlying costs and lower production.

Despite the increases in decommissioning provision driven by inflation, we continued to achieve efficiencies across our operated decommissioning portfolio in 2023. This was accomplished through the adoption of a campaign approach aimed at maximising economies of scale, consolidating multiple projects into unified efforts.

In August 2023 a Process Safety Tier 1 gas release occurred at Barrow Terminal during equipment return to service. An independent investigation was conducted and actions put in place to prevent reoccurrence. The release required regulatory reporting and no enforcement action has been taken.

## Future developments in business

The Group's objective is to maintain a safe, low-cost production in order to generate strong cash flow which will be utilised to meet the remaining portfolio's decommissioning obligations while minimising further investment in oil and gas exploration.

The Group made significant strides on the third pillar of its strategy in 2023 and can now truly be described as an Energy Transition Company; providing low carbon intensity gas production today, and carbon dioxide storage tomorrow on a global scale. Most notable were the award of the Carbon Capture and Storage (CCS) Licence and the signing of the Memorandum of understanding (MoU) with the cement producers in the Peak Cluster as a prioritised sector for us to assist in the decarbonisation of.

The Group is making significant progress delivering on its own Scope 1 decarbonisation ambitions. The Group has conceived the MERIT Project which provides the opportunity to slash our Scope 1 emissions at North Morecambe Terminal whilst bringing forward the first long-term, at-scale, CO<sub>2</sub> injection project in the UK. Progress on the project has been excellent and every effort is being made to bring the project to a sanction decision in early 2024. Complementary to this is the work progressing for the Barrow Energy Park, placing our operations at the heart of a low-carbon hub in the Northwest of England. Key for 2024 is positioning Morecambe as the next and most obvious store to receive an economic licence post-Track 2, aligning with the UK Government's Carbon Capture Utilisation and Storage (CCUS) Vision. This vision aims to scale capacity by 6MTPA each year from 2031 to 2035, surpassing Track 1 and Track 2 volumes.

# STRATEGIC REPORT

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## Financial review

For the year ending on December 31, 2023, the Group recorded a profit after tax of £358 million, constant from £358 million in 2022 (£409 million profit attributable to continuing operations less £51 million loss attributable to discontinued operations). Information regarding discontinued operations in 2022 can be found in note 10 of these financial statements.

Group revenue decreased by £1,303 million, or 58%, to £947 million (2022: £2,250 million) due to lower production and commodity prices.

The cost of sales amounted to £642 million, marking a 6% decrease compared to 2022. This decline primarily stems from reduced depreciation expenses attributed to lower production levels in 2023 compared to 2022.

Gross profit of £1,466 million (2022: £770 million profit) included £1,161 million of gains from the re-measurements of energy contracts (2022: £794 million loss). This consisted of a £1,164 million gain (2022: £511 million gain) from the re-measurement of certain energy contracts and a £3 million loss (2022: £1,305 million loss) from the settlement of energy contracts.

In 2023, operating costs amounted to £96 million, reflecting a decrease of £63 million compared to the £159 million recorded in 2022. This was primarily attributable to a lower impairment and depreciation charges year-on-year.

The statutory operating profit was £1,370 million in 2023 compared to a £611 million profit in 2022. Operating profit from continuing operations did not include any exceptional items in 2023 (2022: £nil).

## Alternative performance measures

The following alternative performance measures only relate to continuing operations.

Adjusted operating profit rose by £22 million to £206 million, mainly driven by increased unrealised gains from energy derivatives compared to the previous year. This gain was offset by a decrease in revenue in 2023 compared to 2022.

Adjusted profit after tax decreased by £49 million to a profit of £42 million (2022: £91 million) due to decreased revenue and higher tax charge year on year.

Operating cash flow, adjusted for changes, fell by 36% to £296 million, largely due to increased losses on realised derivative forward energy contracts. The Group generated free cash flow of £307 million in 2023 compared to £432 million in 2022.

Lifting costs increased from £16.9/boe in 2022 to £22.1/boe in 2023, principally due to lower production.

## Principal risks and uncertainties

The directors of the Group confirm that we have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Spirit Energy is exposed to risks arising from compliance, environmental, strategic, operational and financial factors. Accordingly, our management system includes a risk, assurance and control framework to ensure that consistent methods and processes are applied across the business to manage risks and opportunities arising in delivering our strategy.

Key risks include operational risks, particularly relating to the safe and reliable operation of the business, inability to attract, retain, motivate and develop people with the necessary capabilities and competence and effective and available information systems and security. Spirit Energy invests heavily in its resource capability and management systems including standards, policies, procedures and controls to minimise the severity of the impact and probability of such risks arising. We also maintain a comprehensive insurance programme against losses incurred in the operation of our assets and executing infill drilling, asset modification, capital developments and decommissioning projects.

Spirit Energy monitors and ensures compliance with regulatory requirements. The risks associated with compliance include market conduct, financial crime, criminal corporate offence, data protection, competition and various reporting obligations such as the Modern Slavery Act.

We manage liquidity risks through an agreed financial framework to build a sustainable long-term cash flow underpinning the Group's liquidity requirements and capital investments. Spirit Energy maintained significant cash and cash equivalents of £1,397 million as of December 31, 2023 (2022: £1,097 million), with a net balance of £1,358 million after accounting for a £39 million overdraft, ensuring sufficient coverage for foreseeable liquidity needs. Investments and dividends are managed to ensure that we maintain a cash and cash equivalents balance that aims to cover projected future pre-tax decommissioning costs by 1.5 times. As at the end of 2023, Spirit Energy's pre-tax decommissioning liabilities were £1.2 billion, with decommissioning costs 1.1 times covered by its cash and cash equivalents balance. Spirit Energy is also actively reducing its underlying decommissioning liabilities by divestment and executing its decommissioning programme. During 2023 Spirit Energy divested its interest in the Fotla oil/gas field development and removed significant infrastructure from the Morecambe Field and Southern North Sea for recycling.

# STRATEGIC REPORT

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Exposures to commodity prices, foreign exchange rate movements and credit risk are managed through agreed hedging and treasury policies, thereby shielding Spirit Energy from external market risks.

Spirit Energy is exposed to Information System (IS) security risks through potential malicious activity that could affect the confidentiality, integrity and availability of systems, services and data. An annual Cyber Security Plan exists to drive risk mitigation and improvement activities. In 2023, this included, but was not limited to, the implementation of a Network Access Control solution, two external penetration tests, mandatory cyber awareness training for all users and a desktop simulation exercise, with learnings now fully embedded into system and process-based controls.

Spirit Energy's Supply Chain Management (SCM) function monitors and manages ongoing and anticipated supply chain risks, including the potential impact of various geopolitical events and market cost inflation. We also closely monitor key suppliers and sub-suppliers, making risk mitigating interventions as appropriate.

A new contract management system was introduced in 2023 to improve risk management through enhanced monitoring and reporting of contracts. The SCM control framework is planned to be enhanced in 2024 to strengthen the existing risk-based controls effectiveness in managing known risks and to improve the identification and management of new risks. Improvements in contract management will continue to be a primary focus.

Spirit Energy's Morecambe Net Zero (MNZ) carbon storage project continued to mature in 2023, with granting of the Carbon Storage Licence by the North Sea Transition Authority (NSTA) and execution of an MoU to explore storage opportunities for carbon dioxide captured by the Peak Cluster. The Peak Cluster comprises six proposed carbon capture projects and an onshore pipeline network in the northwest of England which will transport carbon dioxide for storage in the Morecambe carbon stores. The project, however, remains subject to a range of uncertainties given the nascent nature of the carbon storage industry. The feasibility of carbon storage is reliant upon the integration of multiple project participants (Partners) across a new and complex value chain. The project will likely require financial support from Government, an Economic Licence and subsidy support for the capture projects. A range of permits, consents, and approvals are also still required including carbon storage lease (The Crown Estate) and planning approvals. Spirit Energy has been proactively maturing relationships with government stakeholders including NSTA, Department for Energy Security and Net Zero (DESNZ) and of Gas and Electricity Markets (Ofgem) to improve understanding of requirements.



# STRATEGIC REPORT

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## Streamlined energy and carbon reporting (SECR)

### Our vision

Spirit Energy believes that the provision of energy in the face of the climate emergency is one of the biggest challenges confronting the world. We recognise that the world demands action to address climate change and we aim to play our part in helping to sustainably meet energy demand.

Our vision is to become a net-zero company for operational (Scope 1 and 2) emissions by 2050.

We also intend to explore how our assets could be repurposed to generate net-zero carbon energy.

### Background

On 1 April 2019, The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 entered into force. The 2018 Regulations obligate large, unquoted companies (including Spirit Energy) to report on energy use and carbon emissions. This report, in compliance with the 2018 Regulations, states Spirit Energy's annual Scope 1 and 2 emissions in tonnes of carbon dioxide equivalent (TeCO<sub>2</sub>e) resulting from our operations during the 2023 reporting period.

### Definitions

Scope 1 emissions are defined as greenhouse gases (GHG) released to the atmosphere directly, including combustion (diesel, fuel gas and flaring) and process emissions (venting and fugitive gas). Scope 2 emissions are defined as those released into the atmosphere indirectly from the consumption of purchased electricity (in kwh). We account for these under the following business activities:

Offshore upstream – emissions from our permanent offshore installations (Scope 1)

Onshore midstream – emissions from our onshore receiving facilities in which we hold an equity share (Scope 1 & 2)

Offshore drilling – emissions from drilling rigs and rig move vessels (Scope 1)

Onshore facilities – emissions from powering our offices (Scope 2)

Scope 3 emissions encompasses all indirect emissions, for example those associated with our supply chain, travel, and routine logistics (e.g. non-drilling related vessel activity, such as supply boats), are not represented within the report, as is also the case for emissions from mid-stream processing, where Spirit Energy does not hold an equity share in the facility.

### Hybrid methodology organisational boundary

Spirit Energy accounts for our share of emissions from all our operated and non-operated assets, across the UK and Netherlands (and previously Norway, divested 31st May 2022). As we account for profit from every barrel, we account for greenhouse gas emissions from every barrel. Our approach is consistent with the principles of the GHG Protocol Corporate Standard, adopting a hybrid of the equity share and operational control methodologies.

For our assets which are tied-back to host processing facilities operated by others, we have taken an apportionment of the host's CO<sub>2</sub>e emissions, based on our percentage share of production throughput. In cases where Spirit Energy is an equity partner in such assets, we have taken a further apportionment based on our equity percentage. Spirit Energy considers this approach best reflects the principle of reporting emissions in line with our financial activity, as stated by the 2018 Regulations.

**STRATEGIC REPORT**

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The table below represents Spirit Energy's total share of emissions under the hybrid methodology.

Total emissions data under the hybrid methodology <sup>(vi)-(vii)</sup>	UK	NL	2023 Total	UK	NL	NOR	2022 Total
<b>Offshore Upstream Emissions:</b>							
Scope 1 (TeCO <sub>2</sub> e)	192,733	42,296	235,029	180,388	32,452	129,474	342,314
Carbon Intensity (TeCO <sub>2</sub> e/mboe) <sup>(v)</sup>	14.9	23.4	15.9	13	11	20.1	14.7 <sup>(iv)</sup>
<b>Onshore Midstream Emissions:</b>							
Scope 1 (TeCO <sub>2</sub> e)	284,655	73	284,728	361,594	122	— <sup>(ii)</sup>	361,716
Scope 2 (TeCO <sub>2</sub> e)	6,167	— <sup>(i)</sup>	6,167	10,347	— <sup>(i)</sup>	— <sup>(ii)</sup>	10,347
<b>Offshore Drilling Emissions:</b>							
Scope 1 (TeCO <sub>2</sub> e)	8,842	— <sup>(iii)</sup>	8,842	11,291	— <sup>(iii)</sup>	2,382	13,673
<b>Onshore Facilities Emissions:</b>							
Scope 2 (TeCO <sub>2</sub> e)	290	37	327	290	4	91	385
<b>Total Scope 1 &amp; 2 (TeCO<sub>2</sub>e)</b>	<b>492,687</b>	<b>42,406</b>	<b>535,093</b>	<b>563,910</b>	<b>32,578</b>	<b>131,947</b>	<b>728,435</b>

i. Scope 1 and Scope 2 midstream emissions (for facilities in which Spirit Energy is an equity partner) are captured in the top-line totals.

ii. Spirit Energy does not hold any equity in mid-stream emissions in Norway.

iii. Due to the different methodologies applied by various E&P Companies under SECR requirements, it is possible that some of these emissions have also been reported by the host platform operator.

iv. (TeCO<sub>2</sub>e/mboe): tonnes of carbon dioxide equivalent per thousand barrels of oil equivalent.

v. Gas combustion: for instances where emissions analysis is unavailable, an emissions factor of 2542.41 kgCO<sub>2</sub>e per tonne was used (UK Government GHG Conversion Factors for Company Reporting).

vi. Diesel combustion: for instances where emissions analysis is unavailable, an emissions factor of 3206.62 kgCO<sub>2</sub>e per tonne was used (UK Government GHG Conversion Factors for Company Reporting).

vii. Methane venting/fugitives: un-combusted methane released to atmosphere is considered to have a 100-year global warming potential of 25 times carbon dioxide (IPCC AR4).

viii. Average carbon intensity across UK & NL

**Operational control boundary definitions**

We have also chosen to disclose our operational control emissions. This is an alternative view of accounting for carbon emissions, from assets where Spirit Energy has direct control of the asset operations as defined under the SECR guidance (2018 Regulations) of operational control. These emissions represent an alternative view to the hybrid methodology approach (shown in the table above) and the two volumes are not additive. The table below represents Spirit Energy's emissions under operational control for the 2023 reporting year.

Operated assets emissions data	UK	NL	2023 Total	2022 UK and NL Total	2022 Total
Total Scope 1 and 2 (TeCO <sub>2</sub> e)	512,572	46,288	<b>558,860</b>	555,371	<b>555,462<sup>(i)</sup></b>

i) Total includes 91 TeCO<sub>2</sub>e from the disposed Norway business

**Energy efficiency strategy**

The reduction in emissions from 2022 to 2023 is due to extended unplanned asset shutdown periods and natural production decline as well as continuing to actively manage operational emissions on Spirit Energy's operated assets through our Emissions Management Framework. During the 2023 reporting period, the combined Production and GHG Emissions Management Standard was fully implemented across the business, the Morecambe Emission Reduction Injection (MERIT) Project was initiated, and project scoping began to include emissions reporting and forecasting within our hydrocarbon accounting system (AXIS). 2024 will see further governance of the Production and GHG Emissions Management Standard compliance, MERIT project progress and delivery of the AXIS enhancement project implementation. Preparatory work has commenced to evaluate our Scope 3 emissions across our business as Scope 3 reporting is currently voluntary.

# STRATEGIC REPORT

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## Employee engagement and culture

### Employee engagement

Following a year of significant change for the organisation in 2022 with the Norway sale and restructure of the UK and NL business, in 2023 we prioritised re-engaging the organisation to ensure focused delivery of our strategy.

As part of our commitment to engagement, we relaunched our Employee Engagement survey early in 2023 and ran two surveys in February and October. We will continue to regularly run the engagement survey through 2024 and proactively engage with employees in areas where scores can improve.

To further promote engagement in the Group, an employee led Engagement Forum was set up in 2023. This Forum provides an opportunity for our people to be more involved in developing our culture and making Spirit Energy a great place to work. The Forum consists of three active subcommittees who focus on organising events, raising money for our nominated charities, promoting a safe environment, volunteering and acting on feedback as appropriate to positively influence change in the organisation. At the same time, we established a Leadership Forum of key leaders to support our Executive Committee in the delivery of strategy, creating value for our shareholders, building engagement and shaping our culture. These Forums are now well established and starting to positively impact engagement.

We firmly established the hybrid working model for our office-based teams, offering them flexibility, with a balance to allow opportunities for teams to collaborate in person. We also completed a collective consultation with our offshore teams to change the production rota pattern from a swing shift to a fixed rotating rota pattern.

Improving our people leadership capability was, and continues to be, an important commitment. Through 2023, we delivered our in-house Supervisory Leadership Program (SLP) to over 90% of leaders at the North Morecambe Terminal and commenced delivery of the same program to our offshore and Netherlands based supervisors achieving almost 50% delivery for that group to date. We will review the success of the programme going forward and update and adapt as appropriate.

### Reward and benefits

In line with previous years, Spirit Energy operated an open enrolment for selection and participation in UK employee benefits. In 2023 there was an increase in the percentage of eligible employees who exercised their choice to participate in one or more benefits available, from 89% (revised from 65%) in 2022 to 92.7% in 2023.

The latest information available for Spirit Energy's Gender Pay Gap (GPG) was published as part of the 2022 Centrica plc report. Our 2022 data tells us that we continue to have a low representation of women across the Group which is reflective of the trend in our industry. The proportion of women to men in Spirit Energy has however risen from 27:73 to 29:71 which is a positive step towards addressing the balance.

We have experienced an increase in our mean gender pay gap, (the difference between our hourly wage spend-per-woman and hour wage spend-per-man) from 10.3% in 2021 to 14% in 2022. Although our GPG has increased we remained below the UK national average. This is still an improvement on previous years (16% in 2020) however a continued focus is required on areas that can drive change such as recruitment and talent pools. Our mean bonus gap rose from 16% in 2021 to 19% in 2022 and our medial bonus gap went from -2.5% in 2021 to -7% in 2022.

Our gender pay and bonus gaps are caused by the uneven distribution of men and women across our business and the types of roles they perform, rather than unequal pay however we will continue to work towards improving our gender landscape.

Spirit Energy's voluntary attrition rate in 2023 was 10.2% which compares to the same rate of 10.2% in 2022.

### Organisation

Following the award of the Carbon Capture licence, extending the life and changing the future focus for our North Morecambe Terminal, we will support the industry's efforts to ensure a 'Just Transition'. We are also looking at opportunities for our current workforce to repurpose their existing skills to support employees to develop into the roles required to successfully deliver energy transition.

### Business relationships

Spirit Energy builds enduring relationships with suppliers, driven by our core values of Care, Agility, Courage, Delivery and Collaboration. We judge ourselves by these values and work closely with our suppliers in encouraging them to do the same, seeing them as an extension of our team.

We consolidate work to make our offers to the market more attractive and we seek constructive dialogue with prospective suppliers at all stages in the contracting process. In 2023 we invested significant additional time in relationship management with our key suppliers.

2023 saw high performance from our long-term contracts for facilities and wells decommissioning and we are pursuing alliance-based arrangements for future projects. Our operations and maintenance contracting strategies are increasingly considering life of field arrangements where we will offer contractual stability as a platform for sustained

# STRATEGIC REPORT

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performance. Cost inflation was mitigated successfully in several instances through collaboration with our suppliers.

Spirit Energy works closely with the North Sea Transition Authority (NSTA) and increasingly employs their Pathfinder portal to initiate collaboration with the supply chain. We participate in several industry-led supply chain working groups, including those relating to carbon capture and storage. In 2023 we received an Offshore Energies UK (OEUK) gold award as a leading performer in our peer group for our commitment to the OEUK Supply Chain Principles.

In addition, as licence operator, Spirit Energy works closely with the NSTA and OEUK, holding regular check-ins regarding business development and ongoing operations. Spirit Energy also participates in a number of industry-led working groups and taskforce initiatives.

## Approval

This report was approved by the Board of Directors on 30 April 2024 and signed on its behalf by:

DocuSigned by:  
  
DA2883405774EE...

**Neil McCulloch**  
**Director and Chief Executive Officer**  
Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD

# DIRECTORS' REPORT

The Directors submit their report on the affairs of the Group, together with the Consolidated Financial Statements and Auditor's Report for the year ended 31 December 2023.

## Results and dividends

The Group's results and performance summary for the year are set out in the Group Strategic Report on pages 3 to 11. During the year dividends of £28 million were paid (2022: £439 million). The Board has not recommended a final dividend for the year ended 31 December 2023 (2022: nil). Notwithstanding the provisions of the Articles, the Shareholders have agreed to disapply certain provisions of the Articles in order to pay dividends on the ordinary shares following the sale of the Norwegian business, despite not having redeemed all of the preference shares first.

## Events after the balance sheet date

Significant events since the balance sheet date are contained in note 24 to the Consolidated Financial Statements on page 57.

## Future developments

A description of future developments can be found in the Group Strategic Report on page 5. A description of the Group's exposure and management of risks is provided in the Group Strategic Report on pages 6-7.

## Going concern

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis. The Group has considered its funding position and financial projections from the date of the approval of these financial statements until 31 December 2025, including stress test sensitivities, and the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors' considerations for the going concern assessment is summarised in note 21(b) on page 54.

## Financial instruments

Full details of the Group's financial instruments can be found in notes 16, S2 and S3 to the Consolidated Financial Statements on pages 49, 68 and 72.

## Directors

The Directors who served throughout the year and to the date of this report, except as noted, were as follows:

C.M. O'Shea (Chairman)  
 Dr. T.C. Meerpohl (Deputy Chairman)  
 N.J. McCulloch (Chief Executive Officer)  
 R.L. O'Brien (appointed 1 August 2023)  
 J.B. Shedden (appointed 1 August 2023)  
 T. Holm  
 J.S. Bessell (resigned 1 August 2023)  
 D.J. House (resigned 1 August 2023)  
 M.R. Scargill

## Directors' indemnities and insurance

In accordance with the Company's Articles of Association, the Company has granted an indemnity, to the extent permitted by law, to Directors and members of the Group's Executive Committee. Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 December 2023 and remain in force. The Company maintains Directors' and officers' liability insurance in respect of its Directors and members of the Group's Executive Committee and those Directors of its subsidiary companies.

# DIRECTORS' REPORT

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## Employment policies

### Employee involvement

Spirit Energy remains committed to employee involvement across the business with enhanced focus on engagement and support through the Engagement and Leadership Forums. Employees are kept well informed of the performance and strategy through townhall briefings, leader updates, regular email updates and by our Executive Committee members throughout the year.

In addition to employee involvement and communication related to business updates and performance, employee engagement is encouraged to support various initiatives across the organisation including sport, social and corporate responsibility activities.

### Equal opportunities

Spirit Energy is committed to an active equal opportunities policy from recruitment and selection, through training, development, performance reviews and promotion until retirement. Our policy is to promote equality of opportunity, inclusion, diversity and respect in the workplace and to eliminate unfair or unlawful discrimination. One of our aspirations is to be an organisation with an unconsciously inclusive culture where all people are valued and respected equally.

Employment policies and practices reflect a culture where decisions are made on the basis of individual capability and potential in relation to the needs of the business. We ensure adherence with legislation around the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including ethnic origins, nationality and colour), religion or belief, sex and sexual orientation. In addition, the Group strives to ensure it does not treat anyone less favourably, such as those working part time and/or on fixed term contract. Our policy also drives a commitment to the fair treatment of people with disabilities in relation to job applications, ensuring they have full and fair consideration for all vacancies.

### Early Careers

With a view to supporting the future of our industry and the energy transition, we are actively engaging with educational establishments local to our sites and offices. Through involvement with organisations such as CareerReady and STEM; through national apprenticeship schemes; and through supporting graduate rotations alongside our Shareholders; our employees are actively working with schools, colleges, and universities to educate pupils on opportunities and encourage them to consider our industry as their future career path.

### Human rights

The Group recognises its responsibility to respect human rights across its business, supply chain and communities and is committed to uphold and protect the human rights of individuals working in the communities and societies in which we operate. The Group supports and embeds the standards set out in the Universal Declaration of Human Rights and will support and respect the protection of internationally proclaimed human rights and make sure that it is not complicit in human rights abuses. The Group also recognises the opportunity to contribute positively to global efforts to ensure human rights are understood and observed.

### Governance framework

Spirit Energy's relationship with its Shareholders (GB Gas Holdings Limited (GBGH), SWM Bayerische E&P Beteiligungsgesellschaft MBH (BE/PB) and SWM Gasbeteiligungs GMBH (SWM)) is principally governed by the Articles of Association and the Shareholders' Agreement. Together these documents stipulate the mutual obligations between Spirit Energy and its Shareholders. The Shareholders' Agreement lays out the agreed strategy, objective and purpose of the Company, as well as defining the Financial Framework, which governs how investment and distribution of profits are balanced to achieve the Company's objective of sustainable long-term cash flow.

As a result of the sale of the Spirit Energy's Norwegian oil and gas exploration and production business, an amended Shareholders' Agreement and Articles of Association has been signed and took effect from 31 May 2022, the date of completion for the sale.

The amended Shareholders' Agreement provides that Spirit Energy's future strategy will be to realise value. From its remaining portfolio assets while minimising further investments in oil and gas exploration and development, and to utilise cash from the Spirit Energy Group's operations to meet, and de-risk, decommissioning obligations in respect of its remaining portfolio. In addition, Spirit Energy will mature Energy Transition opportunities within its existing portfolio. Excluding any distribution relating to the sale of the Norwegian Business, cash will be distributed to Spirit Energy's shareholders only to the extent that cash held by Spirit Energy exceeds 1.5x the estimated future pre-tax decommissioning liabilities of the remaining Spirit Energy portfolio.

Details within the S.172 statement on page 3 sets out our engagement with our stakeholders.

# DIRECTORS' REPORT

CONTINUED

Principal risks to free cash flow include: commodity prices and foreign exchange rates, production outages, the working capital cycle, emergency costs and capital project delays or overruns. The Group undertakes hedging activity to protect against commodity and foreign exchange volatility.

In the instance that the Group is reasonably expected to suffer an adverse cashflow position, it shall seek to: manage and reduce its capital expenditure; consider divestment of assets; disapply or amend the Distribution policy; and/or seek third party debt. Spirit Energy monitors its adherence to the Financial Framework through appropriate metrics such as cashflow generation, dividend pay-out rate and debt capacity. Investment decisions are made with reference to appropriate criteria, and in all cases seek to create value for the Group.

The Shareholders' Agreement also stipulates the Board composition, governance and decision approval requirements including in relation to the disposal of assets. Our Board of Directors is composed of seven non-independent directors, being: four non-executive directors (including the Chairman) appointed by GBGH; two non-executive directors (including the Deputy-Chairman) appointed by BE/PB; and our executive director, the CEO of the Company. Quorum is met when at least one representative director from each Shareholder is present and decisions are approved on a simple majority basis, with each director allocated one vote. The Board has established an Audit Committee to act on an advisory basis. Key management disclosures are included within note S5. The Board is responsible for: implementing the Group's objective and purpose; determining and implementing the Group's strategy; management and operational oversight of the Group; and taking decisions in respect of certain matters. This includes the approval of the annual budget, which allocates capital to a scope of work that the Group anticipates undertaking in the forthcoming calendar year.

There exist some matters and decisions, as specified by the Shareholders' Agreement, which are reserved for approval by the Shareholders. These include (but are not restricted to): activities that are misaligned with the Group's stated objective and purpose, entry and amendment of related party agreements, raising of debt or entry into obligations with third parties; mergers and material acquisitions; and the remuneration and performance targets set for executive senior management. Additionally, see Note 22 for detailed information regarding the preference shares held.

The Board has conferred levels of authority for decision making to the CEO of Spirit Energy. The CEO is assisted by the Executive Committee, a team of executive senior managers (including the CFO and General Counsel), who convene on a regular basis to consult on material business matters and make informed approval decisions.

As per the Shareholders' Agreement and subject to confidentiality provisions therein, Spirit Energy provides regular and routine performance reporting to its Shareholders, as well as providing ad hoc information when it is reasonably requested.

## Political donations

The Group operates on a politically-neutral basis. No political donations were made, or political expenditure incurred by the Group for political purposes during the current or prior year.

## Financial risk management

Details of the Group's financial risk management can be found in note S2 to the Consolidated Financial Statements on pages 68 to 71.

## Related-party transactions

Full details of the Group's related-party transactions can be found in note S5 to the Consolidated Financial Statements on pages 75 and 76.

## Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 22. The Company has two classes of ordinary shares; each share carries a full voting, dividend, and capital distribution right. The preference shares have attached to them voting, and capital distribution rights. The deferred share does not have any right to a dividend, vote or distribution of profits of the Company on winding up.

## Disclosure of information to the Company's auditor

Each of the Directors who held office at the date of approval of this Directors' Report confirms that so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware, and that he or she has taken all the steps that he or she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

# DIRECTORS' REPORT

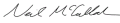
CONTINUED

## Reappointment of auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as the Company's auditor in the absence of an Annual General Meeting.

## Approval

This report was approved by the Board of Directors on 30 April 2024 and signed on its behalf by:

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**Neil McCulloch**

**Director and Chief Executive Officer**

Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD



# DIRECTORS' RESPONSIBILITY STATEMENT

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 have elected to prepare the Group Financial Statements in accordance with United Kingdom adopted International Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB). The Directors have chosen to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial report framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group and Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 30 April 2024 and signed on its behalf by:

By order of the Board

DocuSigned by:



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**Neil McCulloch**

**Director and Chief Executive Officer**

Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD

# FINANCIAL REPORT

## Financial report

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT ENERGY LIMITED

## Report on the audit of the financial statements

### Opinion

In our opinion:

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

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income/(loss);
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 24 and S1 to S7 to the consolidated financial statements; and
- the related notes A to G to the company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the company Financial Statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

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

### Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT ENERGY LIMITED

CONTINUED

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.

## Responsibilities of Directors

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

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

## Auditor's responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design

procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, members of the Audit Committee and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's field licences monitored by the Industry Regulators, Health and Safety, and Environmental Laws and Regulations.

We discussed among the audit engagement team and relevant internal specialists such as tax, analytics, valuations, and IT, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- Valuation of decommissioning provision pinpointed to Spirit Operated asset estimates specifically the rates and norms that underpin the estimate due to the potential risk that management manipulate the inputs and reduce the liability.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT ENERGY LIMITED

CONTINUED

To address this fraud risk we:

- Engaged internal data analytic specialists to test the mechanical accuracy of the decommissioning model and to establish the rates and norms to which the decommissioning provisions recorded are the most sensitive;
- Verified key inputs into the decommissioning model, including rates and norms and the project and wells estimates, to evidence including invoices and contracts (where applicable). We also benchmarked these inputs to industry reports;
- Performed a retrospective assessment of actual versus planned costs;
- Assessed the competency, capability and objectivity of the experts employed by the Board to estimate decommissioning provisions;
- Challenged the discount rate adopted by management and assessed the reasonableness of these rates by benchmarking to 3<sup>rd</sup> party data; and
- Reviewed the Financial Statement disclosures with regard to decommissioning.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit, members of the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC.

## Report on other legal and regulatory requirements

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT ENERGY LIMITED

CONTINUED

## Use of our report

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

DocuSigned by:  
  
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**Daryl Winstone FCA (Senior statutory auditor)**  
**For and on behalf of Deloitte LLP**  
**Statutory Auditor**  
**London, United Kingdom**  
**01 May 2024**

# CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Notes	2023 £m	2022 £m
<b>Continuing operations</b>			
Revenue	4	947	2,250
Cost of sales	5a	(642)	(686)
Re-measurement of energy contracts	5b	1,161	(794)
<b>Gross profit</b>		<b>1,466</b>	<b>770</b>
Operating costs	5a	(96)	(159)
<b>Total operating costs from continuing operations</b>		<b>(96)</b>	<b>(159)</b>
<b>Operating profit</b>		<b>1,370</b>	<b>611</b>
Net financing costs	7	(32)	(5)
Investment income	7	70	18
<b>Profit before taxation from continuing operations</b>		<b>1,408</b>	<b>624</b>
Taxation on ordinary activities	8	(202)	(106)
Taxation on exceptional items and re-measurement of energy contracts	8	(848)	(109)
<b>Total taxation on profit from continuing operations</b>	8	<b>(1,050)</b>	<b>(215)</b>
<b>Profit after taxation for the year from continuing operations</b>		<b>358</b>	<b>409</b>
<b>Loss after taxation for the year from discontinued operations <sup>(i)</sup></b>	10	<b>-</b>	<b>(51)</b>
<b>Profit for the year</b>		<b>358</b>	<b>358</b>

(i) Loss from discontinued operations is entirely attributable to equity holders of the parent company.

The notes on pages 29 to 79 form part of these Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

Year ended 31 December	Notes	2023 £m	2022 £m
<b>Profit for the year</b>		<b>358</b>	<b>358</b>
<b>Other comprehensive (loss)/income for the year:</b>			
<b>Items that will be or have been reclassified to the Consolidated Income Statement:</b>			
Exchange (loss)/profit on translation of foreign operations	S4	(2)	13
Exchange differences recycled to the Consolidated Income Statement on disposal		-	99
Profit/(Loss) on cash flow hedges	S4	3	(3)
Taxation on cash flow hedges	S4	(3)	2
<b>Other comprehensive (loss)/income for the year, net of taxation</b>		<b>(2)</b>	<b>111</b>
<b>Total comprehensive income for the year</b>		<b>356</b>	<b>469</b>
<b>Total comprehensive income for the year from:</b>			
Continuing operations		<b>356</b>	<b>421</b>
Discontinued operations		-	<b>48</b>

The notes on pages 29 to 79 form part of these Consolidated Financial Statements.



# CONSOLIDATED BALANCE SHEET

<b>As at 31 December</b>	Notes	<b>2023 £m</b>	2022 £m
<b>Non-current assets</b>			
Other intangible assets	12	-	2
Property, plant and equipment	11	1,021	1,139
Derivative financial instruments	16	107	147
Investments		1	-
Deferred tax assets	13	-	509
Trade and other receivables	14	3	4
		<b>1,132</b>	<b>1,801</b>
<b>Current assets</b>			
Other intangible assets	12	13	-
Inventories	15	38	44
Trade and other receivables	14	204	407
Derivative financial instruments	16	626	108
Current tax assets		1	5
Cash and cash equivalents	21a	1,397	1,097
		<b>2,279</b>	<b>1,661</b>
<b>Total assets</b>		<b>3,411</b>	<b>3,462</b>

# CONSOLIDATED BALANCE SHEET

CONTINUED

As at 31 December	Notes	2023 £m	2022 £m
<b>Current liabilities</b>			
Trade and other payables	17	(268)	(374)
Current tax Liabilities	17	(75)	(10)
Bank overdrafts, loans and other borrowings	21c	(49)	(9)
Derivative financial instruments	16	(232)	(745)
Provisions for other liabilities and charges	18	(130)	(180)
		<b>(754)</b>	<b>(1,318)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	(340)	-
Provisions for other liabilities and charges	18	(1,072)	(1,012)
Bank overdrafts, loans and other borrowings	21c	(10)	(14)
Derivative financial instruments	16	(15)	(197)
Trade and other payables	17	(74)	(75)
		<b>(1,511)</b>	<b>(1,298)</b>
<b>Total liabilities</b>		<b>(2,265)</b>	<b>(2,616)</b>
<b>Net assets</b>		<b>1,146</b>	<b>846</b>
<b>Equity</b>			
Share capital	22	14	14
Retained losses		(587)	(889)
Other equity	S4	1,719	1,721
<b>Total shareholders' equity</b>		<b>1,146</b>	<b>846</b>

The Consolidated Financial Statements on pages 22 to 79, of which the notes on pages 29 to 79 form part, were approved and authorised by the Board of Directors on 30 April 2024 and were signed below on its behalf by:

DocuSigned by:



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**Neil McCulloch****Director and Chief Executive Officer**

Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £m	Retained losses £m	Other equity £m	Total £m
<b>1 January 2022</b>		<b>19</b>	<b>(369)</b>	<b>1,605</b>	<b>1,255</b>
Profit for the year		-	358	-	358
Other comprehensive income for the year		-	-	111	111
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>358</b>	<b>111</b>	<b>469</b>
Dividends paid to equity holders	9	-	(439)	-	(439)
Redemption and cancellation of shares		(5)	(439)	5	(439)
<b>31 December 2022</b>		<b>14</b>	<b>(889)</b>	<b>1,721</b>	<b>846</b>
Profit for the year		-	358	-	358
Other comprehensive loss for the year	S4	-	-	(2)	(2)
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>358</b>	<b>(2)</b>	<b>356</b>
Dividends paid to equity holders	9	-	(28)	-	(28)
Redemption and cancellation of shares	22	-	(28)	-	(28)
<b>31 December 2023</b>		<b>14</b>	<b>(587)</b>	<b>1,719</b>	<b>1,146</b>

The notes on pages 29 to 79 form part of these Consolidated Financial Statements.

# CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Notes	2023 £m	2022 £m
<b>Continuing operations</b>			
<b>Operating profit</b>		<b>1,370</b>	<b>611</b>
Add back/(deduct):			
Depreciation, amortisation, write-downs, (write-backs) and impairments of fixed assets	11a	302	441
Profit on disposals		(1)	(5)
Decrease in provisions	18	(116)	(74)
Gain arising from foreign exchange derivatives		(5)	-
Realised net foreign exchange gain on cash settlement of derivative contracts <sup>i</sup>		(18)	-
Gain arising from certain re-measurements of energy contracts	6b	(1,164)	(511)
<b>Operating cash before movements in working capital and exceptional payments</b>		<b>368</b>	<b>462</b>
Decrease/(Increase) in inventories		5	(2)
(Increase)/Decrease in trade and other receivables		(15)	17
Increase/(Decrease) in trade and other payables		33	(16)
<b>Cash generated by operations</b>		<b>391</b>	<b>461</b>
Taxes (paid)/received		(133)	5
Payments relating to exceptional charges		-	(1)
Operating interest paid		(1)	-
<b>Net cash from continuing operating activities</b>		<b>257</b>	<b>465</b>
<b>Net cash from discontinued operating activities</b>	10	<b>-</b>	<b>391</b>
<b>Net cash from operating activities</b>		<b>257</b>	<b>856</b>
<b>Continuing operations</b>			
Sale of business		-	85
Purchase of property, plant and equipment and intangible assets		(88)	(119)
Deferred consideration received		99	27
<b>Net cash generated from /(used in) continuing investing activities</b>		<b>11</b>	<b>(7)</b>
<b>Net cash used in discontinued investing activities</b>	10	<b>-</b>	<b>(125)</b>
<b>Net cash generated from/(used in) investing activities</b>		<b>11</b>	<b>(132)</b>

# CONSOLIDATED CASH FLOW STATEMENT

CONTINUED

Year ended 31 December	Notes	2023 £m	2022 £m
<b>Continuing operations</b>			
Financing interest and fees received		56	8
Equity dividends paid		(28)	(439)
Capital element of finance leases	21e	(13)	(17)
Redemption of preference shares		(28)	(439)
Realised net foreign exchange gain on cash settlement of derivative contracts <sup>i</sup>		-	18
<b>Net cash used in continuing financing activities</b>		<b>(13)</b>	<b>(869)</b>
<b>Net cash used in discontinued financing activities</b>	10	<b>-</b>	<b>(1)</b>
<b>Net cash used in financing activities</b>		<b>(13)</b>	<b>(870)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>255</b>	<b>(146)</b>
Cash and cash equivalents at 1 January		1,097	1,251
Effect of foreign exchange rate changes		6	(8)
<b>Cash and cash equivalents including overdrafts at 31 December</b>		<b>1,358</b>	<b>1,097</b>
Included in the following line of the Group Balance Sheet:			
Cash and cash equivalents	21e	1,397	1,097
Overdrafts included within current bank overdrafts, loans and other borrowings	21e	(39)	-

(i) In 2022, the group categorised the realised net foreign exchange gain as financing activities, a shift from its classification as operating activities in 2023.

The notes on pages 29 to 79 form part of these Consolidated Financial Statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Spirit Energy Limited ('the Company') is a private company limited by shares which was incorporated on 6 July 2017. It is domiciled and incorporated in the UK and registered in England and Wales with registration number 10854461. The registered office address and principal place of business is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD. The Company, together with its subsidiaries as detailed in note S7, comprise 'the Group'. Refer to Page 3 of the Strategic Report for the company's principal activities.

## 1. BASIS OF PREPARATION, SUMMARY OF NEW ACCOUNTING POLICIES AND REPORTING CHANGES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below in the notes to the Consolidated Financial Statements, which focus on areas that are key to understanding the business, and in the Supplementary Information (notes S1 to S7). Unless otherwise stated, these policies have been consistently applied throughout the years presented.

### (a) Basis of preparation

This document incorporates the Consolidated Financial Statements of the Group for the year ended 31 December 2023, prepared in accordance with United Kingdom adopted International Financial Reporting Standards (IFRS) as issued by the IASB and in conformity with the requirements of the Companies Act 2006.

The Consolidated Financial Statements constitute statutory accounts for the year ended 31 December 2023 and contain all disclosures required by the Companies Act.

The Consolidated Financial Statements have been prepared on the historical cost basis except for derivative financial instruments and commodity inventories which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the processes of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the Consolidated Financial Statements are described in notes 2 and 3.

The consolidated financial statements comprise the financial statements of both the parent company and its subsidiaries,

reflecting their performance up to December 31st annually. The Consolidated Financial Statements have been prepared on a going concern basis. The Group operates under a financial framework to build sustainable long-term cash flow underpinning its liquidity requirements and decommissioning liabilities. The Group has significant cash and cash equivalents which is expected to cover its liquidity requirements. Investments and dividends will be managed to ensure that the Group maintains a working capital liquidity buffer and satisfy future decommissioning liabilities. Under the financial framework the Company could further seek borrowings from Third Party debt as a mitigation strategy. The Board's consideration of going concern is described in note 21(b).

### Basis of consolidation

The Group's Consolidated Financial Statements are presented in pounds sterling. For the purposes of presenting the Consolidated Financial Statements, the assets and liabilities of the Group's non-sterling functional currency entities are translated into sterling at exchange rates prevailing at the balance sheet date. The results of these entities are translated into pounds sterling at the average rates of exchange for the relevant period, disclosed in S1.

The consolidated Financial Statements incorporate the Financial Statements of the parent company and entities controlled by the parent company (its subsidiaries), encompassing their financial activities up to the end of each year on the 31<sup>st</sup> December.

### (b) Standards, amendments and interpretations effective or adopted in 2023

The following standards and amendments to IFRS became effective for the period beginning 1 January 2023 and did not have a material impact on the Consolidated Financial Statements:

- Amendments to IFRS 17 'Insurance Contracts';
- Amendments to IAS 1: 'Presentation of Financial Statements' – disclosure of accounting policies;
- Amendments to IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' – definition of accounting estimates; and
- Amendments to IAS 12 'Income Taxes'
  - Deferred tax related to assets and liabilities arising from a single transaction.
  - International tax reform, pillar two model rules.

## 1. BASIS OF PREPARATION, SUMMARY OF NEW ACCOUNTING POLICIES AND REPORTING CHANGES

CONTINUED

### (c) Standards and amendments that are issued but not yet applied by the Group

The Group has not applied the following standards or amendments relevant to the Group's operations in the Consolidated Financial Statements as they are not yet effective or endorsed by the United Kingdom:

- Amendments to IAS 1 'Presentation of Financial Statements':
  - Classification of liabilities as current or non-current, effective 1 January 2024; and
  - Non-current liabilities with covenants, effective 1 January 2024.
- Amendments to IFRS 16 'Leases'- sale and leaseback; effective from 1 January 2024;
- Amendments to IFRS 7 and IAS 7 'Supplier Finance Arrangements'; effective from 1 January 2024;
- Amendments to IAS 21 'The Effects of Foreign Exchange Rates'; effective from 1 January 2025; and
- Amendments to IFRS 10 'consolidated financial statements' and IAS 28 'Investments in Associates and Joint Ventures'; effective date deferred but available for early adoption.

Management does not currently expect the future application of these amendments to have a material impact on the amounts reported and disclosed in the Consolidated Financial Statements.

## 2. SPECIFIC ACCOUNTING MEASURES

### Exceptional items and re-measurements of energy contracts

To be able to provide readers with clear information regarding the business performance of the Group, the effects of re-measurements of energy contracts and exceptional items are reported separately in the Consolidated Income Statement.

The Group enters into a number of forward energy trades to protect and optimise the value of its underlying production. These trades are designed to reduce the risk of holding such assets and are subject to strict risk limits and controls. Primarily, because some of these trades include terms that permit net settlement (they are prohibited from being designated as 'own use'), the rules within IFRS 9: 'Financial instruments' require them to be individually fair valued. Fair value movements on these commodity derivative trades do not reflect the underlying performance of the business

## 2. SPECIFIC ACCOUNTING MEASURES

CONTINUED

because they are economically related to the Group's production assets which are typically not fair valued.

The Group's result for the year presents both realised and unrealised fair value movements on all derivative energy contracts within the 're-measurement of energy contracts' line item.

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. To ensure the Group Income Statement reflects the underlying results of the Group, these exceptional items are also reported separately in the Group Income Statement. Items that may be considered exceptional in nature include disposals of businesses or significant assets, business restructurings, asset impairments/write-backs, the tax effects of these items and the effect of changes in UK upstream tax rates.

The Group distinguishes between business performance asset impairments/write-backs and exceptional impairments/write-backs on the basis of the underlying driver of the impairment, as well as the magnitude of the impairment. Drivers that are deemed to be outside of the control of the Group (e.g. commodity price changes) give rise to exceptional impairments. Additionally, impairment charges that are of a one-off nature (e.g. reserves downgrades) and significant enough value to distort the underlying results of the business are considered to be exceptional. Other impairments that would be expected in the normal course of business are not classed as exceptional.

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

#### (a) Critical judgements in applying the Group's accounting policies

Such key judgements include the following:

- the presentation of selected items as exceptional (see notes 2 and 6); and
- the classification of energy procurement contracts as derivative financial instruments and presentation as re-measurements of energy contracts (see notes 2, 6 and 16).

In addition, management has made the following key judgements in applying the Group's accounting policies that have the most significant effect on the Consolidated Financial Statements:

##### Spirit Energy Limited preference shares

As part of the acquisition of Spirit Energy Limited, preference shares have been issued to GBGH and SWM Gasbeteiligungs GmbH. Management have reviewed the redemption and conversion rights of the shares and have concluded that in each case the redemption is at the discretion of the issuer, Spirit Energy Limited. Whilst the agreements provide incentives for GBGH to redeem these shares through the waiver of its dividend under certain circumstances, and the agreements indicate an intention to redeem, management have concluded that Spirit Energy Limited retains the discretion to avoid redemption and therefore the preference shares do not represent an obligation.

Similarly, the conversion rights are at the discretion of Spirit Energy Limited and do not create an obligation. Accordingly, the preference shares are deemed to represent equity rather than a financial liability.

During 2023, redemption of 33 million preference shares was approved. Further details of these transactions can be found in note 22.

#### (b) Key sources of estimation uncertainty

The sections below detail the assumptions the Group makes about the future and other major sources of estimation uncertainty when measuring its assets and liabilities at the reporting date. The information given relates to the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to those assets and liabilities in the next financial year.

Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions.

Although these estimates and associated assumptions are based on management's best knowledge of current events and circumstances, actual results may differ.

##### Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of oil and gas fields is reviewed annually and is based on reserves, price levels and technology at the balance sheet date. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the production life of the respective field, but the majority of costs are currently anticipated to be incurred by 2034 (2022: 2033). As of the year end, this balance stood at £1,191 million (per note 18).

The key estimation uncertainty is the discount rate used to discount the estimated decommissioning costs. The real discount rate used to discount the decommissioning liabilities at 31 December 2023 was 1% (2022: 1%). A 1% variation in this discount rate would change the decommissioning liabilities by approximately £56 million before taxation (2022: £50 million).

##### Gas and liquids reserves

The volume of proven and probable (2P) gas and liquids reserves is an estimate that affects the unit of production method of depreciating producing gas and liquids Property, plant and equipment (PP&E) as well as being a significant estimate affecting decommissioning and impairment calculations. The factors impacting gas and liquids estimates and the process for estimating reserve quantities and reserve recognition are described on page 88.

The impact of a change in estimated 2P reserves is dealt with prospectively by depreciating the remaining book value of producing assets over the expected future production. If 2P reserves estimates are revised downwards, earnings could be affected by higher depreciation expense or an immediate write-down (impairment) of the asset's book value. Due to the complex interaction of field-specific factors it is not possible to give a meaningful sensitivity of the Group's financial position or performance to gas and liquids reserves. However, price sensitivity is aligned to the impact that would be identified from a reserves movement.

##### Determination of fair values – energy derivatives

Fair values of energy derivatives are estimated by reference in part to published price quotations in active markets and in part by using valuation techniques. More detail on the sensitivity analysis and key assumptions used in determining fair valuations of energy derivatives, such as forward commodity prices, is provided in note S2 and S3.



### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

CONTINUED

#### Impairment of long-lived assets

The Group has several material long-lived assets, which are assessed or tested for impairment at each reporting date in accordance with the Group's accounting policy as described in note 6. The Group makes judgements and estimates in considering whether the carrying amounts of these assets or cash generating units (CGUs) are recoverable. The key assets that are subjected to impairment tests are development and production gas and oil assets, as detailed below.

#### Development and production gas and oil assets

The recoverable amount of the Group's gas and oil assets is determined by discounting the post-tax cash flows expected to be generated by the assets over their lives, taking into account those assumptions that market participants would consider when assessing fair value. The cash flows are derived from projected production profiles of each field, based predominantly on expected 2P reserves and take into account forward prices for gas and liquids over the relevant period. Where forward market prices are not available, prices are determined based on internal model inputs.

In 2023, ongoing commodity price fluctuations heightened estimation uncertainty in gauging the value of gas and oil assets. Nevertheless, as maximum write-backs had already been acknowledged in prior periods, no further write-backs were recognized in 2023.

The valuation of production assets are particularly sensitive to the price assumptions made in the impairment calculations. Further details of the assumptions used in determining the recoverable amounts, the impairments and the impairment reversals booked during the year and the sensitivity to the assumptions, including assumptions for climate-related matters and forward commodity prices, are provided in note 6.

#### Climate change

Climate change was identified as a key estimation uncertainty. When conducting impairment assessments per IAS 36 'Impairment of Assets', considerations around the carbon costs associated with climate change have been factored into the asset cases when determining the recoverable amounts. For operated and non-operated assets, the price curves are derived from external sources with long term price assumptions from third-party comparator median curves. These are deemed to be aligned with prices a reasonable market participant would use.

Exposure to Climate-related matters does not currently present an indicator of impairment within the Group's gas and oil assets when adjusting for the Net zero price curves. An adjustment for the prices based on the Net zero curves would reduce the NPV by £1 million however, this would not result in any impairment in 2023 (2022: £nil million impairment) across our portfolio of assets, therefore not a key uncertainty for the year ended 31 December 2023. Please refer to note 6 for further information on the sensitivity.

#### Uncertain Tax Position (UTP)

The Group provided an indemnity to Sval Energi following the sale of the Norwegian business and the transfer of the legal liabilities in respect of open tax disputes. Given the complexity of these disputes, the group has estimated the owed amount based on historical trends. Refer to note 8a footnote for further detail.

#### Deferred tax assets

The Group recognises deferred tax assets for deductible temporary differences and carried forward tax losses and allowances. At 31 December 2023, total deferred tax assets of £331 million were recognised. As set in note 13, the Group also has total deductible temporary differences and carried forward tax losses and allowances of £838 million. These have not been recognised based on future forecast profitability. If the Group's forecast profitability was to increase, primarily due to increased commodity prices, then additional deferred tax assets may be recognised. If the Group's forecast profitability was to decrease, then current deferred tax assets recognised may be de-recognised.

## 4. REVENUE

The principal activities from which the Group derives its revenues are the production and processing of gas and oil. An analysis of the Group's revenue is set out in the table below.

Year ended 31 December	2023 £m	2022 £m
<b>Revenue from continuing operations</b>		
<b>IFRS 15 revenue</b>		
Sale of goods:		
Gas	822	2,098
Oil and liquids	66	90
Pipeline tariff revenue	29	31
Other revenue	30	31
<b>Total IFRS 15 revenue from continuing operations</b>	<b>947</b>	<b>2,250</b>
<b>Revenue from discontinued operations</b>		
<b>IFRS 15 revenue</b>		
Sale of goods:		
Gas	-	381
Oil and liquids	-	246
Pipeline tariff revenue	-	11
<b>Total IFRS 15 revenue from discontinued operations</b>	<b>-</b>	<b>638</b>
<b>Total revenue from operations</b>	<b>947</b>	<b>2,888</b>

An analysis of revenue by geographical territory, based on the location of the customer, is set out the in the table below.

Year ended 31 December	2023 £m	2022 £m
<b>Continuing operations</b>		
UK	934	2,225
Switzerland	8	11
Netherlands	5	12
Rest of the world	-	2
<b>Total revenue from continuing operations</b>	<b>947</b>	<b>2,250</b>
<b>Discontinued operations</b>		
UK	-	537
Norway	-	14
Switzerland	-	53
Rest of the world	-	34
<b>Total revenue from discontinued operations</b>	<b>-</b>	<b>638</b>
<b>Total revenue</b>	<b>947</b>	<b>2,888</b>

## 5. COST OF OPERATIONS

### (a) Analysis of costs by nature

Year ended 31 December	Note	Cost of sales £m	Operating costs £m	2023 Total costs £m	Costs of sales £m	Operating costs £m	2022 Total costs £m
<b>Continuing operations</b>							
Transportation and distribution costs		(75)	-	(75)	(66)	-	(66)
Commodity costs		(25)	-	(25)	(26)	-	(26)
Depreciation, amortisation, impairments and write-downs of fixed assets <sup>(iii)</sup>		(258)	(44)	(302)	(341)	(100)	(441)
Employee costs <sup>(i)</sup>		(22)	(44)	(66)	(23)	(47)	(70)
Profit on disposal		-	2	2	-	5	5
Other direct costs <sup>(iii)</sup>		(262)	(10)	(272)	(230)	(17)	(247)
<b>Total costs before exceptional items and re-measurement of energy contracts for continuing operations</b>		<b>(642)</b>	<b>(96)</b>	<b>(738)</b>	<b>(686)</b>	<b>(159)</b>	<b>(845)</b>
<b>Discontinued operations</b>							
Transportation and distribution costs		-	-	-	(31)	-	(31)
Commodity costs		-	-	-	(3)	-	(3)
Employee costs <sup>(i)</sup>		-	-	-	-	(8)	(8)
Other direct costs	10	-	-	-	(24)	(8)	(32)
<b>Total costs for discontinued operations</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(58)</b>	<b>(16)</b>	<b>(74)</b>
Exceptional items	6a	-	-	-	-	(183)	(183)
<b>Total costs within Group operations (loss)/profit for discontinued operations</b>	10	<b>-</b>	<b>-</b>	<b>-</b>	<b>(58)</b>	<b>(199)</b>	<b>(257)</b>

(i) Only includes costs incurred by employing legal entities within the Group. Costs for staff employed by legal entities outside the Group are recharged and recognised within 'Other direct costs'.

(ii) Included within cost of sales are operated and non-operated production costs, maintenance charges, recharged labour costs, tariffs and royalty expenses. Included within operating costs are insurance premiums, non-capital exploration costs, recharged labour costs and office and administrative costs. Operating costs also includes inventory impairment as detailed in note 15.

(iii) Included within the depreciation, amortisation, impairments and write-downs of fixed assets Impairments line of operating costs is £31 million which related to Brae assets and are mainly due to significant increases in decommissioning provision driven by inflation (2022: £84 million related to £64 million Chiswick C7 well and £20 million write offs of the remaining Brae assets).

### (b) Re-measurement of energy contracts

Year ended 31 December	Note	2023 £m	2022 £m
Certain re-measurements of energy contracts	6b	1,164	511
Settlement of energy contracts		(3)	(1,305)
<b>Re-measurement of energy contracts</b>		<b>1,161</b>	<b>(794)</b>

## 5. COST OF OPERATIONS

CONTINUED

### (c) Employee costs

Year ended 31 December	Note	2023 £m	2022 £m
<b>Continuing operations</b>			
Wages and salaries		(55)	(58)
Social security costs		(5)	(6)
Pension and other post-employment benefits costs	19	(6)	(6)
<b>Employee costs expended for continuing operations</b>		<b>(66)</b>	<b>(70)</b>
<b>Discontinued operations</b>			
Wages and salaries		-	(6)
Social security costs		-	(1)
Pension and other post-employment benefits costs	19	-	(1)
<b>Employee costs expended for discontinued operations</b>		<b>-</b>	<b>(8)</b>

Details of the remuneration of key management personnel are given in note S5.

### (d) Average number of employees during the year

Year ended 31 December	2023 Number	2022 Number
<b>Continuing operations</b>		
UK	423	470
Netherlands	50	52
<b>Average number of employees for continuing operations</b>	<b>473</b>	<b>522</b>
<b>Discontinued operations</b>		
Norway	-	99
<b>Average number of employees for discontinued operations</b>	<b>-</b>	<b>99</b>

## 6. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS OF ENERGY CONTRACTS

### (a) Exceptional items

Year ended 31 December	Note	2023 £m	2022 £m
<b>Continuing operations</b>			
Tax related exceptional items <sup>(ii)</sup>	8	27	(197)
<b>Net exceptional items after taxation</b>		<b>27</b>	<b>(197)</b>
<b>Discontinued operations</b>			
Taxation on exceptional items <sup>(i)</sup>		-	(183)
<b>Exceptional items included within Group operating loss</b>		<b>-</b>	<b>(183)</b>
<b>Net exceptional items after taxation</b>		<b>-</b>	<b>(183)</b>

(i) In 2022 the profit/(loss) represents the loss on disposal for the Norway Business and Statfjord fields, see note 10 for further details.

(ii) In 2023 Spirit Energy de-recognised £55 million (2022: recognised £153 million) of deferred tax assets in relation to tax losses and recognised an additional £1 million and £51 million of deferred tax assets in relation to decommissioning provisions and deferred PRT mainly due to a deterioration in commodity prices and long-term forecasts (2022: derecognised £31 million) of deferred tax assets in relation to decommissioning provisions and recognised £30 million of deferred tax assets in respect of re-basing (2022: Provided £319 million deferred tax liability in respect of rebasing) of accelerated capital allowances in relation to the Energy Profit Levy as a result of revised production profiles.

### (b) Certain re-measurements of energy contracts

Year ended 31 December	Note	2023 £m	2022 £m
Certain re-measurements recognised in relation to energy contracts:			
Net gain/(loss) arising on market price movements and new contracts		567	(428)
Net gain arising on delivery of contracts		597	939
<b>Net gain from unrealised re-measurements of energy contracts included within Group operating profit<sup>(iii)</sup></b>	2, 5b	<b>1,164</b>	<b>511</b>
Realised losses associated with the Statfjord field disposal		-	(84)
<b>Taxable net gain from unrealised re-measurements of energy contracts</b>		<b>1,164</b>	<b>427</b>
Taxation on certain re-measurements	8	(875)	88
<b>Net re-measurements after taxation</b>		<b>289</b>	<b>515</b>

(iii) Certain re-measurement amounts relate to unsettled fair value through profit and loss (FVTPL) mark-to-market commodity derivatives and foreign exchange contracts related to commodity derivatives.

## 6. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS OF ENERGY CONTRACTS

CONTINUED

### (c) Impairment accounting policy, process and sensitivities

The Group reviews the carrying amounts of PP&E annually, or more frequently if events or changes in circumstances indicate that the recoverable amounts may be lower than their carrying amounts. Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is the higher of value in use (VIU) and fair value less costs of disposal (FVLCD).

Oil and gas hubs are the smallest discrete set of assets that individually generate cash flows, largely independent of other assets. If the recoverable amount is estimated to be less than the carrying amount, the carrying amount is reduced to its recoverable amount. When recognising an impairment charge on oil and gas assets, impairment losses are allocated first to reduce fair value and subsequently to reduce carrying value.

#### FVLCD discount rate and cash-flow assumptions

In 2023 impairments and decommissioning provision revisions were not recognised as exceptional due to them being operational in nature. Further details can be found in note 5.

FVLCD is determined by discounting the post-tax cash flows expected to be generated by the gas and oil production and development assets, net of associated selling costs, taking into account those assumptions that market participants would use in estimating fair value. Post-tax cash flows are derived from projected production profiles of each field, taking into account forward prices for gas and liquids over the relevant period. Where forward market prices are not available, prices are determined based on internal model inputs. The date of cessation of production depends on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, production costs, the contractual duration of the licence area and the selling price of the gas and liquids produced. As each field has specific reservoir characteristics and economic circumstances, the post-tax cash flows for each field are computed using individual economic models. Post-tax cash flows used in the FVLCD calculation for the first five years are based on business plans submitted to the Spirit Energy Board and thereafter, are based on long-term production and cash flow forecasts, which management believes reflects the assumptions of a market participant.

The future post-tax cash flows are discounted using a post-tax nominal discount rate of 11% (2022: 10.5%) to determine the FVLCD. The discount rate reflects the current market

assessments of the time value of money and is based on the estimated cost of capital of each CGU. Additionally, risks specific to the cash flows of the CGUs are reflected within cash flow forecasts. Inflation rates used in the five-year business plan were based on a blend of a number of publicly-available inflation forecasts for the UK. Inflation rates used were 7.5% for 2023, 3.1% for 2024 and 2.1% for 2025 (2022: 13.1%).

The valuation of production assets are particularly sensitive to the price assumptions made in the impairment calculations. To illustrate this, the price assumptions for gas and oil have been varied by +/-10%. Changes in price generate different production profiles and, in some cases, the date that an asset ceases production. This has been considered in the sensitivity analysis. Otherwise, all other operating costs, life of field capital expenditure and abandonment expenditure assumptions remain unchanged. For production assets, an increase in gas and oil prices of 10% would not have an impact on previous post-tax write backs of the underlying production assets due to assets being written back to their maximum values after adjusting for depreciation. A reduction of 10% would give rise to a £15 million impairment for the underlying production assets (2022: £nil). Given the uncertainty around commodity prices during 2023, a further sensitivity has been calculated based on a 50% fall in liquid and blend-period commodity prices only, this would result in additional post-tax impairments of £249 million being recognised (2022: £151 million).

Exposure to climate-related matters does not currently present an indicator of impairment within the Group's gas and oil assets. However, recognising the uncertainty around climate change and international governmental intervention to reduce CO<sub>2</sub> emissions on forecast prices, a sensitivity analysis has been performed based on forecast prices aligned to the International Energy Agency's ('IEA') Sustainable Development Scenarios, which assumes governmental policies are put in place to align with temperature goals under the Paris Agreement.

The sensitivity retains the prices for the liquid period (4 years) but replaces the longer term with IEA's forecast prices for Sustainable Development. Based on these price assumptions, there would be no change to the impairment charge recognised on the Group's portfolio of assets (2022: £nil).

## **6. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS OF ENERGY CONTRACTS**

CONTINUED

### **Fair value hierarchy**

The fair value of exceptional items and re-measurements of energy contracts measured and held at fair value has been determined using level 2 of the fair value hierarchy (see note S3 for further details).

Significant inputs in determining the CGU fair value are oil and gas reserves and production profiles, forward commodity prices and foreign exchange curves, future capital expenditure, decommissioning and direct cost estimates. Cash flows are discounted using a post-tax nominal discount rate of 11% (2022: 10.5%).

Re-measurements of energy contracts are energy derivative contracts and foreign exchange contracts related to energy derivatives, which are valued at the balance sheet date using quoted future market prices.

## 7. NET FINANCE COSTS

Year ended 31 December	2023			2022		
	Financing income/(costs) £m	Investment income £m	Total £m	Financing Income/(costs) £m	Investment income £m	Total £m
<b>Continuing operations</b>						
Interest income	-	58	58	-	18	18
Interest cost and financing fees	(2)	-	(2)	(5)	-	(5)
Interest cost on leases	(1)	-	(1)	-	-	-
	<b>(3)</b>	<b>58</b>	<b>55</b>	<b>(5)</b>	<b>18</b>	<b>13</b>
Net gains on revaluation	(11)	12	1	2	-	2
Notional interest arising from discounting	(18)	-	(18)	(2)	-	(2)
<b>Net finance income/(costs)</b>	<b>(32)</b>	<b>70</b>	<b>38</b>	<b>(5)</b>	<b>18</b>	<b>13</b>
<b>Discontinued operations</b>						
Net gains on revaluation	-	-	-	11	-	11
Interest cost on leases	-	-	-	(1)	-	(1)
<b>Net finance income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>10</b>



## 8. TAXATION

### (a) Analysis of tax charge

Year ended 31 December	2023			2022		
	Business performance £m	Exceptional items and certain re-measurements of energy contracts £m	Results for the year £m	Business performance £m	Exceptional items and certain re-measurements of energy contracts £m	Results for the year £m
<b>Continuing operations</b>						
<b>Current tax</b>						
UK corporation tax	(87)	13	(74)	(56)	34	(22)
UK petroleum revenue tax	1	-	1	2	-	2
Energy Profits Levy – Current Tax	(160)	12	(148)	(20)	21	1
Non-UK tax	(2)	-	(2)	-	-	-
Adjustments in respect of prior years – UK	15	-	15	(12)	-	(12)
Adjustment in respect of prior years- non-UK	4	-	4	-	-	-
<b>Total current tax</b>	<b>(229)</b>	<b>25</b>	<b>(204)</b>	<b>(86)</b>	<b>55</b>	<b>(31)</b>
<b>Deferred tax</b>						
Origination and reversal of temporary differences – UK	(9)	(530)	(539)	(53)	(66)	(119)
UK petroleum revenue tax	-	52	52	6	(19)	(13)
Energy Profits Levy – Deferred Tax						
Origination and reversal of temporary differences – UK	39	(386)	(347)	11	(79)	(68)
Adjustments in respect of prior years – UK	(3)	(9)	(12)	16	-	16
<b>Total deferred tax</b>	<b>27</b>	<b>(873)</b>	<b>(846)</b>	<b>(20)</b>	<b>(164)</b>	<b>(184)</b>
<b>Total taxation on profit/(loss)</b>	<b>(202)</b>	<b>(848)</b>	<b>(1,050)</b>	<b>(106)</b>	<b>(109)</b>	<b>(215)</b>
<b>Discontinued operations</b>						
Current tax- non-UK	-	-	-	(340)	-	(340)
Deferred tax- origination and reversal of temporary differences- non-UK	-	-	-	(83)	-	(83)
Deferred tax- origination and reversal of temporary differences- UK	-	-	-	(19)	-	(19)
<b>Total taxation of profit/(loss) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(442)</b>	<b>-</b>	<b>(442)</b>
<b>Total taxation on profit/(loss) for the year</b>	<b>(202)</b>	<b>(848)</b>	<b>(1,050)</b>	<b>(548)</b>	<b>(109)</b>	<b>(657)</b>

Tax on items taken directly to equity is disclosed in the Consolidated Statement of Comprehensive Loss and the Consolidated Statement of Changes in Equity. The Group earns the majority of its profits in the UK. UK exploration and production activities are taxed at a corporation tax rate of 30% (2022: 30%) plus a supplementary charge of 10% (2022: 10%) and an Energy Profits Levy of 35% (2022: 25%) to give an overall rate of tax on upstream activities of 75% (2022: 65%). Petroleum revenue tax (PRT) is now set at nil% (2022: nil%) but may still give rise to refunds from the carry-back of excess reliefs (for example, from decommissioning) against historical profits taxed at 50%. Within current tax liabilities are amounts totalling £nil (2022: £nil) that are to be settled with the ultimate parent group companies.

The historical tax dispute with the Norwegian Tax Authority, relating to uncertain tax provision (UTP), has been acknowledged as a corresponding indemnity liability to Sval for the gross amount of £127m (2022: £130m). The Group's non-upstream UK profits are taxed at the standard rate of 23.5% (2022: 19%).

**8(A). TAXATION**

CONTINUED

The Group has applied the temporary exception, introduced in May 2023, from the accounting requirements for deferred taxes in IAS 12, so that the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

**(b) Factors affecting the tax charge**

The difference between the total tax shown above and the amount calculated by applying the upstream rate of UK corporation tax to the profit before taxation is as follows:

Year ended 31 December	2023		2022			
	Business performance £m	Exceptional items and certain re-measurements of energy contracts £m	Results for the year £m	Business performance £m	Exceptional items and certain re-measurements of energy contracts £m	Results for the year £m
<b>Continuing operations</b>						
<b>Group profit before tax</b>	<b>247</b>	<b>1,161</b>	<b>1,408</b>	<b>197</b>	<b>427</b>	<b>624</b>
Tax on profit/(loss) at UK corporation tax rate of 75% (2022: 65%)	(185)	(871)	(1,056)	(128)	(278)	(406)
Effects of:						
Movement in tax rates	(2)	-	(2)	5	(117)	(112)
Non-taxable disposals	-	-	-	(17)	-	(17)
Other non-allowable/non-taxable items	19	6	25	(7)	-	(7)
Upstream investment incentives	(48)	-	(48)	32	95	127
EPL rebasing on deferred tax	-	30	30	-	154	154
UK petroleum revenue tax rates	-	51	51	1	(12)	(11)
Non-UK tax rates	(1)	-	(1)	-	-	-
Goodwill and investment impairments	-	-	-	-	(8)	(8)
Movement in indemnity provisions	(2)	-	(2)	-	-	-
Movement in unrecognised deferred tax assets	-	(54)	(54)	2	57	59
Adjustments in respect of prior years	17	(10)	7	6	-	6
<b>Taxation on profit for the year</b>	<b>(202)</b>	<b>(848)</b>	<b>(1,050)</b>	<b>(106)</b>	<b>(109)</b>	<b>(215)</b>
Movement in deferred tax	(27)	873	846	20	164	184
<b>Current tax from continuing operations</b>	<b>(229)</b>	<b>25</b>	<b>(204)</b>	<b>(86)</b>	<b>55</b>	<b>(31)</b>
<b>Current tax from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(340)</b>	<b>-</b>	<b>(340)</b>
<b>Total current tax on profit for the year</b>	<b>(229)</b>	<b>25</b>	<b>(204)</b>	<b>(426)</b>	<b>55</b>	<b>(371)</b>

The Group is subject to taxation in a number of jurisdictions. The complexity of applicable rules may result in legitimate differences of interpretation between the Group and taxing authorities (or between different taxing authorities) especially where an economic judgement or valuation is involved.

**(c) Factors that may affect future tax charges**

The Group's effective tax rates are impacted by changes to the mix of activities and production across the territories in which it operates. Effective tax rates may also fluctuate where profits and losses cannot be offset for tax purposes.

2023 UK operations are subject to an effective tax rate in line with the current UK upstream tax rate.

## 9. DIVIDENDS

<b>Year ended 31 December</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>£m</b>	<b>Pence per share</b>	<b>Date of payment</b>	<b>£m</b>	<b>Pence per share</b>	<b>Date of payment</b>
Prior year final dividend						
Ordinary shares	-	-	-	375	39.27	9 June 2022
Interim dividend	28	2.93	23 May 2023	64	6.74	12 December 2022

The Directors proposed an interim dividend of 2.93 pence per ordinary share and nil pence per preference share, totalling £28 million for the year ended 31 December 2023. The dividend was approved by the Board on 22 May 2023 and paid on 23 May 2023 (In the year ending 31 December 2022 the final dividend of 39.27 pence per ordinary share and nil pence per preference share, totalling £375 million).

Notwithstanding the provisions of the Articles, the Shareholders have agreed to disapply certain provisions of the Articles in order to pay dividends on the ordinary shares following the sale of the Norwegian business, despite not having redeemed all of the preference shares first.

The Group has sufficient distributable reserves to pay dividends to its ultimate shareholders. Distributable reserves are calculated on an individual legal entity basis and the ultimate parent company, Spirit Energy Limited, currently has adequate levels of realised profits within its retained earnings to support dividend payments. Refer to the Spirit Energy Limited Company Balance Sheet on page 80.

## 10. ACQUISITIONS AND DISPOSALS

### (a) Acquisitions

No acquisitions or material disposal have been made by the Group in 2023.

### (b) Disposals and discontinued operations

The Group disposed of the Statfjord Fields and the remaining Norwegian business in 2022. The results of the Statfjord fields and remaining Norwegian business for 2022 are shown below.

Year ended 31 December	Notes	2023 £m	2022 £m
Revenue	4	-	638
Cost of sales	5a	-	(58)
<b>Gross profit</b>		<b>-</b>	<b>580</b>
Operating costs	5a	-	(16)
Exceptional items	6a	-	(183)
<b>Total operating cost</b>		<b>-</b>	<b>(199)</b>
<b>Operating profit</b>		<b>-</b>	<b>381</b>
Net financing income	7	-	10
<b>Profit before taxation</b>		<b>-</b>	<b>391</b>
Taxation on profit	8	-	(442)
<b>Loss after taxation for the year</b>		<b>-</b>	<b>(51)</b>

## 10. ACQUISITIONS AND DISPOSALS

CONTINUED

The cash flows arising from discontinued operations for 2022 and presented net within the Group Consolidated Cash Flow Statement, are shown below.

Year ended 31 December	Notes	2023 £m	2022 £m
<b>Operating profit</b>		-	<b>381</b>
Add back/(deduct):			
Loss on disposals		-	183
<b>Operating cash before movements in working capital and exceptional payments</b>		-	<b>564</b>
Increase in inventories		-	2
Decrease in trade and other receivables		-	44
Increase in trade and other payables		-	82
<b>Cash generated by operations</b>		-	<b>692</b>
Taxes paid		-	(300)
Operating interest paid		-	(1)
<b>Net cash from operating activities</b>		-	<b>391</b>
Purchase of property, plant and equipment and intangible assets		-	(119)
Deferred consideration paid		-	(6)
<b>Net cash used in investing activities</b>		-	<b>(125)</b>
Capital element of finance leases	21e	-	(1)
<b>Net cash used in financing activities</b>		-	<b>(1)</b>
<b>Net increase in cash and cash equivalents</b>		-	<b>265</b>

# 11. PROPERTY, PLANT AND EQUIPMENT

## (a) Carrying amounts

	Note	2023			2022				
		Land and buildings £m	Plant and equipment £m	Gas and oil production £m	Total £m	Land and buildings £m	Plant and equipment £m	Gas and oil production £m	Total £m
<b>Cost</b>									
1 January		23	4	10,410	10,437	22	4	10,230	10,256
Additions		-	-	77	77	-	-	129	129
Transfer from other intangible assets		-	-	-	-	-	-	1	1
Disposals		-	-	-	-	-	-	(39)	(39)
Write downs <sup>(i)</sup>		-	-	-	-	-	-	(64)	(64)
Decommissioning liability revisions and additions	18	-	-	111	111	-	-	75	75
Exchange adjustments		-	-	(31)	(31)	1	-	78	79
<b>31 December</b>		<b>23</b>	<b>4</b>	<b>10,567</b>	<b>10,594</b>	<b>23</b>	<b>4</b>	<b>10,410</b>	<b>10,437</b>
<b>Accumulated depreciation and impairment</b>									
1 January		(14)	(4)	(9,280)	(9,298)	(11)	(4)	(8,866)	(8,881)
Charge for the year		(3)	-	(268)	(271)	(3)	-	(354)	(357)
Impairment charge <sup>(i)</sup>		-	-	(31)	(31)	-	-	(20)	(20)
Disposals		-	-	-	-	-	-	29	29
Exchange adjustments		-	-	27	27	-	-	(69)	(69)
<b>31 December</b>		<b>(17)</b>	<b>(4)</b>	<b>(9,552)</b>	<b>(9,573)</b>	<b>(14)</b>	<b>(4)</b>	<b>(9,280)</b>	<b>(9,298)</b>
<b>Net book value at 31 December</b>		<b>6</b>	<b>-</b>	<b>1,015</b>	<b>1,021</b>	<b>9</b>	<b>-</b>	<b>1,130</b>	<b>1,139</b>

(i) Write downs and impairment charges are related to the increased decommissioning provision for the Brae asset. The write downs and impairment charges, totalling £31 million, have been recognised within operating costs (2022: £84 million impairment charge recognised within operating costs). Refer to note 6C for further details.

## (b) Assets in the course of construction included in the above carrying amounts

As at 31 December	2023 £m	2022 £m
Gas and oil production	21	56

## (c) Right-of-use assets included in above carrying amounts

	2023		2022	
	Land and Buildings £m	Gas and oil Production £m	Total £m	Total £m
Net book value 1 January	7	16	23	37
Additions	-	8	8	12
Depreciation charge for the year	(2)	(10)	(12)	(15)
Disposals	-	-	-	(11)
<b>Net book value at 31 December</b>	<b>5</b>	<b>14</b>	<b>19</b>	<b>23</b>

## 12. OTHER INTANGIBLE ASSETS AND GOODWILL

### (a) Carrying amounts

	2023			2022		
	Exploration and evaluation expenditure £m	Emissions allowances £m	Other intangibles £m	Exploration and evaluation expenditure £m	Emissions allowances £m	Other intangibles £m
<b>Cost</b>						
1 January	-	2	7	-	-	7
Additions	-	13	-	11	2	-
Transfers to property, plant and equipment	-	-	-	(1)	-	-
Transfer to disposal groups held for sale	-	-	-	(10)	-	-
Disposals	-	(2)	-	-	-	-
<b>31 December</b>	<b>-</b>	<b>13</b>	<b>7</b>	<b>-</b>	<b>2</b>	<b>7</b>
<b>Accumulated amortisation</b>						
1 January	-	-	(7)	-	-	(7)
<b>31 December</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>(7)</b>
<b>Net book value as at 31 December</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>

	2023 Current £m	2023 Non-current £m	2022 Current £m	2022 Non-current £m
<b>As at 31 December</b>				
Emission allowances	13	-	-	2
	<b>13</b>	<b>-</b>	<b>-</b>	<b>2</b>

## 13. DEFERRED TAX LIABILITIES AND ASSETS

	Note	Accelerated tax depreciation (corporation tax) £m	Net decommissioning £m	Losses carried forward £m	Other timing differences £m	Marked-to-market positions £m	Net deferred petroleum revenue tax £m	Total £m
As at 1 January 2022		(426)	444	183	3	479	42	725
(Charge)/credit to income	8	(160)	(97)	27	(78)	35	(13)	(286)
Disposal of business		-	-	-	4	-	-	4
Transfer of deferred tax liabilities to group classified as held for sale		(13)	-	-	82	-	-	69
Exchange and other adjustments		-	-	-	(3)	-	-	(3)
<b>As at 31 December 2022</b>		<b>(599)</b>	<b>347</b>	<b>210</b>	<b>8</b>	<b>514</b>	<b>29</b>	<b>509</b>
(Charge)/credit to income	8	122	(21)	(119)	(1)	(879)	52	(846)
Exchange and other adjustments		-	-	-	(3)	-	-	(3)
<b>As at 31 December 2023</b>		<b>(477)</b>	<b>326</b>	<b>91</b>	<b>4</b>	<b>(365)</b>	<b>81</b>	<b>(340)</b>

Certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is an analysis of the gross deferred tax balances and associated offsetting balances for financial reporting purposes:

<b>As at 31 December</b>	Assets £m	2023 Liabilities £m	Assets £m	2022 Liabilities £m
Gross deferred tax balances	331	(671)	1,358	(849)
Offsetting deferred tax balances	(331)	331	(849)	849
<b>Net deferred tax balances (after offsetting for financial reporting purposes)</b>	<b>-</b>	<b>(340)</b>	<b>509</b>	<b>-</b>

Deferred tax assets arise principally on decommissioning provisions, trading losses carried forward, SCIA and PRT. Forecasts indicate that there will be suitable taxable profits to utilise those deferred tax assets not offset against deferred tax liabilities. Specific legislative provisions applicable to oil and gas production provide assurance that deferred tax assets relating to decommissioning costs and certain trading losses will be utilised.

At the balance sheet date, the Group had certain unrecognised deductible temporary differences of £838 million (2022: £383 million), of which £744 million (2022: £312 million) are carried forward tax losses and allowances available for utilisation against future taxable profits. None of these losses and allowances will expire within one to five years. All other temporary differences have no expiry date. No deferred tax asset has been recognised in respect of these temporary differences, due to the lack of certainty over future profit streams.

In the 6 March 2024 Budget, an extension to the EPL end date from 31 March 2028 to 31 March 2029 was announced. The impact of this on the Spirit balance sheet is expected to be a deferred tax liability of £70 million.



## 14. TRADE AND OTHER RECEIVABLES

<b>As at 31 December</b>	Note	Current £m	2023 Non-current £m	Current £m	2022 Non-current £m
Financial assets:					
Trade receivables		5	-	1	-
Other accrued income		13	-	10	-
Related-party receivables	s5	172	-	356	-
Other receivables (including loans)		6	3	32	3
		<b>196</b>	<b>3</b>	<b>399</b>	<b>3</b>
Less: provision for credit losses		(1)	-	(1)	-
		<b>195</b>	<b>3</b>	<b>398</b>	<b>3</b>
Non-financial assets: prepayments and other receivables					
		9	-	9	1
		<b>204</b>	<b>3</b>	<b>407</b>	<b>4</b>

Receivables are generally considered to be credit impaired when the payment is past the contractual due date. Contractual due dates range from falling due upon receipt to falling due in 30 days from receipt.

Current financial assets within trade and other receivables, net of provision for credit losses:

<b>As at 31 December</b>	2023 £m	2022 £m
Balances that are not past due	194	398
Balances that are past due but not considered to be individually impaired	1	-
	<b>195</b>	<b>398</b>

The provision for credit losses for trade and other receivables is based on the expected credit loss (ECL) model that calculates the expected loss applicable to the receivable balance over its lifetime, in line with the IFRS 9 impairment model requirements using a simplified model. The ECL provision in the current year was £1 million (2022: £1 million).

## 15. INVENTORIES

<b>As at 31 December</b>	2023 £m	2022 £m
Oil in storage and transportation	-	6
Other raw materials and consumables	38	38
	<b>38</b>	<b>44</b>

The Group consumed £2 million (2022: £2 million) of inventories during the year. Write-downs amounting to £3 million (2022: £2 million) were charged to the Consolidated Income Statement in the year. Write-downs reversed in the year were £1 million (2022: £1 million).

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

In cases where a derivative qualifies for hedge accounting, derivatives are classified as fair value hedges or cash flow hedges. The fair value of the Group's derivatives in hedge accounting relationships as at 31 December 2023 was not material. The carrying values of derivative financial instruments by product type for accounting purposes are as follows:

<b>As at 31 December</b>	<b>Assets £m</b>	<b>2023 Liabilities £m</b>	Assets £m	2022 Liabilities £m
Derivative financial instruments – Fair value through profit or loss:				
Energy derivatives	730	(246)	250	(931)
Foreign exchange derivatives	3	(1)	5	(8)
Derivative financial instruments in hedge accounting relationships:				
Foreign exchange derivatives	-	-	-	(3)
<b>Total derivative financial instruments</b>	<b>733</b>	<b>(247)</b>	<b>255</b>	<b>(942)</b>
Included within:				
Derivative financial instruments – current	626	(232)	108	(745)
Derivative financial instruments – non-current	107	(15)	147	(197)

The contracts included within energy derivatives are £484 million (2022: £(656) million) of gas and £nil (2022: £(25) million) of oil financial swaps used to hedge the price at which the Group sells its gas and oil production.

Net gains/(losses) on derivative financial instruments due to re-measurement:

<b>As at 31 December</b>	<b>Income Statement £m</b>	<b>2023 Equity £m</b>	Income Statement £m	2022 Equity £m
Financial assets and liabilities measured at fair value:				
Derivative financial instruments – held for trading under IFRS 9 <sup>(i)</sup>	1,169	-	511	-
Derivative financial instruments in hedge accounting relationships	-	(3)	-	(2)
	<b>1,169</b>	<b>(3)</b>	<b>511</b>	<b>(2)</b>

(i) Total gain relating to energy contracts held under IFRS 9 amounts to £1,164 million and total foreign exchange contracts held under IFRS 9 charge amounts to £5 million

## 17. TRADE AND OTHER PAYABLES

Trade and other payables include accruals and amounts owed to suppliers. Related-party payables relate to amounts due to the Group's Shareholders and their subsidiaries. Further details can be found in note S5.

<b>As at 31 December</b>	Note	Current £m	2023 Non-current £m	Current £m	2022 Non-current £m
Financial liabilities:					
Trade payables		(17)	-	(18)	-
Capital payables		(8)	-	(14)	-
Other payables		(168)	(74)	(146)	(75)
Related-party payables	S5	(13)	-	(145)	-
Accruals		(57)	-	(47)	-
		<b>(263)</b>	<b>(74)</b>	<b>(370)</b>	<b>(75)</b>
Non-financial liabilities					
		(5)	-	(4)	-
		<b>(268)</b>	<b>(74)</b>	<b>(374)</b>	<b>(75)</b>
Current tax Liabilities					
		<b>(75)</b>	-	<b>(10)</b>	-
<b>Total</b>		<b>(343)</b>	<b>(74)</b>	<b>(384)</b>	<b>(75)</b>
Non-financial liabilities:					
Other payables and accruals		(3)	-	(3)	-
Deferred income		(2)	-	(1)	-
		<b>(5)</b>	-	<b>(4)</b>	-

Financial liabilities within current trade and other payables have the following maturity:

<b>As at 31 December</b>	2023 £m	2022 £m
Less than 90 days	(263)	(370)
	<b>(263)</b>	<b>(370)</b>

## 18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	1 January 2023 £m	Charged in the year £m	Utilised £m	Unused and reversed in the year £m	Revisions and additions £m	Transfers <sup>(i)</sup> £m	Foreign exchange £m	31 December 2023 £m
<b>Current provisions</b>								
Decommissioning costs <sup>(ii)</sup>	(171)	-	140	-	5	(95)	-	(121)
Other <sup>(iii)</sup>	(9)	-	-	-	-	-	-	(9)
	<b>(180)</b>	<b>-</b>	<b>140</b>	<b>-</b>	<b>5</b>	<b>(95)</b>	<b>-</b>	<b>(130)</b>

	1 January 2023 £m	Charged in the year £m	Notional interest £m	Unused and reversed in the year £m	Revisions and additions £m	Transfers <sup>(i)</sup> £m	Foreign exchange £m	31 December 2023 £m
<b>Non-current provisions</b>								
Decommissioning costs <sup>(ii)</sup>	(1,008)	(30)	(17)	4	(116)	95	2	(1,070)
Other	(4)	-	-	2	-	-	-	(2)
	<b>(1,012)</b>	<b>(30)</b>	<b>(17)</b>	<b>6</b>	<b>(116)</b>	<b>95</b>	<b>2</b>	<b>(1,072)</b>

(i) Reallocation of provisions from non-current to current.

(ii) Provision has been made for the estimated net present cost of decommissioning gas and oil production facilities at the end of their useful lives. The estimate has been based on 2P reserves, price levels and technology at the balance sheet date. The timings of decommissioning payments are dependent on the production life of the respective field but are currently anticipated to be incurred until 2034 (2022: 2033). The charged and unused and reversed total of £(26) million is recognised within operating costs (2022: £17 million recognised as operating costs). Refer to note S1 for a summary of the Group's decommissioning accounting policy and the discount rates used.

(iii) The other provision relates to production tariffs and onerous contract costs which are expected to be paid within a year.

### Maturity profiles of decommissioning provisions

31 December	2023 £m
2024-2028	(414)
2029-2033	(730)
2034-2044	(47)
	<b>(1,191)</b>

## 19. POST-RETIREMENT BENEFITS

### Defined contribution pension scheme contributions

The cost charged to the Consolidated Income Statement of £6 million (2022: £7 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the scheme.

## 20. COMMITMENTS AND CONTINGENCIES

### (a) Commitments

<b>As at 31 December</b>	<b>2023 £m</b>	<b>2022 £m</b>
<b>Commitments in relation to the acquisition of property, plant and equipment:</b>		
Exploration and Production capital expenditure	29	36
<b>Other commitments:</b>		
Transportation capacity	4	4
Other contracts	7	6

The carrying amount of the ROU assets, additions and depreciation charges as result of the application of IFRS 16 are disclosed in note 11. The total cash outflow in the year for lease arrangements was £13 million (2022: £18 million) and the maturity analysis of cash flows associated with the Group's lease liability at the reporting date is shown in note 21.

Lease amounts which have not been included in the lease liabilities and charged to the Consolidated Income Statement are presented below:

<b>As at 31 December</b>	<b>2023 £m</b>	<b>2022 £m</b>
Short-term leases	-	1

## 20. COMMITMENTS AND CONTINGENCIES

CONTINUED

### (b) Guarantees and indemnities

The Group has provided a number of guarantees and letters of credit to third parties in relation to its production activities, covering liabilities in respect of obligations relating to decommissioning, historic asset acquisitions/disposals, licences and operational agreements and office leases. The guarantees are provided by members of the Group and a number of Centrica group entities. The letters of credit are issued by various financial institutions and are supported by Centrica group entities. The Group pays a charge set on an arms-length basis for the guarantees issued by the Centrica group entities and letters of credit. Spirit Energy has given a counter indemnity for any guarantees and letters of credit issued or supported by entities in the Centrica group.

Most of the guarantees and letters of credit relate to future decommissioning liabilities of production assets owned or partly owned by the Group. They are provided to fellow partners and previous owners of these fields, who may be liable for the Group's share of the decommissioning costs in the event of default by the Group. As at 31 December 2023, £82 million (2022: £84 million) of letters of credit have been issued in respect of decommissioning obligations included in the Consolidated Balance Sheet. The most significant securities relate to the Morecombe field.

Spirit Energy Limited has provided security in favour of Ineos E&P A/S for the Hejre field in Denmark, in the event that the disposed asset will not be developed by the new owner. In addition, there are a number of capped and uncapped guarantees provided by Centrica plc relating to decommissioning security agreements.

As additional assets are developed, additional securities may need to be provided.

Spirit Energy Limited has provided security in favour of the Oil and Gas Authority (OGA), guaranteeing that its licence-holding subsidiaries will each meet their respective licence obligations. This includes providing a guarantee for any sums that may become due from such licensees to OGA. The liability is uncapped.

In relation to the sale of the Norway Business, Spirit Energy Limited has agreed to indemnify, and hold harmless, Sval from and against all any costs, expenses and liabilities related to certain legacy notified tax claims. The amount recognised in the Group's consolidated balance sheet as at 31 December 2023 in respect of the uncertain tax provision related to such notified tax claims was £127 million (2022: £130 million) which is included within trade and other payables, offset by a corresponding indemnity from Centrica GBGH covering any tax liability in excess of £55 million

(2022: £55 million) related to the notified claims which is included within trade and other receivables.

Following the close of the sale the Group and Centrica do not retain any decommissioning liabilities associated with the sold interests beyond the secondary or residual statutory liabilities (including the PCG to the Norwegian state reference above which is likely to remain in place), which are mitigated by decommissioning security agreement and indemnities provided by Sval, Equinor Energy AS and Equinor UK Limited.

## 21. SOURCES OF FINANCE

### (a) Capital management

The Group seeks to maintain an efficient capital structure with a combination of cash and cash equivalents, borrowings and equity, as shown in the table below.

	2023 £m	2022 £m
Cash and cash equivalents	1,397	1,097
Borrowings and bank overdrafts	(59)	(23)
Equity	1,146	846

Capital is managed in order to provide returns for Shareholders and to safeguard the Group's ability to continue as a going concern. Spirit Energy is not subject to any externally-imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities or adjust the dividend payment to Shareholders.

### (b) Liquidity risk and going concern

The Consolidated Financial Statements have been prepared on a going concern basis as the Group is well funded, with flexibility within its financial framework to be sustainable and maintain liquidity in the long term, as described in the basis of preparation in note 1.

The Group has treasury and hedging policies and prepares an annual budget and periodic cash flow forecasts. This enables the Group to monitor and manage liquidity risk. The Group's approved LV1 underpins management's base case and uses gas price assumptions of 66p/th and 75p/th, in 2024 and 2025 respectively, and oil price assumptions of \$80/bbl and \$75/bbl, in 2024 and 2025 respectively. The Group's capital structure means that it is capable of being self-financing through operating cash flows in a range of commodity price environments, for the foreseeable future, being the period until 31 December 2025. The Group aims to maintain a Minimum Reserve Amount which dictates when future distributions can be made.

The Group had net cash and cash equivalents of £1,358 million (2022: £1,097 million) at 31 December 2023. This includes a £39 million (2022: £nil million) bank overdraft and gross cash and cash equivalent of £1,397 million (2022: £1,097 million).

In addition, the Group may request, but is not guaranteed to receive, an amount to cover any emergency or shortfall from its Shareholders. Furthermore, distributions to Spirit Energy's shareholders will only be available provided the cash and cash equivalents balances held by Spirit Energy exceed 1.5x the estimated future pre-tax decommissioning liabilities of the remaining Spirit Energy portfolio.

The principal risks & uncertainties are set out in the Strategic Report on pages 6 and 7. The Group remains committed to stay free cash flow positive in 2024 and 2025 and the Board meet regularly to review the Group's cash flow projections.

The Board has considered the principal risks to these cash flow projections in a sensitivity analysis, the most significant of which is a sustained decline in commodity prices. Whilst the price sensitivity includes both gas and oil, the most significant commodity that impacts Spirit is gas and the impact of oil is negligible. To reflect the higher price curve in 2024 and 2025, we have modelled a 60% stress to both years (which results in prices of 26.3p/th and 30.1p/th in 2024 and 2025 respectively). This sensitivity analysis also includes production outage scenarios and carbon price impacts in respect of carbon costs. The Board has also considered the implications on the Group's collateral requirement, in the event that its immediate parent company does not continue to provide credit support in relation to certain obligations. The Board considers these risks are mitigated by the significant cash and cash equivalents balance noted above. Consequently, the Board is satisfied that the Group can continue as a going concern.

## 21. SOURCES OF FINANCE

CONTINUED

### (c) Lease liabilities, Bank overdrafts, loans and other borrowings

As at 31 December	2023 Current £m	2023 Non-current £m	2022 Current £m	2022 Non-current £m
Lease liabilities	(10)	(10)	(9)	(14)
Bank overdrafts, loans and other borrowings	(39)	-	-	-
	<b>(49)</b>	<b>(10)</b>	<b>(9)</b>	<b>(14)</b>

### (d) Maturity analysis for non-current borrowings

As at 31 December	2023 £m	2022 £m
1-2 years	(6)	(7)
2-5 years	(1)	(5)
>5 years	(3)	(2)
	<b>(10)</b>	<b>(14)</b>

### (e) Net cash/(debt) summary

	Other leases , financing costs accrual and overdraft £m	Gross debt £m	Cash and cash equivalents <sup>(i)</sup> £m	Net cash/(debt) £m
<b>1 January 2022</b>	<b>(47)</b>	<b>(47)</b>	<b>1,251</b>	<b>1,204</b>
Disposal of business	6	6	(18)	(12)
<b>Net debt excluding disposal groups held for sale at 31 December 2021</b>	<b>(41)</b>	<b>(41)</b>	<b>1,233</b>	<b>1,192</b>
Cash outflow from payment of capital element of finance leases	18	18	(18)	-
Financing interest and fees paid	-	-	(8)	(8)
Redemption and cancellation of shares	-	-	(439)	(439)
Dividends paid to equity holders	-	-	(439)	(439)
Remaining cash inflow	-	-	775	775
Exchange adjustments	-	-	(7)	(7)
<b>31 December 2022</b>	<b>(23)</b>	<b>(23)</b>	<b>1,097</b>	<b>1,074</b>
New lease commitments and re-measurement of existing lease liabilities	(10)	(10)	-	(10)
Cash outflow from payment of capital element of finance leases	13	13	(13)	-
Financing interest and fees paid	-	-	(56)	(56)
Redemption and cancellation of shares	-	-	(28)	(28)
Dividends paid to equity holders	-	-	(28)	(28)
Remaining cash inflow	-	-	419	419
Overdraft drawn	(39)	(39)	-	(39)
Exchange adjustments	-	-	6	6
<b>Net debt at 31 December 2023</b>	<b>(59)</b>	<b>(59)</b>	<b>1,397</b>	<b>1,338</b>

(i) Cash and cash equivalents include £1,356 million (2021: £1,091 million) which is due from a related-party and classified as a cash equivalent. Refer to note S5 for the terms and conditions.



## 22. SHARE CAPITAL

Allotted and fully paid share capital of the Company:

<b>As at 31 December</b>	<b>2023 £m</b>	2022 £m
296,056,457 A class ordinary shares of 1 pence each (2022: 296,056,457)	3	3
658,964,372 B class ordinary shares of 1 pence each (2022: 658,964,372)	7	7
1 deferred share of £1 (2022: 1)	-	-
405,549,779 preference shares of 1 pence each (2022: 438,418,426)	4	4
	<b>14</b>	<b>14</b>

The A and B class ordinary shares have attached to them full voting, dividend (including the right to special dividends in the case of B class ordinary shares) and capital distribution (including winding up) rights. They do not confer any rights of redemption.

Special dividends are required to be declared in certain circumstances, subject to the availability of sufficient distributable reserves. The special dividends are therefore not discretionary and as such, are accounted for as a financial liability when the event triggering the special dividend occurs.

The deferred share does not have any right to a dividend or distribution of profits of the Company on winding up. The holder is entitled to repayment of the amount paid up after repayment of the capital paid up on the A ordinary and B ordinary shares. The deferred share does not attach any rights to receive notice of, attend, speak or vote at a general meeting or on any written resolution of the Company.

The preference shares have attached to them voting (only in respect of variation or abrogation of the rights attaching to them), and capital distribution (including on winding up and in such case in priority to ordinary Shareholders) rights. Each preference share shall confer the right to redemption (if the Directors resolve to make a redemption) in priority (other than any special dividend declared, paid or made at any time on the B Ordinary Shares only in accordance with Article 44(2)) to the payment of any dividend to the holders of Ordinary Shares.

The Shareholders' agreement governs further rights to redeem the preference shares and also circumstances when conversion of preference shares can occur, but these are all at the discretion of the Company.

As detailed in note 3, the preference shares are deemed to be equity instruments.

During the year ended 31 December 2023 there was a redemption of 33 million preference shares at 0.85 pence per share, totalling £28 million. The redemption of preference shares was approved by the Board on 22 May 2023 and paid on the 23 May 2023.

In December 2021, by special resolution of the Board of the Directors and in accordance with section 291 of the Companies Act 2006, the Company reduced its share premium by £1,094 million and transferred the resulting distributable reserves to retained earnings.

## **23. PARENT AND ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking and controlling party is GB Gas Holdings Limited, a company registered in England and Wales, which holds a 69% voting interest in the Company. The registered office address is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.

The Company's ultimate parent company and ultimate controlling party is Centrica plc, who through a 100% wholly-owned subsidiary, owns 100% of the ordinary shares in GB Gas Holdings Limited. Centrica plc is a company registered in England and Wales, and is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc Consolidated Financial Statements may be obtained from [www.centrica.com](http://www.centrica.com).

## **24. EVENTS AFTER THE BALANCE SHEET DATE**

A possible contingent liability has been identified relating to the Spirit group's participation in a petroleum licence. At this time, we are not able to ascertain the likelihood of the contingent liability crystallising, the Spirit group's financial exposure associated with it nor the timing of any liability.

# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

## Income statement presentation

The Consolidated Income Statement separately identifies the effects of re-measurement of certain financial instruments, and items that are exceptional, in order to provide readers with a clear and consistent presentation of the Group's underlying performance, as described in note 2.

## Basis of consolidation

See note 1 for further details.

## Revenue

The Group recognises revenue reflecting the transfer of goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue arising from the sale of produced gas is recognised as gas is supplied to a customer. In respect of oil sales, each barrel of oil is considered to be a separate performance obligation satisfied at a point in time – on delivery. The rights and obligations identifiable within a contract where the Group holds sellers' nomination rights are considered to be enforceable from inception of the contract. The transaction price for the contract will include variable consideration based on forecast production and market prices. The point at which the performance obligation is satisfied, and revenue recognised is the point at which control of the commodity passes to the customer according to the contractual trading terms, usually on shipment or delivery to a specified location.

Amounts paid in advance are treated as deferred income, with any amount in arrears recognised as accrued income. These deferred or accrued amounts are then recognised once the recognition criteria are met.

Revenue associated with production sales (of natural gas, crude oil and condensates) is recognised when the customer obtains control of the goods. For oil and natural gas, this generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism. Revenue from the production of natural gas, oil and condensates in which the Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing arrangements (the entitlement method). Tariff revenue from the use of the Group's platform and pipeline facilities is recognised at a point in time, when products are physically transferred into a vessel, pipe or other delivery mechanism as the customer gains control of the use of the pipeline facilities when the goods (oil and gas) are transferred into the vessel, pipe or other delivery mechanism.

## Cost of sales

Cost of sales relating to gas and oil production includes depreciation of assets (see page 62, "Property, plant and equipment PP&E") used in production of gas and oil, tariff costs and direct labour costs.

## Re-measurement and settlement of energy contracts

Re-measurement and settlement of energy contracts includes both realised (settled) commodity sales contracts in the scope of IFRS 9, as well as unrealised (fair value changes) on active contracts, as detailed in note 2.

## Investment income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

## Borrowing costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset are capitalised and subsequently amortised in line with the depreciation of the related asset. Borrowing costs are capitalised from the time of acquisition or from the beginning of construction or production until the point at which the qualifying asset is ready for use. Where a specific financing arrangement is in place, the specific borrowing rate for that arrangement is applied. For non-specific financing arrangements, a Group financing rate representative of the weighted average borrowing rate of the Group is used. Borrowing costs not arising in connection with the acquisition, construction or production of a qualifying asset are expensed.

# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CONTINUED

## Foreign currencies

The Consolidated Financial Statements are presented in pounds sterling, which is the functional currency of the Company and the Group's presentational currency. Each entity in the Group determines its own functional currency and items included in the Consolidated Financial Statements of each entity are measured using that functional currency. Transactions in foreign currencies are, on initial recognition, recorded in the functional currency of the entity at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange movements are included in the Consolidated Income Statement for the period.

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the entity concerned are translated using the exchange rate prevailing at the dates of the initial transaction.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's non-sterling functional currency subsidiary undertakings are translated into pounds sterling at exchange rates prevailing at the balance sheet date. The results of these entities are translated into pounds sterling at the average rates of exchange for the relevant period. The relevant exchange rates are shown below:

### Exchange rate per pound sterling (£)

As at 31 December	Closing rate		Average rate	
	2023	2022	2023	2022
Euro	1.15	1.13	1.14	1.17
US dollar	1.27	1.21	1.24	1.24
Norwegian krone	12.90	11.89	13.14	11.84
Danish krone	8.59	8.40	8.58	8.73

Exchange adjustments arising from the retranslation of the opening net assets and results of non-sterling functional currency operations are transferred to the Group's foreign currency translation reserve included in other equity. In the event of the disposal of an undertaking with assets and liabilities denominated in a foreign currency, the cumulative translation difference arising in the foreign currency translation reserve is charged or credited to the Consolidated Income Statement on disposal.

In circumstances where a branch of a reporting entity has a different functional currency to that of the entity and it is materially autonomous to the entity, exchange

differences on consolidation with the entity can be taken to other comprehensive income rather than the income statement. This is consistent with the rules under financial reporting standard IAS21 'The effects of changes in foreign exchange rates'.

## Unit arrangements

Where the Group has entered into unit arrangements with partner licences, the share of ownership is reviewed on a regular basis in accordance with the unit agreement based on updated estimates of reserves contributed by each partner in the unit. In the event a review results in a decreased share in the unit, where excess volumes received in the past are redelivered by the partner with the reduced ownership share according to an agreed schedule, these volumes are accounted for at the time of redelivery and not accrued for in advance. Similarly, where the review results in an increased share, the volumes are accounted for at the time of receipt.

## Business combinations and goodwill

Businesses within the Group that have been acquired as part of historic business combinations have been included in the Consolidated Financial Statements on the same basis that they are included within the Centrica plc group financial statements. The acquisitions of these entities are accounted for using the acquisition method (at the point the Group or, as explained above, the Centrica plc group, gains control over a business as defined by IFRS 3: 'Business combinations'). The cost of the acquisition is measured as the cash paid and the aggregate of the fair values, at the date of exchange, of other assets transferred, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date.

Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: 'Non-current assets held for sale and discontinued operations', which are recognised and measured at FVLCD.

Goodwill arising on a business combination represents the excess of the consideration transferred and the acquisition date fair value of any previously held interest in the acquiree over the Group's interest in the fair value of the identifiable net assets acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. If, after reassessment, the Group's interest in the net fair

# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CONTINUED

value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Consolidated Income Statement.

On disposal of one of the Group's undertakings, any amount of goodwill attributed to that entity is included in the determination of the profit or loss on disposal. A similar accounting treatment is applied on disposal of assets that represent a business.

The carrying values of goodwill is tested annually for impairment and is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

## Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets include application software and emissions trading schemes, the accounting policies for which are dealt with separately below. For purchased application software cost includes directly attributable labour, contractors' charges and materials.

Capitalisation occurs when activities to prepare the asset for use are in progress and expenditure for the asset is incurred. Capitalisation subsequently ceases when substantially all the activities necessary to prepare the asset for use are complete. Amortisation then commences at the point of commercial deployment.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. The useful life of intangible assets can be assessed as finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life on a straight-line basis. Assessments for impairment take place annually or when there is an impairment indicator. The amortisation period and method of intangible assets are also reviewed annually. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are accounted for on a prospective basis by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised. Instead they are tested for impairments annually and when there is an impairment indicator. This may be either individually or at a CGU level. The indefinite life assessment is reviewed annually. Any change from indefinite life to finite life is applied on a prospective basis.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use.

The useful life for other intangibles is up to 15 years.

## UK Emissions Trading Scheme

Purchased carbon dioxide emissions allowances are recognised initially at cost (purchase price) within intangible assets. As the asset is anticipated to be utilised within one year following its acquisition, it is classified as a current asset on the consolidated balance sheet.

The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date, with movements in the liability recognised in operating profit.

Forward contracts for the purchase or sale of carbon dioxide emissions allowances are measured at fair value with gains and losses arising from changes in fair value recognised in the Consolidated Income Statement. The intangible asset is surrendered, and the liability is extinguished, at the end of the compliance period to reflect the consumption of economic benefits.

# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CONTINUED

## Exploration, evaluation, development and production assets

The Group uses the successful efforts method of accounting for exploration and evaluation expenditure. Exploration and evaluation expenditure associated with an exploration well, including acquisition costs related to exploration and evaluation activities are capitalised initially as intangible assets. Certain expenditures such as geological and geophysical exploration costs are expensed. If the prospects are subsequently determined to be successful on completion of evaluation, the relevant expenditure including licence acquisition costs is transferred to PP&E. If the prospects are subsequently determined to be unsuccessful on completion of evaluation, the associated costs are expensed in the period in which that determination is made within cost of sales in the Consolidated Income Statement.

All field development costs are capitalised as PP&E. Such costs relate to the acquisition and installation of production facilities and include development drilling costs, project-related engineering and other technical services costs. PP&E, including rights and concessions related to production activities, are depreciated from the commencement of production in the fields concerned, using the unit-of-production method, based on all of the 2P reserves of those fields. Changes in these estimates are dealt with prospectively. Depreciation costs in relation to production and development assets are recognised within cost of sales in the Consolidated Income Statement.

The net carrying value of fields in production and development is annually compared on a field-by-field basis with the likely discounted future net revenues to be derived from the remaining commercial reserves. An impairment loss is recognised where it is considered that recorded amounts are unlikely to be fully recovered from the net present value of future net revenues. Exploration assets are reviewed annually for indicators of impairment and production and development assets are tested annually for impairment.

## Interests in joint arrangements

Under IFRS 11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group's interests in joint operations (oil and gas exploration and production licence arrangements) are accounted for by recognising its assets (including its share of assets held jointly), its liabilities (including its share of liabilities incurred jointly), its revenue from the sale of its portion of the output resulting from the joint operation, its share of the proceeds from the output sold by the joint operation, and its expenses (including its contribution to jointly incurred expenses).

Where the Group has an equity stake or a participating interest in operations governed by a joint arrangement for which it is acting as operator, an assessment is carried out to confirm whether the Group is acting as agent or principal. As the terms and conditions negotiated between business partners usually provide joint control to the parties over the relevant activities of the oil and gas fields that are governed by joint arrangements, the Group is usually deemed to be an agent when it is appointed as operator and not as principal (as the contracts entered into do not convey control to the parties). Accordingly, the Group recognises its equity share of these arrangements as outlined above except that it presents gross liabilities and gross receivables of the joint venture (including amounts due to or from non-operating partners) in the Consolidated Balance Sheet in accordance with the netting rules of IAS 32: 'Financial instruments: presentation'.

# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CONTINUED

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

PP&E is included in the Consolidated Balance Sheet at cost, less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Subsequent expenditure in respect of items of PP&E such as the replacement of major parts, major inspections or overhauls, are capitalised as part of the cost of the related asset where it is probable that future economic benefits will arise as a result of the expenditure and the cost can be reliably measured. All other subsequent expenditure, including the costs of day-to-day servicing, repairs and maintenance, is expensed as incurred.

Freehold land is not depreciated. Other PP&E, with the exception of exploration and production assets (see exploration, evaluation, development and production assets section), are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives. The depreciation periods for the principal categories of assets are as follows:

Freehold and leasehold buildings	Up to 50 years
Plant and equipment	3 to 20 years

Assets held under leases are depreciated over their expected useful economic lives on the same basis as for owned assets, or where shorter, the lease term.

The carrying values of PP&E are tested annually for impairment and are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Residual values and useful lives are reassessed annually and, if necessary, changes are accounted for prospectively.

## Held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale when the Directors are committed to the sale, the sale is highly probable to be completed within a year of its classification and the asset, or disposal group, is available for immediate sale in its present condition.

Non-current assets and disposal groups are classified as held for sale at the lower of their carrying amount and fair value less costs of disposal. No depreciation is charged in respect of non-current assets classified as held for sale.

Disposal groups are classified as discontinued operations where it represents a major line of business or geographical operation.

## Impairment assumptions

Details of the approach taken to impairment are included in note 6(c).

## Overlift and underlift

Off-take arrangements for oil and gas produced from joint operations are often such that it is not practical for each participant to receive or sell its precise share of the overall production during the period. This results in short-term imbalances between cumulative production entitlement and cumulative sales, referred to as overlift and underlift.

An overlift payable, or underlift receivable, is recognised at the balance sheet date within trade and other payables, or trade and other receivables, respectively, and measured at market value, with movements in the period recognised within cost of sales.

# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CONTINUED

## Leases

Under IFRS 16, an arrangement is, or contains, a lease where the contract conveys the right to use an asset for a period of time in exchange for consideration. Lessees must recognise ROU assets to represent its rights to use the underlying assets and lease liabilities to represent its obligation to make lease payments. However, exemptions are available for low-value or short-term leases to be recognised as an expense.

Lease payments are apportioned between finance charges and reduction of the finance lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Consolidated Income Statement within financing costs.

Leasing activities for Spirit Energy relate to the rental of offices, drilling rigs and support vessels.

## Lease Liabilities

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

Lease payments included in the initial measurement of the lease liability comprise of fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual value guarantee, the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early. Variable lease payments that do not depend on an index or rate are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, lease-term extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount

of the ROU asset or is recorded in the profit or loss if the carrying amount of the ROU asset has been reduced to nil.

The Group recognises the lease payments associated with short-term and low-value leases on a straight-line basis over the lease term.

## Extensions and terminations – Leases

If a lease is terminated before its expected lease term (e.g. the lessee exercises a break clause that was previously not assessed to be reasonably certain to be exercised or the lessee defaults so that the lessor repossesses the underlying asset), the Group will derecognise the carrying amount of the net investment in the lease. The underlying asset is initially measured at the carrying amount of the net investment in the lease immediately before its derecognition.

If a lease modification occurs, the Group will determine whether the modification should be accounted for as a separate contract or as a change in the accounting for the existing lease.

If the modification grants the lessee the right to use additional property, plant and equipment not contemplated in the original contract and is priced in a manner consistent with the stand-alone price of the additional right-of-use, the modified lease will be accounted for as a separate contract.

If the modification results in the lease being classified as an operating lease, the modification is accounted as if it were a termination of the existing lease and the creation of a new lease that commences on the effective date of the modification. The Group will derecognise the net investment in the lease receivable and recognise the underlying asset at the carrying value of the net investment in the lease receivable that existed immediately prior to the date of modification.

If an extension or termination option is 'reasonably certain' to be exercised, the termination period or extended period will be included or excluded from the lease term when calculating the lease liability.

The Group will reassess the 'reasonably certain' criteria upon the occurrence of significant event. An event is considered significant if it affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

## Joint arrangements – Leases

The Group holds interests in a number of joint arrangements. The Group has applied judgement in identifying the customer in lease arrangements used by a joint arrangement. If the leased asset is dedicated to a specific joint arrangement and its usage is directed by the



# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CONTINUED

joint arrangement, the joint arrangement is deemed the customer. In circumstances where the Group has signed the lease agreement on behalf of the joint arrangement and has primary responsibility for the payments to the lessor, the Group will recognise 100% of the lease liability and ROU asset on its Balance Sheet. In circumstances where the partner is obliged to reimburse the Group for its share of the lease payments, a sub-lease receivable will be recognised with a corresponding adjustment made to the ROU asset.

If the leased asset is not dedicated to a specific joint arrangement or its usage is not directed by the joint arrangement, the signatory of the lease agreement is deemed to be customer. If this is the Group, the lease liability and ROU asset are recognised in full. If it is the partner, no lease liability or ROU asset is recognised.

## Right-of-use (ROU) assets – Leases

The Group recognises a ROU asset and lease liability at the date of commencement. The ROU asset is initially measured at cost. The cost is made up of the initial lease liability adjusted for any lease payments made at commencement or prepaid, estimated costs to dismantle and remove the underlying asset and estimated costs to restore the underlying asset or site on which it is located. In addition, any lease incentives received are deducted from the cost.

The ROU asset is subsequently depreciated using the straight-line and unit of production method from the commencement date to the earlier of the useful life of the ROU asset or end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as property and equipment. In addition, the ROU asset is periodically reduced by any impairment losses and adjusted for certain re-measurements of the lease liability.

## Inventories

Oil inventory is measured at market value, being the spot rate at the balance sheet date less transportation costs. Other inventories are valued on a weighted-average-cost basis (total value divided by the number of units), at the lower of cost or estimated net realisable value after allowance for redundant and slow-moving items. The cost of inventories includes the purchase price plus costs of conversion incurred in bringing the inventories to their present location and condition.

## Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning gas and oil production facilities at the end of the producing lives of fields, based on price levels and current technology at the balance sheet date.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated PP&E and depreciated accordingly. If there is an indication that the new carrying amount of the asset is not fully recoverable, the asset is tested for impairment and an impairment loss is recognised where necessary, if there is insufficient economic benefit. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within PP&E. The discount rate used in calculating the decommissioning provisions has stayed flat from 1% to 1% (Real) in 2023 as discussed in note 3. The unwinding of the discount on the provision is included in the Consolidated Income Statement within interest expense.

## Pensions and other post-employment benefits

Payments to defined contribution retirement benefit schemes are recognised in the Consolidated Income Statement as they fall due.

## Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Where discounting is used, the increase in the provision due to the passage of time is recognised in the Consolidated Income Statement within interest expense. Onerous contract provisions are recognised where the unavoidable costs of meeting the obligation under a contract exceed the economic benefits expected to be received under it.

# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CONTINUED

## Taxation

Current tax, including UK corporation tax, UK petroleum revenue tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. From time to time, the Group may have open tax issues with a number of revenue authorities. Where an outflow of funds is believed to be probable and a reliable estimate of the dispute can be made, management provides for its best estimate of the liability. These estimates take into account the specific circumstances of each dispute and relevant external advice. Each item is considered separately and on a basis that provides the better prediction of the outcome.

Deferred tax is recognised in respect of all temporary differences identified at the balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Group's assets and liabilities and their tax base.

The income tax expense is the total of current and deferred tax expenses.

Deferred tax liabilities may be offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future, against which the deductible temporary difference can be utilised.

Deferred tax is provided on temporary differences arising on subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Measurement of deferred tax liabilities and assets reflects the tax consequences expected from the manner in which the asset or liability is recovered or settled.

## Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

### Trade receivables

Trade receivables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest rate method less an allowance for any uncollectible amounts. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not, they are presented as non-current assets.

### Trade payables

Trade payables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the effective interest rate method. If payment is due within one year or less, payables are classified as current liabilities. If not, they are presented as non-current liabilities.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Other instruments are classified as equity where they are judged to meet the definition of equity if, for example, the issuer has the ability to avoid repayment and any coupon is discretionary.

### Cash and cash equivalents

Cash includes cash in hand and current balances with banks and similar institutions. Cash equivalents include cash on deposit with related parties, which is readily convertible to known amounts of cash and which is subject to insignificant risk of changes in value and has an original maturity of three months or less.

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CONTINUED

## Interest-bearing loans and other borrowings

All interest-bearing loans and other borrowings are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, discount or premium.

## Related-party receivables and payables

Related-party receivables and payables are recognised initially at fair value plus any transaction costs that are directly attributable to the acquisition or issue of the receivable or payable. Subsequently they are measured at amortised cost using the effective interest method and, for receivables, less an allowance for any uncollectable amounts.

## Derivative financial instruments

The Group routinely enters into sale contracts for the physical delivery of gas and oil. These contracts are entered into and continue to be held for the purpose of delivery of the physical commodity in accordance with the Group's expected sale requirements ('own use') and are not within the scope of IFRS 9.

The Group uses a range of derivatives to hedge exposures to financial risks, such as foreign exchange and energy price risks, arising in the normal course of business. All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Certain derivative instruments do not qualify for hedge accounting. Such derivatives are measured at fair value in the Consolidated Balance Sheet, and changes in the fair value that do not qualify for hedge accounting are recognised immediately in the Consolidated Income Statement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets and derivative liabilities are offset and presented on a net basis only when both a legal right of set-off exists and the intention to net settle the derivative contracts is present.

The Group enters into certain energy derivative contracts, the fair value of such derivatives is estimated by reference in part to published price quotations from active markets, to the extent that such observable market data exists, and in part by using valuation techniques, whose inputs include data which is not based on or derived from

observable markets. Where the fair value at initial recognition for such contracts differs from the transaction price, a fair value gain or fair value loss will arise. This is referred to as a day-one gain or day-one loss. Such gains and losses are deferred (not recognised) and amortised to the Consolidated Income Statement based on volumes purchased or delivered over the contractual period until such time observable market data becomes available. When observable market data becomes available, any remaining deferred day-one gains or losses are recognised within the Consolidated Income Statement.

## Hedge accounting

The Group has not adopted IFRS 9 for hedge accounting and therefore IAS 39 requirements continue to apply.

For the purposes of hedge accounting, hedges are classified as cash flow hedges. A derivative is classified as a cash flow hedge when it hedges exposure to variability in cash flows that is attributable to a particular risk either associated with a recognised asset, liability or a highly probable forecast transaction. The Group's cash flow hedges consist of forward foreign exchange contracts used to protect against the variability of functional currency denominated cash flows associated with non-functional currency denominated highly probable forecast transactions.

The portion of the gain or loss on the hedging instrument which is effective is recognised directly in equity while any ineffectiveness is recognised in the Consolidated Income Statement. In accordance with IAS 39, a hedging instrument deemed effective should encompass a range of 80% to 120% of the hedging item. Subsequent retrospective testing is conducted to verify effectiveness and identify any ineffectiveness portions. Initially, gains or losses from the effective portion are recorded in the cash flow hedging reserve within the Consolidated Statement of Comprehensive Loss or Gain. These amounts are subsequently transferred to the Consolidated Income Statement in the period when the instrument is realized, and the forward position is closed.

Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability on its recognition. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, no longer qualifies for hedge accounting or the Group revokes the designation. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the highly probable forecast transaction occurs. If the transaction is no longer expected to occur, the

# S1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CONTINUED

cumulative gain or loss recognised in equity is recognised in the Consolidated Income Statement.

The ineffective portion of gains and losses on cash flow hedging is recognised immediately in the Consolidated Income Statement.

The Group's normal operating activities expose it to a variety of financial risks: market risk (including commodity price risk and currency risk), credit risk and liquidity risk. The Group maintains strict policies to manage its financial risks as approved by the Board of Directors. This includes the use of financial derivative instruments to hedge certain of these exposures.

It is Group policy that all transactions involving derivatives must be directly related to the underlying business activities of the Group. The Group does not enter into or trade financial instruments, including derivatives for speculative purposes.

## **Impairment of financial assets**

In accordance with IFRS 9, the Group has applied the expected credit loss model to financial assets measured at amortised cost. For trade receivables, contract assets and finance lease receivables, the simplified approach is taken, and the lifetime expected credit loss provided for.

For all other in-scope financial assets at the balance sheet date either the lifetime expected credit loss or a twelve-month expected credit loss is provided for, depending on the Group's assessment of whether the credit risk associated with the specific asset has increased significantly since initial recognition. As the Group's financial assets are predominantly short term (less than twelve months), the impairment loss recognised is not materially different using either approach.

## S2. FINANCIAL RISK MANAGEMENT

### (a) Market risk management

Market risk is the risk of loss that results from changes in market prices (commodity prices and foreign exchange rates). The level of market risk to which the Group is exposed at a point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Group's physical asset and contract portfolios.

The Group's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign currency rates and commodity prices. It is the Group's policy and practice to use derivative financial instruments to manage these exposures.

#### Commodity price risk management

The Group is exposed to commodity price risk on its future revenues from crude oil and natural gas. A change in these prices may alter the revenue and gross margin of the Group. Accordingly, it may enter into commodity futures and forward contracts to manage fluctuations in prices of anticipated revenues.

#### Currency risk management

The Group is exposed to currency risk on the following:

- (i) foreign currency denominated forecast transactions and firm commitments (transactional currency risk); and
- (ii) its net investments in foreign operations and foreign currency monetary assets and liabilities (translational currency risk).

### (i) Transactional currency risk

The Group is exposed to transactional currency risk on revenues and costs denominated in currencies other than the underlying functional currency of the commercial operation transacting. The Group's primary functional currencies are pounds sterling in the UK, Norwegian kroner in Norway and euros in the Netherlands. The risk is that the functional currency value of cash flows will vary as a result of movements in exchange rates. The Group manages this risk by hedging certain material transactional exposures using derivatives to fix the functional currency value of non-functional currency cash flows.

### (ii) Translational currency risk

The Group is exposed to the effect of exchange rate fluctuations on the pound sterling value of foreign operations and of foreign currency monetary assets and liabilities, of which the primary exposure arises from NOK and EUR. The Group selectively manages this risk by replicating foreign debt using derivatives that pay cash flows in the currency of the respective exposure.

## S2. FINANCIAL RISK MANAGEMENT

CONTINUED

### Sensitivity analysis

IFRS 7 requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Group's financial position and performance to changes in market variables (commodity prices and foreign exchange rates) as a result of changes in the fair value or cash flows associated with the Group's financial instruments. The sensitivity analysis provided discloses the effect on profit or loss and equity at 31 December 2023, assuming that a reasonably possible change in the relevant risk variable had occurred at 31 December 2023 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for energy prices and foreign exchange rates.

#### (i) Commodity price risk

The impacts of reasonably possible changes in commodity prices on profit and equity, both after taxation, based on a sensitivity analysis are as follows:

Energy prices	2023		2022	
	Base price <sup>(i)</sup>	Reasonably possible change in variable % <sup>(ii)</sup>	Base price <sup>(i)</sup>	Reasonably possible change in variable % <sup>(ii)</sup>
UK gas (pence/therm)	86	+/-54	184	+/-47
UK oil (US\$/bbl)	73	+/-10	84	+/-18

Incremental (loss)/profit	2023	2022
	Impact on profit <sup>(ii)</sup> £m	Impact on loss <sup>(ii)</sup> £m
UK energy prices (combined) – (decrease)/increase	(344)/344	(343)/343

(i) The base price represents the average forward market price over the duration of the active market curve used in the sensitivity analysis provided.

(ii) The reasonably possible change in variable and the impact on profit are calculated using both the active and inactive market curves for all UK energy prices.

The impact on equity of such price changes is immaterial.

#### (ii) Transactional currency risk

The majority of the Group's transactional currency exposure derives from US dollar revenues. To cover these exposures an amount of \$31 million (2022: \$689 million) was sold or matured with spot and forward contracts during the year.

A 10% increase on the average exchange rate for the year of GBP to USD on the USD value of those contracts would have resulted in a reduction to revenue of £2 million (2022: £51 million) and a 10% decrease in the value of GBP to USD on the USD value would have resulted in an increase to revenue of £2 million (2022: £62 million).

## S2. FINANCIAL RISK MANAGEMENT

CONTINUED

### (b) Credit risk management

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. The Group is exposed to credit risk on derivative financial instruments, cash and deposits with banks and Centrica group companies, as well as credit exposures to customers in its trading and energy sales activities.

#### Treasury credit risk

Counterparty risk arises from the investment of surplus funds and from the use of derivative financial instruments. Credit risk from financial assets is measured by counterparty credit rating as follows:

	2023		2022	
	Derivative financial instruments with positive fair values £m	Cash and cash equivalents £m	Derivative financial instruments with positive fair values £m	Cash and cash equivalents £m
AA- to A-(i)	-	41	-	8
BBB+ to BBB-(ii)	3	1,356	5	1,089
Un-rated related parties	730	-	250	-
	<b>733</b>	<b>1,397</b>	<b>255</b>	<b>1,097</b>

(i) Includes restricted cash.

(ii) BBB+ to BBB- and the un-rated related parties financial assets comprise amounts due from related parties.

Credit risk is managed by periodically assessing the financial reliability of financial counterparties.

#### Non-treasury credit risk

The Group's major customers are typically large companies which have strong credit ratings assigned by international credit rating agencies. The creditworthiness of counterparties are assessed in line with policy.

### (c) Liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. To mitigate this risk, the Group holds adequate cash and cash equivalents. See note 21(b) for more information.

## S2. FINANCIAL RISK MANAGEMENT

CONTINUED

### Maturity profiles

Maturities of derivative financial instruments, financial liabilities, borrowings and finance leases are provided in the following tables:

<b>2023</b>	<1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	>5 years £m
<b>Due for payment</b>						
Energy derivatives in a loss position that will be settled on a net basis	(231)	(15)	-	-	-	-
Foreign exchange derivatives in a loss position that will be settled on a net basis	(1)	-	-	-	-	-
Trade payables	(17)	-	-	-	-	-
Capital payables	(8)	-	-	-	-	-
Other payables	(168)	(74)	-	-	-	-
Related-party payables	(13)	-	-	-	-	-
Accruals	(57)	-	-	-	-	-
Lease liabilities	(10)	(6)	-	(1)	-	(3)
<b>2022</b>	<1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	>5 years £m
<b>Due for payment</b>						
Energy derivatives in a loss position that will be settled on a net basis	(735)	(196)	-	-	-	-
Foreign exchange derivatives in a loss position that will be settled on a net basis	(10)	(1)	-	-	-	-
Trade payables	(18)	-	-	-	-	-
Capital payables	(14)	-	-	-	-	-
Other payables	(146)	(75)	-	-	-	-
Related-party payables	(145)	-	-	-	-	-
Accruals	(47)	-	-	-	-	-
Lease liabilities	(9)	(7)	(5)	-	-	(2)

## S3. FAIR VALUE OF FINANCIAL INSTRUMENTS

### (a) Fair value hierarchy

Financial assets and financial liabilities measured and held at fair value are classified into one of three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follows:

- Level 1: fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities;
- Level 2: fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data; and
- Level 3: fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally-developed methodologies that result in management's best estimate of fair value.



### S3. FAIR VALUE OF FINANCIAL INSTRUMENTS

CONTINUED

31 December	Level 1 £m	Level 2 £m	Level 3 £m	2023 Total £m	Level 1 £m	Level 2 £m	Level 3 £m	2022 Total £m
<b>Financial assets</b>								
Derivative financial instruments:								
Energy derivatives	-	730	-	730	-	250	-	250
Foreign exchange derivatives	-	3	-	3	-	5	-	5
Contingent consideration receivable <sup>(i)</sup>	-	-	57	57	-	-	131	131
<b>Total financial assets at fair value</b>	<b>-</b>	<b>733</b>	<b>57</b>	<b>790</b>	<b>-</b>	<b>255</b>	<b>131</b>	<b>386</b>
<b>Financial liabilities</b>								
Derivative financial instruments:								
Energy derivatives	-	(246)	-	(246)	-	(931)	-	(931)
Foreign exchange derivatives	-	(1)	-	(1)	-	(11)	-	(11)
Contingent consideration payable <sup>(ii)</sup>	-	-	(127)	(127)	-	-	(97)	(97)
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>(247)</b>	<b>(127)</b>	<b>(374)</b>	<b>-</b>	<b>(942)</b>	<b>(97)</b>	<b>(1,039)</b>

(i) During 2022, the total contingent consideration receivable amounted to £131 million. Out of this, £44 million was received from GBGH and £23 million from Equinor in 2023, with £7 million expensed through the income statement, resulting in £57 million remaining outstanding.

(ii) In 2022, a £130 million contingent liability for the UTP was offset by a £33 million gas consideration receivable. During 2023, £31 million was received, with a £5 million charge for updated interest and claims and a £6 million credit for foreign exchange differences. This leads to a £127 million payable balance outlined in note 8a, solely for the UTP.

#### (b) Valuation techniques used to derive Level 2 and Level 3 fair values and Group valuation process

Level 2 foreign exchange derivatives comprise of forward foreign exchange contracts. Forward foreign exchange contracts are fair valued using forward exchange rates that are quoted in an active market.

Level 2 energy derivatives are fair valued by comparing and discounting the difference between the expected contractual cash flows for the relevant commodities and the quoted prices for those commodities in an active market. The average discount rate applied to value this type of contract during 2023 was 5% (2022: 5%) per annum.

For Level 3 energy derivatives, the main input used by the Group pertains to deriving expected future commodity prices in markets that are not active as far into the future as some of the contractual terms. Fair values are then calculated by comparing and discounting the difference between the expected contractual cash flows and these derived future prices.

#### Active period of markets

	Gas	Oil
UK (years)	4	3

It should be noted that the fair values disclosed in the tables above only concern those contracts entered into which are within the scope of IFRS 9. The Group's actual exposure to market rates is constantly changing as the Group's portfolio of energy contracts changes.

Where the fair value at initial recognition for contracts which extend beyond the active period differs from the transaction price, a day-one gain or loss will arise. Such gains and losses are deferred and amortised to the Consolidated Income Statement based on volumes purchased or delivered over the contractual period until such time as observable market data becomes available (see note S1 for further detail). There are no amounts that have yet to be recognised in the Consolidated Income Statement relating to the differences between the transaction prices and the amounts that would have arisen had valuation techniques used for subsequent measurement been applied at initial recognition.

### **S3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

CONTINUED

#### **(c) Fair value of financial assets and liabilities held at amortised cost**

The carrying value of the Group's financial assets and liabilities measured at amortised cost are approximately equal to their fair value.

#### **Other financial instruments**

Due to their nature and/or short-term maturity, the fair values of trade and other receivables, cash and cash equivalents, overdrafts, trade and other payables, leases, borrowings and provisions are estimated to approximate their carrying values.

## S4. OTHER EQUITY

	Note	Cash flow hedging reserve £m	Foreign currency translation reserve £m	Share-based payment reserve £m	Capital Redemption reserve £m	Merger reserve £m	Total £m
As at 1 January 2022		1	(141)	4	-	1,741	1,605
Other comprehensive income for the year:							
Exchange adjustments		-	13	-	-	-	13
Exchange differences recycled on disposal of business	10	-	99	-	-	-	99
Net loss on cash flow hedges		(3)	-	-	-	-	(3)
Taxation on cash flow hedges		2	-	-	-	-	2
<b>Other comprehensive income for the year, net of taxation</b>		<b>(1)</b>	<b>112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111</b>
Redemption and cancellation of shares		-	-	-	5	-	5
<b>As at 31 December 2022</b>		<b>-</b>	<b>(29)</b>	<b>4</b>	<b>5</b>	<b>1,741</b>	<b>1,721</b>
Other comprehensive loss for the year:							
Exchange adjustments		-	(2)	-	-	-	(2)
Net gains on cash flow hedges		3	-	-	-	-	3
Taxation on cash flow hedges		(3)	-	-	-	-	(3)
<b>Other comprehensive loss for the year, net of taxation</b>		<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>
<b>As at 31 December 2023</b>		<b>-</b>	<b>(31)</b>	<b>4</b>	<b>3</b>	<b>1,741</b>	<b>1,719</b>

### Cash flow hedging reserve

The cash flow hedging reserve comprises fair value movements on instruments designated as cash flow hedges under the requirements of IAS 39. Amounts are transferred from the cash flow hedging reserve to the Consolidated Income Statement or Consolidated Balance Sheet as and when the hedged item affects the Consolidated Income Statement or Consolidated Balance Sheet which is, for the most part, on receipt or payment of amounts denominated in foreign currencies and settlement of interest on debt instruments. Notes 16 and S1 provide further detail on cash flow hedging.

### Foreign currency translation reserve

The foreign currency translation reserve comprises exchange adjustments on the translation of the Group's foreign operations.

### Share-based payment reserve

During the year ended 31 December 2023, the Group did not operate employee share schemes. Centrica plc, the Group's ultimate parent undertaking, operates a number of employee share schemes and in 2017, prior to Centrica plc's contribution of its exploration and production business to the Group, Centrica plc made awards under these schemes to certain employees of the Group. The share-based payment reserve reflects the Group's obligation to deliver Centrica plc shares to employees in return for services provided.

### Merger reserve

On 8 December 2017, the Group completed the transaction to combine Centrica plc's existing exploration and production business with that of Bayerngas Norge AS. The merger reserve represents the difference between the fair value and carrying value of assets.

**S4. OTHER EQUITY**

CONTINUED

**Capital redemption reserve**

During the year ended 31 December 2023 there was a redemption of 33 million preference shares, each with a nominal value of 1 pence. In accordance with the Companies Act, the Group transferred the nominal value of these shares to the capital redemption reserve, increasing other equity by £0.3 million.

**S5. RELATED-PARTY TRANSACTIONS**

During the year, the Group entered into the following arm's length transactions with related parties (who are not members of the Group, but which were related parties since they are fellow subsidiaries of the Shareholders of the Group), and had the following associated balances:

2023	Sale of goods and services <sup>(i)</sup> £m	Purchase of goods and services <sup>(i)</sup> £m	Other-net interest £m	Amounts owed from <sup>(ii)</sup> £m	Amounts owed to <sup>(iii)</sup> £m
Centrica plc	-	(2)	62	1,532	(21)
GB Gas Holdings Limited	-	(17)	(1)	62	(3)
British Gas Trading Limited	832	(25)	-	55	(9)
Centrica Energy Limited	1,261	-	-	128	(227)
Centrica Storage Limited	-	(1)	-	-	-
	<b>2,093</b>	<b>(45)</b>	<b>61</b>	<b>1,777</b>	<b>(260)</b>

2022	Sale of goods and services <sup>(i)</sup> £m	Purchase of goods and services <sup>(i)</sup> £m	Other-net interest £m	Amounts owed from <sup>(ii)</sup> £m	Amounts owed to <sup>(iii)</sup> £m
Centrica plc	2	(7)	1	1,272	(211)
GB Gas Holdings Limited	-	(14)	(4)	111	(4)
British Gas Trading Limited	2,103	(26)	-	244	(9)
Centrica Energy Limited	459	(1,305)	-	75	(862)
Centrica Storage Limited	-	(1)	-	-	-
	<b>2,564</b>	<b>(1,353)</b>	<b>(3)</b>	<b>1,702</b>	<b>(1,086)</b>

(i) Sale of goods and services includes recharges made to entities outside of the Group and purchase of goods and services includes recharges made by entities outside of the Group.

(ii) Amounts owed from related parties includes £1,356 million (2022: £1,091 million) classified as cash equivalents; £250 million (2022: £255 million) classified as derivative financial assets; and £172 million (2022: £356 million) included within trade receivables (note 14) the terms of which are described below.

(iii) Amounts owed to related parties includes £247 million (2022: £942 million) classified as derivative financial liabilities and £13 million (2022: £144 million) included within trade payables (note 17), the terms of which are described below.

## S5. RELATED-PARTY TRANSACTIONS

CONTINUED

All amounts owed from/(owed to) related parties are unsecured. No provision against amounts receivable from related parties was recognised during the year through the Consolidated Income Statement. The balance of the provision at 31 December 2023 was £nil (2022: £nil).

Interest rate	Maturity date	£m
Floating (cash equivalent) <sup>(i)</sup>	On demand	1,256
Fixed 5.54% (cash equivalent)	26 January 2024	20
Fixed 5.43% (cash equivalent)	2 February 2024	40
Fixed 5.39% (cash equivalent)	27 March 2024	40
Non-interest bearing	On demand	105
Non-interest bearing <sup>(ii)</sup>	Legal Trigger	57
		<b>1,518</b>

(i) The daily average of the published rates achieved by the main AAA rated market funds of HSBC Bank plc, J.P. Morgan Asset Management and Blackrock.

(ii) The contribution agreement contains a mechanism whereby GBGH has the right to require that the Group transfer all or part of its interests in the Bowland licence to GBGH. In such circumstances, the Group is able to recover costs incurred after 1 January 2017 in connection with the Bowland licence from GBGH. Should GBGH not exercise such right or should GBGH require the sale of the Bowland licence to a third party, the contribution agreement contains a mechanism through which the Group also has the ability to recover costs incurred after 1 January 2017 in connection with the Bowland licence, save in limited circumstances. Also contained in these amounts are indemnities owed from GBGH which are outlined in the Shareholders' Agreement.

Key management personnel comprise members of the Board and Executive Committee, two Board members resigned and two were appointed during the year. One Executive Committee member resigned and four were appointed during the year. A total of 14 individuals were considered key management personnel at 31 December 2023 (2022: 11).

Compensation paid to key management personnel is as follows:

Year ended 31 December	2023 £000	2022 £000
Short-term employee benefits <sup>(i)</sup>	4,627	6,095
	<b>4,627</b>	<b>6,095</b>

(i) Included within the amounts above is £102,500 for loss of office (including statutory redundancy pay, gardening leave and pay in lieu of notice) and £61,781 in relation to payments into pension schemes.

(ii) All of the statutory directors and key management personnel (current and former) have sums due from deferred incentives that will be paid post their employment end dates.

Compensation for one executive Director and four members of the Executive Committee was borne by the Group. Compensation for two Directors was borne by Statwerke Munchen Group. Compensation for four Directors has been borne by Centrica plc, however no amount is attributable to their role.

Remuneration of the highest paid Director is as follows:

Year ended 31 December	2023 £000	2022 £000
Short-term employee benefits	1,100	1,587
	<b>1,100</b>	<b>1,587</b>

The highest paid Director was not in a money purchase pension scheme and did not exercise share options or receive shares in the year (2022: £nil).

## S6. AUDITOR'S REMUNERATION

<b>Year ended 31 December</b>	<b>2023 £000</b>	<b>2022 £000</b>
Audit fee payable for the Company's individual and Consolidated Financial Statements	386	384
Audit of the Company's subsidiaries	652	656
<b>Total fees related to the audit of the Company and subsidiary entities</b>	<b>1,038</b>	<b>1,040</b>
Fees payable to the Company's auditor and its associates for other services:		
Other assurance services	3	16
	<b>1,041</b>	<b>1,056</b>

## S7. RELATED UNDERTAKINGS

### (a) Subsidiary undertakings

Below is a list of Spirit Energy Limited's subsidiary undertakings at 31 December 2023. Spirit Energy Limited holds directly or indirectly 100% of the ordinary shares of each subsidiary undertaking. Subsidiary undertakings which are held directly by Spirit Energy Limited are designated by \*.

Name of undertaking and registered address	Principal activity	Country or territory of incorporation
<b>Spirit Norway Holding AS*</b> c/o Advokatfirmaet Schjødt AS Kongsgårdbakken 3, Stavanger, Rogaland 4005, Norway	Holding company	Norway
<b>Bowland Resources (No.2) Limited</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Gas and/or oil production	UK
<b>Bowland Resources Limited</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Gas and/or oil production	UK
<b>Elswick Energy Limited</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Gas and/or oil production	UK
<b>Spirit Energy Nederland BV*</b> Polarisavenue 39, 2132 JH Hoofddorp, Netherlands	Gas and/or oil production	Netherlands
<b>Spirit Energy Norway AS</b> c/o Advokatfirmaet Schjødt AS Kongsgårdbakken 3, Stavanger, Rogaland 4005, Norway	Gas and/or oil production	Norway
<b>Spirit Energy North Sea Limited*</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Gas and/or oil production	UK
<b>Spirit Energy North Sea Oil Limited*</b> IQ Building, 15 Justice Mill Lane, Aberdeen, AB11 6EQ, United Kingdom	Gas and/or oil production	UK
<b>Spirit Energy Production UK Limited*</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Gas and/or oil production	UK
<b>Spirit Energy Resources Limited*</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Gas and/or oil production	UK
<b>Spirit Energy Southern North Sea Limited</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Gas and/or oil production	UK
<b>Spirit Energy Treasury Limited*</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Finance company	UK
<b>Spirit Energy Hedging Holding Limited</b> 1 <sup>st</sup> Floor, 20 Kingston Road, Staines-upon-Thames, United Kingdom, TW18 4LG	Dormant company	UK
<b>Spirit Energy Hedging Limited</b> 1 <sup>st</sup> Floor, 20 Kingston Road, Staines-upon-Thames, United Kingdom, TW18 4LG	Dormant company	UK
<b>Spirit Europe Limited</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Holding company	UK
<b>Spirit Infrastructure BV</b> Polarisavenue 39, 2132 JH Hoofddorp, Netherlands	Construction, ownership and exploitation of infrastructure	Netherlands
<b>Spirit North Sea Gas Limited*</b> IQ Building, 15 Justice Mill Lane, Aberdeen, AB11 6EQ, United Kingdom	Gas and/or oil production	UK
<b>Spirit Norway Limited*</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Investment holding company	UK
<b>Spirit Production (Services) Limited*</b> IQ Building, 15 Justice Mill Lane, Aberdeen, AB11 6EQ, United Kingdom	Business services	UK
<b>Spirit Resources (Armada) Limited*</b> Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD	Gas and/or oil production	UK

**S7. RELATED UNDERTAKINGS**

CONTINUED

**(b) Joint arrangements**

Material joint arrangements owned by the Group that are classified as joint operations and accounted for in accordance with IFRS 11 (see note S1) are detailed below. This list excludes interests in fields where there is no party with overall control since the arrangement does not fulfil the IFRS 11 definition of joint control.

**Joint operations – fields/assets**

<b>As at 31 December 2023</b>	<b>Nature of relationship</b>	<b>Location</b>	<b>Percentage holding in ordinary shares and net assets</b>
Cygnus	Non-operated	UK North Sea	61.25



# COMPANY BALANCE SHEET

As at 31 December	Notes	2023 £m	2022 £m
<b>Non-current assets</b>			
Investments	C	1,592	1,650
Trade and other receivables	D	16	33
		<b>1,608</b>	<b>1,683</b>
<b>Current assets</b>			
Trade and other receivables	D	57	105
		<b>57</b>	<b>105</b>
<b>Total assets</b>		<b>1,665</b>	<b>1,788</b>
<b>Current liabilities</b>			
Bank overdrafts, loans and other borrowings	G	(881)	(879)
		<b>(881)</b>	<b>(879)</b>
<b>Net assets</b>		<b>784</b>	<b>909</b>
<b>Equity</b>			
Share capital	E	14	14
Retained earnings		722	848
Other equity	F	48	47
<b>Total shareholders' equity</b>		<b>784</b>	<b>909</b>

The Company reported a loss for the financial year ended 31 December 2023 of £70 million (2022: £137 million profit). This included dividend income of £43 million (2022: £150 million from Spirit Energy North Sea Oil Limited and £730 million from Spirit Norway Limited) from Spirit Energy Treasury Limited.

The Financial Statements on pages 80 to 87, of which the notes on pages 82 to 87 form part, were approved and authorised by the Board of Directors on 30 April 2024 and were signed below on its behalf by:

DocuSigned by:



DA28834057774EE...

**Neil McCulloch**

**Director and Chief Executive Officer**

Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD

# COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £m	Retained earnings £m	Other equity £m	Total £m
1 January 2022		19	1,589	42	1,650
Profit and total comprehensive income for the year		-	137	-	137
Dividends paid to equity holders		-	(439)	-	(439)
Redemption and cancellation of shares	F	(5)	(439)	5	(439)
<b>31 December 2022</b>		<b>14</b>	<b>848</b>	<b>47</b>	<b>909</b>
Loss and total comprehensive expense for the year		-	(70)	-	(70)
Dividends paid to equity holders		-	(28)	-	(28)
Redemption and cancellation of shares	F	-	(28)	1	(27)
<b>31 December 2023</b>		<b>14</b>	<b>722</b>	<b>48</b>	<b>784</b>

As permitted by section 408(3) of the Companies Act 2006, no Income Statement or Statement of Comprehensive Income is presented.

The Board has not recommended a payment of final dividend for the year ended 31 December 2023 (2022: nil).

The notes on pages 82 to 87 form part of these Financial Statements.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## A. General information and principal accounting policies of the Company

### General information

Spirit Energy Limited ('the Company'), is the parent company of the Spirit Energy Group and was incorporated on 6 July 2017. It is a private company limited by shares, domiciled and incorporated in the UK and registered in England and Wales with registration number 10854461. Its principal place of business and registered address is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.

The Company Financial Statements are presented in pounds sterling with all values rounded to the nearest million pounds. Pounds sterling is the functional currency of the Company.

### Basis of preparation

The Company Financial Statements are prepared and presented for the year ended 31 December 2023. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures.
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of IAS 7 Statement of Cash flows.
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- the requirement in paragraph 38 of IAS 1
  - 'Presentation of Financial Statements' to present.
  - comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets; and
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Standards, amendments and interpretations effective or adopted in 2024 have been disclosed in note 1 of the Consolidated Financial Statements.

### Parent and ultimate parent undertaking

The immediate parent undertaking and controlling party is GB Gas Holdings Limited, a company registered in England and Wales, which holds a 69% voting interest in the Company. The registered office address is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.

The Company's ultimate parent company and ultimate controlling party is Centrica plc, who through a 100% wholly-owned subsidiary, owns 100% of the ordinary shares in GB Gas Holdings Limited. Centrica plc is a company registered in England and Wales, and is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc Consolidated Financial Statements may be obtained from [www.centrica.com](http://www.centrica.com).

### Measurement convention

The Company Financial Statements have been prepared on the historical cost basis. The carrying costs are approximately equal to their fair value.

### Going concern

The Company Financial Statements have been prepared on a going concern basis, as described in the Directors' Report and note 1 of the Consolidated Financial Statements.

### Critical accounting judgements

Critical accounting judgements include the presentation of preference shares as equity rather than a financial liability. Further details are set out in note 3 of the Consolidated Financial Statements.

### Key sources of estimation uncertainty

The key sources of estimation uncertainty are set out in note 3 of the Consolidated Financial Statements. The area applicable to the Company is the impairment of investments. The key source of estimation uncertainty of the Company is the carrying value of its investments in subsidiary undertakings and receivables from these undertakings. During the year, the Company conducted a review of the carrying value of its investments via its impairment review process. This resulted in a net impairment of £58 million (2022: £704 million), as outlined in note C below. Further an increase of 10% in price would reverse £13 million of impairment charges on investments (2022: £61 million). A reduction of 10% would give rise to an additional impairment

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

of £45 million in the underlying investments (2022: £65 million).

## Principal accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to the current and prior year presented in these Financial Statements.

## Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at closing rates of exchange. Exchange differences on monetary assets and liabilities are taken to the Income Statement.

## Investments

Fixed asset investments in subsidiaries' shares are held at cost in accordance with IAS 27: 'Separate financial statements', less any provision for impairment.

## Impairment

The carrying values of investments in subsidiary undertakings are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an investment in a subsidiary undertaking is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Receivables from related parties are compared to their recoverable amount, which is also assessed using the same estimated discounted future cash flow for each undertaking as described above.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

## B. Employees and Directors

Key management personnel are considered to be the Directors and the Secretary of the Company. The Company had no employees during the year (2022: none). None of the key management personnel received any remuneration for their services as key management personnel of the Company and are not employed by the Company (2022: none).

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### C. Investment in subsidiaries

	2023 £m	2022 £m
<b>Cost</b>		
At 1 January	3,874	3,874
<b>At 31 December</b>	<b>3,874</b>	<b>3,874</b>

	2023 £m	2022 £m
<b>Accumulated impairment</b>		
At 1 January	(2,224)	(1,520)
Impairment	(58)	(704)
<b>At 31 December</b>	<b>(2,282)</b>	<b>(2,224)</b>

	2023 £m	2022 £m
<b>Net book value</b>		
At 1 January	1,650	2,354
<b>At 31 December</b>	<b>1,592</b>	<b>1,650</b>

On 29 September and 31 October 2017, GB Gas Holdings Limited (GBGH), a fellow subsidiary of Centrica plc, contributed the entire share capital of the following entities to the Company in exchange for Class A ordinary shares with a value of £633 million and Class B ordinary shares with a value of £1,482 million: Spirit Energy North Sea Limited, Spirit Energy North Sea Oil Limited, Spirit Energy Production UK Limited, Spirit Energy Resources Limited, Spirit Energy Treasury Limited, Spirit North Sea Gas Limited, Spirit Production (Services) Limited, Spirit Energy Nederland B.V., Spirit Resources (Armada) Limited, Spirit Energy Norge AS and Spirit Norway Limited then trading as Spirit Energy NUF.

Immediately following the above contribution, SWM Bayerische E&P Beteiligungsgesellschaft mbH contributed the entire share capital of Bayerngas Norge AS, together with certain other receivables, to the Company in exchange for a promissory note valued at £796 million, of which £541 million was attributable to the value of Bayerngas Norge AS.

On 11 December 2017, the Company subscribed for a further 2.7 billion ordinary shares in Spirit Norway Limited for cash consideration of £242 million.

On 12 December 2017, the Company subscribed for further shares in Bayerngas Norge AS for cash consideration of £31 million, bringing its total investment in Bayerngas Norge AS to £572 million.

In the 2019 financial year, the Company made cash investments of £132 million in North Sea Gas Limited, £6 million in Spirit Energy Nederland BV, £655 million in Spirit Energy Resources Limited and £74 million in Spirit Production Services Limited.

In the 2020 financial year, the Company made a cash investment of £78 million in Bayerngas Norge AS.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### Impairment provision

In December, the Company made the following adjustments to the provision against its following subsidiary investments:

- Spirit Energy Production UK Limited: write-back of £32 million (2022: £32 million impairment);
- Spirit North Sea Gas Limited: impairment of £15 million (2022: £15 million write-back);
- Spirit Resources (Armada) Limited: write-back of £1 million (2022: £1 million write-back);
- Spirit Norway Limited: write-back of £10 million (2022: £680 million impairment);
- Bayerngas Norge AS: impairment of £81 million (2022: £151 million write-back);
- Spirit Production (Services) Limited: £nil (2022: £2 million impairment); and
- Spirit North Sea Oil Limited: impairment of £5 million (2022: £157 million impairment).

The impairments and impairment write-backs were recognised to align the carrying value of the investment to its estimated recoverable amount. The principal driver for investment impairments was due to lower net assets in Bayerngas Norge AS. Reversals impairments in Spirit Energy Production UK Limited investment were driven by the increase in overall net assets within the respective subsidiary.

### D. Trade and other receivables

As at 31 December	Note	Current £m	2023 Non-current £m	Current £m	2022 Non-current £m
Financial assets:					
Related-party receivables	G	57	-	105	-
Current tax asset		-	16	-	33
		<b>57</b>	<b>16</b>	<b>105</b>	<b>33</b>

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### E. Share capital

Allotted and fully paid share capital of the Company:

<b>As at 31 December</b>	<b>2023 £m</b>	<b>2022 £m</b>
296,056,457 A class ordinary shares of 1 pence each (2022: 296,056,457)	3	3
658,964,372 B class ordinary shares of 1 pence each (2022: 658,964,372)	7	7
1 deferred share of £1 (2022: 1)	-	-
405,549,779 preference shares of 1 pence each (2022: 438,418,426)	4	4
	<b>14</b>	<b>14</b>

The A and B class ordinary shares have attached to them full voting, dividend (including the right to special dividends in the case of B class ordinary shares) and capital distribution (including winding up) rights. They do not confer any rights of redemption.

Special dividends are required to be declared in certain circumstances, subject to the availability of sufficient distributable reserves. The special dividends are therefore not discretionary and as such, are accounted for as a financial liability when the event triggering the special dividend occurs.

The deferred share does not have any right to a dividend or distribution of profits of the Company on winding up. The holder is entitled to repayment of the amount paid up after repayment of the capital paid up on the A ordinary and B ordinary shares. The deferred share does not attach any rights to receive notice of, attend, speak or vote at a general meeting or on any written resolution of the Company.

The preference shares have attached to them voting (only in respect of variation or abrogation of the rights attaching to them), and capital distribution (including on winding up and in such case in priority to ordinary Shareholders) rights. Each preference share shall confer the right to redemption (if the Directors resolve to make a redemption) in priority (other than any special dividend declared, paid or made at any time on the B Ordinary Shares only in accordance with Article 44(2)) to the payment of any dividend to the holders of Ordinary Shares).

The Shareholder Agreements govern further rights to redeem the preference shares and also circumstances when conversion of preference shares can occur, but these are all at the discretion of the Company.

The overall dividend is only payable at the discretion of the Directors of the Company and subject to having sufficient distributable reserves. The preference shares are deemed to be equity instruments.

The Directors proposed a redemption of 33 million preference shares at 0.85 pence per preference share, totalling £28 million. The redemption of preference share was approved by the Board on 22 May 2023 and paid on 23 May 2023.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### F. Other equity

During the period ended 31 December 2018, a redetermination was made in respect of the provisional fair values of certain assets and liabilities which had been acquired from Bayerngas Norge AS. The finalised acquisition discussions with Centrica and Bayerngas Norge AS resulted in an increase in the amounts due from Centrica of £25 million and amounts payable to Bayerngas Norge AS of £2 million. The balance sheet also included a provision for uncertain tax provisions from the acquired Bayerngas Group business; the Company has been able to claim indemnities under the tax deed of £4 million in respect of this uncertain tax provision which is due from Bayerngas Norge AS. Additionally, the Company has been indemnified by Centrica and Bayerngas Norge AS in respect of legal claims which have been settled during the period ended 31 December 2018 in the value of £15 million. The cumulative impact of the redetermination was recognised in other equity in 2019.

During the year ended 31 December 2023 there was a redemption of 33 million preference shares, each with a nominal value of 0.85 pence. In accordance with the Companies Act, the Group transferred the nominal value of these shares to the capital redemption reserve, increasing other equity by £0.3 million. Further details are included in note E.

### G. Related-party transactions

During the year, the Company entered into the arm's length transactions set out below with related parties who are fellow subsidiaries of the ultimate parent undertaking and had the following associated balances:

<b>As at 31 December</b>	<b>Amounts owed from £m</b>	<b>2023 Amounts owed to £m</b>	Amounts owed from £m	2022 Amounts owed to £m
GB Gas Holdings Limited	57	-	105	-
Spirit Energy Treasury Limited	-	(881)	-	(879)
	<b>57</b>	<b>(881)</b>	<b>105</b>	<b>(879)</b>

All amounts owed from related parties are non-interest bearing, not past due and no provisions for credit losses have been taken. Terms relating to the amount receivable from GB Gas Holdings Limited of £57 million are described in note S5 to the Consolidated Financial Statements, in footnote (ii). The amounts owed to related parties are payable on demand. An interest rate of SONIA plus 3% was applied to amounts owing to Spirit Energy Treasury Limited.

During the year, the Company recognised in its Income Statement income of £4 million (2022: £11 million income) for an increase in deferred consideration and no income (2022: £1 million income) for transactions with GB Gas Holdings Limited.



# GAS AND LIQUID RESERVES (UNAUDITED)

The Group's estimates of reserves of gas and liquids are reviewed as part of the full-year reporting process and updated accordingly.

A number of factors affect the volumes of gas and liquids reserves, including the available reservoir data, commodity prices and future costs. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of reserves are subject to change as additional information becomes available.

The Group discloses 2P gas and liquids reserves, representing the central estimate of future hydrocarbon recovery. Reserves for Spirit Energy operated fields are estimated by in-house technical teams composed of geoscientists and reservoir engineers. Reserves for non-operated fields are estimated by the operator but are subject to internal review and challenge.

As part of the internal control process related to reserves estimation, an assessment of the reserves, including the application of the reserves definitions is undertaken by an independent technical auditor. An annual reserves assessment has been carried out by DeGolyer and MacNaughton for the Group's global reserves. Reserves are estimated in accordance with a formal policy and procedure standard.

The Group has estimated 2P gas and liquids reserves in Europe, excluding the Norway and Statfjord disposal groups.

The principal fields in Europe are GMA and Cygnus. The reserves estimates are reported according to the guidelines set by the Petroleum Resources Management System, which is sponsored by the following organisations:

- Society of Petroleum Engineers;
- American Association of Petroleum Geologists;
- World Petroleum Council;
- Society of Petroleum Evaluation Engineers; and
- Society of Exploration Geophysicists.

<b>Estimated net 2P reserves of gas</b>	<b>Billion cubic feet</b>
1 January 2023	379
Revisions of previous estimates <sup>(i)</sup>	55
Production <sup>(ii)</sup>	(82)
<b>31 December 2023</b>	<b>352</b>

<b>Estimated net 2P reserves of liquids<sup>(iv)</sup></b>	<b>Million barrels</b>
1 January 2023	2
Revisions of previous estimates <sup>(i)</sup>	1
Production <sup>(ii)</sup>	(1)
<b>31 December 2023</b>	<b>2</b>

<b>Estimated net 2P reserves</b>	<b>Million barrels of oil equivalent</b>
<b>31 December 2023<sup>(iii)</sup></b>	<b>61</b>

(i) Revision of previous estimates include those associated with Morecambe Hub, Galleon, Greater Markham Area, Cygnus and Clipper South.

(ii) Represents total sales volumes of gas and oil produced from the Group's reserves.

(iii) Includes the total of estimated gas and liquids reserves as at 31 December 2023 in mmmboe.

(iv) Liquid reserves include oil, condensate and natural gas liquids.

# DEFINITIONS AND RECONCILIATIONS OF ADJUSTED PERFORMANCE MEASURES (UNAUDITED)

These Consolidated Financial Statements include a number of non-GAAP measures. These measures are chosen as they provide additional useful information on business performance and underlying trends. They are also used to measure the Group's performance against its strategic financial framework. They are not, however, defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies. Where possible they have been reconciled to the statutory equivalents from the primary statements (Consolidated Income Statement (I/S), Consolidated Cash Flow Statement (C/F)) or the notes to the Financial Statements.

## (a) Adjusted operating profit

Year ended 31 December	Note	2023 £m	2022 £m
Adjusted operating profit from continuing operations		206	184
Certain re-measurements of energy contracts	6(b)	1,164	427
<b>Operating profit from continuing operations</b>	I/S	<b>1,370</b>	<b>611</b>

## (b) Adjusted profit after tax

Year ended 31 December	Note	2023 £m	2022 £m
Adjusted profit after tax		42	91
Certain re-measurements of energy contracts	6(b)	1,164	427
Tax on exceptional items and certain re-measurements of energy contracts	8(a)	(848)	(109)
<b>Profit/(loss) after taxation for the year from continuing operations</b>	I/S	<b>358</b>	<b>409</b>

## (c) Adjusted operating cash flow

Year ended 31 December	Note	2023 £m	2022 £m
Adjusted operating cash flow from continuing operations		296	466
Payments relating to exceptional charges	C/F	-	(1)
<b>Net cash from continuing operating activities</b>	C/F	<b>296</b>	<b>465</b>

## (d) Free cash flow

Year ended 31 December	Note	2023 £m	2022 £m
Adjusted operating cash flow from continuing operations		296	466
Sale of business	C/F	99	85
Purchase of property, plant and equipment and intangible assets	C/F	(88)	(119)
<b>Free cash flow</b>		<b>307</b>	<b>432</b>

# DEFINITIONS AND RECONCILIATIONS OF ADJUSTED PERFORMANCE MEASURES (UNAUDITED)

CONTINUED

## (e) Lifting cost per barrel

Year ended 31 December	Note	2023 £m	2022 £m
Lifting cost per barrel		(22.1)	(16.9)
Production		14.8	17.5
Total lifting costs		(328)	(296)
Depreciation, amortisation, impairments and write-downs of fixed assets	5	(258)	(341)
Commodity costs	5	(25)	(26)
Third party rebillable costs <sup>(i)</sup>		(26)	(27)
Internal gas swaps <sup>(ii)</sup>		-	4
Under/overlift		(5)	-
<b>Cost of sales</b>	I/S	<b>(642)</b>	<b>(686)</b>

<sup>(i)</sup> Third party rebillable costs are excluded from lifting costs and included within the other direct costs amount of £262 million (2022: £230 million) in note 5.

<sup>(ii)</sup> Internal gas swaps are included within lifting costs. These costs are included within the commodity costs amount of £25 million (2022: £26 million) in note 5.

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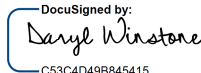
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