ROCKROSE ENERGY LIMITED

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

Company Registration No. 09665181

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ROCKROSE ENERGY LIMITED

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ROCKROSE ENERGY LIMITED
STRATEGIC REPORT

The Directors present their Strategic Report on RockRose Energy Limited ("the Company" or together with its subsidiaries, "the Group") for the year ended 31 December 2022.

THE REVIEW OF GROUP'S STRATEGY, BUSINESS AND FUTURE DEVELOPMENTS

During 2022 RockRose continued to make significant progress towards its long-term strategy. The acquisitions from 2021 made significant positive impact in the Group's profitability and positive cash flow generation. The Company continues to pursue opportunities for future acquisitions in the North Sea and beyond as well as examine the upside opportunities presented by its existing portfolio of assets.

Aligned with managing the energy transition the Group follow the below strategies:

Re-evaluating late-stage assets - Exploiting RockRose's technical capabilities to select appropriate development and production opportunities, in order to deliver high levels of production efficiency and cost control to realise sustained value from the acquisitions of maturing and underdeveloped assets.

Maximising economic recovery - RockRose focuses on capital allocation that prioritises positive cash flow generative investment and the effective management of RockRose's capital structure. RockRose employs a cost-conscious approach with a lean management team and implements innovative initiatives to add value to its operations.

Improving performance - The Group leverages its operating capabilities and influence as a non-operator to maximise value from its assets and to position itself to take advantage of future opportunities. RockRose's aim is to focus on operational delivery across all of its activities in a safe and responsible manner.

Delivering value through field life extension - RockRose is continually looking for opportunities to extend the life of key infrastructure, be this through identifying additional development opportunities, operating cost reduction initiatives or third-party business.

OPERATIONAL REVIEW

OIL PRODUCING ASSETS

Blake and Ross (RRE 30.8%)

The Blake and Ross fields are operated by Repsol Sinopec UK and produce into the Bleo Holm FPSO via subsea infrastructure. Total production averaged 1,725 boepd (net) including associated gas in 2022. Oil is exported via shuttle tanker and gas is exported via the Frigg Pipeline. The Joint venture partners evaluated various development options for the Blake Area Redevelopment and recommended that the Bleo Holm is maintained as the production facility. This will also facilitate the development of the 9Mbbl (gross) Tain oil field.

Nelson (RRE 7.5%) and Howe (RRE 20.0%)

The Nelson and Howe fields are operated by Shell, and the Nelson facilities comprise a fixed platform. The Howe field is located 14 kilometres east of Nelson and comprises a subsea tieback to the Nelson platform. Nelson production averaged approximately 531 boepd (net) including associated gas in 2022. Howe production averaged 414 boepd (net) including associated gas in 2022. Oil from the Nelson platform is transported by pipeline to the Forties field, and then to shore via the Forties Pipeline System. Gas is exported via the Fulmar Gas Line.

Other Oil Assets

In the Netherlands, production remained strong from both Hanze and Rijn due to good uptime for the period. In 2022, these assets produced an average of 568 boepd net to RockRose.

GAS PRODUCING ASSETS

A&B Blocks (RRE 14.6%)

Production from the Petrogas operated AB Unit (A12, B13 and A18) averaged 2,400 boepd (net) in 2022. Production is from shallow reservoirs at depths of between 350 metres and 700 metres. Focus in 2022 was the positive final investment decision on the A15 and B10 developments, in March 2022. 1st gas from these fields is expected in Q1 2024.

K4B-K5A (RRE AVERAGE 7.0%)

Production in the Totalenergies operated K4b/K5a licence averaged 884 boepd (net) in 2022. Gas is exported via the WGT pipeline to Den Helder. The area was developed with a Central Processing Platform (CPP) over the K/5-A structure and five unmanned wellhead platforms. In 2022, production continued to be enhanced through intervention work which included velocity string installation and foam restart strategies . Totalenergies continued their focus on opex reduction through demanning activities across the K4/K5 area including the K5CC hub platform.

Arran (RRE 30.4%)

The Arran field is a gas condensate four-well field with 55km subsea tieback to the Shearwater platform, operated by Shell. The field was developed at a gross cost of £342 million (£104 million net). First gas was achieved in September 2021 and production averaged 6,318 boepd (net) in 2022, (broken down into Oil – 1,169 boepd, NGL – 821 boepd, Gas – 4,328 boepd). Gas is exported via the Fulmar Gas Line (FGL) to the Shell Esso Gas & Associated Liquids (SEGAL) processing terminal. Liquids are exported via the Forties Pipeline System (FPS).

Easington Capture Area (ECA) (RRE 33.7%-50%)

The ECA comprises six gas fields including six producing fields (Apollo (50% WI), Minerva (50% WI), Mercury (50% WI), Whittle (33.7% WI), Eris (46% WI)) and Wollaston (33.7% WI). Wollaston came back online in May 2022 after a successful drilling and completion programme. All fields are operated by Perenco UK, except Eris which is operated by Spirit. Net production for the ECA fields averaged 2,685 boepd during 2022.

Gas from these ECA fields combined at the Cleeton Platform and exported via gas pipeline to the Dimlington Gas Terminal. After compression, the gas is sent to the Dimlington Terminal for conditioning prior to returning to the Easington terminal for metering and export into the UK National Transmission System. Condensate, after separation, is also exported to the Dimlington Terminal for stabilisation and storage.

Bacton Capture Area (BCA) (RRE 9.84%-50%)

The BCA comprises eleven gas fields, seven of which are producing fields (Bell - 35.1%, Leman East - 21.7%, Leman South - 21.7%, Indefatigable (including Indefatigable SW) - 23.1%, Davy & North Davy -27.78%, Boyle & Browne - 27.8%, and Sean - 50%), and two recently abandoned fields (Bessemer and Beaufort). The main fields in the BCA are Leman, Indefatigable and Sean. All fields are operated by Perenco, except Sean (including Sean East) which is operated by ONE Dyas. In addition, Rockrose holds a 22.19% interest in the Perenco operated Bacton Terminal, and between 9.84% and 13.67% interest in the Inde/Leman Joint Compression Pipeline, operated by Shell.

Production commenced from Leman and Indefatigable fields in 1969 and 1971 respectively. Development of the smaller satellite fields started in 1993. Production from those Perenco operated fields are produced via the Indefatigable and Leman platforms to the Bacton Gas Terminal. Six smaller fields are produced through the Indefatigable facility. Four of these, Davy, North Davy, Brown and Boyle, are delivered via the Davy platform and flowed back to Indefatigable. Bell is produced via the Bessemer platform and flowed back to Indefatigable. Leman East is produced through the Leman facilities.

Indefatigable has been developed with 4 platforms and 40 wells with the gas is transported via pipeline to the Leman 27B platform complex. Eastern Leman was developed with nine platforms and 92 wells with the gas transported via pipeline the Bacton Terminal. Considering the age of the infrastructure, decommissioning work has started during 2022; the Indefatigable platform was made HCF during 2022 and is due for removal in 2024. Other plans are to start on Leman 27J and 27H platforms starting in 2023 with and Leman 27J expected to be made HCL in Q1 2024 including removal of the topsides, and Leman 27J to be performed in 2025.

Net gas production for the BCA fields (without Sean) averaged 1,526 in 2022 (proforma production 2021: 966 boepd).

The Southern Hub Asset Rationalisation Project (SHARP) is a strategic investment to extend the economic production life of the existing Leman and Indefatigable gas fields in the UK Southern North Sea. To achieve this, Indefatigable 23A and Leman 27A will free flow to Leman 27B where a new low- pressure compression platform modified from an existing drilling rig will be installed. The onward flow of gas has since been reconfigured following to utilise PL23 instead of PL24 following the PL24 pipeline failure. The existing Indefatigable 23A and Leman 27A assets will become Normally Unmanned Installations (NUIs) thus allowing production operations to continue in a more cost-efficient manner. Overall, the SHARP project is approximately 18 months late. The work on 27BC platform is nearly complete and with final commissioning the newly installed compressor currently in progress. Work on the Leman 27A platform is nearly complete and expected to be in full NUI operation by mid-year. Work on the Indefatigable 23A platform commenced in March 2023. Following on from completion of the Leman 27A and Indefatigable 23A. Work on deconstructing and removal the heritage infrastructure is expected under a common Heavy Lift Vehicle (HLV) in 2025 and 2026 along with other infrastructure already placed in HCF lighthouse mode.

The Sean gas field is operated by ONE-Dyas and situated 100km from the Norfolk coast and consists of two fixed bridge linked platforms (Sean Papa) and an outlying NUI (Sean Romeo). Dry gas is exported to Bacton Terminal via subsea pipeline and processed through the Shell facility at the terminal. Sean is an aging field and currently working toward a CoP of Q4 2024 yet production volumes remain steady. The remaining well on the Romeo NUI is expected to cease production in late 2023. Net production for the Sean field averaged 1,838 boepd in 2022 (proforma production 2021: 2,555 boepd).

Greater Laggan Area (GLA) (RRE 20%-25%)

Greater Laggan Area assets included the Laggan, Tormore, Edradour and Glenlivet producing gas condensate fields, and two surrounding exploration licences (P2411 – Benriach, 25% WI and P2594 Cardhu, 20% WI) , the Shetland Gas Plant, offshore and onshore pipelines. These assets are collectively referred to as the GLA.

In 2018, the GLA partnership drilled "Glendronach", a Lower Cretaceous prospect close to but deeper than the Edradour field. The well encountered gas-bearing high porosity reservoir sands in the Royal Sovereign formation, thus proving up a new play concept for the area.

Several further high-quality prospects have been identified within blocks licenced to the GLA partners, in particular the Glendronach lookalike "Benriach", and the Paleocene "Cardhu" prospect. A rig for the Benriach exploration well was committed to in November 2022, with the well spudded in March 2023.

The GLA producing gas condensate fields are located in water depths between approximately 300 m and 625 m, some 125 km north-west of the Shetland Islands on the UKCS. The GLA is the first gas development in the West of Shetland area.

Production from Laggan and Tormore commenced in February 2016, and Glenlivet and Edradour were brought on stream in August 2017. The four GLA fields are being developed by natural depletion. The fields have been developed as a subsea tieback to the Shetland Gas Plant ("SGP") through two production flowlines. Each flowline has a capacity of 250 MMscf/d and a design pressure of 380 bar. The tie-in distance from the SGP is 143 km for Tormore, 127 km for Laggan and about 107 km for Edradour and Glenlivet. The subsea production system includes identical six-slot template manifolds installed at both Laggan and Tormore. Edradour and Glenlivet are both equipped with smaller subsea manifolds. The subsea facilities are controlled by hydraulic and electric umbilical. An eight-inch Mono-Ethylene-Glycol (MEG) line is routed alongside the flowlines and delivers MEG from the SGP to the subsea facilities for continuous hydrate inhibition. The subsea production system layout was designed to promote third-party access and the potential addition of subsea compression.

Net production for the GLA fields averaged 5,676 boepd in 2022 (proforma production 2021: 7,143 boepd).

Joint Development Area (RRE 9.95%)

Production in the NAM operated JDA in 2022 averaged 1,319 boepd (net) (proforma production 2021: 1,382). The JDA covers 7 unitised licences (K07, K08, K11, K14, K15 & L13) and 23 producing fields. Gas is produced from both HiCal and LoCal gas fields, with the HiCal gas delivered in to the WGT pipeline, while the LoCal gas is delivered via a dedicated JDA owned pipeline to Den Helder.

During 2022 focus was to maintain production levels through well enhancement work. The K13-FG infill well was successfully drilled in 2022, coming onstream in December. Work continued on the K14-FA carbon capture and storage project, with RockRose directly participating in the storage joint venture. Concept select work continued with a target to move to FEED in Q2 2023.

OTHER GAS ASSETS

RockRose's interests in the other Netherlands assets continued to perform well. These assets include P15/P18, P/Q Area, F15AB, Markham and J3C, onshore Bergen (including Alkmaar PGI facility), and K18G and K12B (including K12-B9). RockRose successfully sanctioned the P15F restart project, delivering an additional 67 boepd net from August. In 2022, these other assets produced an average of 296 boepd net to RockRose.

In the UK Southern Gas Basin, RockRose has interests in the Tors, Grove, Galahad, Mordred, and Seven Seas fields. Both Seven Seas and Grove continued to produce well with the Grove partners successfully bringing online an infill well in the NE block, tripling production. Seven Seas is currently planned for CoP in Q3 2023 and studies have begun for the potential to drill a further Infill well on Grove with the Markham J6A platform having a life extension to 2028. In 2022, these assets produced an average of 198 boepd net to RockRose.

DEVELOPMENT PROJECTS

Tain (RRE 50.0%)

The Tain oil field is operated by Repsol-Sinopec and is currently in the Select Phase of development. It is planned to be a 20km subsea tieback to the Bleo Holm FPSO. First oil is currently planned for Q1 2025. Tain production is expected to be approximately 7,000 boepd (3,500 boepd (net)). Produced hydrocarbons will be processed by the Bleo Holm FPSO. Oil will be exported via a shuttle tanker and gas will be exported via the Frigg Pipeline.

EVENTS AFTER REPORTING DATE

On 28th February 2023 Rockrose Energy signed SPA with Spark New Energies Limited to acquire 100% issued share capital of Spark Exploration UK (P2412) Limited that has 50% interest in P2593 licence, partnered with Cambo operator Ithaca Energy. The licence includes the Tuck appraisal opportunity, estimated to contain 87 million barrels of recoverable oil equivalent. Tuck will be developed first, at an estimated £208 million cost (net) to reach first gas by 2028. The licence also includes 50% interest in each of the Boulmer, Cherry and Sammy exploration prospects which contain estimated prospective resources totalling 280 million barrels net to the company. For further detail, please see note 25 (events occurring after the reporting period).

FINANCIAL REVIEW

Production and Revenue

Production on a working interest basis increased by 79% to 25,610 boepd in 2022, compared to 14,286 boepd in 2021. This increase primarily reflects additional production from assets acquired in 2021 from HALO PLC on 1 May 2021 and SSE PLC on 14 October 2021.

Revenue from crude oil sales in 2022 totalled £145.0 million, 36% higher than 2021 (£106.7 million) and revenue from the sale of gas in 2022 was £714.8 million (2021: £261.3 million) which was 174% higher than 2021. The significant increase in oil and gas sales was mainly due to the higher realised gas prices in 2022 and additional volumes from newly acquired assets.

Results of the year ended 31 December*

		2022	2021
Production	**boepd**		
Oil		4,689	5,062
Gas		20,921	9,224
		25,610	**14,286**
Revenue	**£'000**		
Oil		146,924	106,677
Gas		714,775	261,309
Infrastructure		9,044	5,258
Other		2,617	1,882
		873,360	**375,126**
Unit opex	**£/boe**		
Oil**		38.5	20.8
Gas		13.8	14.5
		19.9	**17.6**

***Oil unit opex excludes Foinaven asset*

		2022	2021
(Loss)/profit for the year	**£'000**	**(54,858)**	**605,803**
Net cash generated from operating activities	**£'000**	**418,916**	**66,795**
Average realised price	**£/boe**		
Oil		84.7	57.8
Gas		93.6	77.6
Capital expenditure	**£'000**	**77,609**	**46,560**
Abandonment expenditure	**£'000**	**19,737**	**19,239**

Results of the year ended 31 December (continued)

Adjusted EBITDA*	2022	2021
	£'000	£'000
Operating profit	**379,129**	**668,235**
Depreciation and amortisation expense	243,698	89,118
Gain on disposal/acquisition	(8,249)	(367,405)
Decommissioning recovery income	-	(178,673)
Decrease in estimate of decommissioning recovery asset	43,552	2,139
Decrease in decommissioning cost estimates	(112,389)	(18,505)
Impairment of producing and development assets	-	6,947
Impairment reversal of producing and development assets	(4,672)	(22,324)
Impairment of exploration assets	12,923	-
Impairment of goodwill	-	16,277
Unrealised expected credit losses	-	(2,367)
Unrealised loss/(gain) on commodity hedges	99,285	(14,607)
Adjusted EBITDA	**653,277**	**178,835**

**Based on the results of continued and discontinued operations during the year. Refer to note 21.1 for details of discontinued operations*

Cash Flow	2022	2021
	£'000	£'000
Cash and cash equivalents as at 1 January	**36,148**	**1,417**
Net cash generated from operating activities	418,916	66,795
Net cash used in from investing activities	(118,170)	(35,691)
Net cash used in financing activities	(60,589)	(319)
Net increase/(decrease) in cash and cash equivalents	**240,157**	**30,785**
Exchange (losses)/gains	3,683	3,946
Cash and cash equivalents as at 31 December	**279,988**	**36,148**
Restricted cash	**150,398**	**42,837**

Unit Opex

Unit opex costs were £38.5/bbl (2021: £20.8/bbl) for oil and £13.8/boe (2021: £14.5/boe) for gas in 2022.

(Loss)/profit

Loss for the year of £54.9 million (2021: profit of £605.8 million) is mainly driven by increased current and one-off deferred tax charges as a result of windfall taxes introduced in the UK and Netherlands during 2022.

Adjusted EBITDA

Adjusted EBITDA increased to £653.3 million in 2022 (2021: £178.8 million) reflecting higher oil and gas prices and production volumes in 2022. In addition, change in decommissioning estimates credit of £112.4 million (2021: £18.5 million) which was a result of changes in discount rate also contributed for the increased Adjusted EBITDA.

Cash Flow

The Group reported net cash generated from operating activities of £418.9 million in 2022 compared with net cash generated from operating activities of £66.8 million a year earlier. The increase is mainly driven by higher commodity prices and income from newly acquired assets. At the end of 2022 the Group had £101.2 million (2021: £42.6 million) of decommissioning securities held in trust to cover the Group's obligations under its various Decommissioning Security Agreements (DSAs).

At the end of 2022, the Group had in issue £150.5 million of surety bonds (2021: £257.4 million). The Group's A rated (Moody's) surety providers include Aspen, Sompo and Travelers.

Capital and Abandonment Expenditure

Group continued to invest for organic growth within the portfolio of assets and total capital expenditure was £65.1 million in 2022 (2021: £46.6 million), with expenditure of £28.7 million on Ross and Blake field, £9.7 million on BCA field, £5.5 million on AB Blocks, £4.9 million on JDA area and £11.7 million on other development and maintenance capex.

Abandonment expenditure of £19.7 million was in line with 2021 expenditure of £19.3 million. The Group's pre-tax decommissioning provisions are £506.3 million (2021: £620.1 million).

Change in presentational currency

As a result of acquisitions and production commencement from Arran field in late 2021, from 1 January 2022 the majority of Group's revenue generated by gas sales which is sold in British Pound Sterling ("GBP") and therefore Group's presentational currency and functional currency of relevant subsidiaries have been changed from US Dollar ("USD") to GBP to provide more reliable financial information for readers of financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group identifies, assesses and manages the risks critical to its success. Oversight of these risks benefits the Group and protects its business, people and reputation. We employ the risk management process to provide reasonable assurance that the risks we face are recognised and controlled. Our efforts are guided by our Responsible Operations Management System (ROMS), a framework designed to drive continuous improvement and reduce operational risk. This approach to the risk management enables the organisation to achieve its strategic objectives and create value.

Due to the rapid changes in geopolitical situation in Europe, management closely monitoring the situation and working closely with joint venture partners to minimise the disruption to the business. As a result of geopolitical events there has been significant increase in volatility of commodity prices that Company produces however, management believes that there has been no direct negative impact to Company's business. The principal risks and uncertainties of the Group relate to the following:

Description	Impact	Mitigation
Growth of reserve base	The Group needs to identify new reserves and resources to ensure continued future growth and does so through development and acquisition. The Group may fail to identify attractive acquisition opportunities or may select inappropriate targets. The long-term commodity price forecast and other assumptions used when assessing potential projects and other investment opportunities have a significant influence on the forecast return on investment and, if incorrectly estimated, could result in poor decisions.	The Group's investment strategy prioritises investment in the UK and Western Europe and across a mix of oil and gas producing and development fields. A rigorous assessment process evaluates and determines the risks associated with all potential business acquisitions and strategic alliances, including conducting stress-test scenarios for sensitivity analysis. Each assessment includes country risk analysis (including corruption) and analysis of the Group's ability to operate in a new jurisdiction.

Description	Impact	Mitigation
Operational performance	The Group's production volumes (and therefore revenue) are dependent on the performance of its producing assets. The Group's producing assets are vulnerable to operational risks, such as lack of critical spares and equipment or plant availability during essential plant maintenance or turnarounds; asset integrity and health, safety, security and environment incidents; and low reserves recovery from the field as well as exposure to natural hazards such as extreme weather events.	We leverage the skills and expertise of our experienced management team as well as that of our JV partners to mitigate any potential impacts of unforeseen events on our operational performance. We guide our actions with JV partners based on the principles of Responsible Operating Management System (ROMS) which is designed to reduce operational risk.
Reputation	The reputational and commercial exposures of a major offshore incident, including those related to an environmental incident, or non-compliance with applicable law and regulation are significant.	All activities are conducted in accordance with approved policies, standards and procedures. The Group requires adherence to its Code of Conduct and runs compliance programmes to provide assurance on conformity with relevant legal and ethical requirements.
Commodity prices	The Group's results are heavily dependent on crude oil and gas prices which are dependent on a number of factors including the impact of climate change concerns, regulatory developments and geopolitical factors such as the ongoing conflict in Ukraine.	The Group will regularly review and implement suitable policies to hedge against the possible negative impact of changes in oil and gas prices to protect its investment strategy.
Decommissioning costs estimates and timing	The estimated future costs and timing of decommissioning is a significant estimate; any adverse movement in price, operational issues and changes in reserves and resource estimates could have a significant impact on the cost and timing of decommissioning. The early stage of the supply chain providing decommissioning in the UK also results in uncertainty in the cost and timing estimates for decommissioning of assets.	The Group mitigates this risk through the specialist decommissioning experience in its operated and non-operated asset teams, coupled with a continued focus on delivering asset value to defer abandonment liabilities.
Cyber security	Breaches in, or failures of, the Group's information security management could adversely impact its business activities.	The Group's information security management model is designed with defensive structural controls to prevent and mitigate the effects of computer risks. It employs a set of rules and procedures, including a Disaster Recovery Plan, to restore critical IT functions.

OUR COMMITMENT TO SECTION 172

We understand the importance of considering stakeholders in long-term decision making and engage with various stakeholder groups in support of the ethos of section 172 of the Companies Act. RockRose Directors act in a way that they consider, in good faith, to be most likely to promote the success of our Company for the benefit of our stakeholders. This includes considering the interests of our employees, maintaining high standards of business conduct, strengthening relationships with our partners, and considering our impact on local communities and the environment.

Engaging with Our Stakeholders

We regularly engage with stakeholders to inform decision making and support the Board's understanding of how our activities impact on them.

Employees	Our employees are a significant asset to our business. The Board engages with employees to understand how we can ensure RockRose is a great place to work. Employees are encouraged to submit suggestions which include where we can improve safety, working conditions and training opportunities. Considered responses to suggestions are communicated through future Townhalls and our internal communications process. We invest in developing future leaders, helping them to drive growth, improve safety and environmental stewardship and promote a mindset of continuous improvement to achieve the Group's vision and goals.
Partners and Suppliers	RockRose works closely with joint venture (JV) partners to deliver solutions for asset safety, integrity, and field life. We collaborate with JV partners to develop risk mitigation strategies to handle delays or instances of underperformance in our operations. We engage regularly with operators and partners to share knowledge, offer support and use our influence to establish best practices. Senior management attend Operating Committee Meetings (OCMs) to advise on material decisions and attend Group Weekly Asset Meetings, together with Board representatives, to better understand the performance of the Group's non-operated assets. We treat suppliers equally, without discrimination, promoting a "one-team" culture. Where applicable, we work with suppliers prequalified for oil and gas operations through the OGUK industry system. RockRose ensures any risks and costs borne by suppliers undertaking activities in support of our business are proportional to the scope of their work.
Governments and Regulators	We build strong, transparent relationships with host governments and regulatory authorities. We comply with all relevant legislation in the areas where we have our operations and disclose all necessary information. RockRose engages with the North Sea Transition Authority (NSTA) in the UK to provide updates on the business and development activity. The Group's external advisors provide advice in respect of changes to legislation or regulation and advise the Board directly. We are also a member of the Association of British Independent Oil Exploration Companies (BRINDEX) which works with the NSTA and UK Government on issues that impact the oil and gas industry.
Community and Environment	The Group acknowledges its responsibilities for engaging with the wider community and the impact that its operations can have on the environment. As operations are offshore the community is not widely impacted by the Group, but the Group are actively looking for new ways to engage. The Groups full impact on the environment, including its streamlined energy and carbon reporting are included within the consolidated financial statements of the ultimate parent company Viaro Investment Limited.

This report was approved by the Board of Directors on 04 April 2023 and signed on its behalf by:

Francesco Dixit Dominus
Director
04 April 2023

ROCKROSE ENERGY LIMITED
DIRECTORS' REPORT

The Directors present the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Principal activities and status
The Group's principal area of activity is the acquisition of companies or businesses in the upstream oil and gas sector.

Dividends
The Directors have not proposed any dividend in respect of the current financial year (2021: nil).

Information set out in the Strategic Report
The Directors' Report does not include a fair review of the business, details of the risks and uncertainties and future developments, as this information is documented within the Strategic Report as permitted under s414C(11) of The Companies Act 2006.

Charitable Donations
The Group made charitable donations of £5,300 during the year (2021: £2,450).

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

Francesco Mazzagatti
Francesco Dixit Dominus

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

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third-party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Section 143 of the Company's Articles of Association as adopted on 15 November 2017. These provisions remained in force throughout the year and remain in place at the date of this report.

UK Bribery Act
RockRose has reviewed the appropriate policies and procedures to ensure compliance with the UK Bribery Act. The Company continues to actively promote good practice throughout the Group and has initiated a rolling programme of anti-bribery and corruption training for all relevant employees.

Employment policy
It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success.

Research and development information
The Group does not carry out research and development activities.

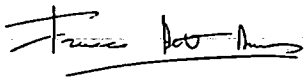
Financial Instruments
As part of the Group's activities various financial assets and financial liabilities are held at the balance sheet date, these are included within note 12. The risks associated with the financial assets and liabilities are included within note 19.

Going concern

The Group closely monitors and carefully manages its liquidity risk. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Group's producing assets. See note 27.3.1 for further details.

The Directors have considered the application of the going concern basis of accounting and are satisfied that for the foreseeable future the Group will continue in operational existence and will have adequate resources to meet its liabilities as they fall due. The Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

This report was approved by the Board of Directors on 04 April 2023 and signed on its behalf by:



Francesco Dixit Dominus
Director

ROCKROSE ENERGY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with United Kingdom adopted International Financial Reporting Standards ('UK adopted IFRS') and those parts of the Companies Act 2006 that are relevant to companies which report in accordance with UK adopted IFRS. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether UK adopted IFRS have been followed for the Group financial statements and UK adopted IFRS and those parts of the Companies Act 2006 that are relevant to companies reporting under UK adopted IFRS have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

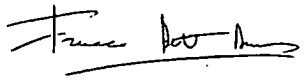
The Directors are responsible for the maintenance and integrity of the Group and Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

On behalf of the Board,



Francesco Dixit Dominus
Director
04 April 2023

ROCKROSE ENERGY LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCKROSE ENERGY LIMITED

Independent auditor's report to the members of RockRose Energy Limited

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of RockRose Energy Limited. For the purposes of the table on pages 17 to 20 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson. The Group financial statements, as defined below, consolidate the accounts of RockRose Energy Limited and its subsidiaries (the "Group"). The "Parent Company" is defined as RockRose Energy Limited, as an individual entity. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion
We have audited the financial statements of RockRose Energy Limited for the year ended 31 December 2022.

The financial statements that we have audited comprise:

- the Consolidated Statement of Comprehensive Income
- the Consolidated Statement of Financial Position
- the Consolidated Statement of Changes in Equity
- the Consolidated Statement of Cash Flows
- Notes 1 to 27 to the consolidated financial statements, including significant accounting policies
- the Company Statement of Financial Position
- the Company Statement of Changes in Equity
- the Company Statement of Cash Flows and
- Notes 1 to 11 to the company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group and parent company's financial statements is applicable law and UK adopted International Financial Reporting Standards ("UK adopted IFRS").

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted IFRS; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with those 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 basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Group's and the Parent Company's operations and specifically their business model.
- The evaluation of how those risks might impact on the available financial resources.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination of cash flow projections and management's timing and quantum in respect of key receipts and payments including the level of monies required to be held in restricted escrow accounts at Group and Parent Company level.
- Solvency considerations including examination of budgets and forecasts and their basis of preparation, including review and assessment of the model's mechanical accuracy and the reasonableness of assumptions included within.
- Consideration of compliance with undertakings to the North Sea Transition Authority.
- Consideration of continued availability and terms and conditions attaching to financing and de-commissioning bond facilities in place at the year end and compliance with covenants attaching to those facilities both up to the date of the approval of the financial statements and into the forecast period.
- Consideration of availability of funds required to settle funding facilities due for repayment during the going concern review period. Assessing the reasonableness and practicality of the mitigation measures identified by management in their conservative case scenario and considered by them in arriving at their conclusions about the existence of any uncertainties in respect of going concern.
- The evaluation of the base case scenarios and stress scenarios, in respect of the Group and the Parent Company, and the respective sensitivities and rationale.

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.

Overview of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Group, including the Parent Company, and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement. We conducted full scope audits of 4 significant components based on their size and risk characteristics: four operating entities in the UK, and the head office in London. We completed limited scope procedures on 6 components, covering balances and transactions of classified as significant risks. We completed analytical procedures on 4 components.

Materiality	**2022**	**2021**	
Group	£19.75m	£20.4m / $27.5m	1% (2021: 1%) of gross assets
Parent Company	£4.91m	£9.42m / $12.7m	1% (2021: 1%) of gross assets

Key audit matters	
Recurring	• Decommissioning provisions • Impairment of oil and gas assets
Event driven	• Completeness of legal claims and sufficiency of provisions in respect of legal disputes • Deferred tax balances

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Decommissioning provisions	
Key audit matter description	As at 31 December 2022 decommissioning provisions totalled £506m. (2021: £620m / $836m) were recognised in the financial statements of RockRose Energy Limited. The estimated cost of decommissioning at the end of the producing lives of the fields is reviewed annually and engineering estimates and reports are updated periodically. Provision is made for the estimated cost of decommissioning at the Statement of Financial Position date for the Group's share of the overall costs. Cost estimates have been discounted in the Group's functional currency, at an average risk-free discount rate of 3.7% (2021: 1.5%), representing Management's best estimate of the rate that reflects current market assessment of the time value of money. Due to the high level of subjectivity and material nature of this provision, we have designated this as a key audit matter.
How the scope of our audit responded to the key audit matter	We obtained and reviewed the future cost estimates and compared these to the latest operator forecasts. The timing of decommissioning cash flows was checked for consistency with the impairment models carried out for Property, Plant and Equipment. The future cost estimates for the UK assets are denominated in GBP and Netherlands assets are denominated in EUR. We engaged directly with third party oil and gas valuation specialists to ensure that the conclusions reached by management were supportable and reasonable. We have reviewed the accounting policies applied and confirmed they are consistent with the requirements of UK adopted IFRS.
Key observations	We concluded that the decommissioning provision to be supportable and has been appropriately disclosed in the financial statements.

Impairment of oil and gas assets	
Key audit matter description	The recoverability of oil and gas assets was considered a key audit matter due to the significant carrying value at 31 December 2022 £949 million (2021: £1.1 billion / $1.5 billion). There is a history in the Group of significant impairment charges due to the nature of operations and volatility of commodity prices.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the Group's process for identifying indicators of impairment, and when identified, their methodology for measuring the fair value of the Cash Generating Unit under review. We considered the reasonableness of management's assessment of operations combined within an individual cash generating unit for assessment. We made our own assessments of the presence of impairment indicators considering recent trends in commodity price, and legal developments at the operating components. Where impairment indicators were identified, we obtained and reviewed the appropriateness of the methodology and conclusions reached by management, engaging with third party oil and gas valuation specialists to ensure that the conclusions reached by management were supportable and reasonable. As part of this review, we reviewed models prepared by management in their assessment of net present value of oil and gas assets. We carried out stress testing of the models prepared by management sensitising downwards the assumptions used by them to assess the headroom available prior to impacting managements impairment conclusion. We reviewed disclosures contained within the financial statements including sensitivities in assumptions affecting management's assessment. We have reviewed the accounting policies applied and confirmed they are consistent with the requirements of UK adopted IFRS.
Key observations	We concluded that the treatment and disclosure adopted by management is appropriate.

Completeness of legal claims and sufficiency of provisions in respect of legal disputes	
Key audit matter description	The Group is involved in two legal disputes as at the year end. In July 2022, TAQA Bratani Ltd, TAQA Bratani LNS Ltd and Spirit Energy Resources Ltd, partners in the Brae field, issued a claim against the company and its parent, Viaro Energy Limited. The claim is seeking declaratory relief and/or an order of payment of such sums that the court sees fit in connection with a distribution of approximately US $85 million declared by RockRose UKCS 8 LLC, the holder of the group's interests in the Brae field prior to its sale to Fujairah International Oil & Gas Corporation. At the current time, the existence, timing and quantum of a potential future liability; if any, which could be material arising from the claim cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to this matter in the consolidated statement of financial position as of 31 December 2022. Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. We draw attention to Note 24 to the consolidated financial statements which describes the uncertainty in respect of the outcome of the legal disputes in which the Group is involved. Our opinion is not modified in respect of this matter. In addition to the above, the Company and Group has a debtor balance overdue in respect of amounts due under an indemnification clause in the Sale and Purchases Agreement for the disposal of one of its subsidiaries in a previous period. The amount due has been subject to an Expected Credit Loss provision, following which the net amount due is £15.7m. The directors are in ongoing discussions regarding the collection of the amount due, although the ultimate outcome will be dependent upon negotiations between the parties or successful legal action. We draw attention to Note12 to the consolidated financial statements which describes the uncertainty in respect of the recoverability of the debt. Our opinion is not modified in respect of this matter.
How the scope of our audit responded to the key audit matter	We obtained external confirmations directly from the Group's legal advisers. We discussed the cases with management, and reviewed correspondence and other documents exchanged between the Group and the other parties involved. We read the minutes of the Board meetings, and inspected the Company's legal expenses, in order to ensure all cases have been identified. We considered management's assessment of the probability of outcome, and whether the matter should result in an accrual or disclosure. In respect of matters where there was a likelihood of a probable obligation arising we assessed the sufficiency of provisions (if any) made to supporting evidence. In respect of outstanding amounts due, we reviewed the Expected Credit Loss methodology and assumptions used by management and reviewed supporting documentation from the Group's legal advisors as to the probability of successful outcome, considering changes both during the year and post year end affecting this assessment. We have reviewed the disclosures for completeness based on our procedures detailed above. We have reviewed the accounting policies applied and confirmed they are consistent with the requirements of UK adopted IFRS.
Key observations	From the results of our audit we concluded the completeness of litigation and claims and the adequacy of provisions thereon to be satisfactory and concluded the disclosures materially appropriate.

Deferred tax balances	
Key audit matter description	The valuation of the deferred tax balances was considered a key audit matter due to the volatility of the inputs used in management's economic models for each field. Additionally, a factor which has increased the risk is the introduction of the windfall taxes during the current year, which affects the oil and gas sector in both the UK and Netherlands and has resulted in revised tax rates.
How the scope of our audit responded to the key audit matter	We have reviewed the client tax computations for accuracy and checked the assumptions used in the recognition of assets was consistent with the economic models used for impairment valuations. We have reviewed the cut off where the change in the tax rate has created an incentive for management to bring forward profits ahead of the Energy Profits Levy coming into effect. We have reviewed the application of the Energy Profits Levy in respect of the deferred tax assets and liabilities in line with IFRS. We have engaged our component auditors in the Netherlands to review the application of the windfall taxes in respect of the deferred tax assets and liabilities in line with IFRS.
Key observations	We concluded that the treatment and disclosure adopted by management is appropriate.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Group was set at £19,750,000 (2021: £20,400,000 / $27,500,000) which was determined on the basis of 1% (2021: 1%) of the Group's gross assets. Materiality in respect of the Parent Company was set at £4,910,000 (2021: £9,420,000 / $12,700,000), determined on the basis of 1% (2021: 1%) of the Parent Company's gross assets. Gross assets was deemed to be the appropriate benchmark for the calculation of materiality as this is a key area of the financial statements that was of greatest relevance to all key stakeholders including management, shareholders, and external finance providers.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Group was set at £12,240,000 (2021: £12,240,000 / $16,500,000) and at £2,950,000 (2021: £5,650,000 / $7,620,000) for the Parent Company which represents 60% (2021: 60%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £1,020,000 and £250,000 in respect of the Group and Parent Company respectively to the Board of Directors as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

How we tailored the audit scope

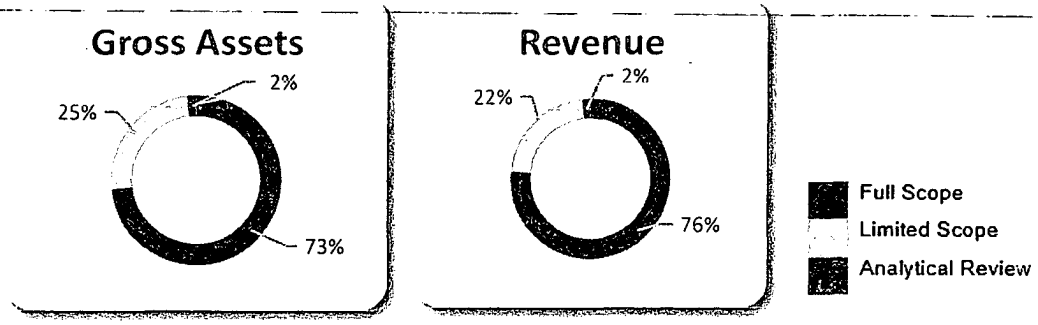
Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative and qualitative coverage of significant accounts in the consolidated financial statements, of the 15 reporting components of the group, we identified 4 components in the UK and mainland Europe which represent the principal business units within the Group.

Full scope audit - Audits of the complete financial information of the 4 components were undertaken, these entities were selected based upon their size or risk characteristics. As well as these, the parent Company was subject to a full scope audit.

Limited scope audit procedures – There were 6 components that were subject to limited scope procedures.

Analytical procedures - The remaining 4 components were subject to group-wide analytical procedures.



The group audit team was involved in the audit work performed by the component auditors in the Netherlands through a combination of group planning meetings and calls, provision of group instructions (including detailed supplemental procedures), review and challenge of related component reporting and of findings from their working papers.

The control environment
We evaluated the design and implementation of those internal controls of the Group, including the Parent Company, which are relevant to our audit, such as those relating to the financial reporting cycle.

Climate-related risks
In planning our audit and gaining an understanding of the Group, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation and reports relating to management's assessment and held discussions with management to understand their process for identifying and assessing the related risks.

We engaged internal specialists to assess and challenge, amongst other factors, the related risks and benchmarks identified by management, the nature of the Group's business activities, its processes and the geographic distribution of its activities.

We have agreed with managements' assessment that climate-related risks are not material to these financial statements except on statutory disclosures.

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

We have nothing to report in this regard.

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 the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received by branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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

Auditor 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 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 financial statements is located on the FRC's website at: 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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

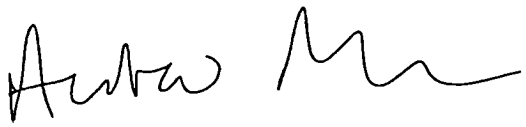
Identifying and assessing potential risks arising from irregularities, including fraud
The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Group's, including the Parent Company's, own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Group.
- We enquired of the directors and management including the in-house legal counsel, concerning the Group's and the Parent Company's policies and procedures relating to:
    - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates.

Audit response to risks identified
In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's and the Parent Company's board meetings, inspection of legal and regulatory correspondence;
- audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
  - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management and legal advisors around actual and potential litigation and claims, and assessed the adequacy of disclosure and accrual for potential liabilities arising.
  - challenging the assumptions and judgements made by management in its significant accounting estimates, in particular those relating to the decommissioning provisions, impairment of oil and gas assets, and deferred tax balances as reported in the key audit matter section of our report; and
  - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.
- the Group and the Parent Company operate in a complex industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and the component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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



Andrew Moyser FCA FCCA
(Senior Statutory Auditor)
for and on behalf of MHA MacIntyre Hudson, Statutory Auditor
London, United Kingdom
04 April 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Note	2022	2021 *(Restated)**
		£'000	£'000
Revenue	3	873,360	359,131
Purchases	4.2	(433,852)	(188,622)
Administrative expenses		(25,501)	(6,672)
Impairment of producing and development assets	6	-	(650)
Impairment reversal of producing and development assets	6	4,672	22,324
Impairment of goodwill	7	-	(16,277)
Impairment of exploration assets	7	(12,923)	-
Change in estimate of decommissioning provisions	14	112,389	18,505
Change in estimate of decommissioning recovery asset	9	(43,552)	(2,139)
Loss on derivatives	4.1	(103,406)	(13,106)
Gain on acquisition	21.5	-	367,405
Decommissioning recovery income	9	-	178,673
Expected credit losses	12.7 and 19.2	-	(9,445)
Operating profit		**371,187**	**709,127**
Finance income	4.4	5,388	2,703
Finance costs	4.4	(24,498)	(11,613)
Foreign exchange gain		6,054	561
Profit before income tax		**358,131**	**700,778**
Income tax expense	5.1	(415,495)	(53,699)
(Loss)/profit from continuing operations		**(57,364)**	**647,079**
Profit/(loss) from discontinued operation (attributable to equity holders of the company)	21.1 and 21.4	2,506	(41,277)
(Loss)/profit for the year		**(54,858)**	**605,803**

* See note 27.4 for details regarding the restatement as a result of changes to presentational currency

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022	2021 *(Restated)**
		£'000	£'000
(Loss)/profit for the year attributable to shareholders		**(54,858)**	**605,803**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange losses on translation of foreign operations	16	7,847	17,528
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit pension scheme	10	4,930	(1,402)
Deferred tax (expense)/credit on defined benefit pension scheme	5.3	(2,422)	(697)
Other comprehensive income for the year, net of tax		**10,355**	**15,429**
Total comprehensive (loss)/income for the year attributable to shareholders		**(44,503)**	**621,232**

* See note 27.4 for details regarding the restatement as a result of changes to presentational currency

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	31 December 2022	31 December 2021 *(Restated)**	1 January 2021 *(Restated)**
		£'000	£'000	£'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	956,011	1,120,295	317,562
Intangible assets	7	62,063	81,260	24,697
Goodwill	7	48,960	49,504	-
Investment property	8	12,556	-	-
Decommissioning recovery asset	9	126,581	159,026	-
Employee benefit assets	10	6,920	1,990	-
Amounts owed by related parties	12.7 (i)	147,433	147,433	145,045
Deferred tax assets	5.3	-	53,024	120,668
		1,360,524	**1,612,532**	**607,972**
Current assets				
Inventories	11	11,672	8,273	6,613
Trade and other receivables	12.1	169,420	217,718	49,830
Decommissioning recovery asset	9	3,823	19,647	-
Financial assets (FVTPL)	12.4	-	-	2,226
Cash and cash equivalents	12.2	279,988	36,148	1,417
Restricted cash	12.3	150,398	42,837	21,923
Assets included in disposal group classified as held for sale	21.4	-	106,821	-
		615,301	**431,444**	**82,009**
Total assets		**1,975,825**	**2,043,976**	**689,981**
LIABILITIES				
Non-current liabilities				
Lease liabilities		90	1,600	86
Amounts owed to related parties	12.7.2	-	30,859	-
Borrowings	12.7.2 (ii)	20,563	39,884	-
Trade and other payables	12.5	15,238	-	-
Deferred tax liabilities	5.3	395,458	260,533	48,928
Provisions	14	485,133	601,404	476,651
		916,482	**934,280**	**525,665**
Current liabilities				
Lease liabilities		69	522	86
Borrowings	12.7 (iii)	18,696	29,038	-
Trade and other payables	12.5	201,095	108,611	50,695
Current tax liabilities		141,420	31,091	4,863
Financial liabilities (FVTPL)	12.6	8,209	2,302	844
Employee benefit liabilities		-	-	6,009
Provisions	14	22,958	18,677	11,653
Liabilities included in disposal group classified as held for sale	21.4	-	208,057	-
		392,447	**398,298**	**74,150**
Total liabilities		**1,308,929**	**1,332,578**	**599,815**
Net assets		**666,896**	**711,398**	**90,166**

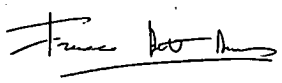
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

	Note	31 December 2022	31 December 2021 *(Restated)**	1 January 2021 *(Restated)**
		£'000	£'000	£'000
EQUITY				
Share capital and share premium	15	6,141	6,141	6,141
Other reserves		24,062	24,062	24,062
Retained earnings		636,693	681,196	59,964
Total equity		**666,896**	**711,399**	**90,167**

* See note 27.4 for details regarding the restatement as a result of changes to presentational currency

These financial statements on pages 25 to 67 were approved and authorised for issue by the Board of Directors on 04 April 2023 and were signed on its behalf by:



Francesco Dixit Dominus

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings** £'000	Total £'000
Balance at 1 January 2021 *(Restated)**		**2,670**	**3,471**	**24,062**	**59,964**	**90,167**
Profit for the year		-	-	-	605,803	**605,803**
Other comprehensive income		-	-	-	15,429	**15,429**
Total comprehensive income		-	-	-	**621,232**	**621,232**
Balance at 31 December 2021 *(Restated)**		**2,670**	**3,471**	**24,062**	**681,196**	**711,399**
Balance at 1 January 2022		**2,670**	**3,471**	**24,062**	**681,196**	**711,399**
Profit for the year		-	-	-	(54,858)	**(54,858)**
Other comprehensive income		-	-	-	10,355	**10,355**
Total comprehensive income		-	-	-	**(44,503)**	**(44,503)**
Balance at 31 December 2022		**2,670**	**3,471**	**24,062**	**636,693**	**666,896**

* See note 27.4 for details regarding the restatement as a result of changes to presentational currency

**Retained earnings include foreign currency translation reserves which represent gains and losses arising on translation of foreign currency subsidiaries' net assets and results. See note 16 for details of foreign currency translation reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 £'000	2021 *(Restated)** £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**17.1**	**562,448**	**89,614**
Interest received		5,388	4,763
Interest paid		(15,389)	(8,752)
Decommissioning spend	14	(19,737)	(18,830)
Decommissioning recovery income		4,717	-
Income taxes paid		(118,511)	-
Net cash inflow from operating activities		**418,916**	**66,795**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt for acquisition of subsidiaries, net of cash paid	21.5	-	10,869
Payment for disposal of assets, net of cash acquired	21.1	(40,561)	-
Payment for intangible assets	7	(5,312)	(1,607)
Payment for property, plant and equipment	6	(55,226)	(44,953)
Payment for investment property	8	(17,071)	-
Net cash used in investing activities		**(118,170)**	**(35,691)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayment to related parties	12.7	(30,859)	-
Loan repayment to third parties	12.7	(29,662)	-
Principal elements of lease payments		(68)	(319)
Net cash used in financing activities		**(60,589)**	**(319)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**240,157**	**30,785**
Cash and cash equivalents at 1 January		36,148	1,417
Effect of foreign exchange rate		3,683	3,946
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**279,988**	**36,148**
Cash flows of discontinued operation	**21.1 and 21.4**	**(5,282)**	**(13)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Rockrose Energy Limited ("the Company" or together with its subsidiaries, "the Group") has been formed to make acquisitions of companies or businesses in the upstream oil and gas and power sector.

Rockrose Energy Limited is private company limited by shares. The Company was incorporated on 1 July 2015 in England and Wales and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is 5th Floor, Halton House, 20-23 Holborn, London, United Kingdom, EC1N 2JD.

The financial statements are prepared in GBP rounded to nearest thousand.

2. Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- Disposal of Foinaven asset: On 16 December 2021 Rockrose Energy Limited signed a Sale and Purchase Agreement ("SPA") with Britoil Limited (a subsidiary of BP PLC) to sell its 28% non-operated stake in the Foinaven oil field, West of Shetland. The transaction completed on 31 March 2022. (see note 21)
- Impairment charge and impairment reversal on producing and development assets (see notes 6 and 7)
- Introduction of Energy Profits Levy and Solidarity Contribution in the UK and Netherlands, respectively (see note 5)

For a detailed discussion about the Group and its performance and financial position please refer to our operating and financial review on pages 4 to 9.

3. Revenue

All revenues of the Group derived from continuing operations in the United Kingdom and Netherlands. The Group's product lines are:

	2022	2021
	£'000	£'000
Oil	146,924	91,053
Gas	714,775	260,938
Infrastructure	9,044	5,258
Others	2,617	1,882
	873,360	**359,131**

Revenue from sales of oil and other hydrocarbons is recognised at the transaction price which the Group expects to be entitled to, after deducting sales taxes, excise duties and similar levies. For contracts that contain separate performance obligations the transaction price is allocated to those separate performance obligations by reference to their relative standalone selling prices.

Revenue is recognised at a point in time when control of the products has been transferred to the customer. For sales by integrated gas and upstream operations, this generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism; for sales by refining operations, it is either when the product is placed onboard a vessel or offloaded from the vessel, depending on the contractually agreed terms; and for sales of oil products and chemicals, it is either at the point of delivery or the point of receipt, depending on contractual conditions.

Revenue resulting from hydrocarbon production from properties in which the Group has an interest with partners in joint arrangements is recognised on the basis of the Group's volumes lifted and sold.

Gains and losses on derivative contracts and the revenue and costs associated with other contracts that are classified as held for trading purposes are reported on a net basis in the consolidated statement of profit or loss.

Revenue resulting from arrangements that are not considered contracts with customers is presented as revenue from other sources. All other revenue is recognised on a contractual basis when title passes to the customers. The Group had 2 (2021: 3) customers to which it associated 10% or more of revenue.

4. Other income and expense

This note provides a breakdown of the items included in gain/(loss) on derivatives, finance income and costs and an analysis of expenses by nature. Information about specific profit or loss items are disclosed in the related balance sheet notes.

4.1. Loss on derivatives

	2022 £'000	2021 £'000
Realised loss on oil hedges	(12,010)	(3,016)
Unrealised (loss)/gain on oil hedges	(1,693)	1,174
Realised gain/(loss) on gas hedges	8,780	(24,697)
Unrealised (loss)/gain on gas hedges	(97,592)	13,433
Realised loss on foreign exchange hedges	(891)	-
	(103,406)	**(13,106)**

As of 31 December 2022, the Group has various commodity hedges in place, to provide certainty of cashflows and to cover the Group's operational and capital expenditure. Gains/(losses) arising on commodity hedges during 2022 are recognised within Gain/(loss) on derivatives in the financial statements.

The Group also enters into hedging agreement which are physically settled on a monthly basis through the delivery of its produced gas. These hedges qualify for the own use exemption according to IFRS 9.2.7. See note 26.21.1 for accounting policies.

4.2. Breakdown of purchases by nature

	2022 £'000	2021 £'000
Production costs	163,378	84,139
Tariff and transportation expenses	24,411	9,716
Change in oil inventory value	2,510	7,833
Depreciation, depletion and amortisation	243,553	86,934
	433,852	**188,622**

4.3. Staff costs

	2022	2021
	£'000	£'000
Wages and salaries (gross)	13,048	6,515
Social security costs	2,062	966
Defined contribution pension costs	313	563
Other staff cost	245	61
Recharges	(1,312)	(3,907)
Staff costs from continuing operations	**14,356**	**4,198**
Staff costs from discontinued operations	-	179

The average monthly number of employees employed for continuing operations, including Directors, in the year was 28 (2021: 31).

	2022	2021
Operations	6	6
Administrative	20	23
Directors	2	2
	28	**31**

4.4. Finance income and costs

	2022	2021
	£'000	£'000
Interest income	5,388	2,703
Finance costs	(15,390)	(7,499)
Unwinding of the discount on provisions (note 14)	(9,108)	(4,159)
	(19,110)	**(8,955)**

4.5. Auditor remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates.

	2022	2021
	£'000	£'000
Fees payable to the Company's auditor for the audit of the parent company and Group financial statements	162	250
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	360	264
	522	**514**

5. Income tax expense

This note provides an analysis of the Group's income tax credit/(expense) and shows how the tax credit/(expense) is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

The group remains liable to both ring fence corporation tax and supplementary charge at a combined rate of 40% in respect of its UK production activities. In addition, the Energy Profits Levy was introduced with effect from 26 May 2022, initially at a rate of 25%. An increase in the rate to 35% has been enacted, to take effect from 1 January 2023 and remaining in force up to 31 March 2028. In the Netherlands, the standard corporate income tax rate is 25.8% while sale of hydrocarbons from Dutch fields continue to be liable to state profit share and corporate income tax, applied at a combined marginal rate of 50%. Additionally, a portion of the group's profits arising during the 2022 calendar year from Dutch oil and gas production is liable to a Solidarity Contribution at a rate of 33%. With effect for the 2023 and 2024 calendar years, government royalties will be payable in the Netherlands at a rate of 65%, calculated on turnover generated from gas sold at a price higher than 50 cents per cubic metre.

5.1. Income tax (expense)/credit

	2022 £'000	2021 £'000
Current tax:		
Current tax expense on profits for the year	(91,476)	(560)
Current tax charge in respect of Energy Profits Levy (EPL)	(61,958)	-
Adjustment for current tax on prior periods	(339)	337
Current overseas tax:		
Current tax expense on profits for the year	(55,602)	(25,675)
Current tax charge in respect of EU solidarity contribution	(24,560)	-
Adjustment for current tax on prior periods	4,082	(138)
Total current tax expense	**(229,853)**	**(26,036)**
Deferred tax:		
Relating to the origination and reversal of temporary differences	(11,992)	(37,381)
Impact of introduction of EPL	(166,502)	-
Adjustment in respect of prior periods	3,350	(1,668)
Deferred overseas tax:		
Relating to the origination and reversal of temporary differences	(18,343)	12,025
Adjustments in respect of changes in tax rates	-	(10)
Adjustment in respect of prior periods	3,319	(629)
Total deferred tax expense	**(190,169)**	**(27,663)**
Income tax expense	**(420,021)**	**(53,699)**
Income tax expense is attributable to:		
Loss from continuing operations	(415,495)	(53,699)
Loss from discontinued operation	(4,526)	-

5.2. Reconciliation of total income tax charge

A reconciliation between the income tax (expense)/credit and the product of accounting profit multiplied by the combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2021: 40.0%) for the year ended 31 December 2022 is as follows:

	2022	2021
	£'000	£'000
Profit from continuing operations before income tax expense	358,131	700,578
Profit/(loss) from discontinued operation before income tax expense	7,032	(41,277)
	365,163	**659,301**
A combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2021: 40.0%)	(146,065)	(263,721)
Expenses not deductible for tax purposes	(8,108)	2,818
Gain on disposal/acquisition non-taxable	4,526	217,495
Small field and investment allowances	2,755	4,683
Prior period adjustments	10,413	(2,097)
Change in unrecognised deferred tax	2,948	(3,733)
Difference in overseas tax rates	(20,455)	(3,433)
Lower non-ring fence UK rate	(7,973)	(5,199)
Additional temporary taxes	(254,304)	-
Other differences	(3,758)	(512)
Total tax expense	**(420,021)**	**(53,699)**

5.3. Deferred tax assets and liabilities

	31 December 2022	31 December 2021
	£'000	£'000
Deferred tax assets		
Accelerated capital allowances - Corporation Tax	-	(81,549)
Decommissioning provisions	-	145,132
Tax losses	-	53,896
Other temporary differences	-	-
Re-classified to assets held for sale (note 21)	-	(64,456)
	-	**53,024**
Deferred tax liability		
Accelerated capital allowances - Corporation Tax	(568,451)	(392,152)
Decommissioning provisions	110,174	99,318
Tax losses	28,586	33,036
Defined benefit pension	(2,422)	(697)
Other temporary differences	36,655	(38)
	(395,458)	**(260,533)**
Net deferred tax liability	**(395,458)**	**(207,509)**

Deferred tax assets and liabilities include net liabilities of £168.9 million which are expected to reverse within 12 months (2021: £47.9 million). The deferred tax charge was recognised within the profit or loss account, with the exception of the deferred tax charge on Employee benefits which was recognised within other comprehensive income. Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is prudent to forecast that these assets will be recovered. Such tax losses include £nil (2021: £108.4 million) of ring fence corporation tax losses, £140 million (2021: £393.5 million) of allowances relievable against the supplementary charge and £33.0 million (2021: £nil) of overseas tax losses.

The Group has further UK ring fence corporation tax losses of approximately £42.9 million (2021: £49.0 million) as well as foreign tax losses of approximately £nil (2021: £47.9 million), in respect of which no deferred tax asset is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits.

The unrecognised losses may affect future tax charges should certain subsidiaries in the Group produce taxable trading profits in future periods where there is currently uncertainty of the timing of future taxable profits.

6. Property, plant and equipment

	Oil and gas assets £'000	Development assets £'000	Right-of-use assets £'000	Building £'000	Administrative assets £'000	Total £'000
Cost						
At 1 January 2021	**364,544**	**84,897**	**169**	**-**	**2,527**	**452,137**
Additions	19,081	23,747	2,123	-	2	44,953
Acquired through business combination at fair value	880,979	-	-	-	-	880,979
Change in estimates (note 14)	(3,430)	1,773	-	-	-	(1,657)
Transfer to producing assets	110,417	(110,417)	-	-	-	-
Re-classified to assets held for sale	(42,262)	-	-	-	-	(42,262)
Exchange differences	(1,272)	-	2	-	32	(1,238)
Disposals	-	-	-	-	(1,639)	(1,639)
At 31 December 2021	**1,328,056**	**-**	**2,294**	**-**	**922**	**1,331,273**
Additions	55,218	-	-	-	8	55,226
Transfer from investment property (note 8)	-	-	-	4,515	-	4,515
Change in decommissioning estimates (note 14)	(1,346)	-	-	-	-	(1,346)
Transfer from Intangible assets	-	11,900	-	-	-	11,900
Disposals	-	-	(1,947)	-	-	(1,947)
Exchange differences	5,961	-	-	-	-	5,961
At 31 December 2022	**1,387,889**	**11,900**	**347**	**4,515**	**931**	**1,405,582**
Accumulated depreciation and impairment						
At 1 January 2021	**(133,938)**	**-**	**-**	**-**	**(637)**	**(134,575)**
Impairment charge	(6,947)	-	-	-	-	(6,947)
Reversal of impairment	22,324	-	-	-	-	22,324
Depreciation charge	(88,802)	-	(166)	-	(151)	(89,118)
Re-classified to assets held for sale	648	-	-	-	-	648
Exchange difference	(3,295)	-	(3)	-	(11)	(3,310)
At 31 December 2021	**(210,011)**		**(169)**	**-**	**(799)**	**(210,978)**
Impairment charge	-	-	-	-	-	-
Reversal of impairment	4,672	-	-	-	-	4,672
Disposal	-	-	433	-	-	433
Depreciation charge	(243,092)	-	(511)	-	(95)	(243,698)
At 31 December 2022	**(448,431)**	**-**	**(247)**	**-**	**(894)**	**(449,571)**
Net book value						
At 31 December 2022	**939,458**	**11,900**	**100**	**4,515**	**36**	**956,011**
At 31 December 2021	**1,118,045**	**-**	**2,125**	**-**	**125**	**1,120,295**

6.1. Accounting for oil and gas assets

6.1.1. Oil and gas assets

The Oil and Gas (O&G) assets consist of producing assets and decommissioning assets in accordance with IAS 16 "Property, Plant and Equipment". The table above includes decommissioning assets with a carrying value of £49.7 million (2021: £54.7 million) relating to capitalised decommissioning provisions on producing assets.

6.1.2. Appraisal and development assets

Please refer to note 7.1 for the Group's policy on appraisal and development assets.

6.1.3. Depreciation and amortisation on producing oil and gas assets

All expenditure carried within each O&G asset is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the year to the estimated quantities of commercial (2P) reserves at the end of the year plus the production in the year, generally on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated 2P future field development costs.

6.1.4. Administrative assets

The Group has acquired various administrative assets including fixtures and fittings, computer equipment and leasehold improvements. These assets are recorded in the balance sheet at cost less accumulated depreciation. Depreciation is provided at the following annual rates on a straight-line basis:

Fixtures and fittings	20%
Computer equipment	33%
Leasehold improvements	20%

6.1.5. Building

During the year the Group acquired building for investment purposes to generate rental income. The building is partially occupied by the Group and therefore part of investment property is recognised as Property, plant and equipment. The buildings are carried at fair value. Changes in fair values are presented in profit or loss as part of other income. See note 8 for details of investment property.

6.2. Impairments of producing and development assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; an asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amounts of an asset or its cash generating unit exceed its recoverable amount. Impairment losses are recognised in the statement of profit or loss. The recoverable amount of an asset is the higher of its fair value less cost of disposal and value in use.

Value in use reflects the expected present value of the future cash flows which the Group would generate through the operation of the asset in its current condition, without taking into account potential enhancements or further development of the asset. The fair value less costs of disposal valuation will normally be higher than the value in use valuation, and accordingly the Group typically applies this valuation estimate in its impairment or valuation assessments.

The fair value less cost of disposal is determined as the amount of estimated risk adjusted and discounted future cash flows. For this purpose, assets are grouped into cash generating units ("CGU"s) based on separately identifiable and largely independent cash inflows. Estimates of future cash flows are made using management forecasts.

Following the significant increase in oil and gas prices in 2022 as a result of the war in Ukraine and change in fiscal policies in the UK and the Netherlands where company assets operated, management performed an impairment review of the Group's assets. As a result, a £4.7 million impairment reversal has been recognised in relation to the Tors CGU in 2022.

Assumptions

The key assumptions to which the value of the assets is most sensitive are estimated future production volumes, future commodity prices, the discount rate used to determine the present value of the future cash flows, future operating costs, capital and abandonment expenditure and reserve estimates. The commodity price forecasts (representing the Group's estimates of the assumptions that would be used by independent market participants in valuing the assets) are based on the forward curve for the short term and consensus analyst forecasts including both investment banks and commodity consultants for the longer term. Price assumptions applied by management are shown below (pre-inflation at 2%):

2022 price assumptions	**2023**	**2024**	**2025**	**2026**	**2027+**
Oil price ($/bbl)	85	80	76	76	75
Gas price UK (p/therm)	315	232	162	117	75
Gas price NL (EUR/MWh)	141	104	72	52	48
2021 price assumptions	**2022**	**2023**	**2024**	**2025**	**2026+**
Oil price ($/bbl)	75	70	66	66	66
Gas price UK (p/therm)	151	92	61	61	61
Gas price NL (EUR/MWh)	60	37	24	24	24

6.2. Impairments of producing and development assets (continued)

Assumptions (continued)

The Group estimated the fair value using a discounted cash flow model applying a post-tax (nominal) discount rate of 10% (2021: 10%) to post-tax cash flows which results in a materially consistent impairment assessment as with pre-tax. Decommissioning provisions are separately discounted using a risk-free discount rate of 3.7% (2021: 1.5%).

Sensitivity analysis

Due to the continued volatility in oil and gas prices, management performed a sensitivity analysis of impairment calculations with downside pricing assumptions applied. Long term oil prices were reduced from $75/bbl to $55/bbl from 2027 onwards; a 40% reduction for UK gas prices and 50% reduction for Dutch assets from 2023 onwards was applied. Under these downside assumptions, a total impairment charge/reduction in reversal of £30.0 million was calculated across all CGUs. Of this, a material charge of £22.6 million related to one CGU, Bacton Catchment Area. No further potentially material impairments were identified as a result of sensitivity analysis.

7. Intangible assets

	Appraisal and Development assets	Goodwill	Total
	£'000	£'000	£'000
At 1 January 2021	24,697	-	24,697
Acquired through business combinations (see note 21.3)	56,342	66,136	122,478
Additions	1,607	-	1,607
Impairment charge	-	(16,277)	(16,277)
Exchange differences	(1,386)	(355)	(1,741)
At 31 December 2021	**81,260**	**49,504**	**130,764**
Additions	5,312	-	5,312
Impairment charge	(12,923)	-	(12,923)
Transfer to Development assets	(11,900)	-	(11,900)
Exchange differences	314	(544)	(230)
At 31 December 2022	**62,063**	**48,960**	**111,023**

The amounts for intangible appraisal and development assets represent active development project expenditure. These expenditure amounts are capitalised on the Statement of financial position unless an impairment has arisen under IFRS 6 where the expenditure is recognised in the statement of profit or loss. The outcome of on-going development, and therefore whether the carrying value of appraisal and development assets will ultimately be recovered, is inherently uncertain.

In 2022 total impairment charge of £12.9 million was recognised in relation to K4-K5 and F05 licenses in Netherlands. In K4-K5 total impairment charge of £8.9 million was recognised in relation to uneconomic infill wells following the review by joint venture partners and in F05 licence drilling unsuccessful well led to £4.0 million impairment charge during the year. No further indicators of impairment have been identified as at 31 December 2022.

Goodwill was recognised as a result of the acquisition of Hague and London Oil BV during the prior period. See note 21.5 for details. Following the annual impairment testing as at 31 December 2022, no impairment charge is recognised in 2022 (2021: £16.3 million). No further indicators of impairment were identified during the year.

For 2022 reporting period, the recoverable amount of the cash-generating units was determined based on value in use calculations which require the use of various assumptions such as discount rate and commodity price. Detailed assumptions are consistent with those applied in impairment review of Producing and Development assets and the sensitivity analysis described in note 6.2 incorporated goodwill and did not result in any potential impairment charge.

7.1. Accounting for appraisal and development assets

Pre-licence acquisition costs are expensed in the statement of profit or loss when incurred. Costs incurred after licences have been obtained, such as geological and geophysical surveys, drilling and commercial appraisal costs are capitalised as Appraisal and Development (A&D) assets which may be either tangible or intangible depending on the nature of the asset. A&D assets within intangible assets are not amortised.

The Group applies the successful efforts method of accounting for appraisal and development expenditure. A&D assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting oil and gas resources are demonstrable. Once the technical feasibility and commercial viability has been demonstrated, then the carrying value of the A&D assets are reclassified as oil and gas assets within property, plant and equipment. The A&D assets shall be assessed annually for impairment using indicators in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources'. If technically feasible or commercially viable reserves are not discovered, the impairment is recognised on A&D assets in the statement of profit or loss.

The assets transferred to oil and gas (O&G) assets are depreciated once the asset commences production. O&G assets are depreciated using the unit of production method based on the proved and probable reserves of those fields. Changes in these estimates are dealt with prospectively. General and administration costs are expensed as incurred.

7.2. Accounting for goodwill

Goodwill is measured as described in note 21.5. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

8. Investment property

	2022 £'000	2021 £'000
At 1 January	-	-
Additions	17,071	-
Transfer to owner-occupied property	(4,515)	-
At 31 December	**12,556**	-

During the year, the Group purchased investment property for the total consideration of £17.1m. £4.5 million of investment properties classified as Building within Property, plant and equipment due to the own use. See note 6.

Amounts recognised in profit or loss for investment properties

	2022 £'000	2021 £'000
Rental income from operating leases	449	-
Direct operating expenses from property that generated rental income	(144)	-
Direct operating expenses from property that did not generate rental income	(165)	-
	140	-

Measuring investment property at fair value

Investment property is held for long-term rental yields and partially occupied by the Group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

Leasing arrangements

The investment property is leased to tenants under operating leases with rentals payable quarterly. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

There are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the group may obtain bank guarantees for the term of the lease. Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Lease payments receivable on leases of investment property is as follows:

	2022 £'000	2021 £'000
Within 1 year	372	-
Between 1 and 2 years	279	-
Between 2 and 3 years	149	-
Between 3 and 4 years	53	-
Between 4 and 5 years	-	-
	853	-

9. Decommissioning recovery asset

	£'000
At 1 January 2021	
Acquired through business combinations (see note 21.1)	182,354
Utilisation	(1,541)
Change in estimates	(2,140)
At 31 December 2021	**178,673**
At 1 January 2022	
Receipts	(4,718)
Change in estimates	(43,552)
At 31 December 2022	**130,404**

The above asset relates to the amounts receivable for Decommissioning spend against the assets acquired as a part of acquisition of SSE E&P UK Limited in 2021. Per the agreement, the seller will reimburse the Group for 60% decommissioning expenditure on a monthly basis as they occur. Included within the balance at 31 December 2022 is £3.8 million due within one year (2021: £19.6 million) and £126.6 million due in more than one year (2021: £159.0 million). See note 21.1 for details of acquisition.

9.1. Accounting for decommissioning recovery asset

Decommissioning recovery assets represent indemnification assets acquired through business combinations. At recognition, decommissioning recovery assets are measured at their fair value (including considerations of their collectability) and are subsequently measured on the same basis as the underlying decommissioning provisions to which they relate (see note 14 for details).

The decommissioning recovery assets are all in relation to the acquisition of RockRose UKCS15 Limited (formerly SSE E&P UK Limited) on 14 October 2021. The seller has indemnified 60% of all eligible decommissioning costs, being decommissioning costs relating to field property in place at the economic date of the transaction of 31 March 2020, excluding any costs in respect of the Glendronach field and field property put in place from 1 April 2020 (unless directly replacing eligible field property). Changes in estimates of the decommissioning recovery asset include the impact of discount unwinding and foreign exchange movements on the indemnified provisions. The decommissioning recovery asset is only derecognised when collected, sold or when rights to it are lost.

10. Employee benefit obligations

Marathon UK previously operated a defined benefit scheme (regulated by The Pensions Regulator) for certain employees with assets held in a separately administered fund. Post the Marathon Acquisition (1 July 2020), this scheme was transferred to the Group. The scheme was closed to new entrants on 1 April 2010 and was closed to future benefit accrual on 31 December 2015.

The scheme provided retirement benefits on the basis of members' final salary. The scheme is administered by Trustees, who are responsible for ensuring that the plan is sufficiently funded to meet current and future obligations.

	2022 £'000	2021 £'000
Change in defined benefit obligation		
At 1 January	**(434,803)**	**(456,119)**
Interest expense/(income)	(7,685)	(6,266)
Cash flows:		
Benefit payments from plan assets	15,771	17,158
Remeasurements:		
Effect of changes in demographic assumptions	1,777	850
Effect of changes in financial assumptions	153,819	10,595
Effect of experience adjustments	(5,677)	(1,021)
At 31 December	**(276,798)**	**(434,803)**
Change in fair value of plan assets		
At 1 January	436,793	450,110
Interest income	7,714	6,247
Cash flows:		
Employer contributions	-	9,420
Benefit payments from plan assets	(15,771)	(17,158)
Administrative expenses paid from plan assets	(752)	-
Remeasurements		
Return on plan assets (excluding interest income)	(144,266)	(11,826)
At 31 December	**283,718**	**436,793**
At 31 December	**6,920**	**1,990**

10. Employee benefit obligations (continued)

On 1 April 2010, UKCS9 established a defined contribution scheme to provide benefits to new employees. On 1 January 2016 all employees were transferred to the defined contribution scheme.
Total contributions to the defined benefit scheme were nil (2021: £9.4 million). Total expected contributions to the scheme in 2023 are nil.

A comprehensive actuarial valuation of the UKCS9 pension scheme, using the projected unit credit method was carried out at 31 December 2022 by Mercer Limited, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31 December 2022	31 December 2021
Discount rate	5.00%	1.80%
Future salary increases	0.00%	0.00%
Future pension increases	2.05%	2.20%
Inflation assumption	2.65%	2.70%
Mortality rates		
- for a male aged 65 now	23.0	23.0
- at 65 for a male aged 45 now	24.0	24.0
- for a female aged 65 now	24.9	24.9
- at 65 for a female aged 45 now	26.4	26.3

Pension – Maturity profile

At 31 December 2022, the weighted-average duration of the defined benefit obligation was 13 years (2021: 17 years)

Pension - Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions such as discount rate or inflation rate by 0.25% movement, holding other assumptions constant, would have had less than £0.7 million impact on defined benefit obligations.

The fair value of the scheme assets for defined benefit scheme were:

	31 December 2022 £'000	31 December 2021 £'000
Cash and cash equivalents	7,939	2,286
Assets held by insurance company	275,779	434,507
Total scheme assets	**283,718**	**436,793**

11. Inventories

	31 December 2022 £'000	31 December 2021 £'000
Oil and gas inventories	11,672	8,273

The carrying value of the Group's inventories as stated above is based on the Group's accounting policy for inventories in note 27.15.

12. Financial assets and financial liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:	Note	31 December 2022 £'000	31 December 2021 £'000
Financial assets			
Financial assets at amortised cost			
Trade receivables	12.1	41,359	56,850
Amounts owed by related parties	12.1	45,310	59,173
Amounts owed by joint venture partners	12.1	1,540	2,371
Other financial assets	12.1	81,745	99,323
Cash and cash equivalents	12.2	279,988	36,148
Restricted cash	12.3	149,864	42,837
Financial liabilities			
Liabilities at amortised cost			
Amounts owed to joint venture partners	12.5	4,341	7,343
Trade and other payables	12.5	11,916	45,804
Other financial liabilities	12.5	309,098	55,464
Lease liabilities		69	522
Fair value of hedge	12.5	86,062	-
Financial liabilities at fair value through profit or loss (FVTPL)	12.6	8,209	2,302

The Group's exposure to various risks associated with the financial instruments are discussed in note 19. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

12.1. Trade and other receivables

	31 December 2022 £'000	31 December 2021 £'000
Trade receivables	37,738	56,850
Amounts owed by related parties	45,310	59,173
Amounts owed by joint venture partners	1,540	2,372
Prepayments	3,205	2,869
Accrued income	55,526	60,404
Fair value of hedging derivatives	-	14,924
Other receivables	26,101	21,126
Total trade and other receivables	**169,420**	**217,718**

Within other receivables a £12.1 million lifetime expected credit loss is recognised due to the uncertainty of recoverability of the balance overdue from certain debtors (2021: £12.1 million). The receivable is in respect of amounts due under an indemnification clause in the SPA for the disposal of one of subsidiaries of the Group. The directors are in ongoing discussions regarding collection of the amount due, with both legal action and future projects being explored, with further information in respect of the method and probability of collection expected within the next six months. The net amount due following lifetime expected credit loss is £15.7 million. A forward-looking assessment was consistent with the above, and as such no further provision for expected credit loss has been provided for at this stage, although the ultimate outcome will be dependent upon negotiations between the parties or successful legal action and is therefore currently uncertain.

12.1.1. Classification as trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Accrued income comprises amounts due following satisfaction of all performance obligations, but not yet invoiced, for the sale of oil and gas.

12.1.2. Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

12.1.3. Impairment and risk exposure

Information about the impairment of trade and other receivables and the Group's exposure to credit risk and foreign currency risk can be found in note 19.2 and 19.1.2.

12.2. Cash and cash equivalents

	31 December 2022 £'000	31 December 2021 £'000
Cash at bank and in hand	279,988	36,148

12.2.1. Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year.

12.2.2. Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See note 26.17 for the Group's other accounting policies on cash and cash equivalents.

12.3. Restricted cash

	31 December 2022 £'000	31 December 2021 £'000
Restricted cash	150,398	42,837

12.3.1. Restricted cash

Restricted cash balances are amounts deposited with Trustees or banks issuing:

- Surety Bonds, under the terms of various decommissioning security agreements in place on certain fields in which the Group has an interest
- Letters of Credit, under the terms of the Defined Benefit Scheme
- Collateral accounts for the purpose of covering risk exposure of hedges entered by Group

The fair value of restricted cash is the same as the above book values. Refer to note 19.3 for details.

12.4. Financial assets at fair value through profit or loss

12.4.1. Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss:

	2022 £'000	2021 £'000
Change in inventory	(2,510)	(8,003)
(Loss)/Gain on hedging derivatives	(103,406)	(13,106)

12.4.2. Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 19.1.1. For information about the methods and assumptions used in determining fair value refer to note 12.8.1.

12.5. Trade and other payables at amortised cost

Current	31 December 2022 £'000	31 December 2021 £'000
Trade payables	16,257	53,147
Accruals	43,002	27,965
Deferred income	-	116
Fair value of hedge	86,062	-
Other payables	55,774	27,383
Total trade and other payables at amortised cost	**201,095**	**108,611**

Non-current	£'000	£'000
Other payables	15,238	-
Total trade and other payables at amortised cost	**15,238**	**-**

Trade and other payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Other payables above include £45.9 million (2021: nil) reverse consideration payable for Foinaven disposal of which £6.9 million is recognised as non-current liability. Also, £8.3 million of non-current liability in relation to contingent consideration for Glendronach asset included within other payables.

12.6. Financial liabilities at fair value through profit or loss

The Group classifies the overlift position which is oil sold but not produced as a financial liability at fair value through profit or loss (FVTPL).

	31 December 2022 £'000	31 December 2021 £'000
Overlift	8,209	2,302

12.7. Loans and borrowings

12.7.1. Loans receivable

	2022 £'000	2021 £'000
Loans receivable from related parties		
At 1 January	**147,433**	**145,045**
Interest charged	4,754	4,754
Interest received	(4,754)	(4,754)
Expected credit loss reversal/(loss)	-	2,419
Exchange differences	-	(31)
At 31 December	**147,433**	**147,433**

During 2020, RockRose Energy Limited issued a loan to its parent, Viaro Energy Limited. The loan is unsecured and repayable on 15 September 2025. Interest accrues at an annual rate of 3.25% per annum and is payable in cash and held within current amounts owed from related parties. No expected credit loss recognised in 2022.

12.7.2. Loans payable and borrowings

		2022 £'000	2021 £'000
Loans payables to related parties	*(i)*		
At 1 January		**30,859**	**-**
Loan (repaid)/received		(30,859)	30,859
Interest expense		1,422	(316)
Interest paid		(1,422)	316
At 31 December		**-**	**30,859**
Loans payable to third parties	*(ii)*		
At 1 January		**68,921**	
Loan received		-	72,952
Loan repayments		(35,761)	(7,028)
Interest expense		6,099	2,997
At 31 December		**39,259**	**68,921**

(i) During 2021 Viaro Energy Limited issued loan to Rockrose CS1 B.V. that matures on 31 December 2028 and accrues interest at 6%. Loan was fully settled during the year.

(ii) During 2021 the Company entered into prepayment agreement with Engie SA for total amount of £65.0 million against future deliveries of gas. The prepayment will be settled by 31 December 2025. As at 31 December 2022 £39.3 million of the loan outstanding of which £18.7 million is classified within current loans and borrowings as they fall due within 12 months from balance sheet date.

12.8. Recognised fair value measurements

12.8.1. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value through the profit or loss ("FVTPL") at 31 December 2022 and 31 December 2021 on a recurring basis:

31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Investment property and building (note 6 and 8)	-	-	17,071	17,071
Total financial assets	**-**	**-**	**17,071**	**17,071**
Financial liabilities				
Fair value of commodity hedges	-	86,062	-	86,062
Overlift	8,209	-	-	8,209
Total financial liabilities	**8,209**	**86,062**	**86,062**	**94,271**

31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Fair value of commodity hedges	-	14,924	-	14,924
Total financial assets	**-**	**14,924**	**-**	**14,924**
Financial liabilities				
Overlift	2,302	-	-	2,302
Total financial liabilities	**2,302**	**-**	**-**	**2,302**

The Group's cash settled commodity hedges include call options, put options and swap contracts. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2022 or 31 December 2021. There were no transfers between levels of fair value hierarchy.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year. As at 31 December 2022, the fair values of the investment properties have been determined as approximately equal to purchase price as property was purchased on 1 July 2022. The Company had no Level 3 financial instruments as at 31 December 2021.

12.8.2. Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include: the use of quoted market prices or dealer quotes for similar instruments. As at 31 December 2022, company had below financial instruments:

Commodity type	Financial instrument	Units	Volume	Average hedge price, £	Quoted market price, £	Loss, £'000
Oil	Swap	Barrels	300,000	58.62	65.93	2,194,539
Natural Gas	Swap	Therms	109,600,000	1.26	2.02	83,867,550

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Non-financial assets and financial liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - property, plant and equipment (note 6)
  - intangible assets (note 7)
  - current and deferred tax balances (note 5)
  - pension assets (note 10)
  - inventories (note 11)
  - provisions (note 14)
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved (note 18).

14. Provisions

	Decommissioning provision £'000	Other provisions £'000	Total provision £'000
At 1 January 2021	**488,266**	**39**	**488,305**
Acquisition	370,226	-	370,226
Utilisation	(19,239)	-	(19,239)
Changes in estimates	(19,885)	-	(19,885)
Unwinding of the discount	6,148	-	6,148
Exchange differences	(2,721)	1	(2,720)
Re-classified to assets held for sale	(202,754)	-	(202,754)
At 31 December 2021	**620,041**	**40**	**620,081**
Utilisation	(14,350)	-	(14,350)
Changes in estimates	(115,100)	-	(115,100)
Unwinding of the discount	9,108	-	9,108
Exchange differences	8,352	-	8,352
At 31 December 2022	**508,051**	**40**	**508,091**

The estimated cost of decommissioning at the end of the producing lives of the fields is reviewed annually and engineering estimates and reports are updated periodically. Provision is made for the estimated cost of decommissioning at balance sheet date for the Group's share of the overall costs. Cost estimates incorporating risk have been discounted in the Group's presentational currency, at an average risk-free discount rate of 3.7% (2021: 1.5%), representing Management's best estimate of the rate that reflects current market assessment of the time value of money. If the discount rate were decreased by 1% the value of provisions could increase by c.£42.0 million. The estimation of discount rates is also considered to be judgemental and can have a significant impact on net present value.

The timing of spend is based on the economic cut off point for the producing assets. Provisions acquired in business combinations have been calculated based on the latest cost estimates. If cost estimates increased by 10%, the value of provision could increase by £50.6 million. The payment dates are uncertain and are currently anticipated to be between 2023 and 2043 for the relevant producing fields. It is anticipated that the Group will obtain full tax relief on its decommissioning liabilities in the UK. The change in estimates is principally the result of revision of economic assumptions (including foreign exchange and discount rates). As a consequence of decommissioning assets being all but fully depreciated, £1.3 million (2021: £1.6 million) of the £115.1 million (2021: £19.5 million) change in estimates has been taken to decommissioning assets within Property, Plant and Equipment (see note 6), with £112.4 million credit (2021: £18.5 million expense) taken to the profit or loss account.

The above decommissioning provision of £508.1 million (2021: £620.1 million) includes £23.0 million (2021: £18.7 million) classified within current liabilities. Estimated maturity profile of undiscounted decommissioning costs shown below:

	2022 £'000	2021 £'000
1 - 5 years	172	185
6 - 10 years	204	201
11 - 15 years	153	275
16 - 20 years	193	40
Later than 20 years	-	1
Effect of discounting (2022: 3.7%; 2021: 1.5%)	(214)	(82)
Decommissioning provision per balance sheet	**508**	**620**

The other provision in the Group's balance sheet relate to a dilapidation provision for office premises.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Share capital and premium

	Shares	Share capital	Share premium	Total
	Number	£'000	£'000	£'000
Balance 31 December 2021 and 2022	13,349,379	2,670	3,471	6,141

The holders of ordinary shares are entitled to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. No new shares issued during the year.

16. Foreign currency translation reserve

	Foreign currency translation reserve
	£'000
At 1 January 2021 (restated)*	**(16,106)**
Exchange differences on translation of foreign operations	17,528
At 31 December 2021 (restated)*	**1,422**
Exchange differences on translation of foreign operations	7,847
At 31 December 2022	**9,269**

* See Note 26.4 for details regarding the restatement as a result of changes to presentational currency

17. Cash flow information

17.1. Cash generated from operations

	31 December 2022	31 December 2021
	£'000	£'000
Cash flows from operations		
Profit before income tax of continuing operations	358,131	700,578
Profit before income tax of discontinuing operations	7,032	(41,277)
Profit before income tax	**365,163**	**659,301**
Adjustments to reconcile profit before tax for the year to net cash flows:		
Foreign exchange gain on operating activities	(6,171)	(1,159)
Finance costs	25,525	14,855
Finance income	(5,388)	(4,763)
Gain on disposal/acquisition	(8,249)	(367,405)
Decommissioning recovery income	-	(178,473)
Unrealised losses on commodity hedges	99,285	14,606
Impairment of goodwill	-	16,277
Impairment of producing and development assets	-	6,947
Impairment reversal of producing and development assets	(4,672)	(22,324)
Impairment of exploration assets	12,923	-
Other expense	-	9,446
Depreciation and amortisation	243,698	89,118
Change in estimate of decommissioning provisions	(112,389)	(18,505)
Change in estimate of decommissioning recovery asset	43,552	2,139
Operating cash flows before movements in working capital	**653,277**	**220,060**
Working capital adjustments		
Increase in inventory	2,508	(2,327)
Increase in trade and other receivables	48,298	(179,921)
Increase in trade and other payables	(34,074)	72,438
Increase in restricted cash	(107,561)	(20,636)
Net cash generated from operating activities	**562,448**	**89,614**

17.2. Reconciliation of net debt

	Liabilities from financing activities		Other assets	Net funds/ Net (debt)
	Leases	Borrowings	Cash and cash equivalents	Total
	£'000	£'000	£'000	£'000
Net debt as at 1 January 2021	**(171)**	**-**	**1,417**	**1,246**
Cash flows	319	7,029	73,078	80,426
Additions	(2,267)	(104,987)	(38,005)	(145,259)
Foreign exchange adjustments	-	-	(342)	(342)
Net debt as at 31 December 2021	**(2,119)**	**(97,958)**	**36,148**	**(63,929)**
Cash flows	488	58,699	240,157	299,344
Disposals	1,472	-	-	1,472
Foreign exchange adjustments	-	-	3,683	3,683
Net debt as at 31 December 2022	**(159)**	**(39,259)**	**279,988**	**240,570**

18. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements are included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

18.1. Significant accounting estimates and judgements

The areas involving significant estimates are:

- estimation of fair values of assets and liabilities disposed – note 21.1
- estimation of provision for decommissioning liabilities – note 14
- estimation of defined benefit pension obligations – note 10
- estimation of recoverable values of producing assets – note 6.2
- estimation of recoverable values of intangible assets and goodwill – note 7
- estimation of fair value of investment properties – note 8

The areas involving significant judgements are:

- judgement on the recognition of deferred tax assets in relation to available future taxable profits – note 5.3
- judgement on indicators of impairment in relation to producing and development assets - note 6.2
- judgement on indicators of impairment in relation to intangible assets - note 7.2
- judgements on timing of when decommissioning costs will be incurred – note 14

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

18.2. Climate change

Significant judgements and key estimates made by the Group may be impacted by mitigation and adaptation measures that may be required in the future to combat the physical and transition risks of climate change creating potential implications for the Group's financial statements. This could, in turn, result in material changes to the financial results and the carrying values of certain assets and liabilities in future reporting periods. As at the reporting date, the Group believes there is no material financial impact from climate change on balance sheet carrying values of assets and liabilities.

19. Financial risk management

The Group's principal financial assets and liabilities comprise trade and other receivables, cash and short-term deposits, finance leases, derivative financial instruments and trade and other payables. The main purpose of these financial instruments is to manage short-term cash flow. The Group's activities expose it to various financial risks particularly associated with fluctuations in oil and gas prices, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks, which are summarised below. Also presented below is a sensitivity analysis, where applicable, to indicate sensitivity to changes in market variables on the Group's financial instruments and to show the impact on profit and shareholders' equity, where applicable. The sensitivity has been prepared for periods ended 31 December 2022 and 2021, using the respective balance sheet and profit or loss information.

19.1. Market risk

19.1.1. Commodity price risk

The Group is exposed to the impact of changes in commodity prices on its revenues and profits. The Group's policy is to hedge oil prices and enter into offtake agreements to fix the gas price on a rolling basis to protect its capital expenditure programmes. As at 31 December 2022 the Group had 0.3 million barrels of oil hedged at average price of £58.6/bbl and 1.8 million barrels of oil equivalent gas hedged at average price of £76.9/boe (2021: 0.98 million barrels of oil hedged at average price of £54.8/bbl and 0.50 million barrels of oil equivalent gas hedged at average price of £121.4/boe). The table below illustrates the impact on profit before tax of changes in commodity prices pre hedging. The impact on shareholder's equity is the same.

	2022	2021
Financial performance		
Crude oil sales during the year (£'000s)	146,924	91,053
Gas sales during the year (£'000s)	714,775	260,938
Average crude oil price (£) per bbl	84.71	57.79
Average gas price (£) per boe	93.61	77.23
Sensitivities		
Impact of decrease of crude oil prices by 10% (2021: 10%) (£'000s)	(14,692)	(9,105)
Impact of decrease of gas prices by 10% (2021: 10%) (£'000s)	(71,477)	(26,094)

19.1.2. Foreign exchange risk

The Group is exposed to foreign exchange risk arising from movements in currency exchange rates. Such exposure arises from sales or purchases in currencies other than the Group's main functional currency (GBP). The following foreign exchange rates were applied in the preparation of financial statements:

	2022	2021
	£'000	£'000
As at 31 December (US$ to GBP)	1.204	1.348
Average for the year (US$ to GBP)	1.244	1.377
As at 31 December (EUR to GBP)	1.128	1.191
Average for the year (EUR to GBP)	1.174	1.157

Exposure

The Group's exposure to foreign currency risk at the end of reporting period, expressed in USD and EUR, was as follows:

	2022	2022	2021	2021
	$'000	£'000	$'000	£'000
Cash at bank	57,401	47,679	46,331	34,378
Restricted cash	4,500	3,738	57,731	42,837
Working capital accruals	-	-	(26,686)	(19,801)
Trade payables	(1,971)	(1,637)	(30,315)	(22,494)
	59,930	**49,780**	**47,061**	**34,920**
	€'000	£'000	€'000	£'000
Cash at bank	71,587	63,480	508	427
Working capital accruals	(4,449)	(3,945)	(3,527)	(2,962)
Trade payables	(2,186)	(1,938)	(753)	(632)
	64,952	**57,597**	**(3,772)**	**(3,167)**

Sensitivities

The following table summarises the sensitivity to a reasonably possible change in the GBP to US Dollar and Euro foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date. The impact in equity is the same as the impact on profit before tax:

	2022	2021
	£'000	£'000
Impact of decrease of USD vs GBP by 10% (£'000s)	(4,978)	(3,492)
Impact of decrease of EUR vs GBP by 10% (£'000s)	(5,760)	317

19.2. Credit risk

Credit risk is managed on a Group basis. Credit risk in financial instruments arises from cash and cash equivalents. For banks and financial institutions, only those rated with an A-/A3 credit rating or better are accepted. Cash balances can be invested in short-term bank deposits and AAA-rated liquidity funds, subject to Board approved limits and with a view to minimising counterparty credit risks. In addition, there are credit risks of commercial counterparties including exposures in respect of outstanding receivables. The Group trades only with recognised international oil and gas companies and constantly monitors the amounts due by counterparties. When there are receivable balances past due and increase in credit risk of counterparty, the Company performs expected credit loss review and as at 31 December 2022 there were nil trade receivables, nil joint venture receivables and nil amounts owed by related parties past due (2021: nil). Within other receivables £12.1 million lifetime expected credit loss recognised due to the increase in uncertainty of recoverability of the balance due (2021: £12.1 million). A forward-looking assessment was consistent with the above, and as such no further provision for expected credit loss has been provided for.

19.3. Liquidity risk

The Group monitors its risk to a shortage of funds by reviewing its cash flow requirements on a regular basis relative to the maturity profile of its payables. The following tables detail the maturity profiles of the Group's non-derivative financial liabilities. The amounts in these tables are different from the balance sheet as the table is prepared on a contractual undiscounted cash flow basis. Non-derivative financial liabilities:

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount liabilities
As at 31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	16,257	0	0	0	16,257	16,257
Lease liabilities	35	35	71	22	162	159
Financial liabilities (FVTPL)	8,209	0	0	0	8,209	8,209
	24,501	**35**	**71**	**22**	**24,628**	**24,625**

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount liabilities
As at 31 December 2021	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	71,626	0	0	0	71,626	71,626
Lease liabilities	352	352	724	1,697	3,125	2,859
Financial liabilities (FVTPL)	2,685	-	-	-	2,685	2,685
	74,663	**352**	**724**	**1,697**	**77,436**	**77,170**

The carrying value of the trade and other payables as stated above is considered to be a reasonable approximation of the fair value. All trade and other payables are settled within three months of the invoice date. The expected maturity of the Group's payables and receivables for its derivative financial instruments are all less than 30 days.

In addition to the above, the Group has in issue £150.5 million of surety bonds as at 31 December 2022 (2021: £257.4 million) to cover its obligations under its various Decommissioning Security Agreements (DSAs). Should Rockrose Energy Limited be in default under the DSAs and the Bond Provider is required to pay out on any issued Bonds then they will require Rockrose Energy Limited to indemnify them by paying cash to cover the Bond Provider's liability.

If the surety market were to deteriorate such that the Group is unable to renew its surety bonds, the various DSAs would require the Group to post into trust, cash of the same value. The Group's A rated (Moodys) surety providers include Aspen, Sompo and Travelers.

19.4. Capital risk management

The primary objective of the Group's capital management is to optimise the return on investment, by managing its capital structure to achieve capital efficiency whilst also maintaining flexibility. The Group regularly monitors the capital requirements of the business over the short, medium and long term, in order to enable it to foresee when additional capital might be required. The Group's policy is to hedge oil prices and enter into offtake agreements to fix the oil and gas prices on a rolling basis to protect its operating and capital expenditure programmes. As at 31 December 2022 the Group had 0.3 million barrels of oil hedged at average price of £58.6/bbl and 1.8 million barrels of oil equivalent gas hedged at average price of £76.9/boe (2021: 0.98 million barrels of oil hedged at average price of £54.8/bbl and 0.50 million barrels of oil equivalent gas hedged at average price of £121.4/boe).

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

20. Dividends paid

No dividend was paid in relation to 2022 financial year (2021: nil).

21. Business combinations and discontinued operations

21.1. Foinaven disposal

In December 2021, the Group signed Share Purchase Agreement to sell its entire non-operated stake in the Foinaven oil field, West of Shetland, to BP. The associated assets and liabilities were consequently presented as held for sale in the 2021 financial statements. The field was sold on 31 March 2022 and is reported in the current and previous period as a discontinued operation.

21.2. Financial performance and cash flow information

	2022 £'000	2021 £'000
Revenue	-	15,995
Purchases	(172)	(49,637)
Administrative expenses	(135)	(953)
Impairment of producing and development assets	-	(6,297)
Operating loss	**(307)**	**(40,892)**
Finance income	-	2,060
Finance costs	(1,027)	(3,242)
Foreign exchange (loss)/gain	117	797
Income tax expense	(4,526)	-
Loss after income tax of discontinued operations	(5,743)	(41,277)
Gain on sale of disposal group after income tax (see note 21.3)	8,249	-
Profit/(loss) from discontinued operations	**2,506**	**(41,277)**
Net cash inflow from operating activities	(5,282)	1,168
Net cash used in investing activities	-	(1,988)
Net cash generated from financing activities	-	807
Net decrease in cash generated by the subsidiary	**(5,282)**	**(13)**

21.3. Details of the sale of the disposal group

	2022 £'000	2021 £'000
Reverse consideration		
Present value of cash consideration	(90,608)	-
Total disposal consideration	**(90,608)**	-
Carrying amount of net liabilities sold	(98,857)	-
Gain on sale before income tax	**8,249**	
Income tax expense on gain	-	
Gain on sale after income tax	**8,249**	-

21.3. Details of the sale of the asset disposal group (continued)

The carrying amounts of assets and liabilities as at the date of sale (31 March 2022) were:

	31 March 2022 £'000
Oil and gas assets	41,615
Inventories	887
Deferred tax assets	59,930
Total assets	**102,432**
Trade and other payables	(3,174)
Provisions	(198,115)
Total liabilities	**(201,289)**
Net liabilities	**(98,857)**

21.4. Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2021:

	2022 £'000	2021 £'000
Oil and gas assets	-	41,615
Inventories	-	750
Deferred tax assets	-	64,456
Total assets	**-**	**106,821**
Trade and other payables	-	(5,303)
Provisions	-	(202,754)
Total liabilities	**-**	**(208,057)**
Net liabilities	**-**	**(101,236)**

21.4.Acquisition in 2021: Acquisition of the SSE E&P UK Limited ("SSE acquisition")

In line with Group's strategy of pursuing acquisition opportunities in the North Sea, on 22 December 2020 Rockrose Energy Limited signed a Share Purchase Agreement ("SPA") with SSE PLC to purchase the entire share capital of its UK subsidiary, SSE E&P UK Limited, for a total initial consideration of £120m. The transaction had an effective date of 31 March 2020 and completion date and the date of change of control was on 14th October 2021.

The portfolio of assets comprises non-operational equity shares in over 15 producing fields in three regions in the North Sea: the Easington Catchment Area, the Bacton Catchment Area and the Greater Laggan Area. As part of the transaction, SSE PLC will reimburse the Group 60% of the qualifying decommissioning costs. Total decommissioning recovery asset of £178.5 million was recognised at acquisition date.

The transaction constitutes a business combination with a change of ownership and has been accounted for using the acquisition method of business combinations in accordance with IFRS 3 Business Combinations. See note 26.20 for the accounting policy.

The fair value of the identifiable assets and liabilities in SSE as at the acquisition date are listed in the table below. The consideration applied to identifying the fair value of the assets and liabilities is detailed below the table.

The consolidated financial statements include the fair values of the identifiable assets and liabilities from the acquisition date and the results of SSE for the period from the acquisition date to the balance sheet date. The acquired business contributed revenues of £137.4 million and net profit of £96.4 million to the Group for the period from 15 October to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been £317.9 million and £300.4 million respectively. Acquisition-related expenses of £0.4 million are included within administrative expenses in the statement of profit or loss account.

The fair value of the identifiable assets and liabilities of SSE as at the date of acquisition were:

	Fair value £'000
Cash and cash equivalents	70
Trade and other receivables	25,187
Inventories	6,259
Oil and gas assets	157,835
Fair value uplift of oil and gas assets	698,499
Intangible assets	56,868
Trade and other payables	(19,605)
Provisions	(303,923)
Deferred tax liabilities	(185,766)
Net assets acquired	**435,425**
Total purchase consideration	(60,033)
Gain on acquisition/Bargain purchase	**375,392**

Details of the purchase consideration, the net assets acquired and bargain purchase are as follows:

Purchase consideration	**£'000**
Net consideration cash received	(10,971)
Gas contingent consideration	(40,611)
Glendronach contingent consideration	(8,451)
Total purchase consideration	**(60,033)**

Total cash inflow on acquisition was as follows:

Cash received at acquisition	11,605
Net cash acquired with the subsidiaries	70
Net consolidated cash inflow	**11,675**

21.4. Acquisition in 2021: Acquisition of the SSE E&P UK Limited ("SSE acquisition") (continued)

i) Gas contingent consideration

In the event of average gas price for the months of 1 July to 31 December 2021 is 50.00 pence or higher per therm, additional consideration of fixed sum of £40.0 million was payable to the seller. As this condition was met before the year end, the amount was recognised as payable as at reporting date and was subsequently paid on 31 January 2022.

ii) Glendronach contingent consideration

A contingent liability of £8.5 million was recognised in relation to Glendronach asset. In the event of approval of Glendronach Field Development Plan ("FDP") by North Sea Transition Authority (NSTA), the company will pay $375,000 per 1bcf of 2P gas reserves attributable to the field. Additional $375,000 is payable within 30 days of first production of any hydrocarbons in respect of the Glendronach Field. Based on the positive net present value of the future expected cash flows of Glendronach field, management expects that Glendronach field will be developed in the future hence contingent liability recognised.

The fair value uplift is attributable to following cash generating units (GCUs).

CGUs	£'000
SSE GLA	159,121
SSE Sean	93,656
SSE ECA	287,852
SSE BAC	157,870
Total fair value uplift	**698,499**

Each identifiable asset and liability is measured at its acquisition date fair value based on guidance in IFRS 13 Fair Value Measurement. The standard defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly fashion between willing market participants at the measurement date.

Accounts receivables are recognised at the gross contractual amounts due, as they relate to large and creditworthy customers. Historically, there has been no material uncollectible accounts receivable in the Transaction assets. At 14 October 2021, none of the trade receivables have been impaired.

The fair values of property, plant and equipment have been derived using a fair value less costs of disposal model. The key assumptions to which the value of the assets is most sensitive are estimated future production volumes, future commodity prices, the discount rate used to determine the present value of the future cash flows, future operating costs and capital and abandonment expenditure. The commodity price forecasts (representing the Group's estimates of the assumptions that would be used by independent market participants in valuing the assets) are based on the forward curve for the short term and consensus analyst forecasts including both investment banks and commodity consultants for the longer term.

a) Production volumes

The estimated future production volumes (2P reserves) are based on the Group's evaluation of the fields which were reviewed and verified by the third-party reserve auditor, ERC Equipoise, as at 1 July 2021.

b) Commodity prices

The gas price assumptions used are 151p/therm for 2022, 92p/therm for 2023 and 61p/therm plus inflation from 2024 onwards.

21.4. Acquisition in 2021: Acquisition of the SSE E&P UK Limited ("SSE acquisition") (continued)

c) Discount rate

The Group estimated the fair value using a discounted cash flow model applying a post-tax (nominal) discount rate of 10%. This discount rate was derived from management's assessment of an appropriate market rate of return and the relevant business risks associated with specific producing fields (CGUs) and corporate level risk exposure for the Group. Decommissioning provisions are separately discounted using a risk-free discount rate of 1.5%.

d) Operating and capital expenditures

The forecast operating costs and capital expenditures are based on the Group's evaluation of the fields which are reviewed by the third-party reserves auditor and outlined in the reserves audit report as at 1 July 2021.

e) Abandonment expenditures

The fair value of decommissioning provisions for each of the acquired fields was determined based on latest operator estimates, which management consider to be the most reliable estimates of future expenditure.

21.5.Acquisition in 2021: Acquisition of Hague and London Oil BV ("HALO acquisition")

In line with Group's strategy of pursuing acquisition opportunities in the North Sea, on 30 April 2021 the Company acquired the entire share capital of Hague and London Oil BV, including associated subsidiaries for total consideration of €1.0 million. This has added 1,890 boepd of gas production to the Netherlands portfolio. The acquisition includes a non-operated equity share in the prolific, NAM operated, Joint Development Area, and an equity share in the WGT-Den Helder gas transmission system.

The transaction constitutes a business combination with a change of ownership and has been accounted for using the acquisition method of business combinations in accordance with IFRS 3 Business Combinations. See note 27.20 for the accounting policy.

The fair value of the identifiable assets and liabilities in HALO as at the acquisition date are listed in the table below. The consideration applied to identifying the fair value of the assets and liabilities is detailed below the table.

The consolidated financial statements include the fair values of the identifiable assets and liabilities from the acquisition date and the results of HALO for the period from the acquisition date to the balance sheet date. The acquired business contributed revenues of £13.1 million and net profit of £11.0 million of which £13.1 million profit relates to the change in estimate on decommissioning liabilities to the Group for the period from 1 May to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and loss for the year ended 31 December 2021 would have been £13.5 million and £11.3 million respectively. Acquisition-related expenses of £0.1 million are included within administrative expenses in the statement of profit or loss account.

The fair value of the identifiable assets and liabilities of HALO as at the date of acquisition were:

	Fair value £'000
Cash and cash equivalents	88
Inventories	102
Oil and gas assets	24,565
Intangible assets	350
Administrative assets	145
Trade and other payables	(7,328)
Loan payables	(7,654)
Lease liabilities	(124)
Provisions	(75,387)
Net liabilities acquired	**(65,243)**
Total consideration	(893)
Goodwill	**(66,136)**
Total cash inflow on acquisition was as follows:	
Cash paid	(893)
Net cash acquired with the subsidiaries	88
Net consolidated cash outflow	**(805)**

21.5. Acquisition in 2021: Acquisition of Hague and London Oil BV ("HALO acquisition") (continued)

The goodwill is attributable to following cash generating units (GCUs).

CGUs	£'000
JDA	64,776
K12	1,074
K18	287
Total goodwill	**66,136**

Each identifiable asset and liability is measured at its acquisition date fair value based on guidance in IFRS 13 Fair Value Measurement. The standard defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly fashion between willing market participants at the measurement date. Accounts receivables are recognised at the gross contractual amounts due, as they relate to large and creditworthy customers. Historically, there has been no material uncollectible accounts receivable in the Transaction assets. At 1 May 2021, none of the trade receivables have been impaired. The fair values of property, plant and equipment have been derived using a fair value less costs of disposal model. The key assumptions to which the value of the assets is most sensitive are estimated future production volumes, future commodity prices, the discount rate used to determine the present value of the future cash flows, future operating costs and capital and abandonment expenditure. The commodity price forecasts (representing the Group's estimates of the assumptions that would be used by independent market participants in valuing the assets) are based on the forward curve for the short term and consensus analyst forecasts including both investment banks and commodity consultants for the longer term.

a) Production volumes

The estimated future production volumes (2P reserves) are based on the Group's evaluation of the fields which were reviewed and verified by the third-party reserve auditor, ERC Equipoise, as at 1 July 2021.

b) Commodity prices

The gas price assumptions used are 20 Eur/Mwh for 2022, 18 Eur/Mwh for 2023, 17 Eur/Mwh for 2024 and 16 Eur/Mwh plus inflation from 2025 onwards.

c) Discount rate

The Group estimated the fair value using a discounted cash flow model applying a post-tax (nominal) discount rate of 10%. This discount rate was derived from management's assessment of an appropriate market rate of return and the relevant business risks associated with specific producing fields (CGUs) and corporate level risk exposure for the Group. Decommissioning provisions are separately discounted using a risk-free discount rate of 1.5%.

d) Operating and capital expenditures

The forecast operating costs and capital expenditures are based on the Group's evaluation of the fields which are reviewed by the third-party reserves auditor and outlined in the reserves audit report as at 1 July 2021.

e) Abandonment expenditures

The fair value of decommissioning provisions for each of the acquired fields was determined based on latest operator estimates, which management consider to be the most reliable estimates of future expenditure.

22. Interests in other entities

Investments in subsidiaries relates to the following subsidiaries of the Group:

	Country of incorporation	Principal Activity	Interest (%) 2022
RockRose (UKCS2) Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose (UKCS3) Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS4 Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS 9 Limited	UK	Provision of Group manpower and contracting/procurement services	100%
RockRose UKCS 10 Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS15 Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose Real Estate Limited	UK	Other letting and operating of own or leased real estate	100%
RockRose (NL) CS1 B.V.	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS2 B.V. [1]	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS3 B.V. [2]	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS4 B.V. [2]	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS5 B.V. [2]	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) Infrastructure B.V. [1]	NL	Provision of infrastructure	100%

1. These subsidiaries are wholly owned subsidiaries of RockRose (NL) CS1 B.V.

2. These subsidiaries are wholly owned subsidiaries of RockRose (NL) CS2 B.V.

The registered address for the Company and UK subsidiaries (except RockRose UKCS 15 Limited) is 5th Floor Halton House, 20-23 Holborn, London, England, EC1N 2JD.

The registered address for RockRose UKCS 15 Limited is 37 Albyn Place, Aberdeen, Scotland, AB10 1YN.

The registered address for the Dutch subsidiaries is Schiphol Boulevard 127, G4.26, 1118BG Schiphol, The Netherlands.

The following subsidiary companies have taken the exemption in Section 479A of the Companies Act 2006 from the requirement for their individual accounts to be audited:

RockRose (UKCS2) Limited (08724360)
RockRose (UKCS3) Limited (04620801)
RockRose UKCS 9 Limited (01293052)

23. Commitments

23.3. Capital commitments

In respect of its interest in joint arrangements, the Group is committed to the following as at 31 December 2022:

- Capital expenditure of £85.7 million (2021: £75.5 million) on Producing & Development assets;
- Decommissioning costs of £22.7 million (2021: £18.7 million).

24. Contingent liabilities

As disclosed in Viaro Energy Limited's, the parent of Rockrose Energy Limited, statutory accounts for the year ended 31 December 2021, in July 2022 TAQA Bratani Ltd, TAQA Bratani LNS Ltd and Spirit Energy Resources Ltd, partners in the Brae field, issued a claim against Viaro Energy Limited ("VEL") and others including Rockrose Energy Limited ("RRE") seeking declaratory relief and/or an order for payment of such sums that the court sees fit in connection with a distribution of approximately US $85 million declared by Rockrose UKCS 8 LLC (holder of Viaro group's interests in the Brae field) prior to its sale by RRE to Fujairah International Oil & Gas Corporation in December 2020. NEO, also a partner in the Brae field elected not to bring a claim and is not party to the legal proceedings. The claims are denied in their entirety. The company has appointed external counsel to rigorously defend the claim. The management, having taken external legal advice, consider the chance of a successful claim unlikely. The directors are unable to reliably estimate the extent and timing, if any, of any future possible obligation. Accordingly, no provision has been recognised within the financial statements for the year ended 31 December 2022.

25. Events occurring after the reporting period

On 28th February 2023 Rockrose Energy signed SPA with Spark New Energies Limited to acquire 100% issued share capital of Spark Exploration UK (P2412) Limited that has 50% interest in P2593 licence, partnered with Cambo operator Ithaca Energy. The licence includes the Tuck appraisal opportunity, estimated to contain 87 million barrels of recoverable oil equivalent. Tuck will be developed first, at an estimated £208 million cost (net) to reach first gas by 2028. The licence also includes 50% interest in each of the Boulmer, Cherry and Sammy exploration prospects which contain estimated prospective resources totalling 280 million barrels net to the company.

The financial effects of this transaction have not been recognised at 31 December 2022. The transaction is expected to complete in Q2 2023 subject to standard regulatory approvals.

26. Related party transactions

26.3.Subsidiaries

Interests in subsidiaries are set out in note 22. The transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

26.4.Key management personnel compensation

The following table details remuneration of key management personnel of the Group. Key management personnel are the Executive and Non-Executive Directors of the Company and other senior personnel.

	2022	2021
	£'000	£'000
Short-term employee benefits	11,188	2,414
Post-employment benefits	133	114
Total key management personnel compensation	**11,321**	**2,528**

In addition to above, Directors, who held shares in the Company, received nil dividends during 2022 (2021: nil). The following table details remuneration of Directors of the Group.

	2022	2021
	£'000	£'000
Short-term employee benefits	10,850	642
Post-employment benefits	86	42
Total directors' compensation	**10,936**	**684**

Francesco Dixit Dominus was the highest paid Director in 2022 with total remuneration of £10.2 million (2021: Francesco Mazzagatti was paid £0.4 million). He was paid a bonus of £9.9 million (2021: Francesco Mazzagatti was paid £0.2 million).

None of the Directors have a prospective right to a defined benefit pension. Benefits provided to Directors are the provisions of medical insurance for themselves and their respective families.

27. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Rockrose Energy Limited and its subsidiaries.

27.3. Basis of preparation

27.3.1. Going concern

The Group closely monitors and carefully manages its liquidity risk. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, reduction of short term (2023 & 2024) oil prices down from $85/bbl and $80/bbl down to $68/bbl and $64/bbl, respectively; a 40% reduction for UK gas prices and 50% reduction for Dutch assets from 2023 onwards and 20% reduction in production rates from the Group's producing assets. To manage the downside risk of commodity prices, the Group enters into various hedging agreements which helps to mitigate liquidity risk. As at 31 December 2022 the Group had net current assets of £222.9 million (2021: £33.1 million) and cash and cash equivalent of £279.9 million (2021: £36.1 million). At balance sheet date the Group had in issue £150.5 million of surety bonds and management is not aware of any circumstances where bonds will not be available for the Group in foreseeable future.

The Directors have considered the application of the going concern basis of accounting and are satisfied that for the foreseeable future the Group will continue in operational existence and will have adequate resources to meet its liabilities as they fall due. The Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

27.3.2. Compliance with IFRS

The consolidated financial statements of the Rockrose Energy Limited Group have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards ("UK adopted IFRS") and those parts of the Companies Act 2006 that are relevant to companies which prepare their financial statements in accordance with the Companies Act 2006.

27.3.3. Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) and investment property – measured at fair value
- defined benefit pension plans – plan assets measured at fair value.

27.3.4. New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendments to IAS 16 Property, Plant and Equipment

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

27.3.5. New standards and interpretations not yet adopted
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to disclose. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 1, Presentation of Financial Statements – classification of liabilities as current or non-current

In 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period.

IAS 12 amendments on deferred tax

In 2021, the IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023.

The company is assessing the impact of the standards and these standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

27.4. Changes in presentation currency and functional currency
As a result of acquisitions and production commencement from Arran field in late 2021, from 1 January 2022 the majority of Group's revenue generated by gas sales which is sold in British Pound Sterling ("GBP) and therefore Group's presentational currency and functional currency of relevant subsidiaries have been changed from US Dollar ("USD") to GBP to provide more reliable financial information for readers of financial statements.

The change in presentational currency from USD to GBP is a voluntary change which is accounted for retrospectively and has been made as the majority of the trades are carried out in GBP. The financial report has been restated to GBP using the procedures outlined below:

- The Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flow and Company Statement of Cash Flows have been translated into GBP using average foreign currency rates prevailing for the relevant period. For 2021 the average GBP rate of 1.377 has been used.
- Assets and liabilities in the Consolidated Statement of Financial Position and Company Statement of Financial Position have been translated into GBP at the closing foreign currency rates on the relevant Statement of Financial Position dates. For 2021 and 2020 the closing GBP rates of 1.348 and 1.365 have been used respectively.
- It is impracticable to restate the opening reserves position as if this accounting policy has always been in place and therefore management have restated from the earliest period practicable, being the start of the earliest comparative shown. Management do not believe restating from an earlier period would have a material impact on the financial statements.

27.5. Principles of consolidation
27.5.1. Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 27.20).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

27.5.2. Joint arrangements
Under IFRS 11 Joint Arrangements oil and gas operations are usually conducted by the Group as co-licensees in unincorporated joint operations with other companies. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the consent of the relevant parties sharing control. Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group reports its interests in joint operations using proportionate consolidation – the Group's share of the production, assets, liabilities, income and expenses of the joint operation are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Full details of Group's working interests in those oil and gas activities classified as joint operations are included within Operational review on pages 4 to 6.

27.6. Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). Transactions in foreign currencies are translated to the entity's functional currency at the foreign exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. All UK entities in the Group have a functional currency of GBP. All Dutch entities have a functional currency of EUR. The presentation currency for the financial statements is GBP.

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of each transaction); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

27.7. Revenue recognition

The accounting policies for the Group's revenue from contracts with customers are explained in note 3.

27.8.Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax rates and laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. As regards the temporary Energy Profits Levy, a deferred tax is liability is recorded only in respect of temporary differences which are expected to reverse before the enacted withdrawal date of 31 March 2028.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

27.9.Decommissioning recovery asset

The Group's accounting policy for decommissioning recovery asset is explained in note 9.1.

27.10. Goodwill

The Group's accounting policy for goodwill is explained in note 7.2.

27.11. Property, plant and equipment

The Group's accounting policy for property, plant and equipment is explained in note 6.1.1 and 6.1.2.

The depreciation methods and periods used by the Group are disclosed in note 6.1.3.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 6.2).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

27.12. Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

27.12. Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

27.13. Investment properties

Investment properties, principally office buildings, are held for long-term retail yields and are partially occupied by the Group. They are carried at fair value. Change in fair values are presented in profit or loss as part of other income.

27.14. Employee benefits

27.14.1. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

27.14.2. Post-employment obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that an unconditional cash refund or a reduction in the future payments is available.

27.15. Inventories

Inventories except for produced oil and gas inventories are stated at the lower of cost and net realisable value. The value of oil and gas inventories are based on the estimated selling price in the ordinary course of business which is spot price on the balance sheet date.

27.16. Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 12.1 for further information about the Group's accounting for trade receivables and note 27.21 for a description of the Group's impairment policies.

27.17. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions and deposits with maturities of three months or less from inception.

27.18. Restricted cash

Restricted cash balances are amounts deposited with Trustees or banks issuing:

- Surety Bonds, under the terms of various decommissioning security agreements in place on certain fields in which the Group has an interest
- Letters of Credit, under the terms of the Defined Benefit Scheme
- Collateral account for the purpose of covering risk exposure of hedges entered by Group

These are classified as restricted as they are not readily convertible and are adjusted for on an annual basis or utilised as decommissioning occurs and pension contributions made.

Adjustments will depend on certain assumptions, for example the oil price and anticipated dates of cessation of production.

27.19. Crude oil under and overlift

The quantities of oil and other hydrocarbons lifted by the Group may differ from its equity share of production giving rise to over and underlifts which are accounted for as follows:

- an underlift is included in financial assets (FVTPL) and valued at market price.
- an overlift is included in financial liabilities (FVTPL) and valued at market price.

27.20. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- acquisition-date fair value of any previous equity interest in the acquired entity;

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

27.21. Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

A financial asset is measured at amortised cost, if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. It is initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently the financial asset is measured using the effective interest method less any impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

All equity instruments and other debt instruments are recognised at fair value. For equity instruments, on initial recognition, an irrevocable election (on an instrument-by-instrument basis) can be made to designate these as at fair value through other comprehensive income instead of fair value through profit or loss. Dividends received on equity instruments are recognised as other income in profit or loss when the right of payment has been established, except when the company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

The expected credit loss model is applied for recognition and measurement of impairments in financial assets measured at amortised cost or at fair value through other comprehensive income. The loss allowance for the financial asset is measured at an amount equal to the 12-month expected credit losses. If the credit risk on the financial asset has increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. If the credit risk on the financial asset have significantly reduced since the recognition of expected credit loss the reversal of impairments of financial assets are recognised. Changes in loss allowances are recognised in profit or loss. For trade receivables, a simplified impairment approach is applied recognising expected lifetime losses from initial recognition.

27.21.1. Derivative financial instruments

The Group uses various derivative financial instruments to manage its exposure to fluctuations of oil and gas prices. The financial instruments in place comprise a combination of physically-settled and cash-settled hedges.

Cash-settled derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value at each period end. All changes in fair value are directly taken to the income statement in the period.

Physically-settled derivative financial instruments qualify for the own use exemption according to IFRS 9.2.7. Revenue on these financial instruments are recognised on a monthly basis through the delivery of gas produced at fixed prices agreed upon entering into contracts.

27.22. Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL and payables.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and financial liabilities at FVTPL.

27.22.1. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

27.22.2. Financial liabilities at FVTPL

These amounts represent financial liabilities arising from lifting more than Group's share of the joint venture's petroleum production (overlifting) are valued at the market price at the end of each report period.

27.23. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Specific provisions recognition policies are listed below:

Decommissioning and restoration provision

Provisions are recognised for the future decommissioning and restoration of hydrocarbon production facilities and pipelines at the end of their economic lives. The estimated cost is recognised initially as part of property, plant & equipment and depreciated over the life of the proved and probable reserves on a unit-of-production basis. Any changes in the estimates of costs to be incurred on proved and probable reserves or in the rate of production will therefore impact net income, over the remaining economic life of the oil and gas assets.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

All decommissioning and restoration provisions are denominated in GBP or EUR which are revalued to GBP. Depending on functional currency of relevant subsidiary the provisions are revalued using expected future rates or year end spot rates. Any resulting foreign exchange movements are recognised within the related property, plant and equipment decommissioning asset balance, unless the decommissioning assets have previously been impaired and foreign exchange movements would therefore be recognised in the statement of profit or loss.

27.24. Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of Rockrose Energy Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Rockrose Energy Limited.

27.25. Dividends

Provision is made for the amount of any dividend declared, being approved by Board and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

27.26. Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

COMPANY STATEMENT OF FINANCIAL POSITION

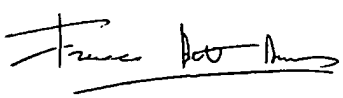
At 31 December 2022

	Note	31 December 2022	31 December 2021 *(Restated)**	1 January 2021 *(Restated)**
		£'000	£'000	£'000
ASSETS				
Non-current assets				
Investment in subsidiaries	2	104,864	96,649	37,667
Decommissioning recovery asset	10	126,581	159,026	-
Amount owed from parent	8.3	147,433	147,433	178,928
Amount owed from subsidiary	8.3	17,016	-	-
		395,894	**403,108**	**216,595**
Current assets				
Trade and other receivables	1	10,773	23,367	409
Decommissioning recovery asset	10	3,823	19,647	-
Amount owed from subsidiaries	1	35,028	33,260	68,801
Cash and cash equivalents	1	4,510	15,116	763
Restricted cash	1.2	40,488	13,637	345
		94,622	**105,027**	**70,318**
Total assets		**490,516**	**508,135**	**286,913**
LIABILITIES				
Non-current liabilities				
Provisions		1,926	2,337	1,083
Trade and other payables	1.3	8,324	-	-
Amount owed to subsidiaries	8.3	76,133	66,154	82,524
		86,383	**68,491**	**83,607**
Current liabilities				
Provisions		-	-	2,981
Trade and other payables	1.3	3,046	62,580	3,380
Amount owed to subsidiaries	1	157,133	62,015	72,313
		160,179	**124,595**	**78,674**
Total liabilities		**246,562**	**193,086**	**162,281**
Net assets		**243,954**	**315,049**	**124,632**
EQUITY				
Share capital and share premium	3.1	6,141	6,141	6,141
Other reserves	3.2	24,062	24,062	24,062
Retained earnings	3.3	213,751	284,846	94,429
Total equity		**243,954**	**315,049**	**124,632**

* See note 27.4 of the consolidated financial statements for details regarding the restatement as a result of changes to presentational currency

The above balance sheet should be read in conjunction with the accompanying notes. The company's loss for the year was £71.1 million (2021: profit of £190.4 million).

In accordance with the exemption granted under section 408 of the Companies Act 2006 a separate income statement for the Company has not been presented. These financial statements on pages 68 to 78 were approved and authorised for issue by the board of Directors on 04 April 2023 and were signed on its behalf by :



Francesco Dixit Dominus

Rockrose Energy Limited registered number 09665181

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021 *(Restated)**		**2,670**	**3,471**	**24,062**	**94,429**	**124,632**
Profit for the year		-	-	-	188,837	188,837
Other comprehensive income		-	-	-	1,580	1,580
Total comprehensive income		**-**	**-**	**-**	**190,417**	**190,417**
Balance as 31 December 2021 *(Restated)**		**2,670**	**3,471**	**24,062**	**284,846**	**315,049**
Balance at 1 January 2022		**2,670**	**3,471**	**24,062**	**284,846**	**315,049**
Loss for the year		-	-	-	(71,095)	(71,095)
Total comprehensive loss		**-**	**-**	**-**	**(71,095)**	**(71,095)**
Balance as 31 December 2022		**2,670**	**3,471**	**24,062**	**213,751**	**243,954**

* See note 27.4 of the consolidated financial statements for details regarding the restatement as a result of changes to presentational currency

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 £'000	2021 *(Restated)** £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	4	**25,984**	**(8,813)**
Interest received		5,180	6,363
Interest paid		(4,384)	(2,071)
Decommissioning recovery income		4,717	-
Net cash inflow/(outflow) from operating activities		**31,497**	**(4,521)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of subsidiary, net of cash acquired		-	11,605
Proceeds of loans from subsidiaries		9,979	33,765
Loans provided to subsidiaries	8.3	(17,016)	(17,417)
Investment in subsidiaries	2	(8,215)	-
Increase in restricted cash	1.2	(26,851)	(13,287)
Net cash (used in)/generated from investing activities		**(42, 103)**	**14,666**
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH GENERATED FROM FINANCING ACTIVITIES		-	-
Net (decrease)/increase in cash and cash equivalents		**(10,606)**	**10,145**
Cash and cash equivalents at 1 January		**15,116**	**763**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**4,510**	**15,116**

* See note 27.4 of the consolidated financial statements for details regarding the restatement as a result of changes to presentational currency

NOTES TO COMPANY FINANCIAL STATEMENTS

1. Financial assets and financial liabilities

This note provides information about the Company's financial instruments, including:

- an overview of all financial instruments held by the company;
- specific information about each type of financial instrument;
- accounting policies; and
- information about determining the fair value of the instruments, including the judgements and estimation uncertainty involved

The Company holds the following financial instruments:

	31 December 2022 £'000	31 December 2021 £'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	10,773	23,367
Loans owed by related parties	147,433	147,433
Loans owed by group undertakings	17,016	-
Amounts owed from subsidiaries	4,840	-
Amount owed from related parties	30,188	33,260
Cash and cash equivalents	4,510	15,116
Restricted cash	40,488	13,637
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	11,374	62,580
Provisions	1,926	1,595
Amount owed to group undertakings	157,133	62,015
Loans owed to subsidiaries	76,129	66,154

The Company's exposure to various risks associated with the financial instruments is discussed in note 6. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

1.1. Financial assets at amortised cost

1.1.1. Classification of financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following debt investments:

	31 December 2022		31 December 2021	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Loan to subsidiary (i)	-	17,016	-	-
Loan to parent (ii)	-	147,433	-	147,433
	-	**164,449**	-	**147,433**

See note 11.7 for the relevant accounting policies.

Loans to subsidiary and parent

(i) During 2022 loan issued to its subsidiary, RockRose Real Estate Limited. The loan is unsecured and repayable on 1 July 2032. Interest accrues at an annual rate of 4.99% per annum and is payable in cash

(ii) During 2020 Company issued a loan to its parent, Viaro Energy Limited. The loan is unsecured and repayable on 15 September 2025. Interest accrues at an annual rate of 3.25% per annum and is payable in cash.

Further information in respect of loans to related parties is set out in note 8.3.

1.1.2. Impairment and risk exposure

Note 6 sets out information about the impairment of financial assets and the Company's exposure to credit risk.

The intercompany loans outstanding as at 31 December 2022 are denominated in GBP.

1.2. Restricted cash

	31 December 2022 £'000	31 December 2021 £'000
Restricted cash	40,488	13,637

Restricted cash balances are amounts deposited with Trustees issuing Letters of Credit, under the terms of the Defined Benefit Scheme. The fair value of restricted cash is the same as the above book values.

1.3. Trade and other payables

Current	31 December 2022 £'000	31 December 2021 £'000
Trade payables	2,383	61,962
Accruals	663	618
	3,046	**62,580**
Non-current	£'000	£'000
Other payables	8,324	-
	8,324	-

Amounts due to related parties are unsecured, interest free and repayable on demand. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

2. Investment in subsidiaries

Shares in Group undertakings	2022 £'000	2021 £'000
As at 1 January	**96,649**	**37,667**
Additions in year – Share capital addition of RockRose UKCS10 Limited	8,215	-
Additions in year – Acquisition of RockRose UKCS15 Limited	-	58,758
Exchange differences	-	224
As at 31 December	**104,864**	**96,649**

Investments in subsidiaries are accounted for at cost (represented by total consideration paid) less accumulated impairment losses. Investments are reviewed for indicators of impairment at least annually.

There are fixed and floating charges held against the shares of subsidiary companies, RockRose UKCS4 Limited and RockRose UKCS10 Limited details of which can be found in Companies House.

Please refer to note 21 to the consolidated financial statements for details of additions during 2022.

3. Equity

3.1. Share capital and share premium

Please refer to note 15 of the consolidated financial statements on page 47 for details.

3.2. Other reserves

The Capital redemption reserve relates to the issue and redemption of B shares as a part of the return to shareholders in 2020.

3.3. Retained earnings

Accumulated losses represent cumulative profits or losses net of dividends and other adjustments.

NOTES TO COMPANY FINANCIAL STATEMENTS

4. Cash flow information

	31 December 2022	31 December 2021
	£'000	£'000
Cash flows from operations		
(Loss)/profit before income tax	**(71,095)**	**183,482**
Adjustments to reconcile profit/(loss) before tax for the year to net cash flows:		
Finance costs	4,38	2,071
Finance income	(5,180)	(6,363)
Decommissioning recovery income	-	(178,479)
Change in estimate of decommissioning recovery asset	43,551	2,139
Other expense	-	10,155
Movement in provision	(411)	(1,727)
Operating cash flows before movements in working capital	**(28,751)**	**11,258**
Working capital adjustments		
Decrease in trade and other receivables and related parties	10,826	13,460
Increase/(decrease) in trade and other payables and related parties	43,909	(36,337)
Net cash generated from/(used in) operating activities	**25,984**	**(11,619)**

5. Employee information

The Company had no employees during the year (2021: nil). The Directors of the Company were remunerated by another company of the Group. See Directors' Report on page 12 for details of Directors served during the year.

Please refer to note 4.3 to the consolidated financial statements for details of employees of the Group.

6. Financial risk management

The company's exposure to financial risks is managed by the Group. Full details about the Group's exposure to financial risks and how these risks could affect the Group's future financial performance are given in note 19 to the consolidated financial statements. Information specific to the Company is given below.

6.1. Credit risk

Credit risk arises from cash balances and contractual cash flows of debt investments carried at amortised cost and at fair value through profit or loss (FVTPL).

Within other receivables a £12.1 million expected credit loss is recognised due to the uncertainty of recoverability of the balance due (2021: £12.1m). A forward-looking assessment was consistent with the above, and as such no further provision for expected credit loss has been provided for. For further details please see Note 12.1 in the consolidated financial statements.

6.2. Risk management

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

6.3. Liquidity risk

Management monitors rolling forecasts of the Company's cash balance on the basis of expected cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Over 5 years	Total contractual cash flows	Carrying amount liabilities
As at 31 December 2022	£'000	£'000	£'000	£'000	£'000
Trade payables	10,707	-	-	10,707	10,707
Accruals	667	-	-	667	667
Amount owed to group subsidiaries	157,133	-	76,129	233,262	233,262
Total non-derivatives	**168,507**	**-**	**76,129**	**244,636**	**244,636**

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Over 5 years	Total contractual cash flows	Carrying amount liabilities
As at 31 December 2021	£'000	£'000	£'000	£'000	£'000
Trade payables	61,962	-	-	61,962	61,962
Accruals	618	-	-	618	618
Amount owed to group subsidiaries	62,015	-	66,154	128,169	128,169
Total non-derivatives	**124,595**	**-**	**66,154**	**190,749**	**190,749**

7. Capital management

The capital of the Company is managed as part of the capital of the Group as a whole. Full details, including details of dividends paid during the year, are contained within note 20 to the consolidated financial statements.

8. Related party transactions

8.1. Transactions with related parties

The following transactions occurred with related parties:

	2022 £'000	2021 £'000
Dividend revenue:		
Dividends received from subsidiary undertakings	-	20,550
Sales and purchases of services:		
Purchase of services from subsidiary undertakings	2,981	2,294

8.2. Outstanding balances arising from sales/purchases of services

The following balances were outstanding at the end of the reporting period in relation to transactions with related parties:

	2022 £'000	2021 £'000
Current payables (purchases of services)		
Subsidiary undertakings	2,981	2,344

8.3. Loans to/from subsidiary undertaking

	2022 £'000	2021 £'000
Loans receivable from Rockrose (NL) CS1 B.V.		
At 1 January	-	**33,883**
Interest charged	-	1,541
Interest received	-	(1,541)
Loan repaid	-	(33,883)
At 31 December	-	-
Loans receivable from Viaro Energy Limited		
At 1 January	**147,433**	**145,045**
Interest charged	4,754	4,653
Interest received	(4,754)	(4,653)
Expected credit loss	-	2,368
Exchange differences	-	20
At 31 December	**147,433**	**147,433**
Loans receivable from Rockrose Real Estate Limited		
At 1 January	-	-
Loan provided	17,016	-
Interest charged	426	-
Interest received	(426)	-
At 31 December	**17,016**	-

Loans payable to Rockrose UKCS10 Limited	2022 £'000	2021 £'000
At 1 January	**66,154**	**82,524**
Loan received	9,975	
Loan repaid	-	(17,417)
Interest charged	(4,376)	(2,034)
Interest received	4,376	2,034
Exchange differences	-	1,047
At 31 December	**76,129**	**66,154**

No expected credit loss has been recognised in relation to the loans during 2022 (2021: £2.0 million derecognised).

8.4. Terms and conditions

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

Management services from subsidiary undertakings were made on normal commercial terms and conditions and at market rates.

The loan to Viaro Energy Limited matures on 15 September 2025 and accrues interest at 3.25% (2021: 3.25%).

The loan to RockRose Real Estate Limited matures on 1 July 2032 and accrues interest at 4.99%.

The loan from Rockrose UKCS 10 Limited matures on 1 July 2029 and accrues interest at 2.25% per annum above the six (6) months United States Government Bond Yield.

The amounts due to subsidiary undertakings are unsecured and are repayable on demand.

9. Ultimate parent company and parent company of larger group

The immediate parent company is Viaro Energy Limited, which owns 100% of the issued ordinary share capital of the Company.

The ultimate parent company is Viaro Investment Limited, which owns 100% of the issued ordinary shares of the Viaro Energy Limited. This is the largest group that this entity is consolidated into.

The financial statements of the Company are consolidated by Viaro Investment Limited, a company incorporated and domiciled in England and Wales.

10. Information included in the notes to the consolidated

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the Company. Please refer to the following:

Decommissioning recovery – see note 9

Subsidiaries – see note 22

Dividends – see note 20

Events occurring after the reporting date – see note 25

Auditors' remuneration – see note 4.5

Contingent liabilities – see note 24

11. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of the parent Company financial statements to the extent they have not already been disclosed in the consolidated financial statements of the Group. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the parent company, Rockrose Energy Limited.

11.1. Basis of preparation

11.1.1. Compliance with IFRS

The financial statements of Rockrose Energy Limited have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards ("UK adopted IFRS") and those parts of the Companies Act 2006 that are relevant to companies which prepare their financial statements in accordance with the Companies Act 2006.

11.1.2. Compliance with IFRS

The financial statements have been prepared on a historical cost basis.

11.1.3. New and amended standards adopted by the company

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group also elected to adopt the following amendments early:

- Amendments to IAS 16 Property, Plant and Equipment

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

11.1.4. New standards and interpretations not yet adopted

The board of Rockrose Energy Limited has formed a strategic steering committee to examine the financial performance and position of the Group and make strategic decisions. The steering committee, which has been designated as the chief operating decision maker, consists of the two directors, the chief financial officer, managing director and finance director.

11.1.5. Going concern

At year end, Company had cash and cash equivalent balance of £4.5 million (2021: £15.1 million) which indicates the Company has available sufficient financial resources to meet any future obligations.

The Directors believe that the Group has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis. Refer to page 13 on Director's report for the going concern policy of the Group.

11.2. Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

11.3. Functional and presentation currency

The functional and presentational currency of the Company is British Pound Sterling (GBP). Refer to note 27.4 of the consolidated financial statement for the details of changes in Group's presentational currency.

11.4. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax rates and laws enacted or substantively enacted at the end of the reporting period in the UK. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

11.5. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions and deposits with maturities of three months or less from inception.

11.6. Restricted cash

Restricted cash balances are amounts deposited with Trustees or banks issuing:

- Surety Bonds, under the terms of various decommissioning security agreements in place on certain fields in which the Group has an interest
- Letters of Credit, under the terms of the Defined Benefit Scheme
- Collateral account for the purpose of covering risk exposure of hedges entered by Group

The fair value of restricted cash is the same as the above book values. Refer to note 19.3 of the consolidated financial statements on page 50 for details.

11.7. Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

A financial asset is measured at amortised cost, if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. It is initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently the financial asset is measured using the effective interest method less any impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

All equity instruments and other debt instruments are recognised at fair value. For equity instruments, on initial recognition, an irrevocable election (on an instrument-by-instrument basis) can be made to designate these as at fair value through other comprehensive income instead of fair value through profit or loss. Dividends received on equity instruments are recognised as other income in profit or loss when the right of payment has been established, except when the company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

The expected credit loss model is applied for recognition and measurement of impairments in financial assets measured at amortised cost or at fair value through other comprehensive income. The expected credit loss model also is applied for financial guarantee contracts to which IFRS 9 applies and are not accounted for at fair value through profit or loss. The loss allowance for the financial asset is measured at an amount equal to the 12-month expected credit losses. If the credit risk on the financial asset has increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. Changes in loss allowances are recognised in profit or loss. For trade receivables, a simplified impairment approach is applied recognising expected lifetime losses from initial recognition.

11.8. Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

11.9. Dividend income

For dividends, provided that it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably, revenue should be recognised when the shareholder's right to receive payment is established.

11.10. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the company purchases any of its own equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

11.11. Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand GBP unless otherwise stated.

COMPANY INFORMATION

Directors	Francesco Mazzagatti Francesco Dixit Dominus
Company number	09665181
Registered office	5th Floor, Halton House 20-23 Holborn London EC1N 2JD
Independent Auditor	MHA MacIntyre Hudson 6th Floor 2 London Wall Place London EC2Y 5AU

GLOSSARY

Average realised oil/gas price – calculated as revenue divided by liftings for the period. Liftings for the period may be different from production for the period and any variance recognised as under or over lift in the Statement of Financial Positions.

Boe – barrels of oil equivalent

Boepd – barrels of oil equivalent produced per day

CGU – The cash generating unit is the smallest group of assets that can generate a cash flow independently

Company – Rockrose Energy Limited

FPSO – A floating production storage and offloading (FPSO) unit is a floating vessel used by the offshore oil and gas industry for the production and processing of hydrocarbons, and for the storage of oil

FVTPL – Fair Value through Profit or Loss accounting treatment is used for all financial instruments that are intended to be held for sale and not to maintain ownership

Group – Rockrose Energy Limited and its subsidiaries

Overlift – An overlift position arises when company lifts more than its share of the oil and gas produced in a period. Overlift is recognised as a liability in Statement of Financial positions

TAR – A turnaround is a scheduled event to conduct planned maintenance on process equipment for which normal routine operations is suspended/stopped for an extended period for revamp and/or renewal

Total cash – total cash represents the sum of cash and cash equivalent and restricted cash

Underlift – An underlift position arises when company owns a partial interest in a production and does not take its entire share of the oil and gas produced in a period. Underlift is recognised as an asset in the Statement of Financial Positions.

Unit Opex/boe – calculated as purchases less depreciation and change in inventory divided by production