ROCKROSE ENERGY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Company Registration No. 09665181

ROCKROSE ENERGY PLC
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ROCKROSE ENERGY PLC
STRATEGIC REPORT

The Directors present their Strategic Report on RockRose Energy PLC (‘the Company’ or together with its subsidiaries, ‘the Group’) for the year ended 31 December 2018.

The Group’s strategy, business and future developments

2018 was a year of significant delivery for RockRose Energy PLC. Your Company continues to make strong progress having completed two further acquisitions, increasing current production to around 11,000 boepd on a full year pro-forma basis. We have also observed an increase in the economic life of the portfolio with dates for decommissioning being pushed back in line with the government’s MER strategy. The Company sees the cash cost of decommissioning averaging around 20-25% of annual EBITDA for the next five years at current hydrocarbon prices. The Company completed the acquisition of Dyas BV on 1 October for a consideration of $124 million (€107 million) adding approximately 6,000 boepd, along with cash balances of $90.6 million. The effective date of the acquisition was 1 January 2018. It also acquired a 30.43% stake in the Shell operated Arran field for a nominal consideration of $1. This development will add a further 8.6 mmboe of 2P reserves and estimated 5,200 boepd of initial net production from 2021.

Having built a significant non-operated business in the North Sea producing 10,000 – 12,000 boepd, the Board decided to explore the possibility of acquiring an operatorship in the North Sea. Having analysed and rejected several opportunities the Company made an offer for Marathon Oil Corporation’s UK assets. On 25 February 2019 the Company signed a Sale & Purchase Agreement (SPA) to acquire 100% of Marathon Oil U.K. LLC ("MOUK") and 100% of Marathon Oil West of Shetland Limited, ("MOWOS") subsidiaries of Marathon Oil Corporation ("Marathon Oil"). Total consideration is circa $140 million. A deposit of $10 million was paid on signing the SPA, of which 50% is refundable if completion does not occur. Completion is anticipated to occur early in the second half of 2019. Upon announcement of the intention to acquire Marathon, shares in the Company were suspended on the London Stock Exchange. The Company will, post completion, publish a re-admission document and apply for the shares to resume trading on the London Stock Exchange.

MOUK holds 40% operated interests in fields in the Greater Brae Area and MOWOS holds a 28% interest in the BP plc operated Foinaven Field unit and a 47% interest in Foinaven East. The acquisition also includes interests in the SAGE, Brae-Forties and WOSPS infrastructure providing additional tariff income. Upon completion, this acquisition is anticipated to add circa 35 million boe of 2P reserves (21 million boe on a 1P basis). This gives the Company a net 2P position as at 1 January 2019 on completion in excess of 70 million and 2P+2C of 86 million boe. Anticipated production for the assets being acquired is circa 10,500- 12,000 boepd in 2019, taking the Company’s total net anticipated production for 2019 to circa 21,000-24,000 boepd. The effective date of the acquisition is 1 January 2019 and upon completion the MOUK and MOWOS assets and teams in Aberdeen, Peterhead and offshore will transfer with MOUK and MOWOS to RockRose. This is a significant development for the Group not only doubling its size but also allowing it to pursue further opportunities as an operator and to utilise the experienced teams within the Marathon entities.

On 1 March the Company made a formal offer to the board of directors of Independent Oil and Gas plc ("IOG") with a proposal for an all cash takeover offer for IOG (the "Proposal"). The terms of the Proposal were that RockRose would offer 20p in cash per ordinary share ("IOG Share") for the entire issued and to be issued share capital of IOG (the "Possible Offer") which would value the total share capital of IOG at £26.6 million. The Possible Offer, if made, would represent a premium of 51 per cent. to the closing price of IOG on 26 February, the day of the initial approach by RockRose to IOG and a premium of 58 and 44 per cent to the 30 and 60 day volume-weighted average price respectively, up to the period ended 26 February. The Proposal was rejected by the board of directors of IOG.

During the course of 2018, we have continued to examine both the upside opportunities presented by our existing portfolio together with the timings and costs related to decommissioning. Overall capital expenditure for 2019 is anticipated to be around $85 million as we continue to invest in our assets. A significant proportion of this is related to Arran where first gas is on target to be delivered early in 2021. Production life of the Ross & Blake fields is being extended from 2024 to at least 2029, giving an incremental net 2P reserves of more than 4.2MMboe. This also requires investment and there is a 35 day “walk to work” campaign scheduled for June this year to ensure the Bleo Holm vessel can continue to provide a route to market for Ross & Blake hydrocarbons. (Walk to work involves the use of a vessel that is stationed adjacent to the production facilities, allowing more efficient use of manpower resulting in a more cost effective maintenance period). The evaluation of the Tain discovery is also being progressed by the operator, Repsol, with a view to reaching a Field Development Plan by the end of 2019. Further evaluation of the infill opportunities in the Repsol operated Blake Channel and Flank areas also continues.

The productive life of the Group’s other assets continues to be extended. During the year the anticipated dates for cessation of production at B-Block have been extended from 2019 to 2021, Mordred and Galahad have been extended from 2020 to 2023, the decommissioning of Galley from 2021 to 2024 in addition to the material extension of Ross & Blake from 2024 to 2029 mentioned above. In the Netherlands, the cessation of production at Hanze has been extended from 2025 to 2031. Active decommissioning is ongoing in a number of areas, with the final phases of decommissioning the Halfweg asset being completed and the heavy lift at Markham ST-1 anticipated to take place this summer in the Netherlands. RockRose have commissioned an audit by ERC Equipoise of the various operators estimates of timing and costing of decommissioning. The detail of this report will be included in the readmission document to be published following completion of the Marathon acquisition. The main conclusion of the report is that the weighted average timing of the net post tax decommissioning cost has been extended from 2026 (at acquisition) to 2031 today.

Since the acquisition of the Netherlands assets a successful development well was drilled on Block A18 adding a further 200 boepd (net). The Petrogas operated, B10 and A15 appraisal wells (RockRose equity of 14.63% and 28.23% respectively) were successfully drilled in Q1 2019. The logging data shows the Pleistocene Q reservoir units are as prognosed, and in some cases better than prognosed. The operator is currently evaluating the well results.

The Group implemented its hedging strategy during the reporting year, hedging 900,000 barrels at an average price of $67.82 per barrel. These hedges had all lapsed by the end of the year. During April 2019, the Company entered into a hedging agreement by hedging 3,000 boepd of its oil production at $69 for a period of 13 months from May 2019.

As far as RockRose is concerned, we do not anticipate any direct post-Brexit issues for the business as oil is an international commodity there should be no impact on our UK operations. We are also currently a non-operator in the Netherlands with no employees and few EU suppliers and therefore envisage little impact on our Dutch operations. The Company will continue to evaluate the position as pre and post negotiations progress.

As at 31 December 2018 cash and cash equivalents and restricted cash on the balance sheet stood at $121.3 million (details of cash and cash equivalents are given in note 18, and details of restricted cash are given in note 19). Please see the table below for the breakdown:

Results Summary*

	31 December 2018 $'000	31 December 2017 $'000
Revenue	153,072	7,436
Pro forma Revenue (including Dyas)**	230,965	-
Adjusted EBITDA (1)	77,192	(4,339)
Pro forma adjusted EBITDA (including Dyas)**	111,992	-
Profit after tax	38,859	74,074
Net cash generated from/(used in) operating activities	83,449	(27,474)
Cash and Cash equivalents	67,944	64,955
Restricted Cash (2)	53,347	55,336
Total Cash	121,291	120,291

* The results for 2018 include the post-acquisition results (i.e. three months) of the Dyas entities.
** As effective date of the acquisition was 1 January 2018, pro forma results include full year results as if the Dyas entities had been included from that date.

(1) Adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) is considered by the Company to be a useful additional measure to help understand underlying performance as major non-cash items are eliminated, e.g. gain on acquisition, depreciation and amortisation.
(2) RockRose, as part of its stewardship of its interest in fields, has become party to various decommissioning security agreements, which has resulted in restricted cash balances being placed with the trustees and letter of credit providers under the terms of these agreements. The amounts placed in restricted cash will continue to vary over the time they are in place, which will depend on certain assumptions, for example the oil price and anticipated dates of cessation of production.

The goodwill arising from the business combinations was $18.7 million which has been immediately written off. We have valued these assets using the following commodity prices: $81/bbl oil and €27/MWH gas for Q3 2018, $80/bbl oil and €25/MWH gas for 2019 and $76/bbl oil and €23/MWH gas for 2020, which were the long-term forecasts at the point of completion.

Operational and Financial Update

- Strong revenue of $153 million with average realised oil price of $72.95/bbl and gas price of $46.04/boe
- Average production of 6,389 boepd of which 1,558 boepd relates to gas production. Pro forma production of 10,755 boepd of which 5,414 boepd relates to gas production.
- Return to shareholders of $30.4 million (£23 million (£1.50per share)) in February 2018
- Share buyback of just under 20% of issued share capital for cash of $22.0 million (£16.4 million (£5.60per share)) in November 2018
- Cash at Bank as at the date of this announcement is $120 million, of which $40 million is restricted.

RockRose Energy PLC would like to thank our joint venture partners and particularly the operators of our assets for their responsible stewardship during 2018 particularly in relation to adherence to HSE policies and minimising our environmental impact.

Employees

The Company has a small team of highly dedicated professionals. The table below shows the current gender breakdown of the Company as at 31 December 2018.

	Male	Female	Total
Directors	3	0	3
Senior Managers	2	1	3
Employees	7	3	10
Total	12	4	16

With the acquisition of Marathon and becoming an operator the number of employees will significantly increase.

Health, Safety and Environment (HSE)

The health and safety of people, the protection of the environment and compliance with all applicable legal and internal requirements, as well as industry best practice, are critical to the overall success of RockRose Energy.

Currently the Company is a non-operator but aims to work with the operators of the fields in which we are partners to ensure they are operating in a safe and environmentally responsible way. With the acquisition of Marathon and RockRose assuming operatorship, the Company will endeavour to maintain and, where necessary, improve the policies and procedures which Marathon currently has in place.

Financial review

The Group generated revenue of $153 million during 2018 with total sales of 2,332,164 boe realising an average oil price of $72.95/bbl and gas price of $46.04/boe.

Adjusted EBITDA

Adjusted EBITDA is considered by the Company to be a useful additional measure to help understand underlying performance as major non-cash items are eliminated, eg. gain on acquisition, depreciation and amortisation.

Adjusted EBITDA for the year was $ 77.2 million (2017: $(4.3) million loss) and the profit after tax was $38.9 million (2017: $74.1 million profit).

	31 December 2018	**31 December 2017**
	$'000	**$'000**
Operating profit (1)	24,310	73,843
Add back depreciation and amortisation(1)	34,222	1,669
Add back write-off of goodwill(1)	18,660	7,974
Deduct gain on acquisition(1)	-	(87,825)
Adjusted EBITDA	**77,192**	**(4,339)**

(1) Please refer to the Statement of Comprehensive Income

In summary, we have made significant progress in delivering the stated strategy for the Group. We have acquired assets that are generating cash, created a strong balance sheet and have significant upside potential.

Principal risks and uncertainties

The principal risks and uncertainties of the Group relate to the following:

a) Reserves discovery, development and project delivery - Exploration activities in the Group's licence interests have, given the nature of the exploration activities, inherent uncertainty with respect to whether commercially viable and technically feasible hydrocarbon reserves will be found or can be recovered.

b) 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 subject to operational risks including no critical spare equipment or plant availability during the required plant maintenance or shutdowns; asset integrity and health, safety, security and environment incidents; and low reserves recovery from the field and exposure to natural hazards such as extreme weather events. These risks are partially managed by the experience of the operators, which are companies with relevant technical knowledge, skills and resources.

c) Commodity prices – The Group's results are sensitive to crude oil and natural gas prices which are dependent on a number of factors including world supply and demand. See note 25 of the financial statements for a sensitivity analysis and potential exposure.

d) Decommissioning cost estimates and timing – The Group's assets values in use are sensitive to changes in the decommissioning cost estimates. Any increase in the cost estimates would result in an increased decommissioning provision and could trigger an enhanced cash cost exposure in the future.

e) Fluctuations in exchange rates – The Group's statement of comprehensive income, statement of financial position and statement of cash flows are reported in US dollars and may be affected by fluctuations in exchange rates for British Pound Sterling and Euro. See note 25 of the financial statements for a sensitivity analysis and potential exposure.

f) Credit – The challenging credit environment during recent years has highlighted the importance of governance and management of credit risk. The Group's exposure to credit risk takes the form of a loss that would be recognised if counterparties, who are our customers as shown in note 25 of the financial statements, failed to, or are unable to, meet their payment obligations. See note 25 of the financial statements for a sensitivity analysis and potential exposure.

Going concern

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.

Key performance indicators

The Directors are of the opinion that the following constitutes the Company's key performance indicators:

- Revenue
- Lifting cost per barrel of oil
- Barrels of oil equivalent produced per day (boepd)
- Booked reserves
- Date and amount of decommissioning

The Group's revenue has increased to $153.1 million in 2018 (2017: $7.4 million).

The lifting cost per barrel includes direct operating costs, tariffs and insurances and excludes depreciation, depletion and amortisation of oil and gas assets. The lifting cost per boe was $35 in 2018 (2017: $38). The lifting costs per boe for oil were $36.43 (2017:$38.0) and gas were $21.62 (2017:$nil).

The Group's profit before tax was $7.4 million (2017: profit of $74.1 million). Included in the profit of 2018 is goodwill write off recognised on the acquisition of RockRose CS1 NL BV (formerly Dyas BV) on 1 October 2018 of $16.4 million. The accounting for this acquisition is further explained in note 2 to the financial statements.

Currently the Company only measures financial performance indicators. With the acquisition of Marathon it is the intention to introduce non-financial performance indicators including those in relation to health, safety and environment.

Financial risk management

The Directors have established relevant objectives and policies for managing financial risks to enable the Group to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

The principal financial risks, to which the Group is exposed, are described in note 25 of the financial statements.

Cash forecasts identifying the liquidity requirements of the Group are produced frequently and reviewed regularly to ensure that there is sufficient financial capacity to meet its immediate and future needs.

Andrew Austin
On behalf of the Board
30 April 2019

ROCKROSE ENERGY PLC
REMUNERATION REPORT

Chairman's Statement

The Directors are pleased to present their Annual Report on remuneration for 2018. The aim of the Remuneration Committee is to set clear objectives for each individual Executive Director and Executive team member relating to Company KPIs plus individual and strategic targets taking into account where an individual has particular influence and responsibility. The Remuneration Committee is comprised of John Morrow and Richard Benmore. During the year the Executive Chairman's and the non-executive directors' salaries remained at £385,000 (2017: £385,000) and £50,000 (2017: £50,000) respectively. The Committee decided that it was not appropriate to set specific targets for 2018 as the Company is still in an active acquisition mode and wished the Executive team to evaluate and pursue further opportunities throughout the year. Due to the nature and complexity of acquisition negotiations, the Committee has decided that it is not appropriate to set specific targets for 2019. The three directors are also shareholders of the company and during the year Andrew Austin exercised all his share options as the specific performance target of share price increase of 500% was met.

Directors' remuneration policy

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives of the highest calibre who can deliver growth in shareholder value. The Executive Director's remuneration currently consists of basic salary and benefits. An annual bonus, and long-term incentives will be introduced in line with the Company's expansion. The Company will seek to strike an appropriate balance between fixed and performance-related reward so that the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance. The performance targets for staff, senior executives and the Executive Directors will be aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between staff, Executive Directors and shareholders.

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

The policy, as outlined below, obtained 100% shareholder approval of the votes cast at the AGM held on 27 June 2018. There were no abstentions.

Policy Table

Element of reward –Base Salary

Purpose and Link to Strategy	To provide fixed remuneration to ▪ help recruit and retain key individuals; ▪ reflect the individual's experience, role and contribution within the Company.
Operation	The Remuneration Committee takes into account a number of factors when setting salaries, including: ▪ scope and complexity of the role ▪ the skills and experience of the individual ▪ salary levels for similar roles within the industry ▪ pay elsewhere in the Company Salaries are reviewed, but not necessarily increased, annually with any increase usually taking effect in January.
Performance conditions	None.
Maximum opportunity	The current base salary of the Directors can be found in the Directors' Remuneration section. Salary increases are normally made with reference to the average increase for the wider Company. The Board retains discretion to make higher increases in certain circumstances, for example, following an increase in the scope and/or responsibility of the role or the development of the individual in the role or by benchmarking.

Element of reward – Other benefits

Purpose and Link to Strategy	To provide a basic benefits package.
Operation	The Company provides Executive Directors with medical insurance for themselves and their family.
Performance conditions	None.
Maximum opportunity	Maximum opportunity will be whatever it costs to provide the benefit.

Element of reward – Annual Bonus

Purpose and Link to Strategy	To incentivise and reward the achievement of annual financial, operational and individual objectives which are key to the delivery of the Company's short-term strategy.
Operation	▪ Executive Directors and staff are eligible to participate in a discretionary bonus plan. ▪ The Remuneration Committee will determine on an annual basis the level of deferral, if any, of the bonus payment into Company shares. ▪ Maximum bonus levels and the proportion payable for on target performance are considered in the light of market bonus levels for similar roles among the industry sector. ▪ Bonuses are not pensionable. ▪ From 2020 objectives will be set annually to ensure that they remain targeted and focused on the delivery of the Company's short-term goals which will usually be based on the annual budget. ▪ The Remuneration Committee sets targets which require appropriate levels of performance, taking into account internal and external expectations of performance. ▪ As soon as practicable after the year-end, the Remuneration Committee meets to review performance against objectives and determines payout levels. ▪ From 2020 in terms of bonus targets a balanced scorecard approach will be operated which focuses on a mixture of strategic, operational, financial and non-financial metrics. Examples of financial measures will include net sales and net profit targets. Financial measures will typically represent the majority of the bonus with other, non-financial measures representing the balance.
Performance conditions	▪ At least 50% of the award will be assessed against Company metrics including operational, financial and non-financial performance. The remainder of the award will be based on performance against individual objectives. ▪ A sliding scale of between 0% and 100% of the maximum award is paid dependent on the level of performance.
Maximum opportunity	The maximum potential bonus entitlement for Executive Directors under the plan is up to 150% of base salary.

Element of reward – Long Term Incentive Plan (LTIP)

Purpose and Link to Strategy	▪ To incentivise and reward the creation of long-term shareholder value. ▪ To align the interests of the Executive Directors with those of shareholders.
Operation	Under the terms of the non-tax advantaged share option plan (the "**Share Option Plan**"), the Remuneration Committee may issue options over shares up to 15% of the issued share capital of the Company from time to time. Directors and employees are eligible for awards. ▪ The exercise of options may be subject to the satisfaction of such performance conditions, if any, as may be specified and subsequently varied and/or waived by the Remuneration Committee. ▪ The Remuneration Committee determines on an annual basis, and from time to time as needed (i.e., new employee or promotion), the type of awards to be granted to executives and other employees under the plan.
Performance conditions	Vesting of the awards is dependent on financial, operational and/or share price measures, as set by the Remuneration Committee, which are aligned with the long-term strategic objectives of the Company. The relevant performance conditions will be set by the Remuneration Committee on the award of each grant but will include a mixture of strategic, operational, financial and non-financial metrics.

The options granted to Andrew Austin were exercised on 14 February 2018, with the approval of the Remuneration Committee to recognise the 690% increase in the initial 50p share price on readmission to the main list of the London Stock Exchange. This was above the targeted 500% increase in share price set at the initial equity raise when the options were granted. Following the exercise the option agreement will lapse in respect of any future entitlement to additional options (the option was due to extend to such number of Ordinary Shares as represent 10 per cent of the issued share capital of the Company from time to time until certain thresholds were met) and Mr Austin at that time waived any contractual right to future share based compensation.

The expense to the income statement for the year was $175,000 (2017: $242,000).

Notes on Table

The Remuneration Committee may make minor amendments to the Policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining shareholder approval for that amendment. Any major changes will be put to a shareholder vote at the next AGM or an EGM.

Share Investment Plan (SIP)

Purpose and Link to Strategy	▪ To incentivise and reward the creation of long-term shareholder value. ▪ To align the interests of the eligible employees with those of shareholders.
Operation	The Company has adopted an HMRC approved SIP for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to subscribe for up to £150 (or 10% of salary, if less) worth of RockRose ordinary shares per month. Shares are acquired on a quarterly basis and the Company automatically matches the employee contribution, acquiring matching 'Partnership' shares on a 2-to-1 basis.
Performance conditions	In order to receive their allocation of Company Partnership shares, employees must ordinarily remain employed by the Company for a period of 3 years from the date of grant of the matching award.

Policy on payment for loss of office

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Notice periods are set at up to a maximum of twelve months by either party.

The Company considers a variety of factors when considering leaving arrangements for an Executive Director, including individual and business performance, the obligation for the Director to mitigate loss (for example by gaining new employment) and other relevant circumstances (e.g. ill health).

If the Executive Director's employment is terminated by the Company, the Executive Director may receive a time pro-rated bonus to the period worked subject to performance in that period, subject to the Remuneration Committee's discretion.

The treatment of outstanding share awards is governed by the relevant share plan rules. The following table summarises the leaver provisions of share plans under which Executive Directors may currently hold awards.

Leaving Event	Time period	Conditions
Injury, disability, ill-health, redundancy	Option may be exercised within 6 months of leaving.	Exercise and time vesting provisions per the option certificate. Board can waive if satisfied that such waiver is not rewarding failure.
Death	Option may be exercised by personal representatives within 6 months of death.	Exercise and time vesting provisions per the option certificate. Board can waive if satisfied that such waiver is not rewarding failure.
Employing company transferred out of group.	Option may be exercised within 6 months of transfer.	Exercise and time vesting provisions per the option certificate. Board can waive if satisfied that such waiver is not rewarding failure.
Resignation or any other reason not mentioned above.	Lapse of option unless Board exercises discretion to allow exercise of option in which case within 6 months of leaving/notice.	If allowed to exercise; Exercise and time vesting provisions per the option certificate. Board can waive if satisfied that such waiver is not rewarding failure.

Recruitment policy

In determining remuneration for new appointments to the Board, the Board will consider all relevant factors including, but not limited to, the calibre of the individual and their existing package, the external market and the existing arrangements for the Company's current Executive Directors, with a view that any arrangements offered are in the best interests of the Company and shareholders and without paying any more than is necessary.

Where the new appointment is replacing a previous Executive Director, salaries and total remuneration opportunity may be higher or lower than the previous incumbent. If the appointee is expected to develop into the role, the Board may decide to appoint the new Executive Director to the Board at a lower than typical salary. Larger increases (above those of the wider company) may be awarded over a period of time to move closer to the market level as their experience develops.

Benefits and other elements of remuneration will normally be limited to those outlined in the remuneration policy table above. However, additional benefits may be provided by the Company where the Board considers it reasonable and necessary to do so.

It is expected that the structure and quantum of the variable pay elements would reflect those set out in the policy table above. However, the Board recognises that, as an independent oil and gas company, it is competing with global firms for its talent. As a result, the Board considers it important that the recruitment policy has sufficient flexibility in order to attract the calibre of individual that the Company requires to grow a successful business. The Company recognises that in many cases, an external appointee may forfeit significant cash bonuses and/or share awards from a prior employer. The Board believes that it needs the ability to compensate new hires for bonuses and/ or incentive awards lost on joining the Company. The Board will use its discretion in settling any such compensation, which will be decided on a case-by-case basis, provided that in no event shall such compensation exceed the value of compensation forfeited by the external appointee, as confirmed by the appointee in a written agreement with the Company.

Annual report on Directors' Remuneration (audited)

Andrew Austin is currently the only Executive Director and is employed under a service agreement, which is capable of termination, by either party giving twelve months notice in writing. The Non-executive Directors are employed under rolling contracts with notice periods of six months, under which they are not entitled to any pension, benefits or bonuses.

Directors' emoluments for the year were as follows:

12 months ended 31 December 2018

	Salary/Fees		Taxable Benefits		Bonus		In Lieu of Pension		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Andrew Austin	$ 515,900	$ 496,201	$ 12,912	$ 7,391	$ 804,000	$ 496,201	$34,000	Nil	$ 1,366,812	$ 999,793
Richard Benmore	$ 67,000	$ 64,442	$ 10,022	$ 4,282	Nil	Nil	Nil	Nil	$ 77,022	$ 68,723
John Morrow	$ 67,000	$ 64,442	Nil	Nil	Nil	Nil	Nil	Nil	$ 67,000	$ 64,442

The above amounts have been calculated by translating the GBP amounts to USD at the average rate for the year of $1.34 (2017: $1.29).

At the discretion of the Remuneration Committee, Andrew Austin was paid a bonus of $804,000 in recognition of progress made by the Group during 2018 and the fact that no bonus had been paid for 18 months, representing a bonus of 156% of base salary and 104% of bonus entitlement.

None of the directors have a prospective right to a defined benefit pension.

Benefits provided to Andrew Austin are the provision of medical insurance for himself and his family and benefits provided to Richard Benmore are the provision of medical insurance for himself and his wife.

Unapproved Share Option Plan

	Date of Grant	Granted	Basis of grant	Face Value	Exercise Price	Exercised	Waived/ Lapsed	Earliest Vesting Date	Lapse Date	Performance Criteria
Andrew Austin	22/12/15	1,000,000	10% of issued shares of 10,000,000	£500,000 (1)	50p	1,000,000	Nil	Vested and exercised	N/A	Time & performance based Vesting
Andrew Austin	04/07/17	533,333	10% of issued shares of 5,333,334	£799,999 (2)	44.625p	533,333	Nil	Vested and exercised	N/A	Time & performance based Vesting
Richard Benmore	23/05/18	107,817	Calculated on £400,000 for completion of Idemitsu Acquisition	£400,000 (3)	.000001p	Nil	Nil	23/05/19	23/05/28	Time Vesting

1. The share price on date of the initial grant was 50p based on the admission price of 50p.
2. The share price on date of the second grant was £1.50 based on the placing price on the issue of new shares.
3. The share price on the date of exercise was £3.71

Mr Austin's option was to acquire up to 10% of the issued share capital. As at the initial date of the grant this was 1,000,000 shares and increased by a further 533,333 shares with the additional placement in July 2017 but it was structured to increase to include any further issue of shares after the date of grant subject to the earlier of;

- the date falling on the third anniversary of admission
- the market capitalisation of the Company first becomes or exceeds £100 million.

The options were exercised on 14 February 2018.

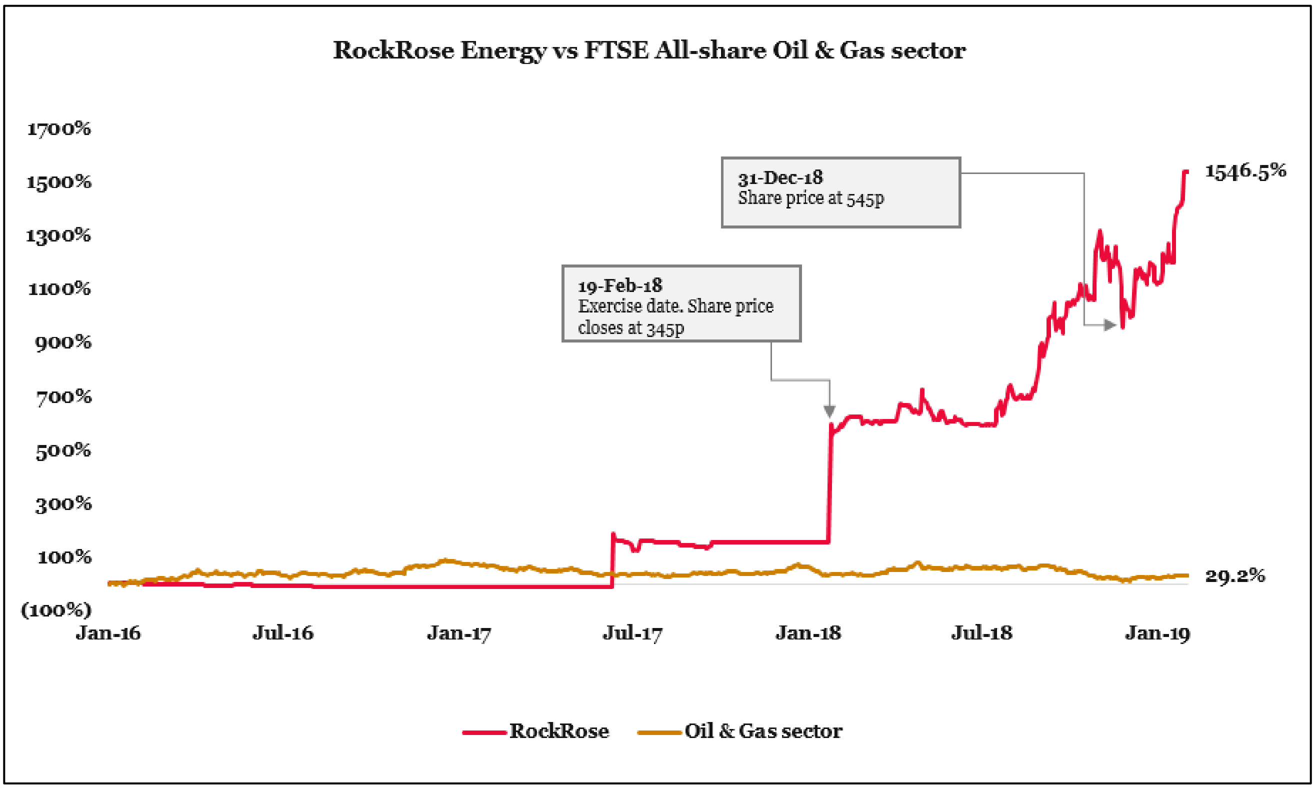
There are no performance measures associated with Mr. Benmore's options.

The Directors' interests for disclosure purposes are as follows (audited):

	Number of Shares held as at 31/12/17	Number of Options held as at 31/12/17	Total Beneficial interest as at 31/12/17	Total options exercised 14/02/18	Total Options held as at 31/12/2018	Total shares held including exercised options as at 31/12/2018	% shares and options held of total shares in issue as at 31/12/18
Andrew Austin	2,015,002	1,533,333	3,548,335	1,533,333	Nil	3,562,784	28.29
Richard Benmore	186,667	-	186,667	Nil	107,817	212,912	1.69
John Morrow	210,000	-	210,000	Nil	Nil	212,358	1.69

Executive Chairman's pay versus Shareholder Return

Below is a graph comparing total shareholder return of the Company compared to the FTSE Oil and Gas Producers index from January 2016 (when the Company was admitted to the London Stock Exchange) to the point of suspension (25 February 2019). The Executive Chairman's remuneration is shown below:



Executive Chairman's Pay	2018	2017
	'000	'000
Total Remuneration	$1,542	$1,242
Bonus as % of maximum entitlement	104%	67%
Vesting of share options	$5,290	Nil

The total remuneration above includes an expense to the income statement of $175,000 (2017: $242,000) relating to the valuation of the share options.

Payments to past directors (audited)
In the year there were no payments to past directors.

Payments for loss of office (audited)

No payments were made to directors for loss of office in the year.

In 2018 the Executive Chairman's pay increase was 0% versus an average pay increase of 12%. No comparative is available as the Company only had one employee at the beginning of the year and although additional employees were added during the second half of the year a comparison would be misleading.

John Morrow
By order of the Board
30 April 2019

ROCKROSE ENERGY PLC
DIRECTORS' REPORT

The Directors present the audited consolidated financial statements of the Group for the year ended 31 December 2018.

Principal activities and status

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

A review of the business and the future developments of the Group are presented within the Strategic Report.

Shareholder distribution

In February 2018 the Company made a shareholder distribution of £1.50 per share via a "B" share scheme following the approval at an Extraordinary General Meeting on 14 February 2018. Additionally, the Company made a share buyback of just under 20% of issue shared capital for cash of $22.0 million (£16.4 million (£5.60per share)) in November 2018.

The Directors do not recommend the payment of a dividend.

Political donations

The Group made no political donations during the year.

Post balance sheet events

Events after the year are outlined in note 29 to the financial statements.

Directors

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

Andrew Austin
Richard Benmore
John Morrow

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.

Acquisitions

Two acquisitions were completed during 2018 as described in the Strategic Report and notes 2 and 3 of the financial statements.

Principal risks and uncertainties

The principal risks and uncertainties associated with the Group's business are described in the Strategic Report on page 6.

Financial risk management objectives and policies

The Group's financial risk management objectives and policies are described in note 25 of the financial statements.

Substantial shareholdings

As at 30 April 2019, in addition to the Directors' interests as set out in the Remuneration Report, the Company had received notification from the following institutions and individuals of interests in excess of 3 per cent of the Company's issued Ordinary Shares with voting rights:

	Number	%
Cavendish Asset Management	1,816,800	14.43
Macquarie Capital (Europe) Limited	785,252	6.23

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

AGM Notice

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

Corporate governance

In order to implement its business strategy, the Company has adopted a corporate governance structure which is fit for purpose for this stage of the Company's life cycle. This includes a three-member board, with two independent Non-executive Directors and an Executive team of Managing Director and Finance Director. The Company has Remuneration, Nomination, Audit and Risk and Health, Safety and Environmental Committees. The Board has established the corporate governance values of the Company and has overall responsibility for setting the Company's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Company. Overall supervision, acquisition, divestment and other strategic decisions are considered and determined by the Board. The Board held eight meetings in the year to 31 December 2018. Andrew Austin, in addition to acting as Chairman, in conjunction with the Executive team is charged with day-to-day responsibility for the implementation of the Company's strategy. The Executive team is supported by the wider team and external service providers as required. The Board intends to comply, so far as it is practicable, with certain Main Principles of the UK Corporate Governance Code. Since incorporation compliance with the provisions of the Model Code is being undertaken on a voluntary basis, as the Company does not have a premium listing on the London Stock Exchange. As at the date of this document, the Board has voluntarily adopted the Model Code for Directors' dealings contained in the Listing Rules of the UK Listing Authority.

The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors. The FCA will not have the authority to (and will not) monitor the Company's voluntary compliance with the Model Code, nor to impose sanctions in respect of any failure by the Company to comply.

The Board has four separate Committees each chaired by a Director as follows:

Audit and Risk Committee

The Committee comprises only Non-executive Directors; being chaired by Richard Benmore and having as its other member John Morrow. Meetings are aligned with the Group's financial reporting calendar and the committee met three times in the year ended 31 December 2018. The Executive Chairman, Finance Director and Managing Director are invited to attend each meeting of the Committee and participated in all of the meetings during the year. The external auditors are also invited to attend meetings of the Committee as appropriate and also meet the Committee without the presence of management at least annually.

The Risk and Disclosure Committee operates as part of the Audit Committee and reviews the operational risks that face the business and monitor and report upon the Company's obligations under the Disclosure Guidance and Transparency Rules.

Audit Committee membership

Meetings attended
Committee member (out of a total possible)
Richard Benmore (Chairman) 3/3
John Morrow 3/3

Summary of the Committee's responsibilities

The Committee's responsibilities include the following:
• The Committee reviews reports from management and the Group's auditors relating to the Group's Annual Report and Accounts and the interim results announcement. The Committee advises the Board on whether the Annual Report and interim announcement are fair, balanced and understandable and provide the information necessary for RockRose stakeholders to assess performance against the Group's strategy;
• The Committee reviews compliance with legal requirements, accounting standards and the Listing Rules and on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistle-blowing) are maintained. However, the ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board of Directors;
• The Committee keeps under review the external auditors' independence and considers the nature, scope, and results of the auditors' work and develops policy on and reviews (reserving the right to approve) any non-audit services that are provided by the external auditors. The Committee is responsible for making recommendations to the Board of Directors on their appointment and remuneration.

Remuneration Committee

The Committee comprises only Non-executive Directors, being chaired by John Morrow and having as its other member Richard Benmore. The Committee met twice in the year ended 31 December 2018. The Executive Chairman is invited to attend meetings. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

Remuneration Committee membership

Meetings attended
Committee member (out of a total possible)
John Morrow (Chairman) 2/2
Richard Benmore 2/2

Summary of the Committee's responsibilities

The Committee's responsibilities include the following:
- Making recommendations to the Board of Directors on the Company's policy on the remuneration of the Executive Chairman, Executive Directors and other Senior Executives (as are delegated to the Committee to consider);
- Determining, within agreed terms of reference, the remainder of the remuneration packages for each of them, including pension rights, bonus arrangements, any compensation payments and the implementation of executive incentive schemes;
- Monitoring the level and structure of remuneration for Senior Management;
- Reviewing the design of share incentive plans for approval by the Board and determining the policy on annual awards to Executive Directors and Senior Executives;
- Reviewing progress made against performance targets and agreeing incentive awards; and
- Setting clear objectives for each individual Director relating to Company KPIs including individual and strategic targets.

Key areas of focus in the year ended 31 December 2018

The Committee's particular areas of focus during the year were as follows:
- Decide on the level of remuneration for the Directors' and Executive Chairman's bonus;
- Review of remuneration of the Managing Director and Finance Director.

Nomination Committee

The Nomination Committee is chaired by the Executive Chairman, Andrew Austin, and its other member is Richard Benmore. The Committee meets as required during the year.

Nomination Committee membership

Meetings attended
Committee member (out of a total possible)
Andrew Austin (Chairman) 1/1
Richard Benmore 1/1

Summary of the Committee's responsibilities

The Committee's responsibilities include the following:

- Considering the size, structure and composition of the Board of Directors, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board of Directors;
- Making recommendations to the Board regarding membership of the Audit and Risk and Remuneration Committees; and
- Ensuring that plans are in place for orderly succession to the Board of Directors and senior management positions, so as to maintain an appropriate balance of skills and experience within the Group and the Board of Directors.

Key areas of focus in the year ended 31 December 2018

The principal activities of the Committee during the year were as follows:

- Succession planning was reviewed in the year and work in this area will continue in 2019.

Health, Safety, Security and Environmental Committee

The Health, Safety, Security and Environmental Committee is chaired by John Morrow and its other members are Andrew Austin and Richard Benmore. The Committee meets as required during the year.

Health, Safety, Security and Environmental Committee membership

Meetings attended
Committee member (out of a total possible)
John Morrow (Chairman) 3/3
Andrew Austin 3/3
Richard Benmore 3/3

Summary of the Committee's responsibilities

The Committee's responsibilities include the following:

- Ensuring that employees are provided with a safe and secure place to work;
- Ensuring that the Group is complying with the latest statutory requirements;
- Ensuring that operators are complying with latest health, safety and environmental directives; and
- Ensuring that the Company's IT systems are secure and protected from cyber-attack.

Internal control

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational, health & safety, compliance matters and risk management (as detailed in the Strategic Report) are reviewed on an ongoing basis.
The Group's internal control procedures include the following:

- Board approval for all significant projects, including corporate transactions and major capital projects;
- The Board receives and reviews regular reports covering both the technical progress of projects and the Group's financial affairs to facilitate its control;
- There is a budgeting and planning system for all items of expenditure with an annual budget approved by the Board. Risk assessment and evaluation is an integral part of the annual planning cycle;
- The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated financial statements. These systems include policies and procedures to ensure that adequate accounting records are maintained, and transactions are recorded accurately and fairly to permit the preparation of consolidated financial statements in accordance with IFRS; and
- The Audit and Risk Committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit and Risk Committee discusses with the Executive team and the external auditors the significant accounting policies, estimates and judgements applied in preparing these reports.

The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary at the current time.

UK Bribery Act

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

Relations with shareholders

Communications with shareholders and bondholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the Executive Chairman. Company circulars and press releases have also been issued throughout the year for the purpose of keeping investors informed about the Group's progress.
The Company also maintains a website (www.rockroseenergy.com) that is regularly updated and contains a wide range of information about the Group.

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.

This report was approved by the Board of Directors on 30 April 2019 and signed on its behalf by

Andrew Austin
30 April 2019

ROCKROSE ENERGY PLC
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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union 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 the 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 and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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.

By order of the Board,

Andrew Austin
By order of the Board
30 April 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKROSE ENERGY PLC (Company Registration No. 02552901)

Report on the audit of the financial statements

Opinion

In our opinion, Rockrose Energy plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements for the year ended 31 December 2018 (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2018; the consolidated statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.
Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.
We have provided no non-audit services to the group or the company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

- Overall group materiality: $3,458,000 (2017: $1,700,000), based on 0.5% of total assets.
- Overall company materiality: $452,400 (2017: $400,000), based on 0.5% of total assets.

- We audited the company's financial information to statutory materiality.
- We audited the balance sheets and income statements of all four UK entities.
- We audited the balance sheets of the acquired Netherlands entities and three months of the income statement as these entities were acquired with an acquisition date of 1 October 2018.

- Accounting for the business combination.
- Decommissioning provisions and recognition of decommissioning assets.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKROSE ENERGY PLC (Company Registration No. 02552901)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules and UK and Netherlands tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates, and acquisition accounting. Audit procedures performed by the group engagement team auditors included:

- Enquiries of management and review of minutes of meetings of the Board of Directors.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the Fair Value of the acquired Dyas assets.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Accounting for the business combination Refer to page 3 (Strategic Report), Note 1 (Significant accounting judgements and key sources of estimation uncertainty), Note 2 (Business combinations). In 2018, the group completed the acquisitions of the entire issued capital of Dyas B.V. and its subsidiary Dyas Infrastructure B.V. (collectively referred to as "Dyas"). This acquisition has been accounted for under IFRS 3 *Business combinations*. We focused on this area due to the judgement involved in applying the acquisition method of accounting under IFRS 3. The acquisition method requires the group to fair value consideration paid for the acquisitions, and to record acquired assets and liabilities at their fair value. The key area of judgement for the acquired business was the valuation of property, plant & equipment ('PPE'). The result of management's assessment was goodwill totalling $16.4m. This goodwill was immediately impaired as it was not deemed recoverable.	We reviewed management's assessment of the acquisition and concur that the acquired entities meet the definition of a "business" under IFRS 3 and should be accounted for under that standard. In obtaining comfort over the fair value of consideration paid for the acquisition we reviewed the relevant sale and purchase agreements and reviewed other supporting documentation including bank statements and completion statements. The fair value of PPE was a key estimate management's IFRS 3 assessment. The fair value was calculated by management using a discounted cash flow analysis ("DCF"). We performed the following procedures to obtain comfort over the valuation of PPE: • Obtained the DCF models and checked model functionality and confirmed model integrity; • Compared management's forecast oil and gas prices to consensus forecasts obtained from a collection of brokers and independent consultants. We found that management's forecasts were within a reasonable range; • Reconciled production assumptions to the group's most recent Competent Person's Report ("CPR"), for those assets subject to the reserves audit process.

Key audit matter	*How our audit addressed the key audit matter*
	• Agreed cost assumptions, including opex, and capex, to the CPR or operator support as applicable; • Benchmarked the key inputs into management's post-tax discount rate used of 12 % to arrive at a range we considered reasonable. Management's discount rates for each asset were within this range. Based on procedures performed we found management's assumptions to be balanced and the fair value of PPE is supportable.
Decommissioning provisions and recognition of decommissioning assets Refer to page 3 (Strategic Report), Note 1 (Significant accounting judgements and key sources of estimation uncertainty), Note 13 (Property, plant & equipment) and Note 21 (Provisions for liabilities and other charges). In 2018, the group completed the acquisition of Dyas. The acquisition included a significant portfolio of oil & gas assets and a corresponding decommissioning liability. Additionally, under Dutch GAAP, a decommissioning asset is not recognised on the decommissioning liability. As such, the translation from Dutch GAAP to IFRS for the purposes of group consolidated accounts was a key area of judgement based on historic production models on an asset basis. The Dyas acquisition has led to a significant increase in the overall decommissioning liability to $16.5m. The assumptions used to evaluate the decommissioning liability are also a key area of judgement as they are based on a number of inputs including; future cost estimates, inflation rates, discount rates and foreign exchange forward curves.	The key inputs into the valuation of decommissioning provisions were checked as follows: • Future cost estimates were compared to latest operator forecasts where applicable. The timing of decommissioning cash flows were also checked for consistency with the PPE valuation models. • Future cost estimates are expected to be denominated in GBP for the UK assets and in EUR for the Netherlands assets. We reviewed the foreign exchange rates adopted by management in converting GBP costs into USD and EUR costs into USD. These rates were based on a forward curve for the years up to 2024 before settling on the long term historical average in 2028. We compared these assumptions to a range of economic forecasts and found them to be reasonable. • Cost estimates were expressed in nominal terms. Management inflated costs at a rate of 3% per year up to the expected year of decommissioning spend and then discounted these inflated estimates using rates between 3.8% to 4.6%. We independently benchmarked management's assumptions, considering a range of economic data. We performed sensitivity analysis to consider the impact of variations to these assumptions on the valuation of the provisions. By reducing the inflation rate and discount rate simultaneously to within our reasonable range, we did not note a material difference to management's calculated figures. For the recognition of a decommissioning asset on the acquired Dyas assets we have performed the following procedures: • Reviewed the model provided by management's external expert and the approach taken to calculating the asset. Historic production data has been obtained where possible and referenced against publicly available information. We have verified the reasonableness of the assumptions taken in determining historic production and concluded that the calculation is reasonable. • The historic production data has been used in reference to each asset's current 2P reserves as detailed in the CPR report. We have verified that the reserves used are reasonable. This has then been applied to the corresponding decommissioning liability to estimate the decommissioning asset had it been accounted for historically under IFRS. Based on the procedures performed, we found management's assumptions to be balanced and the value of the decommissioning liability to be supportable.

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.
As discussed in the Key Audit Matters section above, in 2018 the group completed the acquisition of Dyas B.V. and its subsidiary Dyas Infrastructure B.V. This acquisition has contributed materially to the group's balance sheet in the 2018 financial statements, with the assets and liabilities acquired in these business combinations accounted for at fair value. We performed full scope audit procedures over the financial information of Dyas, which had an effective date of acquisition of 1 October 2018. Separately, we audited the fair value adjustments to the book values of the acquired entities. We have also performed a full scope audit of the existing entities of Rockrose (UKCS2) Limited, Rockrose (UKCS3) Limited, Rockrose(UKCS4) Limited and Rockrose Energy PLC's company only financial information. Together this ensured 100% of assets and 100% of revenues were in scope for testing. All audit procedures were performed by the UK engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	\$3,458,000 (2017: \$1,700,000).	\$452,400 (2017: \$400,000).
How we determined it	0.5% of total assets.	0.5% of total assets.
Rationale for benchmark applied	The group made a significant acquisition of oil and gas assets during the year. Following these acquisitions a significant portion of the group's value is captured in oil and gas assets, so we believe an asset measure is the most relevant.	Following the acquisition made in the year, the company is an asset based entity, recording a large investments in subsidiaries balance. As such assets is an appropriate benchmark on which to base materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between \$244,500 and \$2,955,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$172,900 (Group audit) (2017: \$85,000) and \$22,625 (Company audit) (2017: \$20,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.
However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKROSE ENERGY PLC (Company Registration No. 02552901)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 25 November 2015 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2016 to 31 December 2018.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Revenue	5	153,072	7,436
Cost of sales		(105,356)	(7,604)
Gross profit/(loss)		47,716	(168)
Change in estimate of decommissioning provisions		14,302	-
Foreign exchange movements on decommissioning provision		-	(223)
Administrative costs		(12,649)	(5,617)
Loss on derivatives		(6,399)	-
Gain on acquisition		-	87,825
Impairment of goodwill	12	(18,660)	(7,974)
Operating profit	6	24,310	73,843
Finance income	8	51	9
Finance costs	9	(14,996)	(915)
Foreign exchange (loss)/gain		(1,987)	1,137
Profit before income tax		7,378	74,074
Income tax credit	10	31,481	-
Profit for the year attributable to shareholders		38,859	74,074
Comprehensive income to be reclassified to profit or loss in subsequent years when specific conditions are met:			
Foreign currency translation loss		-	140
Total comprehensive income for the year		38,859	74,214
Unadjusted basic earnings per share (cents)	11	261	651
Unadjusted diluted earnings per share (cents)	11	242	580

All results have been derived from continuing operations.

The notes on pages 35 to 63 form an integral part of these financial statements.

ROCKROSE ENERGY PLC
Company Registration No. 09665181

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018	2017
		$'000	$'000
Assets			
Intangible assets	12	32,287	1,723
Property, plant and equipment	13	359,293	180,325
Deferred tax	15	-	36,472
Total non-current assets		391,580	218,520
Inventory	16	5,090	6,005
Trade and other receivables	17	28,147	14,997
Cash and cash equivalents	18	67,944	64,955
Restricted cash	19	53,347	55,336
Total current assets		154,528	141,293
Total assets		546,108	359,813
Equity			
Share capital	22	3,549	4,269
Share premium	22	129	9,902
Other reserves		11,772	(75)
Retained earnings		58,007	71,228
Total equity		73,457	85,324
Liabilities			
Provisions for liabilities and other charges	21	364,717	247,048
Deferred tax liability	15	22,788	-
Total non-current liabilities		387,505	247,048
Trade and other payables	20	57,015	21,882
Tax payable	20	23,012	-
Provisions for liabilities and other charges	21	5,119	5,559
Total current liabilities		85,146	27,441
Total liabilities		472,651	274,489
Total equity and liabilities		546,108	359,813

The notes on pages 35 to 63 form part of these financial statements.

These financial statements on pages 27 to 63 were approved by the Board of Directors on 30 April 2019 and were signed on its behalf by:

Andrew Austin

ROCKROSE ENERGY PLC
Company Registration No. 09665181

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018	2017
		$'000	$'000
Assets			
Investments in subsidiaries	14	51,323	30,396
Total non-current assets		51,323	30,396
Trade and other receivables	17	1,256	2,941
Cash and cash equivalents	18	824	64,863
Total current assets		2,080	67,804
Total assets		53,403	98,200
Equity			
Share capital	22	3,549	4,269
Share premium	22	129	9,902
Other reserves		32,718	(75)
Retained earnings/(accumulated losses)		1,686	(14,172)
Total equity		38,082	(76)
Liabilities			
Provisions for liabilities and other charges	21	7,278	7,173
Total non-current liabilities		7,278	7,173
Trade and other payables	20	574	508
Amount owed to subsidiaries	20	7,469	90,595
Total current liabilities		8,043	91,103
Total liabilities		15,321	98,276
Total equity and liabilities		53,403	98,200

The notes on pages 35 to 63 form part of these financial statements.

The company loss for the year was $14,243,000 (2017: $12,163,000).

These financial statements on pages 27 to 63 were approved by the board of Directors on 30 April 2019 and were signed on its behalf by:

Andrew Austin

ROCKROSE ENERGY PLC
Company Registration No. 09665181

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Other reserves	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2017	2,890	3,222	(558)	(2,846)	2,708
Profit for the year	-	-	-	74,074	74,074
Currency translation differences	-	-	140	-	140
Total comprehensive income	-	-	140	74,074	74,214
Shares issued during the year	1,379	6,680	101	-	8,160
Share based payments	-	-	242	-	242
Total transactions with owners	1,379	6,680	343	-	8,402
Balance as at 31 December 2017	4,269	9,902	(75)	71,228	85,324
Profit for the year	-	-	-	38,859	38,859
Total comprehensive income				38,859	38,859
Shares issued during the year	40	129	-	-	169
Share based payments	-	-	291	-	291
Shareholder distribution	-	-	30,360	(30,360)	-
Share buy-back	(760)	-	22,041	(21,281)	-
Transfer of reserves	-	(9,902)	(40,845)	(439)	(51,186)
Total transactions with owners	(720)	(9,773)	11,847	(52,080)	(50,726)
Balance as at 31 December 2018	3,549	129	11,772	58,007	73,457

The notes on pages 35 to 63 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Other reserves	(Accumulated losses)/Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2017	2,890	3,222	(558)	(2,009)	3,545
Loss for the year	-	-	-	(12,163)	(12,163)
Currency translation differences	-	-	140	-	140
Total comprehensive loss	-	-	140	(12,163)	(12,023)
Shares issued during the year	1,379	6,680	101	-	8,160
Share based payment	-	-	242	-	242
Total transactions with owners	1,379	6,680	343	-	8,402
Balance as at 31 December 2017	4,269	9,902	(75)	(14,172)	(76)
Loss for the year	-	-	-	(14,243)	(14,243)
Total comprehensive loss				(14,243)	(14,243)
Shares issued during the year	40	129	-	-	169
Share based payments	-	-	291	-	291
Shareholder distribution	-	-	30,360	(30,360)	-
Share buy-back	(760)	-	22,041	(21,281)	-
Transfer of reserves	-	(9,902)	(19,899)	81,742	51,941
Total transactions with owners	(720)	(9,773)	32,793	30,101	52,401
Balance as at 31 December 2018	3,549	129	32,718	1,686	38,082

The notes on pages 35 to 63 form part of these financial statements.

ROCKROSE ENERGY PLC
Company Registration No. 09665181

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	$'000	$'000
Cash flows from operating activities		
Profit before income tax	7,378	74,074
Non-cash adjustments to reconcile (loss)/profit before tax to net cash flows:		
Foreign exchange loss/(gains) on operating activities	1,987	(1,136)
Finance income	(51)	(9)
Finance costs	14,996	915
Share based payments	291	242
Impairment of goodwill	18,660	7,974
Gain on acquisitions	-	(87,825)
Depreciation and amortisation	34,222	1,669
Change in estimate of decommissioning provision	(14,302)	-
Foreign exchange movement on decommissioning provision	-	223
Increase in provisions	-	749
Operating cash flows before movements in working capital	63,181	(3,124)
Decrease in inventory	915	895
(Increase)/decrease in trade and other receivables	(13,149)	28,381
Decrease/(increase) in restricted cash	1,988	(55,336)
Increase in trade and other payables	35,048	1,710
Income tax paid	(4,534)	-
Net cash generated from/(used in) operating activities	83,449	(27,474)
Cash flows from investing activities		
Acquisition of subsidiaries net of cash acquired	(11,773)	82,311
Utilisation of decommissioning liabilities	(2,402)	-
Additions of intangible assets	(215)	-
Additions of property, plant and equipment	(10,414)	(895)
Net cash (used in)/generated from investing activities	(24,804)	81,416
Cash flows from financing activities		
Finance income	51	9
Finance costs	(3,711)	-
Share issue costs	-	(2,183)
Shareholders distribution	(30,360)	-
Share buy-back	(22,041)	-
Proceeds from share issue	169	10,343
Net cash (used in)/generated from financing activities	(55,892)	8,169

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Net increase in cash and cash equivalents	2,753	62,111
Cash and cash equivalents at 1 January	64,955	2,938
Effect of foreign exchange	236	(94)
Cash and cash equivalents at 31 December	67,944	64,955

The notes on pages 35 to 63 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	$'000	$'000
Cash flows from operating activities		
Loss before income tax	(14,243)	(12,164)
Non-cash adjustments to reconcile loss before tax to net cash flows:		
Foreign exchange movement	2,049	-
Finance income	(963)	(2)
Finance expense	1,626	-
Share based payments	291	242
Impairment of investments in subsidiaries	-	2,498
Movement in provisions	105	7,173
Operating cash flows before movements in working capital	(11,135)	(2,253)
Increase/(decrease) in trade and other receivables	1,686	(1,791)
(Decrease)/increase in trade and other payables	(83,058)	90,560
Net cash (used in)/generated from operating activities	(92,507)	86,516
Cash flows from investing activities		
Acquisition of subsidiaries	-	(32,873)
Net cash used in investing activities	-	(32,873)
Cash flows from financing activities		
Finance income	963	2
Finance expense	(1,626)	-
Share issue costs	-	(2,183)
Proceeds from share issue	169	10,343
Shareholders distribution	(30,360)	-
Share buy-back	(22,041)	-
Dividend income from subsidiary	82,180	-
Net cash generated from financing activities	29,285	8,162
Net (decrease)/increase in cash and cash equivalents	(63,222)	61,805
Cash and cash equivalents at 1 January	64,863	2,938
Effect of foreign exchange	(817)	120
Cash and cash equivalents at 31 December	824	64,863

The Company prepares its statement of cash flows using the indirect method. The notes on pages 35 to 63 form part of these financial statements.

1. Principal accounting policies

General information

RockRose Energy PLC ('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.

The Company is a public limited company incorporated on 1 July 2015, which is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom.

The address of its registered office is Dashwood House, 69 Old Broad Street, London, EC2M 1QS.

Basis of preparation

The consolidated and company financial statements are for the year ended 31 December 2018. These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee (IFRS IC) interpretations endorsed by the European Union ('EU') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange of goods and services. These consolidated financial statements (the 'financial statements') have been prepared and approved by the Directors on 30 April 2019 and signed on their behalf by Andrew Austin.

The accounting policies have been applied consistently throughout the preparation of these financial statements. All activities of the Company are carried out in the European Continental Shelf. These financial statements are presented in United States Dollars (US$'s) and the values in the financial statements are rounded to thousands (US$'000).

Adoption of new standards and interpretations

New standards, amendments and interpretations
The following new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2018, have had no material impact on the Group or parent company.

Standards	Effective date	Description
IFRS 2	1 January 2018	Classification and measurement of share-based payment transactions – Amendment to IFRS 2
IFRS 9	1 January 2018	Financial instruments
IFRS 15	1 January 2018	Revenue from Contracts with Customers

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and certain contracts to buy or sell non-financial items. Furthermore, on a prospective basis the standard facilitates use of hedge accounting and results in different income recognition upon the sale of certain investments in securities. The adoption of IFRS 9 did not result in a change in equity at January 1, 2018, nor in changes in the measurement of financial assets and liabilities.

IFRS 15 provides a single model of accounting for revenue arising from contracts with customers based on the identification and satisfaction of performance obligations, and revenue from contracts with customers that is distinguished from other resources. For the adoption of IFRS 15 the modified retrospective transition approach was applied. Although the accounting for certain contracts, such as those with provisional pricing or take-or pay arrangements, and underlifts and overlifts, did change, no transition adjustment is presented as the adoption did not have a significant effect on the Group's accounting or disclosures.

New standards, amendments and interpretations not yet adopted
The following new and revised Standards and Interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group.

Standards	Effective date	Description
IFRS 16	1 January 2019	Leases
IFRIC Interpretation 23	1 January 2019	Uncertainty over Income Tax Treatments
Amendments to IAS 28	1 January 2019	Long-term interest in Associates and Joint Ventures

Other than IFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods. The Group's assessment of the impact of IFRS 16 is set out below:

1. Principal accounting policies (continued)

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and is required to be adopted by 2019. Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right-of-use assets and corresponding lease liabilities. The Group will apply the modified retrospective approach, which means that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information. Compared with the existing accounting for operating leases, application of the standard will have a significant impact on the classification of expenditures and consequently the classification of cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. It will also impact the timing of expenses recognised in the statement of income. No impact is expected in relation to lease contracts previously classified as finance leases. The adoption of the new standard at January 1, 2019, is expected to have a negligible impact on equity following the recognition of lease liabilities and right of use assets of approximately $0.6 million.

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets.

Acquisition related costs are expensed as incurred.

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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9, either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform to the Group’s accounting policies.

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Segmental reporting

The Group has two geographical operating segments: United Kingdom and Netherlands. Both segments produce oil and gas. The geographical segments have been chosen as the Netherlands has a separate gas market and tax regime from the UK.

1. Principal accounting policies (continued)

Revenue and other income (from 1 January 2018)

Revenue from sales of oil, natural gas, and other products is recognised at the transaction price which the Company 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 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; and for sales of oil products, 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 Company has an interest with partners in joint arrangements is recognised on the basis of the Company's volumes lifted and sold.

Revenue resulting from arrangements that are not considered contracts with customers is presented as revenue from other sources.

Revenue and other income (prior to 1 January 2018)

Revenue excludes value added tax and represents the sales value of the Company's share of oil and gas production lifted during the year and includes tariff income. The Company recognises revenue when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue associated with sales of crude oil and petroleum products including natural gas is recorded when title passes to the customer. Revenue from production of natural gas and oil in which the Company has interest with other joint venture parties is recognised based on the Company's working interest and the terms of the relevant petroleum production licences. In all cases, this is deemed to be on a lifting basis. All other revenue is recognised when title passes to the customers.

Financing income and costs

Financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, unwinding of the discount on decommissioning provisions, and net foreign exchange losses that are recognised in the statement of comprehensive income (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

Leases

Rentals under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1. Principal accounting policies (continued)

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which 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 USD apart from RockRose Energy PLC which continues to have a GBP functional currency. All Dutch entities have a functional currency of EUR. The presentation currency for the financial statements is USD.

The results and financial position of all of the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) 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
c) all resulting exchange differences are recognised in other comprehensive income.

Taxation

Tax on the profit/ (loss) for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Investments in subsidiaries

Investments in subsidiaries in the Company statement of financial position are accounted for at cost less accumulated impairment losses. Investments are reviewed for indicators of impairment at least annually.

Joint arrangements

The Group's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled ventures are used to explore, evaluate and ultimately develop and produce from its oil and gas interests. Accordingly, the Group accounts for its share of assets, liabilities, income and expenditure of these joint operations, classified in the appropriate balance sheet and income statement headings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1. Principal accounting policies (continued)

Exploration, evaluation and producing assets

Pre-licence acquisition costs are recognised in the statement of comprehensive income when incurred. Costs incurred after licences have been obtained, such as geological and geophysical surveys, drilling and commercial appraisal costs are capitalised as exploration and evaluation (E&E) assets as tangible or intangible depending on the nature of the asset. E&E assets within intangible assets are not amortised.

The Company applies the successful efforts method of accounting for exploration expenditure. E&E 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 E&E assets is reclassified as a development and production (D&P) asset and classified as 'oil and gas' assets within property, plant and equipment. The E&E 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 E&E assets in the statement of comprehensive income.

The assets transferred to D&P assets are depreciated once the asset commences production. D&P 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.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets.. Intangible assets are systematically tested for impairment at each statement of financial position date. Other intangible assets are amortised from the date they are available for use.

Depletion 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 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 future field development costs, audited in the annual reserves report by ERC Equipoise.

Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Administrative assets

The Company acquired various administrative assets including fixtures and fittings, computer equipment and leasehold improvements. These assets are recorded in the statement of the financial position at cost less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of the tangible fixed asset.

Depreciation is provided at the following annual rates on a straight-line basis:

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

1. Principal accounting policies (continued)

Impairments of Producing and Development assets

The carrying amounts of the Company's assets are reviewed at each statement of financial position 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 comprehensive income. The recoverable amount of assets is the higher of fair value less cost to sell and value in use. Value in use is determined as the amount of estimated risk adjusted and discounted future cash flows. For this purpose, assets are grouped into cash generating units (CGUs) based on separately identifiable and largely independent cash inflows. Estimates of future cash flows used in the evaluation of impairment of assets are made using management forecasts including assumptions for commodity prices, market supply and demand, and in the case of oil and gas properties, expected production volumes. The latter takes into account assessments of field and reservoir performance and includes expectations about proved and probable volumes, which are risk-weighted utilising geological, production, recovery and economic projections. Cash flow estimates are risk adjusted to reflect local conditions as appropriate and discounted at a rate that reflects a market return and the risks of the cash generating units.

Crude oil under and over lift

Crude oil under/over lift is classified under debtors or creditors as appropriate and valued at the year-end oil price. Liabilities arising from lifting more than the Company's share of the joint venture's petroleum production (over lifting) are valued at the market price and booked under 'Current liabilities'. Under lifting is valued at the market price and booked under 'Current assets'.

Inventory

Inventories are stated at the lower of cost and net realisable value. The net realisable value of crude oil is based on the estimated selling price in the ordinary course of business which is spot price on the date of statement of financial position.

Employee benefit trust

The assets and liabilities of the Employee Benefit Trust ('EBT') are consolidated by the Group, as the Group exercises control over the Trust as defined in IFRS 10. Shares in the Company held by the trust are consolidated as a deduction from equity and treated as treasury shares.

Share based payments

Under the Share Option Plan, the Employee Benefit Trust subscribes for ordinary shares in the Company. The EBT owns a portion of the share equivalent to the subscription price. Any employee who received an award under the plan owns any value in the share in excess of the subscription price. Awards vest over three to ten years and are not subject to performance criteria. The fair value of awards granted is recognised as an employee expense with a corresponding increase in equity.

The fair value is measured at grant date, using an appropriate pricing model taking into account the terms and conditions upon which the award was granted, and is spread over the year during which the awards vest. The amount recognised as an expense is adjusted to reflect the actual number of share awards that vest in the same year. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. The Company recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less.

Restricted cash

Restricted cash balances are amounts deposited with trustees under the terms of various decommissioning security agreements. As these amounts are adjusted for on an annual basis or utilised as decommissioning occurs, they are not readily convertible and are therefore classed as restricted.

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

1. Principal accounting policies (continued)

Non-derivative financial instruments

Financial assets (from 1 January 2018)

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 and 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 and loss. For trade receivables, a simplified impairment approach is applied recognising expected lifetime losses from initial recognition.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to manage its exposure to fluctuations of oil prices. 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.

Financial assets (prior to 1 January 2018)

Initial recognition

Financial assets within the scope of IAS 39 'Financial instruments: Recognition and Measurement' are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial assets are recognised initially at fair value.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Trade and other receivables

Trade and other receivables that are created by the Company by way of providing goods directly to a debtor are carried at the original invoice amount. Trade and other receivables are recognised initially at fair value less any expected credit losses.

The Company has reviewed its trade receivables at the balance sheet date and considers there is no credit risk as all amounts are due within 30 days.

1. Principal accounting policies (continued)

Non-derivative financial instruments (continued)

Financial liabilities (from 1 January 2018)

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss, such as instruments held for trading, or RockRose has opted to measure them at fair value through profit or loss. Debt and trade payables are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost except for fixed rate debt subject to fair value hedging which is remeasured for the hedged risk (see below). Interest expense on debt is accounted for using the effective interest method, and other than interest capitalised, is recognised in income. For financial liabilities that are measured under the fair value option, the change in the fair value related to own credit risk is recognised in other comprehensive income. The remaining fair value change is recognised to fair value through profit and loss.

Financial liabilities (prior to 1 January 2018)

Initial recognition

Financial liabilities within the scope of IAS 39 'Financial instruments: Recognition and Measurement' are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification. Trade payables that are created by the Company are carried at the original invoice amount.

Trade and other payables

Trade and other payables are recognised at fair value.

Loans and borrowings

Loans and borrowings are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Share capital

Ordinary shares are classified as equity. The Company's share capital currently consists of ordinary shares. Any transaction costs associated with the issuing of shares are deducted from equity to the extent they are incremental costs directly attributable to the equity transaction.

Provisions

Provisions are recognised when the Company has present obligation (legal and constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying values amount is the present value of those cash flows.

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.

1. Principal accounting policies (continued)

Provisions (continued)

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 USD based on latest FX forward rates on a bi-annual basis. Any resulting forex exchange movements are recognised within the related property, plant and equipment decommissioning asset balance, unless the decommissioning assets have previously been impaired and forex exchange movements would therefore be recognised in the statement of comprehensive income.

Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an annual basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The following are the critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies and that have the most effect on the amounts recognised in the financial statements.

Fair value of assets and liabilities acquired in business combinations

Following the acquisition of Dyas B.V. and Dyas Infrastructure B.V. the Company has been required to make estimates regarding the fair value of assets and liabilities of the businesses acquired, under IFRS 3 Business combinations. The fair values calculated are provisional. The main areas of judgement taken by the Directors, and the key sources of estimation uncertainty, concern the valuation of property, plant and equipment ('PPE'), decommissioning liabilities, intangible exploration assets and deferred tax liabilities. Further information on these significant judgements has been set out in points a) to e) below.

a) Valuation of PPE including estimation of commercial reserves quantities

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercial reserves.

The Company obtains annual reports on the commercial reserves from independent reserve auditors for its largest fields. The reserves used in the valuation of PPE have a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amounts estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less. The fields which were covered by the reserves auditor as at 31 December 2018 were AB Blocks, Bergen, Hanze, K4K5, P15P18 and Total PQ excl. Q1B.

The calculation of fair value, used to value the acquired PPE, is sensitive to the following:

i) Production volumes
The estimated future production volumes are based on the Group's evaluation of the fields which is reviewed and verified by the third-party reserves auditor as at 31 December 2018 for certain fields as outlined above. For other acquired assets, production volume estimates are based on the latest available forecasts from operators.

ii) Commodity prices
The gas price assumptions adopted by management are €27/MWh for 2019, €25/MWh for 2020 and €23/MWh flat from 2021 onwards. The oil price assumptions used are $80/bbl for 2019, $76/bbl for 2020 and $72/bbl for 2021.

iii) Discount rate
The Company estimates fair value through a discounted cash flow model using a post-tax (nominal) discount rate of 12%. This discount rate is 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 Company.

1. Principal accounting policies (continued)

Valuation of PPE including estimation of commercial reserves quantities (continued)

iv) Inflation rate
An assumed inflation rate of 3% has been applied to the discounted cash flows. Management believes that this is a reasonable estimate for the medium term and is aligned with current uncertainty driven from Brexit.

v) Foreign exchange rate
The flat exchange rate of USD1.145 was used against Euro from 2019 until end of the life of the acquired assets. Management believes that as the majority of operational costs incurred and gas revenues received are in Euros, the Company has limited exposure against exchange rate fluctuations.

vi) 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 31 December 2018. For fields not subject to reserves audits, costs were based on latest operator estimates.

b) Decommissioning Provision
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 costs likely to be incurred. Cost estimates were inflated using a rate of 3% consistent with the PPE valuation discussed above. The estimated costs of decommissioning were discounted to present value terms using rates of between 3.76% and 4.41%.

c) Exploration prospects
The exploration prospects acquired were fair valued using the same assumptions mentioned for PPE above and risked accordingly. Contingent resources have been used to fair value exploration prospects at acquisition. Management estimate that the fair value of exploration assets as at year end is equivalent to their fair value on acquisition date.

d) Deferred tax liabilities
Deferred tax liabilities were recognised as a part of the fair value adjustment on the Dyas acquisitions.

e) Goodwill
Upon acquisition of Dyas B.V. the goodwill is recognised as an asset and immediately written off to the Income statement. See note 2 for details.

Carrying value of oil and gas producing and development assets

Property, Plant and Equipment was fair valued as it was acquired in business combinations as mentioned above. No triggers for impairment were identified on acquired Dutch assets and existing UK assets as at 31 December 2018.

Presumption of going concern

The Consolidated results reflects the strong financial position of the Group following the acquisitions. The net current asset position of $69,382,000 (2017: $113,852,000) indicates the Group has available financial resources to meet any future obligations at the Group level. The Directors have prepared cash flow forecasts for the period to 30 June 2020 which indicates the Group will be cash generative, subject to certain operational and economic assumptions.

These factors demonstrate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2. Business combinations

Acquisition of Dyas B.V. and Dyas Infrastructure B.V.

The Group completed the acquisition of 100 percent of the entire share capital of Dyas B.V. and Dyas Infrastructure B.V. on 1 October 2018 for a cash consideration of 107 million euros. For accounting purposes, the effective date of the transaction has been determined as 1 October 2018. The entities were subsequently renamed RockRose (NL) CS1 B.V. and RockRose (NL) Infrastructure B.V. Through the business combination, the Group acquired the license interest as shown at the end of this report, page 63.

	Total fair value
	$'000
Intangible assets: Exploration costs	30,349
Property, plant and equipment: Oil & gas assets	190,606
Property, plant and equipment: Decommissioning assets	19,250
Deferred tax liability	(98,831)
Inventory	1,060
Trade and other receivables	33,027
Cash and cash equivalents	90,572
Trade and other payables	(28,049)
Decommissioning provisions	(130,329)
Net identifiable assets acquired at fair value	107,655
Total consideration paid	(124,115)
Goodwill	16,460
Total cash outflow on the acquisition is as follows:	
Cash paid	(102,344)
Net cash acquired with the subsidiary	90,571
Net consolidated cash flow	(11,773)

Goodwill has arisen on the acquisition and is the difference between the fair value of the purchase consideration given and the fair value of the net assets acquired, and liabilities assumed. It will not be deductible for tax purposes.

The directors assessed the carrying value of the goodwill and specifically note;

- the acquired business operates in a single country, the Netherlands;
- the group's operations relate in whole to exploration for and the appraisal and development of oil and gas assets;
- both oil and gas are commodity products that trade in an active market that, particularly in the case of oil, is international;
- and oil and gas assets are valued based on the quantity of oil or gas that it is estimated can be economically recovered.

Having taken these factors into consideration, the directors have concluded that there is no basis for recognising goodwill related to the difference between the fair value of the consideration given and of the assets and liabilities acquired.

The fair value of the trade receivables is $33 million. The gross contractual amount for trade receivables due is $33 million, the full value is expected to be collected.

Acquisition-related expenses of $1 million are included in administrative expenses in the profit and in the operating cashflows in the statement of cashflows.

The acquired business contributed revenues of $23.5 million and profit after tax of $8.9 million to the Group for the period 1 October to 31 December 2018

If the acquisition had occurred on 1 January 2018, consolidated pro forma revenue and profit before tax for the year ended 31 December 2018 would have been $231 million and $39 million respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3. Asset Acquisitions

Acquisition of Arran license

The Group completed the acquisition of 30.43% stake in the Shell operated Arran field on 10 October 2018 for the nominal consideration of one US Dollar. This is a development asset.

4. Operating segments*

		2018	2017
Profit and Loss		$'000	$'000
Revenue			
	United Kingdom	129,528	7,436
	Netherlands	23,544	-
Group Revenue		**153,072**	**7,436**
Operating Profit			
	United Kingdom	13,613	73,843
	Netherlands	10,697	-
Group Operating Profit		**24,310**	**73,843**
Tax credit			
	United Kingdom	31,028	-
	Netherlands	453	-
Group Tax		**31,481**	**-**
Profit after tax			
	United Kingdom	29,946	74,074
	Netherlands	8,913	-
Group profit after tax		**38,859**	**74,074**
Balance Sheet			
Non-Current Assets (excluding deferred tax assets)			
	United Kingdom	151,171	182,049
	Netherlands	240,409	-
Non-Current Assets (excluding deferred tax assets)		**391,580**	**182,049**
Total Assets			
	United Kingdom	305,379	359,813
	Netherlands	240,729	-
Group Total Assets		**546,108**	**359,813**
Liabilities			
	United Kingdom	196,372	274,489
	Netherlands	276,279	-
Group Liabilities		**472,651**	**274,489**

*For Profit and Loss balances only 3 months of RockRose (NL) CS1 B.V. and RockRose (NL) Infrastructure B.V. Dyas data is included due to the completion date of 1 October 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

5. Revenue

The Group derives revenue from within the United Kingdom and Netherlands from the transfer of goods to external customers which is recognised at a point in time. The Group's product lines are:

	2018	2017
	$'000	$'000
Crude oil	124,866	7,373
Gas	26,633	63
Tariff Income	431	-
Gas storage income	1,142	-
Total revenues	153,072	7,436

6. Operating profit

Included in the statement of comprehensive income are the following:

Group	2018	2017
	$'000	$'000
Operating profit is stated after (charging)/crediting:		
Directors' remuneration	(1,686)	(1,375)
Operating leases	(207)	(74)
Depreciation, depletion and amortisation of oil and gas assets	(33,913)	(1,655)
Depreciation charge for administration assets	(309)	(14)
Impairment of goodwill	(18,660)	(7,974)
Gain on acquisitions	-	87,825
Change in estimate in decommissioning provision	14,302	-
Foreign exchange movement on decommissioning provision	-	(223)
Auditors' remuneration:		
Audit related assurance services	(500)	(289)
Other compliance services	-	(115)
Accountancy, consulting and other advisory fees	(80)	(16)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

7. Directors and employees

Group	2018	2017
	$’000	$’000
Wages and salaries	4,516	1,701
Social security costs	539	189
Other pension costs	134	6
Share based payments	291	242
Total employee costs	5,480	2,138

The average monthly number of employees employed by the Company, including Directors in the year

Group	2018	2017
	$’000	$’000
Operations	1	-
Administrative	13	6
	14	6

Directors’ remuneration

The total remuneration of $1,686,000 (2017: $1,375,000) relates to three Directors who provided qualifying services to the Company during the year. The highest paid Director’s remuneration amounts to $1,542,000 (2017: $1,242,000), and during the year exercised options that were granted in prior periods. See note 27 for the breakdown of compensation of key management personnel.

8. Finance income

Group	2018	2017
	$’000	$’000
Interest income - bank	51	9
Total finance income	51	9

9. Finance costs

Group	2018	2017
	$’000	$’000
Other interest	3,711	3
Unwind of discount on decommissioning provision	11,285	912
Total finance costs	14,996	915

Other interest includes $2 million relating to interest on the Dyas purchase price of $124 million from the effective date of 1 January 2018 to the completion date of 1 October 2018, plus $1.7 million interest on the bridging loan to effect the completion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

10. Income tax

Total tax credit of $31.5 million have been recognised in the consolidated statement of comprehensive income during the year (2017: nil).

	2018	2017
	$'000	$'000
Current tax:		
Current tax charge	6,720	-
Total current tax charge	6,720	-
Deferred tax:		
Adjustment in respect of prior periods	(5,600)	-
Relating to the origination and reversal of temporary differences	(32,601)	
Relating to the movement due to the tax rate changes	-	-
Total deferred tax credit	(38,201)	-
Total tax credit	(31,481)	-

A reconciliation between tax income and the product of accounting profit multiplied by the combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2017: 40.0%) for the year ended 31 December 2018 is as follows:

	2018	2017
	$'000	$'000
Accounting profit before income tax	7,378	74,074
A combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2017: 40.0%) and non-ring fence tax rate of 19% (2017:20%)	2,951	29,630
Expenses not deductible for tax purposes	(3,720)	2,903
Finance cost not allowed for SCT	7	-
Small field and Investment allowances	(239)	-
Prior period adjustment	(5,600)	-
Amounts previously not recognised now recognised	(54,479)	-
Amounts previously recognised now not recognised	11,606	-
Petroleum Revenue Tax prior period adjustment	-	(479)
Petroleum Revenue Tax	8,813	
Non-taxable gain on acquisition	-	(35,130)
Non-deductible impairment of goodwill	-	3,190
Unrecognised deferred tax	3,829	-
Difference in rate of tax	3,043	-
Other differences	2,308	(114)
Total tax credit	(31,481)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year. The weighted average number of shares excludes those shares held as treasury shares. The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings. There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements other than those detailed in note 29.

Group	2018	2017
	$'000	$'000
Earnings attributable to the shareholders	38,859	74,074
Less: Gain on purchase (non-cash item)	-	(87,825)
Less: Impairment of goodwill (non-cash item)	18,660	7,974
Adjusted earnings/(loss) attributable to the shareholders	57,519	(5,777)
Weighted average basic number of shares (in thousands)	14,877	11,374
Weighted average diluted number of shares (in thousands)	16,050	12,764
Unadjusted basic earnings per share (cents)	**261**	**651**
Unadjusted diluted earnings per share (cents)	**242**	**580**
Adjusted basic earnings/(loss) per share (cents)*	**387**	**(51)**
Adjusted diluted earnings/(loss) per share (cents)*	**358**	**(51)**

*Adjusted basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding, after removing non-cash items in relation to the acquisition of Dyas (2017: non-cash items in relation to the acquisition of Idemitsu Petroleum UK Ltd, Sojitz Energy Project Limited and Egerton Energy Ventures Limited).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

12. Intangible assets

	Group
	$'000
Exploration asset	
At 1 January 2018	1,723
Acquired through business combination	30,349
Additions	215
Cost and net book value	32,287
Movements	-
At 31 December 2018	32,287
Goodwill	
At 1 January 2018	-
Acquired through business combination	18,660
Cost and net book value	18,660
Impairment of goodwill	(18,660)
At 31 December 2018	-
Total intangible assets	
At 31 December 2018	32,287
At 31 December 2017	1,723

The amounts for intangible exploration and evaluation assets represent active exploration projects expenditure. These expenditure amounts are capitalised on the balance sheet unless an impairment has arisen under IFRS 6 when expenditure is recognised in the statement of comprehensive income. The outcome of on-going exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain. During 2018, the Tain license was extended for a further 2 years until 2020.

Exploration assets acquired through business combination relate to the fair value of exploration prospects acquired as a part of Dyas acquisition.

Goodwill has been recognised as a part of the Dutch Acquisition and has been immediately impaired. In addition to the Dutch acquisition goodwill of $16.4 million, $2.2 million goodwill was impaired in relation to the prior period acquisitions where the fair value of RockRose (UKCS2) Limited and RockRose (UKCS3) Limited differed from the original assessment. See note 2 for further information.

13. Property, plant and equipment

Group	Oil and gas assets $’000	Administrative assets $’000	Total $’000
Cost			
At 1 January 2018	181,353	641	181,994
Acquired through business combination	73,245	-	73,245
Additions	10,414	-	10,414
Change in estimates (note 22)	(7,080)	-	(7,080)
Fair value adjustment	136,611	-	136,611
At 31 December 2018	394,543	641	395,184
Accumulated depreciation and impairment			
At 1 January 2018	(1,655)	(14)	(1,669)
Depreciation charge	(33,913)	(309)	(34,222)
At 31 December 2018	(35,568)	(323)	(35,891)
Net book value			
At 31 December 2018	358,975	318	359,293
At 31 December 2017	179,698	627	180,325

The oil and gas assets consist of producing and development assets and decommissioning assets in accordance with IAS 16 ‘Property, Plant and Equipment’. Included above are decommissioning assets with a carrying value of $106.9 million (2017: $8.4 million) relating to capitalized decommissioning provisions on producing assets of which $19 million relates to Dutch assets. See note 2 for details.

The administrative assets consist of fixtures and fittings, computer equipment and leasehold improvements.

In assessing whether any impairment is required to the carrying value of assets, their carrying value is compared with their recoverable amount. The cash generating unit (CGU) assessed for impairment is generally the field, or group of fields where these are economically dependent. The recoverable amount is the higher of the asset’s fair value less costs to sell or value in use. See note 1 for further details of the accounting policy on impairment. No indicators of impairment were identified for the Group’s oil & gas assets as at 31 December 2018.

Additionally, sensitivity analysis of changes in key assumptions were performed and a 10% reduction in oil and gas price forward curves would result in an impairment charge of $18 million in relation to the Dutch assets. Change in exchange rate from €1:$1.145 to €1:$1.3 would result in no impairment in relation to the Dutch assets.

No impairment was identified for the UK assets as a result of a sensitivity analysis as above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

14. Investments in subsidiaries company only

Investments in all subsidiaries relates to the following subsidiaries:

	Country of incorporation	Class or shares	Ownership		Investments	
			2018	2017	2018	2017
					US$'000	US$'000
RockRose UKCS1 Limited	UK	Ordinary	100%	100%	-	-
RockRose UKCS2 Limited	UK	Ordinary	100%	100%	-	-
RockRose UKCS3 Limited	UK	Ordinary	100%	100%	-	-
RockRose UKCS4 Limited	UK	Ordinary	100%	100%	51,323	30,396
RockRose UKCS5 Limited*	UK	Ordinary	100%	100%	-	-
RockRose UKCS6 Limited*	UK	Ordinary	100%	100%	-	-
RockRose UKCS7 Limited*	UK	Ordinary	100%	100%	-	-
RockRose Energy Employee Benefit Trust	State of Jersey	N/A	N/A	N/A	-	-
RockRose Energy (NL) B.V.	NL	Ordinary	100%	-	-	-
RockRose (NL) CS1 B.V.	NL	Ordinary	100%	-	-	-
RockRose (NL) Infrastructure B.V.	NL	Ordinary	100%	-	-	-
Total					51,323	30,396

*These subsidiaries are wholly owned subsidiaries of RockRose UKCS4 Limited

The registered address for the Company and all its UK subsidiaries is c/o Cooley Services Limited, Dashwood House, 69 Old Broad Street, London EC2M 1QS.

The registered address for all of the Dutch subsidiaries is c/o Zedra Netherlands BV, WTC Schiphol Airport Schiphol Boulevard 359, Amsterdam Schiphol, Netherlands, 1118 BJ.

15. Deferred tax assets and liabilities

	2018 $'000	2017 $'000
Deferred Petroleum Revenue Tax (PRT)	-	11,606
Accelerated capital allowances– Corporation Tax	(145,131)	(57,844)
Decommissioning provision	94,044	45,929
Tax losses	24,862	36,781
Other temporary differences	3,437	-
Net deferred tax (liability)/asset	(22,788)	36,472

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered in the near future. Such tax losses include $64.7 million of ring fence corporation tax losses.

The Group has further UK tax losses of approximately $51.8 million (ring fenced) and $17.7 million (non-ring fenced), 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.

16. Inventory

	2018	2017
	$'000	$'000
Crude oil	5,090	5,424
Material	-	581
Total inventory	5,090	6,005

The carrying value of the Company's inventories as stated above is based on the net realisable value in accordance with the accounting policy.

17. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables	23,502	13,244	1,210	-
Prepayments and accrued income	4,323	312	46	103
Amount owed from the group entities	-	-	-	1,045
Crude oil under lift	204	-	-	-
Deposits	118	135	-	-
Tax receivable	-	326	-	-
Other debtors	-	980	-	1,793
Total current trade and other receivables	28,147	14,997	1,256	2,941

All trade and other receivables are due within one year from the statement of financial position date.

The carrying value of the Company's trade and other receivables as stated above is considered to be a reasonable approximation of the fair value. None of the above trade receivables were considered past due or impaired as of 31 December 2018 (2017: $nil).

Amounts owed from the Group entities are unsecured, interest free and payment terms are as mutually agreed between the Group's companies with no expected credit loss.

18. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Available cash at bank and in hand	67,944	64,955	824	64,863

The fair values of cash and cash equivalents are the same as the above book values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

19. Restricted cash

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Restricted cash	53,347	55,336	-	-

Restricted cash balances are amounts deposited with trustees or banks issuing Letters of Credit, under the terms of various decommissioning security agreements in place on certain fields in which the Group has an interest.

The fair value of restricted cash is the same as the above book values.

20. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables	27,798	1,564	123	42
Amount owed to joint venture partners	9,088	-	-	-
Accruals	15,794	13,189	451	466
Provisions for liabilities and other charges	5,119	5,559	-	-
Crude oil over lift	724	3,773	-	-
Other creditors	3,611	3,356	-	-
Tax payable	23,012	-	-	-
Total current trade and other payables	85,146	27,441	574	508
Amount owed to group undertakings	-	-	7,469	90,595
Total current liabilities	85,146	27,441	8,043	91,103

All current trade and other payables are due within one year from the statement of financial position date including non-interest bearing intercompany balances. 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 invoice date.

21. Provisions for liabilities and other charges

	Decommissioning provision $'000	Other provision $'000	Total provisions $'000
Group			
At 1 January 2017	-	-	-
Acquired through business combinations	251,943	54	251,997
Utilisation	(398)	-	(398)
Foreign exchange movements	(420)	-	(420)
Changes in estimates	516	-	516
Unwinding of discount	912	-	912
At 31 December 2017	252,553	54	252,607
Company			
At 1 January 2017	-	-	-
Arising from acquisition of subsidiaries	-	7,173	7,173
At 31 December 2017	-	7,173	7,173
Group			
At 1 January 2018	252,553	54	252,607
Acquired through business combinations	128,689	-	128,689
Utilisation	(2,402)	-	(2,402)
Changes in estimates	(20,343)	-	(20,343)
Unwinding of discount	11,285	-	11,285
At 31 December 2018	369,782	54	369,836
Company			
At 1 January 2018	-	7,173	7,173
Change in estimate	-	105	105
At 31 December 2018	-	7,278	7,278

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 Company's share of the overall costs. Cost estimates have been discounted at an average discount rate of 4.0% (2017: 3.9%).

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 operator cost estimates. The payment dates are uncertain and are currently anticipated to be between 2019 and 2040 for the relevant producing fields. It is anticipated that the Group will obtain full tax relief on its decommissioning liabilities in the UK. The above decommissioning provision of $370 million includes $5.1 million classified within current liabilities.

The other provision in the Group balance sheet relates to a dilapidation provision for office premises. The unwind for this provision is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

22. Group and Company share capital

	Shares Number	Share capital $'000	Share premium $'000	Total $'000
Issued at 31 December 2017	15,333,334	4,269	9,902	14,171
Issue of new (ordinary) shares	181,509	40	129	169
Cancellation of shares/Share buy-back	(2,923,240)	(760)	(9,902)	(10,662)
At 31 December 2018	12,591,603	3,549	129	3,678

All new shares issued relate to the shares issued under the SIP scheme to company employees and the exercise of existing 153,333 warrants.

23. Reserves

Share premium
The share premium account represents the premium arising on the issue of shares net of issue costs.

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

Other reserves
Other reserves relate to the Capital redemption reserves in relation to the issue and redemption of B shares as a part of the return to shareholders in 2018.

Treasury shares
Under the terms of the Company's share option plan outlined in note 1, an Employee Benefit Trust (EBT) subscribed for ordinary shares in the Company. The Trust is administered by Appleby Trust (Jersey) Limited. The trustee can distribute shares at its discretion directly to beneficiaries upon the recommendation of the board. All administrative costs associated with the EBT are met by the Company. The EBT owns the shares to be distributed at the discretion of the trustees and the employee owns any value in the shares in excess of the subscription price.

On 22 December 2015, the Company placed 1,200,000 shares into the EBT. The market price of the shares was £0.125 each, and the market value was £150,000. The shares were placed pre-IPO.

On 16 August 2017, the EBT acquired a further 347,000 shares. The market price of the shares was £0.45 each, and the market value was £156,150. This resulted in the EBT jointly owning 1,547,000 shares as at 31 December 2017.

On 14 February 2018, Andrew Austin exercised 1,533,333 options to acquire shares and the EBT was utilised to provide shares. This resulted in the EBT jointly owning 13,667 shares as at 31 December 2018.

24. Share based payments

Share option

The Company commenced the operation of a Share Option Plan ("the plan") during December 2015. The plan is an equity incentive scheme.

The Remuneration Committee oversees the plan, approves the subscription price of awards under the plan and any criteria to be satisfied before exercise is permitted, and monitors the effectiveness of the plan as an incentive. Under the scheme, participants can each be granted options up to 150% of remuneration for an award (subject to an overall plan limit of 15% of the issued share capital of the Company for all participants). No options may be granted after the date which is five years after the date the Share Option Plan was adopted. The fair value of the awards granted under the plan are measured at grant date using a Black-Scholes Option Valuation Model.

During the year a total of 525,752 options were awarded under the scheme and all were outstanding at 31 December 2018. No performance conditions were attached to these awards.

The total charge for the year was $0.3 million (2017: Nil) which was charged to the Income Statement. Under the plan, the options outstanding to Directors are as follows:

	Date of Grant	Granted	Basis of grant	Face Value	Exercise Price	Exercised	Waived/ Lapsed	Earliest Vesting Date	Lapse Date	Performance Criteria
Richard Benmore	23/05/18	107,817	Calculated on £400,000 for completion of Idemitsu Acquisition	£400,000	.000001p	Nil	Nil	23/05/19	23/05/28	Time Vesting

Following approval by the Remuneration Committee on 14 February 2018, Andrew Austin exercised his option to acquire 1,533,333 ordinary shares of nominal value 20p in the capital of the Company ('Ordinary shares').

Share Incentive Plan (SIP)

During the year, the Group adopted an Inland Revenue approved SIP for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of RockRose ordinary shares per month or £1,800 per year. Under the SIP employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a two-for-one basis.

25. Financial instruments

The Group's financial instruments comprise trade and other receivables, trade and other payables, and cash and cash equivalents but excluding under and over lift.

Financial risk factors and capital risk management

The fair values of the Group's financial instruments are materially the same as their carrying amounts.

The Group's financial instruments expose it to a variety of financial risks: market risk, credit risk, interest risk and liquidity risk.

a) Market risk

Commodity price risk

The Group held no financial instruments as at 31 December 2018 that are affected by commodity price, but the Group is nonetheless exposed to movements in oil and gas prices.

The table below illustrates the impact on profit before tax of changes of commodity prices. The impact on equity is the same.

	2018	2017
Crude oil sales during the year ($'000s)	124,866	7,436
Gas sales during the year ($'000s)	26,633	-
Average crude oil price ($) per bbl	72.95	66.1
Average gas price ($) per boe	46.04	-
Impact of decrease of crude oil prices by $1 ($'000s)	(1,712)	(112)
Impact of decrease of crude oil prices by 10% ($'000s)	(12,487)	(744)
Impact of decrease of gas prices by $1 ($'000s)	(579)	-
Impact of decrease of gas prices by 10% ($'000s)	(2,663)	-

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from currency exposures, primarily with respect to GBP. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The following foreign exchange rates were applied:

	2018 $'000	2017 $'000
As at 31 December (US$ to GBP)	1.28	1.35
Average for the year (US$ to GBP)	1.34	1.29
As at 31 December (US$ to EUR)	1.15	1.20
Average for the year (US$ to EUR)	1.18	1.13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

25. Financial instruments (continued)

a) Market risk (continued)

As at 31 December 2018, various statements of financial position line items were denominated in foreign currencies and the impact due to foreign exchange movement of an increase or decrease in exchange rate is shown below:

The Group's exposure to foreign currency risk was as follows based on the following nominal amounts:

	2018		2017	
	£'000	$'000	£'000	$'000
Cash at bank	101	130	-	-
Working capital accruals	(7,718)	(9,855)	(6,657)	(8,190)
Trade payables	(10,172)	(12,988)	(1,158)	(1,564)
	€'000	$'000	€'000	$'000
Cash at bank	54,757	62,714	-	-
Working capital accruals	(5,639)	(6,458)	-	-
Trade payables	(20,866)	(23,899)	-	-

Sensitivity analysis

The foreign exchange movement in Euro currency is not material for the Group as most of the revenues and costs in the Dutch operating segment are denominated in Euro currency. Additionally, the movement in GBP currency against USD currency is not material as liabilities to suppliers are considered relatively small and payment is made within 30 days.

b) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures on trade and other receivables. The credit risk of the Company's trade and other receivables is assessed through the credit ratings of relevant customers.

See listing below:	2018	Credit rating	Recoverable period 0-30 days	Recoverable period Within one year
Customers	$'000		$'000	$'000
BP	7,314	A2	7,314	-
Petrogas E&P NL	5,074	N/a	5,074	-
Suncor Energy Trading	3,764	N/a	3,764	-
Total	2,553	A2	2,553	-
Dana Petroleum	1,391	N/a	1,391	-
Arunvil Capital	851	N/a	426	425
Wintershall Noordzee BV	711	N/a	711	-
GasTerra B.V.	560	N/a	560	-
Spirit Energy	270	N/a	270	-
Taqa	256	A	256	-
Others	758	N/a	758	-
Total	23,502		23,077	425

The Group only trades with recognised creditworthy third parties. The exposure risk arises from default of the counter party, with a maximum exposure equal to the carrying amount as at the statement of financial position date. The maximum exposure to credit risk at the reporting date was $23.5 million (2017: $13.2 million).

25. Financial instruments (continued)

c) Interest rate risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Management monitors the Company's liquidity reserve (comprising cash and cash equivalents) through comparison to expected cash flow and budgets.

The following are the contractual maturities of financial liabilities including estimated interest payments for loans from the group undertakings:

	2018				2017			
	Total $'000	1 year or less $'000	1 year <2years $'000	2 year <5years $'000	Total $'000	1 year or less $'000	1 year <2years $'000	2 year <5years $'000
Non-derivatives financial assets								
Trade and other receivables	28,147	28,147	-	-	13,244	13,244	-	-
Non-derivative financial liabilities								
Trade and other payables	(57,017)	(57,017)	-	-	(1,564)	(1,564)	-	-
Net current financial (liabilities)/ assets	(28,870)	(28,870)	-	-	11,680	11,680	-	-

Capital risk management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders as described in the Strategic Report.

26. Commitments and contingent liabilities

Capital commitments

In respect of its interest in joint ventures, the Group is committed to the following as at 31 December 2018:

- Capital expenditure of $83 million (2017: $6m) on Producing & Development assets;
- Decommissioning costs of $5 million (2017: $7m).

Operating lease commitments

	2018 $'000	2017 $'000
Office equipment lease		
Payments under operating leases due within one-year period	-	6
Payments under operating leases due between two to five-year periods	-	-
Total office equipment leases	-	6
Office premises lease		
Payments under operating leases due within one-year period	207	132
Payments under operating leases due between two to five-year periods	400	-
Total office premises lease	607	132

Lease payments of $207,000 (2017: $74,000) were recognised in the statement of comprehensive income during the year.

Contingent liabilities/assets

No contingent liabilities and assets exist for the current year.

27. Related parties

The transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

The balances which are receivable from, or payable to, subsidiary undertakings at 31 December 2018 are disclosed at note 17 and 20.

Key management personnel compensation is set out in the following table.

	Salary/Fees		Taxable Benefits		Bonus		In Lieu of Pension		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Andrew Austin	$ 515,900	$ 496,201	$ 12,912	$ 7,391	$ 804,000	$ 496,201	$34,000	Nil	$ 1,366,812	$ 999,793
Richard Benmore	$ 67,000	$ 64,442	$ 10,022	$ 4,282	Nil	Nil	Nil	Nil	$ 77,022	$ 68,723
John Morrow	$ 67,000	$ 64,442	Nil	Nil	Nil	Nil	Nil	Nil	$ 67,000	$ 64,442

The above amounts have been calculated by translating the GBP amounts to USD at the average rate for the year of $1.34 (2017: $1.29).

The Directors' emoluments are disclosed in note 7.

28. Profit and loss account of the parent company

In accordance with section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company has not been separately presented in these financial statements. The parent company incurred a loss of $14.2 million (2017: $12.1 million) for the year.

29. Events after the reporting year

On 25 February the Company signed a Sale & Purchase Agreement to acquire 100% of Marathon Oil U.K. LLC and 100% of Marathon Oil West of Shetland Limited from subsidiaries of Marathon Oil Corporation. Total consideration is circa $140 million. A deposit of $10 million was paid on signing the SPA.

On 1 March the Company made a formal offer to the board of directors of Independent Oil and Gas plc ("IOG") with a proposal for an all cash takeover offer for IOG (the "Proposal"). The terms of the Proposal were that RockRose would offer 20p in cash per ordinary share ("IOG Share") for the entire issued and to be issued share capital of IOG (the "Possible Offer") which would value the total share capital of IOG at £26.6 million. The Possible Offer, if made, would represent a premium of 51 per cent. to the closing price of IOG on 26 February, the day of the initial approach by RockRose to IOG and a premium of 58 and 44 per cent to the 30 and 60 day volume-weighted average price respectively, up to the period ended 26 February. The Proposal was rejected by the board of directors of IOG.

On 21 March 2019 the Company made a formal approach to Smith & Williamson LLP (acting as joint administrators (the "Administrators") of London Oil and Gas ("LOG")) to acquire the entire debt due to LOG, from IOG , with accrued interest, for the sum of £40 million in cash (the "Debt Offer") after making initial and enhanced offers to the Administrators on an informal basis during the preceding 10 days. On the 1 April 2019 the Company announced that it had increased this offer to £52.5 million. Both offers were rejected.

On 1 April 2019 the Company announced that both the Firm IOG Debt Offer and the Possible IOG Share Offer had been withdrawn.

On 22 April 2019, The Company entered into a hedging agreement by hedging 3,000 boepd of its oil production at $69 for a period of 13 months from May 2019.

30. Approval of financial statements

The financial statements were approved by the board of Directors and authorised for issue on 30 April 2019.

Summary of licences acquired as part of the Acquisition of Dyas

ASSET	BLOCK AND ROCKROSE INTEREST	OIL/GAS	JV PARTNERS
Offshore			
A/B Blocks (Unitised in 2005)	A12a,d - 14.63% A18a,c - 14.63% B10a, A12b - 14.63% B10c, B13a - 14.63% B16a - 14.63% A15 - 28.24%	G	Petrogas (Op), TAQA, EBN (Same parties in all Blocks exc. A15)
K4K5	K4b, K5a - 11.66% K4b, K5a Unit - 6.98% K5C-EC2 Units - 7.67% K5-F Unit - 8.86%	G	Total (Op), EBN, Lundin (Same parties in all Blocks)
F02a Hanze	F02a Hanze Oil - 20% Fo2a Pilocene Gas - 12%	O and G	Dana (Op), ONE Dana (Op), ONE, EBN
P/Q Blocks	P6-Main Field - 15% P6-D - 30.60% P6-South - 24.37% P9-A/B - 15.58% P9-A/B Unit - 2.59% P9-C - 9.88% Q1-B Unit - 2.59% Q4-A - 10.35% Q4-B - 10.25% Q5-D - 5.62%		Wintershall (Op), EBN Wintershall (Op), EBN Wintershall (Op), EBN Wintershall (Op), EBN Wintershall (Op), EBN Wintershall (Op), EBN Wintershall (Op), EBN, Delta Hydrocarbons, TAQA Wintershall (Op), EBN, Delta Hydocarbons Wintershall (Op), EBN, Delta Hydocarbons Wintershall (Op), EBN, Delta Hydocarbons
P15/P18/Rijn	P15-ab: P15-a,b - 8.99% P15-9 Unit - 5.30% P15-ab-Oil: Rijn Field - 45.69% P15-c: P15-10 - 9.71% P15-14 - 9.71% P18-6A7 Unit - 2.82% P18-c: P18-a,c Unit - 0.68% P18-c: P18-c - 3.75% P18-c: P18-6A7 - 2.82%	O	TAQA (Op), EBN, ONE, Wintershall TAQA (Op), EBN, ONE, Wintershall TAQA (Op), ONE, Wintershall TAQA (Op), EBN, ONE, Dana, Wintershall TAQA (Op), EBN, ONE, Dana, Wintershall TAQA (Op), EBN, ONE, Wintershall TAQA (Op), EBN, Dana TAQA (Op), EBN, Dana TAQA (Op), EBN
F15 Block	F15-a,d - 7.5% F15-a (B Field) - 8.82%		Total (Op), EBN, Lundin, First Oil TAQA (Op), EBN, Lundin
J3-C Block	J3-C Unit - 1.73% J3b, J6 - 7.5% Markham - 4.43%		Total (Op), NAM, Centrica, EBN Centrica (Op), Total, EBN Centrica (Op), EBN, Total, Ineos, Dyas, Euroil
K/L Blocks	K18-b/L16-a - 10% K18 Lambda - 10.47%		Wintershall (Op), EBN, NAM (Same parties in all Blocks)
Onshore			
Bergen	Bergen - 12% Groet Oost - 20% Middelie PARA - 20%		TAQA (Op), Dana, EBN TAQA (Op) TAQA (Op)
Alkmaar PGI	12%		TAQA (Op), Dana, EBN
Infrastructure			
A12 Central Processing Platform			
Pipeline system up to entry point of the A6-F3 Pipeline System (A/B Block Specific)			

ROCKROSE ENERGY PLC
COMPANY INFORMATION

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