ROCKROSE ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Company Registration No. 09665181

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The Directors present their Strategic Report on RockRose Energy Limited ("the Company" or together with its subsidiaries, "the Group") for the year ended 31 December 2021.

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

2021 was a year of consolidation for the Group. Aligned with the Group's growth strategy, on 30 April 2021 the Group acquired the entire share capital of Hague and London Oil BV ("HALO"), including associated subsidiaries. This has added 1,600 boepd of annual gas production to the Netherlands portfolio. The acquisition includes a non-operated equity share in the prolific, NAM operated, Joint Development Area, and an equity share in the WGT-Den Helder gas transmission system.

Additionally, on 14 October 2021 the acquisition of interests in several producing assets in the UK North Sea and West of Shetland from energy company SSE PLC was completed, doubling the Group's production. This added non-operated production from over 15 producing fields in three regions in the UK Continental Shelf ("UKCS"): the Easington Catchment Area and the Bacton Catchment Area in the Southern North Sea, and the Greater Laggan Area, West of Shetland and Sean Area.

In order to optimise its portfolio of assets in the North Sea, on 16 December 2021 Rockrose Energy Limited signed a Sale and Purchase Agreement ("SPA") with Britoil Limited (a subsidiary of BP PLC) to sell its 28% non-operated stake in the Foinaven oil field, West of Shetland. The transaction has an effective date of 1 April 2021 and is subject to regulatory approval and partner consent. The completion of the sale and change of control is expected in Q1 2022.

The Company continues to pursue opportunities for future acquisitions in the North Sea and beyond as well as examine the upside opportunities presented by its existing portfolio of assets. Aligned with managing the energy transition the Group follow the below strategies:

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

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

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

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

OPERATIONAL REVIEW

OIL PRODUCING ASSETS

Blake and Ross (RRE 30.8%)

The Ross and Blake fields are operated by Repsol-Sinopec and produce into the Bleo Holm FPSO via subsea infrastructure. Total production averaged 2,733 boepd (net) including associated gas in 2021. Oil is exported via shuttle tanker and gas is exported via the Frigg Pipeline. The Joint venture partners are evaluating various development options for the Blake Area Redevelopment (including the Bleo Holm) that will extend the field life to at least 2029. This will also facilitate the development of the 9.56Mbbl (gross) Tain oil field.

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

The Nelson and Howe fields are operated by Shell, and the Nelson facilities comprise a fixed platform. The Howe field is located 14 kilometres east of Nelson and comprises a subsea tieback to the Nelson platform. Nelson production averaged approximately 456 boepd (net) including associated gas in 2021. Howe production averaged 442 boepd (net) including associated gas in 2021. Oil from the Nelson platform is transported by pipeline to the Forties field, and then to shore via the Forties Pipeline System. Gas is exported via the Fulmar Gas Line.

Foinaven (RRE ~28.0%)

Foinaven (BP operated) production was below plan for the year, mainly attributable to suspended production from April 2021 onwards due to Petrojarl FPSO vessel nearing end of its 25-year life and being moved off-station. RockRose's interest in the Foinaven asset is expected be sold to operator BP in Q1 2022. Average production for the year was 641 boepd (net).

Other Oil Assets

In the Netherlands, production remained strong from both Hanze and Rijn due to good uptime for the period. In 2021, these assets produced an average of 686 boepd net to RockRose.

GAS PRODUCING ASSETS

A&B Blocks (RRE 14.6%)

Gross production from the Petrogas operated AB Unit (A12, B13 and A18) averaged 2,762 boepd (net) in 2021. Production is from shallow reservoirs at depths of between 350 metres and 700 metres. The partnership successfully drilled three wells of the undeveloped sands infill project. All three wells on the A12 and B13 structures completed drilling in February 2021 and are now on production. FEED work was initiated on the A15/B10 development projects, with final investment decision planned for Q1 2022.

K4B-K5A (RRE AVERAGE 7.0%)

Gross production in the Totalenergies operated K4b/K5a licence averaged 1,000 boepd (net) in 2021. Gas is exported via the WGT pipeline to Den Helder. The area was developed with a Central Processing Platform (CPP) over the K/5-A structure and five unmanned wellhead platforms. In 2021, production continued to be enhanced through intervention work which included velocity string installation and foam restart strategies. In addition, detailed subsurface studies are continuing to examine potential future infill opportunities. Totalenergies is also focussed on opex reduction activities across the K4/K5 area.

Arran (RRE 30.4%)

The Arran field is a gas condensate four-well field with 55km subsea tieback to the Shearwater platform, operated by Shell. The field was developed at a gross cost of £342 million (£104 million net). First gas was achieved in September 2021 and is currently producing ~20,000 boepd gross (~6,000 boepd net). Gas is exported via the Fulmar Gas Line (FGL) to the Shell Esso Gas & Associated Liquids (SEGAL) processing terminal. Liquids are exported via the Forties Pipeline System (FPS). In 2021, this asset produced an average of 1,003 boepd net to RockRose.

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

The ECA comprises six gas fields including five producing fields (Apollo (50% WI), Minerva (50% WI), Mercury (50% WI), Whittle (33.7% WI), and Eris (46% WI)). One suspended field, Wollaston (33.7% WI), is currently being completed in December 2021 to re-enter and complete the suspended well. All fields are operated by Perenco UK, except Eris which is operated by Spirit. Net production for the ECA fields averaged 675 boepd since acquisition (proforma production 2021: 3,175 boepd).

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

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

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

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

Indefatigable has been developed with 4 platforms and 40 wells with the gas is transported via pipeline to the Leman 27B platform complex. Eastern Leman was developed with nine platforms and 92 wells with the gas transported via pipeline the Bacton Terminal. Considering the age of the infrastructure, decommissioning work is planned to start during 2022. Plans are to start on Indefatigable 18A platform and Leman 27J/H during Q1 2022 and Q4 2022 respectively.

Net gas production for the BCA fields (without Sean) averaged 379 boepd since acquisition (proforma production 2021: 966 boepd).

The Southern Hub Asset Rationalisation Project (SHARP) is a strategic investment to extend the economic production life of the existing Leman and Indefatigable gas fields in the UK Southern North Sea. To achieve this, Indefatigable23A and Leman 27A will free flow to Leman 27B where a new low- pressure compression platform modified from an existing drilling rig will be installed. The onward flow of gas has since been reconfigured following to utilise PL23 instead of PL24 following the PL24 pipeline failure. The existing Indefatigable 23A and Leman 27A assets will become Normally Unmanned Installations (NUIs) thus allowing production operations to continue in a more cost-efficient manner. Overall, the SHARP project is approximately 6 months late and expected to commence operation within the next couple of months.

The Sean gas field is operated by ONE-Dyas and situated 100km from the Norfolk coast and consists of two fixed bridge linked platforms (Sean Papa) and an outlying NUI (Sean Romeo). Dry gas is exported to Bacton Terminal via subsea pipeline and processed through the Shell facility at the terminal. Sean is an aging field and currently working toward a CoP of Q4 2024 yet production volumes remain steady. Net production for the Sean field averaged 556 boepd since acquisition (proforma production 2021: 2,555 boepd).

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

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

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

Several further high-quality prospects have been identified within blocks licenced to the GLA partners, in particular the Glendronach lookalike "Benriach", and the Paleocene "Cardhu" prospect.

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

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

Net production for the GLA fields averaged 1,463 boepd since acquisition (proforma production 2021: 7,143 boepd).

Joint Development Area (RRE 9.95%)

Acquired as part of the Hague & London Oil BV acquisition as described above. Gross production in the NAM operated JDA in 2021 averaged 1,382 boepd (net), full year average. The JDA covers 7 unitised licences (K07, K08, K11, K14, K15 & L13) and 23 producing fields. Gas is produced from both HiCal and LoCal gas fields, with the HiCal gas delivered in to the WGT pipeline, while the LoCal gas is delivered via a dedicated JDA owned pipeline to Den Helder.

During 2021 focus was to maintain production levels through well enhancement work, the partnership also sanctioned the K13-FG infill well for drilling in 2022. Work commenced on the K14-FA carbon capture and storage project, with RockRose directly participating in the storage joint venture. Concept select work is continuing in to H1 2022.

OTHER GAS ASSETS

RockRose's interests in the other Netherlands assets continued to perform well. These assets include P15/P18, P/Q Area, F15AB, Markham and J3C, and onshore Bergen (including Alkmaar PGI facility), and include the newly acquired Hague & London Oil assets K18G and K12B (including K12-9). In 2021, these assets produced an average of 462 boepd net to RockRose.

In the UK Southern Gas Basin, RockRose has interests in the Tors, Grove, Galahad, Mordred, and Seven Seas fields. Both Seven Seas and Grove continued to produce well with the Grove partners successfully bringing online an infill well in the NE block, tripling production. In 2021, these assets produced an average of 112 boepd net to RockRose.

DEVELOPMENT PROJECTS

Tain (RRE 50.0%)

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

EVENTS AFTER REPORTING DATE

In February 2022 Viaro Energy Limited, parent of Rockrose Energy Limited, obtained formal approval of its acquisition of Rockrose Energy Limited from Oil & Gas Authority's (OGA), subject to completion of Foinaven assets disposal and additional restricted cash contribution of $13 million in relation to future decommissioning liabilities.

Due to the rapid changes in geopolitical situation in Europe, management closely monitoring the situation and working closely with joint venture partners to minimise the disruption to the business. As a result of geopolitical events there has been significant increase in volatility of commodity prices that Company produces however, as of sign off date management believes that there has been no direct negative impact to Company's business.

FINANCIAL REVIEW

Production and Revenue

Production on a working interest basis decreased by 18% to 14,286 boepd in 2021, compared to 17,477 boepd in 2020. This decrease primarily reflects the disposal of the Brae field and early shut in of production in Foinaven field partially offset by production of assets acquired from HALO PLC on 1 May 2021 and SSE PLC on 14 October 2021.

Revenue from crude oil sales in 2021 totalled $146.9 million, 17% lower than 2020 ($177.7 million). The decrease of $30.8 million was mainly driven by the disposal of Brae asset at the end of 2020.

Revenue from the sale of gas in 2021 was $359.8 million (2020: $63.0 million) which was 471% higher than 2020. The significant increase was mainly due to the higher realised gas prices in 2021 and additional volumes from newly acquired assets.

Results of the year ended 31 December*

		2021	2020
Production	**boepd**		
Oil		5,062	11,776
Gas		9,224	5,701
		14,286	**17,477**
Revenue	**$'000**		
Oil		146,894	177,706
Gas		359,823	63,023
Infrastructure		7,240	21,133
Other		2,591	2,340
		516,548	**264,202**
Unit opex	**$/boe**		
Oil*		28.6	36.6
Gas		19.9	11.2
		24.2	**28.2**
Adjusted EBITDA	**$'000**		
Oil		7,026	31,451
Gas		255,150	14,275
Infrastructure		23,447	29,160
Other		(39,525)	(16,740)
		246,098	**58,145**

**Oil unit opex excludes Foinaven asset*

		2021	2020
Profit for the period	**$'000**	**833,915**	**110,791**
Net cash generated from/(used in) operating activities	**$'000**	**95,799**	**(3,854)**
Average realised price	**$/boe**		
Oil		79.6	42.4
Gas		106.9	30.6
Capital expenditure	**$'000**	**62,749**	**109,728**
Abandonment expenditure	**$'000**	**25,929**	**14,650**

Results of the year ended 31 December (continued)

Adjusted EBITDA	**2021**	**2020**
	$'000	**$'000**
Operating profit	**920,160**	**29,853**
Depreciation and amortisation expense	122,280	76,343
Gain on disposal/acquisition	(505,916)	(127,184)
Decommissioning recovery income	(245,758)	-
Decrease in estimate of decommissioning recovery asset	2,946	-
(Decrease)/Increase in decommissioning cost estimates	(25,481)	13,640
Impairment of producing and development assets	9,566	53,553
Impairment reversal of producing and development assets	(30,740)	-
Impairment of exploration assets	-	6,248
Impairment of goodwill	22,414	-
Unrealised expected credit losses	(3,260)	3,260
Unrealised gain/(loss) on commodity hedges	(20,113)	1,155
Share options and rights granted to Directors and employees	-	1,278
Adjusted EBITDA	**246,098**	**58,145**

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

Cash Flow	**2021**	**2020**
	$'000	**$'000**
Cash and cash equivalents as at 1 January	**1,934**	**315,799**
Net cash generated from/(used in) operating activities	95,799	(3,854)
Net cash used in from investing activities	(48,101)	(310,945)
Net cash used in financing activities	(430)	(1,748)
Net increase/(decrease) in cash and cash equivalents	**47,268**	**(316,547)**
Exchange (losses)/gains	(486)	2,682
Cash and cash equivalents as at 31 December	**48,716**	**1,934**
Restricted cash	57,731	29,920

Unit Opex

Unit opex costs were $28.6/bbl (2020: $36.6/bbl) for oil and $19.9/boe (2020: $11.2/boe) for gas in 2021.

Adjusted EBITDA

Adjusted EBITDA increased to $246.1 million in 2021 reflecting significantly higher oil and gas prices in 2021.

Cash Flow

The Group reported net cash generated from operating activities of $95.8 million in 2021 compared with net cash used in operating activities of $3.9 million a year earlier. The increase is mainly driven by higher commodity prices and income from newly acquired assets. At the end of 2021 the Group had $57.7 million of decommissioning securities held in trust to cover the Group's obligations under its various Decommissioning Security Agreements (DSAs).

At the end of 2021, the Group had in issue $346.9 million of surety bonds (2020: $223.0 million). The Group's A rated (Moody's) surety providers include Aspen, Sompo and Travelers.

Capital and Abandonment Expenditure

Group continued to invest for organic growth within the portfolio of assets and total capital expenditure was $62.8 million in 2021 (2020: $109.7 million), with expenditure of $32.0 million on the Arran development project, $5.2 million on Blake and Ross life extension, $3.5 million on Grove field, $3.0 million on AB Blocks and $19.1 million on other development and maintenance capex.

Abandonment expenditure of $25.9 million was higher compared to 2020 mainly due to the more decommissioning activities across the B-Block and PQ area, Galahad and Foinaven fields. The Group's pre-tax decommissioning provisions are $1,108.9 million, including disposal groups held for sale (2020: $655.1million) and the increase resulting from the newly acquired assets during 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Description	Impact	Mitigation
Growth of reserve base	The Group needs to identify new reserves and resources to ensure continued future growth and does so through development and acquisition. The Group may fail to identify attractive acquisition opportunities or may select inappropriate targets. The long-term commodity price forecast and other assumptions used when assessing potential projects and other investment opportunities have a significant influence on the forecast return on investment and, if incorrectly estimated, could result in poor decisions.	The Group's investment strategy prioritises investment in the UK and Western Europe and across a mix of oil and gas producing and development fields. A rigorous assessment process evaluates and determines the risks associated with all potential business acquisitions and strategic alliances, including conducting stress-test scenarios for sensitivity analysis. Each assessment includes country risk analysis (including corruption) and analysis of the Group's ability to operate in a new jurisdiction.
Operational performance	The Group's production volumes (and therefore revenue) are dependent on the performance of its producing assets. The Group's producing assets are vulnerable to operational risks, such as lack of critical spares and equipment or plant availability during essential plant maintenance or turnarounds; asset integrity and health, safety, security and environment incidents; and low reserves recovery from the field as well as exposure to natural hazards such as extreme weather events.	We leverage the skills and expertise of our experienced management team as well as that of our JV partners to mitigate any potential impacts of unforeseen events on our operational performance. We guide our actions with JV partners based on the principles of Responsible Operating Management System (ROMS) which is designed to reduce operational risk.
Reputation	The reputational and commercial exposures of a major offshore incident, including those related to an environmental incident, or non-compliance with applicable law and regulation are significant.	All activities are conducted in accordance with approved policies, standards and procedures. The Group requires adherence to its Code of Conduct and runs compliance programmes to provide assurance on conformity with relevant legal and ethical requirements.

Description	Impact	Mitigation
Commodity prices and exchange rates	The Group's results are heavily dependent on crude oil and gas prices which are dependent on a number of factors including the impact of climate change concerns, Covid-19 and regulatory developments. The Group's sales are mainly denominated in US Dollars, although most of the Group's operating costs are in Pounds Sterling. As a result, the strengthening of the British Pound may negatively affect the Group's financial results.	The Group will regularly review and implement suitable policies to hedge against the possible negative impact of changes in oil and gas prices and foreign exchange to protect its investment strategy.
Decommissioning costs estimates and timing	The estimated future costs and timing of decommissioning is a significant estimate; any adverse movement in price, operational issues and changes in reserves and resource estimates could have a significant impact on the cost and timing of decommissioning. The early stage of the supply chain providing decommissioning in the UK also results in uncertainty in the cost and timing estimates for decommissioning of assets.	The Group mitigates this risk through the specialist decommissioning experience in its operated and non-operated asset teams, coupled with a continued focus on delivering asset value to defer abandonment liabilities.
Cyber security	Breaches in, or failures of, the Group's information security management could adversely impact its business activities.	The Group's information security management model is designed with defensive structural controls to prevent and mitigate the effects of computer risks. It employs a set of rules and procedures, including a Disaster Recovery Plan, to restore critical IT functions.
COVID-19	Operational restrictions placed on the Group and its supply chain as a result of the Covid-19 pandemic. The restrictions could lead to production shutdowns and/or delays in obtaining critical equipment for capital projects.	To date, the Company has not experienced any material adverse direct impact on its operations as a result of Covid-19. The precautionary and contingency measures that were put in place on operated assets have worked well.

OUR COMMITMENT TO SECTION 172

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

Engaging with Our Stakeholders

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

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

Francesco Dixit Dominus
Director
17 March 2022

The Directors present the audited consolidated financial statements of the Group for the year ended 31 December 2021.

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

Dividends
The Directors have not proposed any dividend in respect of the current financial year.

Political donations
The Group made no political donations during the year.

Charitable Donations
The Group made charitable donations of $3,300 during the year.

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

Francesco Mazzagatti
Francesco Dixit Dominus

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

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

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

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

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

Financial Instruments
As part of the Group's activities various financial assets and financial liabilities are held at the balance sheet date, these are included within note 11. The risks associated with the financial assets and liabilities are included within note 18.

Going concern

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

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

This report was approved by the Board of Directors on 17 March 2022 and signed on its behalf by:

Francesco Dixit Dominus
Director

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. 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 in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and IFRSs in conformity with the requirements of the Companies Act 2006 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

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

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

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

On behalf of the Board,

Francesco Dixit Dominus
Director
17 March 2022

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

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of RockRose Energy Limited. For the purposes of the table on pages 19 to 20 that sets out the Key Audit Matters and how our audit addressed the Key Audit Matters, the terms "we" and "our" refer to MHA MacIntyre Hudson. The Group financial statements, as defined below, consolidate the accounts of RockRose Energy Limited and its subsidiaries (the "Group"). The "Parent Company" is defined as RockRose Energy Limited. The relevant legislation governing the Parent Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

OPINION

We have audited the financial statements of RockRose Energy Limited for the year ended 31 December 2021.

The financial statements that we have audited comprise the:

- Consolidated Statement of Profit or Loss.
- Consolidated Statement of Comprehensive Income.
- Consolidated Statement of Financial Position.
- Consolidated Statement of Changes In Equity.
- Consolidated Statement of Cash Flows.
- Notes 1 to 26 of the consolidated financial statements, including significant accounting policies.
- Company Statement of Financial Position.
- Company Statement of Changes in Equity.
- Company Statement of Cash Flows.
- Notes 1 to 11 of the Company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and the Parent Company's financial statements is applicable law and UK adopted international accounting standards.

IN OUR OPINION:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the group and company's ability to continue to adopt the going concern basis of accounting included:

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

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

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

OVERVIEW OF OUR AUDIT APPROACH

Materiality	2021	2020	
Group	$27.5m	$9.3m	1% of Gross Assets (2020: 1% of Gross Assets)
Parent	$6.85m	$1.69m	1% of Gross Assets (2020: 1% of Gross Assets)

Key Audit Matters	• Decommissioning provisions • Impairment of oil and gas assets • Accounting for business combinations
Scope	We conducted full scope audits at 4 significant components based on their size and risk characteristics: three operating entities in the UK, and the head office in London. Material components were determined based on: 1) financial significance of the component to the Group as a whole; and 2) assessment of the risk of material misstatements applicable to each component. We completed limited scope procedures on 5 components, covering balances and transactions of classified as significant risks. We completed analytical procedures on 5 components. There are 4 dormant components in the Group. Our audit scope results in all major operations of the Group being subject to audit work. Full scope audit assignments and limited scope procedures covered in excess of 99% of the Group's Revenue and 98.57% of the Group's Gross Assets. In addition to those subsidiaries subject to full scope audits and limited scope procedures, by either ourselves or component auditors, additional coverage was obtained through group analytical review of the non-material components.

KEY AUDIT MATTERS

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

Decommissioning provisions

Key audit matter description	As at 31 December 2021 decommissioning provisions totalled \$836m. (2020: \$666m) were recognised in the financial statements of RockRose Energy Limited. The estimated cost of decommissioning at the end of the producing lives of the fields is reviewed annually and engineering estimates and reports are updated periodically. Provision is made for the estimated cost of decommissioning at the Statement of Financial Position date for the Group's share of the overall costs. Cost estimates have been discounted in the Group's functional currency, at an average risk-free discount rate of 1.5% (2020: 1.0%), representing Management's best estimate of the rate that reflects current market assessment of the time value of money. Due to the high level of subjectivity and material nature of this provision, we have designated this as a key audit matter.
How the scope of our audit responded to the key audit matter	We obtained and reviewed the future cost estimates and compared these to the latest operator forecasts. The timing of decommissioning cash flows were checked for consistency with the impairment models carried out for Property, Plant and Equipment. The future cost estimates for the UK assets are denominated in GBP and Netherlands assets are denominated in EUR. We reviewed the exchanges rates adopted by management in converting them into USD. We engaged directly with third party oil and gas valuation specialists to ensure that the conclusions reached by management were supportable and reasonable.
Key Observations	We concluded that the decommissioning provision to be supportable and has been appropriately disclosed in the financial statements.

Impairment of oil and gas assets

Key audit matter description	The recoverability of oil and gas assets was considered a key audit matter due to the significant carrying value at 31 December 2021 $1,507 million (2020: $315 million). There is a history in the Group of significant impairment charges due to the nature of operations and volatility of commodity prices.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the Group's process for identifying indicators of impairment, and when identified, their methodology for measuring the fair value of the Cash Generating Unit under review. We considered the reasonableness of management's assessment of operations combined within an individual cash generating unit for assessment. We made our own assessments of the presence of impairment indicators considering recent trends in commodity price, and legal developments at the operating components. Where impairment indicators were identified, we obtained and reviewed the appropriateness of the methodology and conclusions reached by management, engaging with third party oil and gas valuation specialists to ensure that the conclusions reached by management were supportable and reasonable. As part of this review, we reviewed models prepared by management in their assessment of net present value of oil and gas assets.
Key Observations	We concluded that the treatment and disclosure adopted by management is appropriate.

Accounting for business combinations

Key audit matter description	During the year business combinations were completed resulting in the recognition of a gain on acquisition of $505.9 million and goodwill of $89.1 million. We draw your attention to notes 20.1 and 20.2 for the financial statements. The gain on acquisition and goodwill are determined based on the fair value of the identifiable assets and liabilities to be measured at the acquisition date less the fair value of purchase consideration. Due to the high level of subjectivity and material nature of these measurements, we have designated this as a key audit matter.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the Group's process for identifying business combinations and measuring the fair value of the identifiable assets and liabilities, and the purchase consideration. We considered the reasonableness of management's assessment of the acquisition date, significant assets and liabilities acquired and the fair value measurements applied by undertaking substantive procedures and liaising with external oil and gas specialists in respect of the fair values attached to certain assets and liabilities. We undertook a recalculation of the business combinations and considered the appropriateness of the allocation of goodwill to the identified cash generating units. We also engaged directly with internal specialists, who reviewed the corporate model used to support the fair value of assets and the decommissioning provisions at acquisition.
Key Observations	We concluded that the treatment and disclosure adopted by management is appropriate.

OUR APPLICATION OF MATERIALITY

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

Group

Materiality in respect of the Group was set at $27.5m (2020: $9.3m) which was determined based on 1% of total assets (2020: 1% of total assets), as this was viewed as the financial measure that was of greatest relevance to all key stakeholders including management, shareholders, and external finance providers. Total assets is a key metric in Group's value, a significant portion of which is captured in oil and gas assets.

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

Performance materiality for the Group was set at $16.5m (2020: $5.6m) which represents 60% (2020: 60%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the adequacy of the Group's systems and controls, the impact of there being a number of components and locations, and our knowledge of the number, size and nature of misstatements identified in previous audits.

Parent Company

Materiality in respect of the parent was set at $6.85m (2020: $1.7m) which was determined on the basis of 1% of gross assets (2020: 1% of gross assets). The entity is a holding company for the Group's investments and gross assets is therefore considered to be the primary measure used by shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark.

Performance materiality for the Parent Company was set at $4.1m (2020: $1m) which represents 60% (2020: 60%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the adequacy of the Group's systems and controls, the impact of there being a number of components and locations, and our knowledge of the number, size and nature of misstatements identified in previous audits.

Specific materiality

We applied the following materiality to the audit of specific financial statement areas:

Related parties	$100k

Our audit work on the significant components of the Group, and for determining and evaluating the specific targeted procedures on other components, was executed at levels of materiality applicable to the individual entity which were lower than Group materiality. Financial statement materiality applied to these components of the Group was in the range of $6.0m to $22.9m.

We agreed to report any corrected or uncorrected adjustments exceeding $1.38m to the Directors as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

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

THE SCOPE OF OUR AUDIT

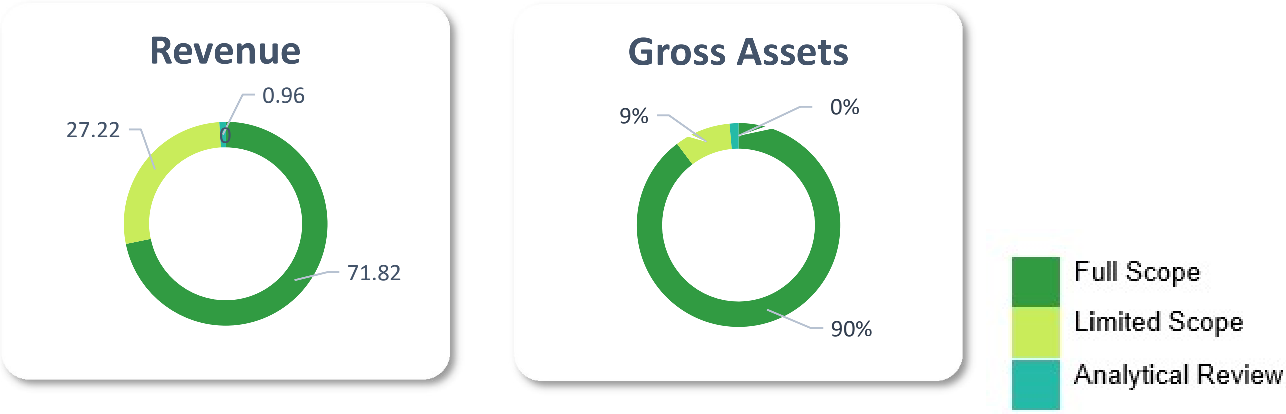
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including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

The Group manages its operations from the UK and has common financial systems, processes and controls covering all significant components.

There were 4 significant components that were subjected to a full scope audit, as noted in the scope section above. As well as these, the parent Company was subject to a full scope audit.

There were5 components that were subject to limited scope procedures.

There were a further 5 components that were subject to group-wide analytical procedures. The group also contains 4 dormant entities.



OTHER INFORMATION

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included, Oil and Gas Authority framework, the Companies Act 2006 and applicable tax legislation.
- Reviewing correspondence with regulators and in particular the Oil and Gas Authority.
- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Enquiry of management around actual and potential litigation and claims including review of professional legal opinions where appropriate.
- Enquiry of the Directors concerning actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing the legal costs incurred during the period to identify potential legal cases and undisclosed contingent liabilities.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias.
- Challenging assumptions and judgements made by management in their significant accounting estimates.

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

USE OF OUR REPORT

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

Brendan Sharkey FCA (Senior Statutory Auditor)

for and on behalf of MHA MacIntyre Hudson
Statutory Auditor

London

17 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Revenue	3	494,523	126,942
Purchases	4.2	(259,733)	(134,823)
Administrative expenses		(9,188)	(15,910)
Impairment of producing and development assets	6	(895)	(29,058)
Impairment reversal of producing and development assets	6	30,740	-
Impairment of goodwill	7 and 20.2	(22,414)	-
Impairment of exploration assets	7	-	(6,248)
Change in estimate of decommissioning provisions	13	25,481	(13,640)
Change in estimate of decommissioning recovery asset	8	(2,946)	-
(Loss)/gain on derivatives	4.1	(18,047)	1,674
Gain on acquisition	20.1	505,916	-
Decommissioning recovery income	8	245,758	-
Expected credit losses	11.7 and 18.2	(13,002)	(3,260)
Operating profit/(loss)		**976,193**	**(74,323)**
Finance income	4.4	3,722	2,201
Finance costs	4.4	(15,991)	(9,799)
Foreign exchange gain		772	9,841
Profit/(loss) before income tax		**964,696**	**(72,080)**
Income tax (expense)/credit	5.1	(73,943)	45,148
Profit/(loss) from continuing operations		**890,753**	**(26,932)**
(Loss)/profit from discontinued operation (attributable to equity holders of the company)	21.1 and 20.4	(56,838)	137,723
Profit for the year		**833,915**	**110,791**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Profit for the year attributable to shareholders		**833,915**	**110,791**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Exchange losses on translation of foreign operations	15	2,772	(16,346)
Exchange gains on translation of discontinued operation	20.3	-	6,151
Items that will not be reclassified to profit or loss:			
Actuarial losses on defined benefit pension scheme	9	(1,931)	(162,170)
Deferred tax credit on defined benefit pension scheme		939	30,912
Other comprehensive profit/(loss) for the year, net of tax		**1,780**	**(141,453)**
Total comprehensive income/(loss) for the year attributable to shareholders		**835,695**	**(30,662)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	31 December 2021 $'000	31 December 2020 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,509,821	433,409
Intangible assets	7	109,514	33,705
Goodwill	7	66,717	-
Decommissioning recovery asset	8	214,320	-
Employee benefit assets	9	2,682	-
Amounts owed by related parties	11.7 (i)	198,696	197,958
Deferred tax assets	5.3	71,460	164,688
		2,173,210	**829,760**
Current assets			
Inventories	10	11,150	9,026
Trade and other receivables	11.1	293,419	68,006
Decommissioning recovery asset	8	26,478	-
Financial assets (FVTPL)	11.4	-	3,039
Cash and cash equivalents	11.2	48,716	1,934
Restricted cash	11.3	57,731	29,920
Assets included in disposal group classified as held for sale	21	143,963	-
		581,457	**111,925**
Total assets		**2,754,667**	**941,685**
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,156	117
Amounts owed to related parties	11.7 (ii)	41,589	-
Borrowings	11.7 (iii)	53,752	-
Deferred tax liabilities	5.3	351,120	66,777
Provisions	13	810,512	650,533
		1,259,129	**717,427**
Current liabilities			
Lease liabilities		703	117
Borrowings	11.7 (iii)	39,133	-
Trade and other payables	11.5	146,375	69,188
Current tax liabilities		41,902	6,637
Financial liabilities (FVTPL)	11.6	3,103	1,152
Employee benefit liabilities		-	8,201
Provisions	13	25,171	15,905
Liabilities included in disposal group classified as held for sale	21	280,398	-
		536,785	**101,200**
Total liabilities		**1,795,914**	**818,627**
Net assets		**958,753**	**123,058**
EQUITY			
Share capital and share premium	14	8,277	8,277
Other reserves		32,428	32,428
Retained earnings		918,048	82,353
Total equity		**958,753**	**123,058**

These financial statements on pages 25 to 62 were approved and authorised for issue by the Board of Directors on 17 March 2022 and were signed on its behalf by:

Francesco Dixit Dominus

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Share capital $'000	Share premium $'000	Other reserves $'000	Retained earnings* $'000	Total $'000
Balance at 1 January 2020		**3,682**	**1,622**	**36,033**	**112,610**	**153,947**
Profit for the year		-	-	-	110,791	**110,791**
Other comprehensive loss		-	-	-	(141,453)	**(141,453)**
Total comprehensive income		**-**	**-**	**-**	**(30,662)**	**(30,662)**
Transactions with owners						
Issue of share capital	14	62	2,911	-	-	**2,973**
Employee share incentive plan		-	-	1,278	-	**1,278**
Reclassification to profit or loss		-	-	(4,883)	4,883	**-**
Dividends paid	19	-	-	-	(4,478)	**(4,478)**
		62	**2,911**	**(3,605)**	**405**	**(227)**
Balance at 31 December 2020		**3,744**	**4,533**	**32,428**	**82,353**	**123,058**
Balance at 1 January 2021		**3,744**	**4,533**	**32,428**	**82,353**	**123,058**
Profit for the year		-	-	-	833,915	**833,915**
Other comprehensive income		-	-	-	1,780	**1,780**
Total comprehensive income		**-**	**-**	**-**	**835,695**	**835,695**
Balance at 31 December 2021		**3,744**	**4,533**	**32,428**	**918,048**	**958,753**

*Retained earnings include foreign currency translation reserves which represent gains and losses arising on translation of foreign currency subsidiaries' net assets and results. See note 15 for details of foreign currency translation reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021	2020
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**16.1**	**127,221**	**56,328**
Interest received		6,558	5,988
Interest paid		(12,051)	(6,017)
Decommissioning spend		(25,929)	(14,650)
Payment to defined benefit pension scheme		-	(44,804)
Income taxes paid		-	(699)
Net cash inflow/(outflow) from operating activities		**95,799**	**(3,854)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt for acquisition of subsidiaries, net of cash acquired	20.1 and 20.2	14,648	-
Payment for exploration assets	7	(2,166)	(1,822)
Payment for property, plant and equipment	6	(60,583)	(107,905)
Loan provided to parent company	11.7	-	(201,218)
Net cash used in investing activities		**(48,101)**	**(310,945)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	2,973
Dividends paid to Company's shareholders		-	(4,479)
Principal elements of lease payments		(430)	(242)
Net cash used in financing activities		**(430)**	**(1,748)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**47,268**	**(316,547)**
Cash and cash equivalents at 1 January		1,934	315,799
Effect of foreign exchange rate		(486)	2,682
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**48,716**	**1,934**

Cash flows of discontinued operation	**21.1 and 20.4**	**(18)**	**(127,892)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

Rockrose Energy Limited is private company limited by shares. The Company was incorporated on 1 July 2015 in England and Wales and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is 9th Floor, 107 Cheapside, London, United Kingdom, EC2V 6DN.

The financial statements are prepared in US Dollar rounded to nearest thousand.

2. Significant changes in the current reporting period

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

- Acquisition of entire share capital of SSE E&P UK Limited, a non-operated assets in North Sea, from SSE PLC by Rockrose Energy Limited. The transaction completed on 14 October 2021 (see note 20.1)
- Acquisition of the entire share capital of Hague and London Oil BV, including associated subsidiaries. The transaction completed on 30 April 2021 (see note 20.2)
- Disposal group held for sale: On 16 December 2021 Rockrose Energy Limited signed a Sale and Purchase Agreement ("SPA") with Britoil Limited (a subsidiary of BP PLC) to sell its 28% non-operated stake in the Foinaven oil field, West of Shetland. The completion of the sale is expected in Q1 2022. The transaction has an effective date of 1 April 2021 and is subject to regulatory approval and partner consent and has been treated as discontinued operations. (see note 21)
- Impairment charge and impairment reversal on producing and development assets (see notes 6)

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

3. Revenue

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

	2021	2020
	$'000	$'000
Oil	125,380	66,606
Gas	359,311	55,285
Infrastructure	7,240	2,711
Others	2,592	2,340
	494,523	**126,942**

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

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

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

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

Revenue resulting from arrangements that are not considered contracts with customers is presented as revenue from other sources. All other revenue is recognised on a contractual basis when title passes to the customers. The Group had 3 (2020: 2) customers to which it associated 10% or more of revenue.

4. Other income and expense

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

4.1. (Loss)/gain on derivatives

	2021 $'000	2020 $'000
Realised (loss)/gain on oil hedges	(4,153)	2,828
Unrealised gain/(loss) on oil hedges	1,616	(1,154)
Realised loss on gas hedges	(34,007)	-
Unrealised gain on gas hedges	18,497	-
	(18,047)	**1,674**

As of 31 December 2021, the Group has various commodity hedges in place, to provide certainty of cashflows and to cover the Group's operational and capital expenditure. Gains/(losses) arising on commodity hedges during 2021 are recognised within Gain/(loss) on derivatives in the financial statements.

The Group also enters into hedging agreement which are physically settled on a monthly basis through the delivery of its produced gas. These hedges qualify for the own use exemption according to IFRS 9.2.7. See note 26.18.1 for accounting policies.

4.2. Breakdown of purchases by nature

	2021 $'000	2020 $'000
Production costs	115,859	62,964
Tariff and transportation expenses	13,379	5,664
Change in oil inventory value	10,786	8,245
Depreciation, depletion and amortisation	119,709	57,950
	259,733	**134,823**

4.3. Staff costs

	2021 $'000	2020 $'000
Wages and salaries (gross)	8,971	9,240
Social security costs	1,330	998
Defined contribution pension costs	775	346
Expense of share-based payments	-	1,277
Other staff cost	84	735
Recharges	(5,380)	(673)
Staff costs from continuing operations	**5,780**	**11,923**
Staff costs from discontinued operations	247	24,292

The average monthly number of employees employed for continuing operations, including Directors, in the year was 31 (2020: 29).

	2021	2020
Operations	6	4
Administrative	23	22
Directors	2	3
	31	**29**

4.4. Finance income and costs

	2021 $'000	2020 $'000
Interest income	3,722	2,201
Finance costs	(10,326)	(3,099)
Unwinding of the discount on provisions (note 13)	(5,665)	(6,700)
	(12,269)	**(7,598)**

4.5. Auditor remuneration

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

	2021 $'000	2020 $'000
Fees payable to the Company's auditor for the audit of the parent company and Group financial statements	344	239
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	364	348
	708	**587**

5. Income tax expense

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

Under the Finance Act 2021, the corporation tax rate will increase from 19% to 25% from 1 April 2023. The combined ring fence corporation tax and supplementary charge rate will remain at 40%. In the Netherlands, the standard corporate income tax rate increased from 25% to 25.8% with effect from 1 January 2022 while sales of hydrocarbons from Dutch fields continue to be liable to state profit share and corporate income tax, applied at a combined marginal rate of 50%.

5.1. Income tax (expense)/credit

	2021 $'000	2020 $'000
Current tax:		
Current tax (expense)/credit on profits for the year	(771)	10,021
Adjustment for current tax on prior periods	464	999
Current overseas tax:		
Current tax (expense)/credit on profits for the year	(35,355)	4,728
Adjustment for current tax on prior periods	(189)	6,833
Total current tax (expense)/credit	**(35,851)**	**22,581**
Deferred tax:		
Relating to the origination and reversal of temporary differences	(51,474)	52,536
Adjustment in respect of prior periods	(2,297)	(1,849)
Deferred overseas tax:		
Relating to the origination and reversal of temporary differences	16,559	23,556
Adjustments in respect of changes in tax rates	(14)	(92)
Adjustment in respect of prior periods	(866)	176
Total deferred tax (expense)/credit	**(38,092)**	**74,327**
Income tax (expense)/credit	**(73,943)**	**96,908**
Income tax (expense)/credit is attributable to:		
Profit/(loss) from continuing operations	(73,943)	45,148
Profit/(loss) from discontinued operation	-	51,760

5.2. Reconciliation of total income tax charge

A reconciliation between the income tax (expense)/credit and the product of accounting profit multiplied by the combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2020: 40.0%) for the year ended 31 December 2021 is as follows:

	2021 $'000	2020 $'000
Profit/(Loss) from continuing operations before income tax expense	964,696	(72,080)
(Loss)/Profit from discontinued operation before income tax expense	(56,838)	85,961
	907,858	**13,883**
A combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2020: 40.0%)	(363,144)	(5,553)
Expenses not deductible for tax purposes	3,880	(4,060)
Gain on disposal/acquisition non-taxable	299,491	50,874
Small field and investment allowances	6,448	6,138
Prior period adjustments	(2,888)	6,159
Petroleum Revenue Tax (PRT)	-	14,471
Change in unrecognised deferred tax	(5,141)	1,037
Difference in overseas tax rates	(4,727)	18,745
Lower non-ring fence UK rate	(7,159)	12,789
Other differences	(703)	(3,692)
Total tax (expense)/credit	**(73,943)**	**96,908**

5.3. Deferred tax assets and liabilities

	31 December 2021 $'000	31 December 2020 $'000
Deferred tax assets		
Accelerated capital allowances - Corporation Tax	(109,903)	(105,245)
Decommissioning provisions	195,594	200,990
Tax losses	72,636	70,205
Defined Benefit Pension	-	1,558
Other temporary differences	-	(2,820)
Re-classified to assets held for sale (note 21)	(86,867)	-
	71,460	**164,688**
Deferred tax liability		
Accelerated capital allowances - Corporation Tax	(528,503)	(67,104)
Decommissioning provisions	133,851	2,992
Tax losses	44,523	-
Defined benefit pension	(939)	-
Other temporary differences	(52)	(2,665)
	(351,120)	**(66,777)**
Net deferred tax (liability)/asset	**(279,660)**	**97,911**

Deferred tax assets and liabilities include net $64.6 million payables within 12 months (2020: $43.2 million). The deferred tax charge was recognised within the profit or loss account, with the exception of the deferred tax charge on Employee benefits which was recognised within other comprehensive income. Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is prudent to forecast that these assets will be recovered. Such tax losses include $146.1 million (2020: $141.6 million) of ring fence corporation tax losses and $541.8 million (2020: $277.2 million) of allowances relievable against the supplementary charge.

The Group has further UK ring fence corporation tax losses of approximately $66.1 million (2020: $68.5million) as well as foreign tax losses of approximately $64.5 million (2020: nil), in respect of which no deferred tax asset is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits.

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

6. Property, plant and equipment

	Oil and gas assets $'000	Development assets $'000	Right-of-use assets $'000	Administrative assets $'000	Total $'000
Cost					
At 1 January 2020	**457,782**	**40,191**	**8,665**	**1,575**	**508,213**
Additions	30,353	75,677	-	1,875	107,905
Change in decommissioning estimates (note 13)	98,720	-	-	-	98,720
Exchange differences	12,656	-	-	-	12,656
Disposals	(101,982)	-	(8,435)	-	(110,417)
At 31 December 2020	**497,529**	**115,868**	**230**	**3,450**	**617,077**
Additions	25,716	32,003	2,861	3	60,583
Acquired through business combinations at fair value (note 20.1 and 20.2)	1,187,295	-	-	-	1,187,295
Change in decommissioning estimates (note 13)	(4,623)	2,390	-	-	(2,233)
Transfer to Producing assets	150,261	(150,261)	-	-	-
Re-classified to assets held for sale (note 21)	(56,957)	-	-	-	(56,957)
Disposals	-	-	-	(2,209)	(2,209)
Exchange differences	(9,398)	-	-	-	(9,398)
At 31 December 2021	**1,789,823**	**-**	**3,091**	**1,244**	**1,794,158**
Accumulated depreciation and impairment					
At 1 January 2020	**(92,675)**	**-**	**-**	**(478)**	**(93,153)**
Impairment charge	(53,553)	-	-	-	(53,553)
Depreciation charge	(75,640)	-	-	(680)	(76,320)
Disposals	39,069	-	-	289	39,358
At 31 December 2020	**(182,799)**	**-**	**-**	**(869)**	**(183,668)**
Impairment charge	(9,566)	-	-	-	(9,566)
Reversal of impairment	30,740	-	-	-	30,740
Depreciation charge	(122,280)	-	(228)	(208)	(122,716)
Re-classified to assets held for sale (note 21)	873	-	-	-	873
At 31 December 2021	**(283,032)**	**-**	**(228)**	**(1,077)**	**(284,337)**
Net book value					
At 31 December 2021	**1,506,791**	**-**	**2,863**	**167**	**1,509,821**
At 31 December 2020	**314,730**	**115,868**	**230**	**2,581**	**433,409**

6.1. Accounting for oil and gas assets

6.1.1. Oil and gas assets
The Oil and Gas (O&G) assets consist of producing assets and decommissioning assets in accordance with IAS 16 "Property, Plant and Equipment". The table above includes decommissioning assets with a carrying value of $73.7 million (2020: $130.8 million) relating to capitalised decommissioning provisions on producing assets.

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

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

6.1.4. Administrative assets
The Group has acquired various administrative assets including fixtures and fittings, computer equipment and leasehold improvements. These assets are recorded in the balance sheet at cost less accumulated depreciation.

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

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

6.2. Impairments of producing and development assets

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

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

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

The key assumptions to which the value of the assets is most sensitive are estimated future production volumes, future commodity prices, the discount rate used to determine the present value of the future cash flows, future operating costs, capital and abandonment expenditure and reserve estimates. The commodity price forecasts (representing the Group's estimates of the assumptions that would be used by independent market participants in valuing the assets) are based on the forward curve for the short term and consensus analyst forecasts including both investment banks and commodity consultants for the longer term. A real post-tax discount rate of 10% has been used in determining the present value of the forecast future cash flow from the assets.

Following the significant increase in oil and gas prices in 2021, management performed an impairment review of the Group's assets. As a result of review exercise, impairment charge totalling $9.6 million and impairment reversal of $30.7 million have been recognised in profit or loss. Total impairment charge of $8.7 million was recognised in Foinaven field due to the suspension of production in April 2021 and disposal group asset classified held for sale (see note 21 for more details) and further $0.9million impairment was recognised in relation to K12 field. Of the $30.7 million impairment reversal, $19.9 million was in Nelson field, $6.4 million in K4-K5 field and $4.4 million in Rijn field.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Intangible assets

	Appraisal and Development assets $'000	Goodwill $'000	Total $'000
At 1 January 2020	**35,841**	**-**	**35,841**
Acquired through business combinations (see note 20.3)	134	-	134
Additions	1,822	-	1,822
Impairment charge	(6,248)	-	(6,248)
Exchange differences	2,156	-	2,156
At 31 December 2020	**33,705**	**-**	**33,705**
Acquired through business combinations (see note 20.1 and 20.2)	75,932	89,131	165,063
Additions	2,166	-	2,166
Impairment of goodwill	-	(22,414)	(22,414)
Exchange differences	(2,289)	-	(2,289)
At 31 December 2021	**109,514**	**66,717**	**176,231**

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

No indicators of impairment have been identified as at 31 December 2021.

Goodwill was recognised as a result of acquisition of Hague and London Oil BV during the period. See note 20.2 for details. Following the annual impairment review as at 31 December 2021, total impairment charge of $22.4 million, $21.0 million relates to JDA CGU and $1.4m charge relates to K12 CGU, was recognised in profit or loss account. For 2021 reporting periods, the recoverable amount of the cash-generating units was determined based on value in use calculations which require the use of various assumptions such as discount rate and commodity price. The gas price assumptions used are 60 Eur/Mwh for 2022, 37 Eur/Mwh for 2023 and 24 Eur/Mwh plus inflation from 2024 onwards. The Group estimated the fair value using a discounted cash flow model applying a post-tax (nominal) discount rate of 10% and decommissioning provisions are separately discounted using a risk-free discount rate of 1.5%.

No further indicators of impairment have been identified as at 31 December 2021.

7.1. Accounting for appraisal and development assets

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

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

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

7.2. Accounting for goodwill

Goodwill is measured as described in note 20.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

8. Decommissioning recovery asset

	$'000
At 1 January 2021	**-**
Acquired through business combinations (see note 20.1)	245,758
Receipts	(2,014)
Change in estimates	(2,946)
At 31 December 2021	**240,798**

The above asset relates to the amounts receivable for Decommissioning spend against the assets acquired as a part of acquisition of SSE E&P UK Limited. Per agreement, the seller will reimburse the Group for 60% decommissioning expenditure on a monthly basis as they occur. The change in estimate of $2.9 million which includes impact of unwinding of discounts and foreign exchange movements, was recognised in income statement. $26.5 million of decommissioning recovery asset is recognised within current assets. See note 20.1 for details of acquisition.

8.1. Accounting for decommissioning recovery asset

Decommissioning recovery assets represent indemnification assets acquired through business combinations. At recognition, decommissioning recovery assets are measured at their fair value (including considerations of their collectability) and are subsequently measured on the same basis as the underlying decommissioning provisions to which they relate (see note 13 for details).

The decommissioning recovery assets are all in relation to the acquisition of RockRose UKCS15 Limited (formerly SSE E&P UK Limited) on 14 October 2021. The seller has indemnified 60% of all eligible decommissioning costs, being decommissioning costs relating to field property in place at the economic date of the transaction of 31 March 2019, excluding any costs in respect of the Glendronach field and field property put in place from 1 April 2019 (unless directly replacing eligible field property). Changes in estimates of the decommissioning recovery asset include the impact of discount unwinding and foreign exchange movements on the indemnified provisions. The decommissioning recovery asset is only derecognised when collected, sold or when rights to it are lost.

9. Employee benefit obligations

Marathon UK previously operated a defined benefit scheme (regulated by The Pensions Regulator) for certain employees with assets held in a separately administered fund. Post the Marathon Acquisition (1 July 2019), this scheme was transferred to the Group.

The scheme was closed to new entrants on 1 April 2010 and was closed to future benefit accrual on 31 December 2015.

The scheme provided retirement benefits on the basis of members' final salary.

The scheme is administered by Trustees, who are responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. RockRose UKCS9 Limited ("UKCS9") agreed a funding plan with the Trustees whereby annual contributions of £13 million will be made until 31 December 2021.

	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
At 1 January 2021	**622,520**	**(614,319)**	**8,201**
Interest expense/(income)	8,628	(8,602)	26
Total amount recognised in profit or loss	**8,628**	**(8,602)**	**26**
Remeasurements:			
Return on plan assets	-	16,284	16,284
Effect of changes in financial assumptions	(14,589)	-	(14,589)
Effect of experience adjustment	1,406	-	1,406
Effect of change in demographic assumptions	(1,170)	-	(1,170)
Total amount recognised in other comprehensive income	**(14,353)**	**16,284**	**1,931**
Contributions:			
Employers	-	(12,971)	(12,971)
Benefit payments	(23,627)	23,627	-
Foreign exchange translation adjustment	(7,185)	7,316	131
At 31 December 2021	**585,983**	**(588,665)**	**(2,682)**

On 1 April 2010, UKCS9 established a defined contribution scheme to provide benefits to new employees. On 1 January 2016 all employees were transferred to the defined contribution scheme.

Total contributions to the defined benefit scheme were $12.9 million in 2021. Total expected contributions to the scheme in 2022 are nil.

9. Employee benefit obligations (continued)

A comprehensive actuarial valuation of the UKCS9 pension scheme, using the projected unit basis was carried out at 31 December 2021 by Mercer Limited, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions.

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

	31 December 2021	31 December 2020
Discount rate	1.80%	1.40%
Future salary increases	0.00%	0.00%
Future pension increases	2.20%	2.80%
Inflation assumption	2.70%	2.30%
Mortality rates		
- for a male aged 65 now	23.0	23.0
- at 65 for a male aged 45 now	24.0	24.0
- for a female aged 65 now	23.0	24.8
- at 65 for a female aged 45 now	24.0	26.3

Pension – Maturity profile

At 31 December 2021, the weighted-average duration of the defined benefit obligation was 17 years (2020: 18 years)

Pension - Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions such as discount rate or inflation rate by 0.25% movement, holding other assumptions constant, would have had less than $1 million impact on defined benefit obligations.

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

	31 December 2021	31 December 2020
	$'000	$'000
Cash and cash equivalents	3,081	5,682
Assets held by insurance company	585,584	608,637
Total scheme assets	**588,665**	**614,319**

10. Inventories

	31 December 2021	31 December 2020
	$'000	$'000
Raw materials and stores	-	198
Oil and gas inventories	11,150	8,828
Total inventories	**11,150**	**9,026**

The carrying value of the Group's inventories as stated above is based on the Group's accounting policy for inventories in note 26.12.

11. Financial assets and financial liabilities

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

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

The Group holds the following financial instruments:	Note	31 December 2021 $'000	31 December 2020 $'000
Financial assets			
Financial assets at amortised cost			
Trade receivables	11.1	76,617	3,510
Amounts owed by related parties	11.1	79,748	35,604
Amounts owed by joint venture partners	11.1	3,196	2,082
Other financial assets	11.1	133,858	26,810
Cash and cash equivalents	11.2	48,716	1,934
Restricted cash	11.3	57,731	29,920
Financial assets at fair value through profit or loss (FVTPL)	11.4	-	3,039
Financial liabilities			
Liabilities at amortised cost			
Amounts owed to joint venture partners	11.5	61,730	-
Trade and other payables	11.5	9,896	34,620
Other financial liabilities	11.5	74,749	34,120
Lease liabilities		703	117
Financial liabilities at fair value through profit or loss (FVTPL)	11.6	3,103	1,152

The Group's exposure to various risks associated with the financial instruments are discussed in note 18. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

11.1. Trade and other financial assets at amortised cost

	31 December 2021 $'000	31 December 2020 $'000
Trade receivables	76,617	3,510
Amounts owed by related parties	79,748	35,604
Amounts owed by joint venture partners	3,196	2,082
Prepayments	3,867	-
Accrued income	81,407	7,026
Fair value of hedging derivatives	20,113	-
Other receivables	28,471	19,784
Total trade and other financial assets at amortised cost	**293,419**	**68,006**

11.1.1. Classification as trade and other receivables

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

11.1.2. Fair values of trade and other receivables

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

11.1.3. Impairment and risk exposure

Information about the impairment of trade and other receivables and the Group's exposure to credit risk and foreign currency risk can be found in note 18.2 and 18.1.2.

11.2. Cash and cash equivalents

	31 December 2021 $'000	31 December 2020 $'000
Cash at bank and in hand	48,716	1,924
Term deposits	-	10
Total cash and cash equivalents	**48,716**	**1,934**

11.2.1. Reconciliation to cash flow statement

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

11.2.2. Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See note 26.14 for the Group's other accounting policies on cash and cash equivalents.

11.3. Restricted cash

	31 December 2021 $'000	31 December 2020 $'000
Restricted cash	57,731	29,920

11.3.1. Restricted cash

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

- Surety Bonds, under the terms of various decommissioning security agreements in place on certain fields in which the Group has an interest
- Letters of Credit, under the terms of the Defined Benefit Scheme

The fair value of restricted cash is the same as the above book values. Refer to note 18.3 for details.

11.4. Financial assets at fair value through profit or loss

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

	31 December 2021 $'000	31 December 2020 $'000
Underlift	-	3,039

See note 26.16 for the remaining relevant accounting policies.

11.4.1. Amounts recognised in profit or loss

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

	2021 $'000	2020 $'000
Change in inventory	(10,786)	(1,871)
(Loss)/Gain on hedging derivatives	(18,047)	1,674

11.4.2. Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 18.1.1. For information about the methods and assumptions used in determining fair value refer to note 11.8.1.

11.5. Trade and other payables at amortised cost

	31 December 2021 $'000	31 December 2020 $'000
Trade payables	71,626	34,620
Accruals	37,689	33,370
Deferred income	157	448
Other payables	36,903	750
Total trade and other payables at amortised cost	**146,375**	**69,188**

Trade and other payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

11.6. Financial liabilities at fair value through profit or loss

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

	31 December 2021 $'000	31 December 2020 $'000
Overlift	3,103	1,152

11.7. Loans and borrowings

		2021 $'000	2020 $'000
Loans receivable from related parties	***(i)***		
At 1 January		**197,958**	**-**
Loan provided		-	287,410
Loan repayments received		-	(86,192)
Interest charged		6,407	1,990
Interest received		(6,407)	(1,990)
Expected credit loss reversal/(loss)		3,260	(3,260)
Exchange differences		(2,522)	-
At 31 December		**198,696**	**197,958**
Loans payables to related parties	***(ii)***		
At 1 January		**-**	**-**
Loan received		(41,589)	-
Interest expense		426	-
Interest paid		(426)	-
At 31 December		**(41,589)**	**-**
Loans payable to third parties	***(iii), (iv)***		
At 1 January		**-**	**-**
Loan received		(98,317)	**-**
Loan repayments		9,473	
Interest expense		(4,041)	**-**
At 31 December		**(92,885)**	**-**

(i) During 2020 the Company issued a loan to its parent, Viaro Energy Limited. The loan is unsecured and repayable on 15 September 2025. Interest accrues at an annual rate of 3.25% per annum and is payable in cash. An expected credit loss of $3.3 million has been derecognised in relation to the loan in the statement of profit or loss.

(ii) During 2021 Viaro Energy Limited issued loan to Rockrose CS1 B.V. that matures on 31 December 2028 and accrues interest at 6%.

(iii) During 2021 the Company entered into prepayment agreement with Engie SA for total amount of $92.0 million (£65.0 million) against future deliveries of gas. The prepayment will be settled by 31 December 2025. $39.1 million of this liability is classified within current loans and borrowings as they fall due within 12 months from balance sheet date.

(iv) As a part of HALO acquisition, Company acquired prepayment loan balance with Engie SA for total amount of $10.3 million against future deliveries of gas. As at 31 December 2021, $0.8 million of prepayment amount was outstanding and recognised within current liabilities. Loan balance was subsequently fully settled in Q1 2022.

11.8. Recognised fair value measurements

11.8.1. Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value through the profit or loss ("FVTPL") at 31 December 2021 and 31 December 2020 on a recurring basis:

31 December 2021	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets			
Fair value of commodity hedges	-	20,113	20,113
Total financial assets	**-**	**20,113**	**20,113**
Financial liabilities			
Overlift	3,103	-	3,103
Total financial liabilities	**3,103**	**-**	**3,103**

31 December 2020	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets			
Underlift	3,039	-	3,039
Total financial assets	**3,039**	**-**	**3,039**
Financial liabilities			
Overlift	1,152	-	1,152
Total financial liabilities	**1,152**	**-**	**1,152**

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2021 or 31 December 2020.

There were no transfers between levels of fair value hierarchy.

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

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Company had no Level 3 financial instruments as at 31 December 2021 or 31 December 2020.

11.8.2. Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include: the use of quoted market prices or dealer quotes for similar instruments. As at 31 December 2021, company had below financial instruments:

Commodity type	**Financial instrument**	**Units**	**Volume**	**Average hedge price, $**	**Quoted market price**	**Gain**
Oil	Swap	Barrels	978,000	75.40	73.74	1,615,997
Natural Gas	Swap	Therms	19,850,000	300.22	213.40	17,233,978
Natural Gas	Put Option	Therms	9,000,000	229.16	215.13	1,263,003
Natural Gas	Call Option	Therms	9,000,000	291.17	215.13	-

12. Non-financial assets and financial liabilities

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

- specific information about each type of non-financial asset and non-financial liability
  - property, plant and equipment (note 6)
  - intangible assets (note 7)
  - current and deferred tax balances (note 5)
  - pension assets (note 9)
  - inventories (note 10)
  - provisions (note 13)
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved (note 17).

13. Provisions

	Decommissioning provision $'000	Other provisions $'000	Total provision $'000
At 1 January 2020	**1,095,072**	**219**	**1,095,291**
Utilisation	(14,650)	-	(14,650)
Changes in estimates	112,291	184	112,475
Unwinding of the discount	22,672	-	22,672
Exchange differences	10,961	-	10,961
Disposal	(559,960)	(351)	(560,311)
At 31 December 2020	**666,386**	**52**	**666,438**
Acquired through business combinations (note 20.1 and 20.2)	498,954	-	498,954
Utilisation	(25,929)	-	(25,929)
Changes in estimates	(26,799)	-	(26,799)
Unwinding of the discount	8,285	-	8,285
Exchange differences	(12,017)	2	(12,015)
Re-classified to disposal group assets held for sale (note 21)	(273,251)	-	(273,251)
At 31 December 2021	**835,629**	**54**	**835,683**

The estimated cost of decommissioning at the end of the producing lives of the fields is reviewed annually and engineering estimates and reports are updated periodically. Provision is made for the estimated cost of decommissioning at balance sheet date for the Group's share of the overall costs. Cost estimates have been discounted in the Group's functional currency, at an average risk-free discount rate of 1.5% (2020: 1.0%), representing Management's best estimate of the rate that reflects current market assessment of the time value of money.

The estimation of discount rates is also considered to be judgemental and can have a significant impact on net present value. If the discount rate were increased by 1% the value of provisions could decrease by c.$82.4 million.

The timing of spend is based on the economic cut off point for the producing assets. Provisions acquired in business combinations have been calculated based on the latest cost estimates. The payment dates are uncertain and are currently anticipated to be between 2022 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 change in estimates is principally the result of revision of economic assumptions (including foreign exchange and discount rates).

As a consequence of decommissioning assets being all but fully depreciated, $2.2 million (2020: $98.7 million) of the $26.8 million (2020: $112.3 million) change in estimates has been taken to decommissioning assets within Property, Plant and Equipment (see note 6), with $25.5 million credit (2020: $13.6 million expense) taken to the profit or loss account.

The above decommissioning provision of $835.7 million (2020: $666.4 million) includes $25.2 million (2020: $15.9 million) classified within current liabilities.

The decommissioning provision of $273.3 million in relation to Foinaven asset was classified within assets reclassified to disposal group held for sale. See note 21.

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

14. Share capital and premium

	Shares Number	Share capital $'000	Share premium $'000	Total $'000
Issued and fully paid ordinary shares at 1 January 2020	13,114,387	3,682	1,622	5,304
Issue of ordinary shares - employee share scheme	87,125	22	1,171	1,193
Exercise of options - proceeds received	147,867	40	1,740	1,780
Balance 31 December 2020	**13,349,379**	**3,744**	**4,533**	**8,277**
Issued and fully paid ordinary shares at 1 January 2021	13,349,379	3,744	4,533	8,277
Balance 31 December 2021	**13,349,379**	**3,744**	**4,533**	**8,277**

The holders of ordinary shares are entitled to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

15. Foreign currency translation reserve

	Foreign currency translation reserve $'000
At 1 January 2020	**(596)**
Exchange differences on translation of foreign operations	(10,195)
At 31 December 2020	**(10,791)**
Exchange differences on translation of foreign operations	2,772
At 31 December 2021	**(8,019)**

16. Cash flow information

16.1. Cash generated from operations

	31 December 2021 $'000	31 December 2020 $'000
Cash flows from operations		
Profit before income tax of continuing operations	964,696	(91,279)
Profit before income tax of discontinuing operations	(56,838)	105,162
Profit before income tax	**907,858**	**13,883**
Non-cash adjustments to reconcile profit before tax for the year to net cash flows:		
Foreign exchange gain on operating activities	(1,596)	(6,732)
Finance costs	20,456	28,690
Finance income	(6,558)	(5,988)
Gain on disposal/acquisition	(505,916)	(127,184)
Decommissioning recovery income	(245,758)	-
Unrealised gain on commodity hedges	20,113	-
Impairment of goodwill	22,414	-
Impairment of producing and development assets	9,566	53,553
Impairment reversal of producing and development assets	(30,740)	-
Impairment of exploration assets	-	6,248
Other expense	13,002	3,260
Depreciation and amortisation	122,716	76,343
Share based payments	-	1,278
Change in estimate of decommissioning provisions	(25,481)	13,640
Change in estimate of decommissioning recovery asset	2,946	-
Operating cash flows before movements in working capital	**303,022**	**56,991**
Working capital adjustments		
(Increase)/Decrease in inventory	(3,136)	20,885
Increase in trade and other receivables	(242,479)	(4,061)
(Increase)/decrease in trade and other payables	97,625	(47,309)
(Decrease)/increase in restricted cash	(27,811)	29,822
Net cash generated from operating activities	**127,221**	**56,328**

16.2. Reconciliation of net debt

	Liabilities from financing activities		Other assets	Net funds/ Net (debt)
	Leases	Borrowings	Cash and cash equivalents	Total
	$'000	$'000	$'000	$'000
Net debt as at 1 January 2020	**(10,006)**	**-**	**315,799**	**305,793**
Cash flows	242	-	(316,548)	(316,306)
Disposals - leases	9,530	-	-	9,530
Foreign exchange adjustments	-	-	2,683	2,683
Net debt as at 31 December 2020	**(234)**	**-**	**1,934**	**1,700**
Cash flows	430	9,473	98,487	108,390
Additions	(3,055)	(141,491)	(51,219)	(195,765)
Foreign exchange adjustments	-	-	(486)	(486)
Net debt as at 31 December 2021	**(2,859)**	**(132,018)**	**48,716**	**(86,161)**

17. Critical estimates and judgements

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

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

17.1. Significant accounting estimates and judgements

The areas involving significant estimates are:

- estimation of fair values of assets and liabilities acquired – note 20
- estimation of fair values of assets and liabilities held for sale – note 21
- estimation of provision for decommissioning liabilities – note 13
- estimation of defined benefit pension obligations – note 9
- estimation of recoverable values of producing assets – note 6.2
- estimation of recoverable values of intangible assets – note 7.2

The areas involving significant judgements are:

- judgement on the recognition of deferred tax assets in relation to available future taxable profits – note 5.3
- judgement on indicators of impairment in relation to producing and development assets - note 6.2
- judgement on indicators of impairment in relation to intangible assets - note 7.2
- judgements on timing of when decommissioning costs will be incurred – note 13

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

18. Financial risk management

The Group's principal financial assets and liabilities comprise trade and other receivables, cash and short-term deposits, finance leases, derivative financial instruments and trade and other payables. The main purpose of these financial instruments is to manage short-term cash flow. The Group's activities expose it to various financial risks particularly associated with fluctuations in oil and gas prices, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks, which are summarised below. Also presented below is a sensitivity analysis, where applicable, to indicate sensitivity to changes in market variables on the Group's financial instruments and to show the impact on profit and shareholders' equity, where applicable. The sensitivity has been prepared for periods ended 31 December 2021 and 2020, using the respective balance sheet and profit or loss information.

18.1. Market risk

18.1.1. Commodity price risk

The Group is exposed to the impact of changes in commodity prices on its revenues and profits. The Group's policy is to hedge oil prices and enter into offtake agreements to fix the gas price on a rolling basis to protect its capital expenditure programmes. As at 31 December 2021 the Group had 0.98 million barrels of oil hedged at average price of $75.40/bbl and 0.50 million barrels of oil equivalent gas hedged at average price of $167.13/boe (2020: 1.35 million barrels of oil hedged at average price of $47.73/bbl). The table below illustrates the impact on profit before tax of changes in commodity prices pre hedging. The impact on shareholder's equity is the same.

	2021	2020
Financial performance		
Crude oil sales during the year ($'000s)	125,380	121,452
Gas sales during the year ($'000s)	359,311	55,705
Average crude oil price ($) per bbl	79.57	43.48
Average gas price ($) per boe	106.35	31.51
Sensitivities		
Impact of decrease of crude oil prices by 10% (2020: 10%) ($'000s)	(12,538)	(12,145)
Impact of decrease of gas prices by 10% (2020: 10%) ($'000s)	(35,931)	(5,571)

18.1.2. Foreign exchange risk

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

	2021	2020
	$'000	$'000
As at 31 December (GBP to US$)	1.348	1.365
Average for the year (GBP to US$)	1.377	1.280
As at 31 December (EUR to US$)	1.132	1.228
Average for the year (EUR to US$)	1.191	1.132

Exposure

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

	2021	2021	2020	2020
	£'000	$'000	£'000	$'000
Cash at bank	34,378	46,331	632	863
Restricted cash	42,837	57,731	21,923	29,920
Working capital accruals	(19,801)	(26,686)	(19,272)	(26,303)
Trade payables	(22,494)	(30,315)	(6,959)	(9,498)
	34,920	**47,061**	**(3,676)**	**(5,018)**
	€'000	$'000	€'000	$'000
Cash at bank	508	575	526	646
Working capital accruals	(3,527)	(3,992)	(2,168)	(2,661)
Trade payables	(753)	(852)	(1,378)	(1,692)
	(3,772)	**(4,269)**	**(3,020)**	**(3,707)**

Sensitivities

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

	2021	2020
	$'000	$'000
Impact of decrease of GBP vs USD by 10% ($'000s)	(5,126)	3,494
Impact of decrease of EUR vs USD by 10% ($'000s)	427	371

18.2. Credit risk

Credit risk is managed on a Group basis. Credit risk in financial instruments arises from cash and cash equivalents. For banks and financial institutions, only those rated with an A-/A3 credit rating or better are accepted. Cash balances can be invested in short-term bank deposits and AAA-rated liquidity funds, subject to Board approved limits and with a view to minimising counterparty credit risks. In addition, there are credit risks of commercial counterparties including exposures in respect of outstanding receivables. The Group trades only with recognised international oil and gas companies and constantly monitors the amounts due by counterparties. When there are receivable balances past due and increase in credit risk of counterparty, the Company performs expected credit loss review and as at 31 December 2021 there were nil trade receivables past due (2020: nil) and nil of joint venture receivables past due (2020: nil). Within other receivables $16.3 million lifetime expected credit loss recognised due to the increase in uncertainty of recoverability of the balance due (2020: nil). A forward-looking assessment was consistent with the above, and as such no further provision for expected credit loss has been provided for.

18.3. Liquidity risk

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

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

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount liabilities
As at 31 December 2020	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	34,620	-	-	-	34,620	34,620
Lease liabilities	-	117	117	-	234	234
Financial liabilities (FVTPL)	1,152	-	-	-	1,152	1,152
	35,772	**117**	**117**	**-**	**36,006**	**36,006**

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

In addition to the above, the Group has in issue $346.9 million of surety bonds as at 31 December 2021 (2020: $223.0 million) to cover its obligations under its various Decommissioning Security Agreements (DSAs). Should Rockrose Energy Limited be in default under the DSAs and the Bond Provider is required to pay out on any issued Bonds then they will require Rockrose Energy Limited to indemnify them by paying cash to cover the Bond Provider's liability.

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

18.4. Capital risk management

The primary objective of the Group's capital management is to optimise the return on investment, by managing its capital structure to achieve capital efficiency whilst also maintaining flexibility. The Group regularly monitors the capital requirements of the business over the short, medium and long term, in order to enable it to foresee when additional capital might be required. The Group's policy is to hedge oil prices and enter into offtake agreements to fix the oil and gas prices on a rolling basis to protect its operating and capital expenditure programmes. As at 31 December 2021 the Group had 0.98 million barrels of oil hedged at average price of $75.40/bbl and 0.50 million barrels of oil equivalent gas hedged at average price of $167.13/boe (2020: 1.35 million barrels of oil hedged at average price of $47.73/bbl).

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

19. Dividends paid

No dividend was paid in relation to 2021 financial year (2020: $4.5 million dividend paid in relation to 2019 financial year).

20. Business combinations and discontinued operations

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

In line with Group's strategy of pursuing acquisition opportunities in the North Sea, on 22 December 2020 Rockrose Energy Limited signed a Share Purchase Agreement ("SPA") with SSE PLC to purchase the entire share capital of its UK subsidiary, SSE E&P UK Limited, for a total initial consideration of £120m. The transaction had an effective date of 31 March 2019 and completion date and the date of change of control was on 14th October 2021.

The portfolio of assets comprises non-operational equity shares in over 15 producing fields in three regions in the North Sea: the Easington Catchment Area, the Bacton Catchment Area and the Greater Laggan Area. As part of the transaction, SSE PLC will reimburse the Group 60% of the qualifying decommissioning costs. Total decommissioning recovery asset of $245.8 million was recognised at acquisition date.

The transaction constitutes a business combination with a change of ownership and has been accounted for using the acquisition method of business combinations in accordance with IFRS 3 Business Combinations. See note 26.17 for the accounting policy.

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

The consolidated financial statements include the fair values of the identifiable assets and liabilities from the acquisition date and the results of SSE for the period from the acquisition date to the balance sheet date. The acquired business contributed revenues of $189.2 million and net profit of $132.7 million to the Group for the period from 15 October to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been $437.8 million and $413.6 million respectively. Acquisition-related expenses of $0.6 million are included within administrative expenses in the statement of profit or loss account.

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

	Fair value $'000
Cash and cash equivalents	94
Trade and other receivables	33,945
Inventories	8,436
Oil and gas assets	212,714
Fair value uplift of oil and gas assets	941,367
Intangible assets	76,642
Trade and other payables	(26,421)
Provisions	(409,597)
Deferred tax liabilities	(250,357)
Net assets acquired	**586,823**
Total purchase consideration	(80,907)
Gain on acquisition/Bargain purchase	**505,916**

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

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

Purchase consideration	**$'000**
Net consideration cash paid	(14,786)
Gas contingent consideration	(54,732)
Glendronach contingent consideration	(11,389)
Total purchase consideration	**(80,907)**

Total cash inflow on acquisition was as follows:	$'000
Cash received at acquisition	15,640
Net cash acquired with the subsidiaries	94
Net consolidated cash inflow	**15,734**

i) Gas contingent consideration

In the event of average gas price for the months of 1 July to 31 December 2021 is 50.00 pence or higher per therm, additional consideration of fixed sum of $54.7 million (£40.0 million) was payable to the seller. As this condition was met before the year end, the amount was recognised as payable as at reporting date and was subsequently paid on 31 January 2022.

ii) Glendronach contingent consideration

A contingent liability of $11.4 million was recognised in relation to Glendronach asset. In the event of approval of Glendronach Field Development Plan ("FDP") by Oil & Gas Authority ("OGA"), the company will pay $375,000 per 1bcf of 2P gas reserves attributable to the field. Additional $375,000 is payable within 30 days of first production of any hydrocarbons in respect of the Glendronach Field. Based on the positive net present value of the future expected cash flows of Glendronach field, management expects that Glendronach field will be developed in the future hence contingent liability recognised.

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

CGUs	**$'000**
SSE GLA	214,448
SSE Sean	126,220
SSE ECA	387,938
SSE BAC	212,761
Total fair value uplift	**941,367**

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

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

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

a) Production volumes

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

b) Commodity prices

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

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

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

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

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

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

In line with Group's strategy of pursuing acquisition opportunities in the North Sea, on 30 April 2021 the Company acquired the entire share capital of Hague and London Oil BV, including associated subsidiaries for total consideration of €1.0 million. This has added 1,8900 boepd of gas production to the Netherlands portfolio. The acquisition includes a non-operated equity share in the prolific, NAM operated, Joint Development Area, and an equity share in the WGT-Den Helder gas transmission system.

The transaction constitutes a business combination with a change of ownership and has been accounted for using the acquisition method of business combinations in accordance with IFRS 3 Business Combinations. See note 26.17 for the accounting policy.

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

The consolidated financial statements include the fair values of the identifiable assets and liabilities from the acquisition date and the results of HALO for the period from the acquisition date to the balance sheet date. The acquired business contributed revenues of $18.0 million and net profit of $15.1 million of which $18.1 million profit relates to the change in estimate on decommissioning liabilities to the Group for the period from 1 May to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and loss for the year ended 31 December 2021 would have been $18.6 million and $15.5 million respectively. Acquisition-related expenses of $0.2 million are included within administrative expenses in the statement of profit or loss account.

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

	Fair value $'000
Cash and cash equivalents	118
Inventories	138
Oil and gas assets	33,106
Intangible assets	472
Administrative assets	196
Trade and other payables	(9,876)
Loan payables	(10,315)
Lease liabilities	(167)
Provisions	(101,599)
Net liabilities acquired	**(87,927)**
Total consideration	(1,204)
Goodwill	**(89,131)**
Total cash inflow on acquisition was as follows:	
Cash paid	(1,204)
Net cash acquired with the subsidiaries	118
Net consolidated cash outflow	**(1,086)**

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

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

CGUs	**$'000**
JDA	87,297
K12	1,448
K18	386
Total goodwill	**89,131**

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

a) Production volumes

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

b) Commodity prices

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

c) Discount rate

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

d) Operating and capital expenditures

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

e) Abandonment expenditures

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20.3. Disposal in 2020: Rockrose UKCS8 LLC Disposal

In order to optimise its portfolio of assets, on 24 December 2020 the Company sold its entire stake in Rockrose UKCS8 LLC together with its subsidiaries ("UKSC8 Disposal" or "Transaction assets") to Fujairah International Oil and Gas Corporation, a company owned by the emirate of Fujairah in the United Arab Emirates for the cash consideration of $1 (75p). For accounting purposes, the effective date of the transaction was determined as 31 December 2020.

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

	Fair value $'000
Cash and cash equivalents	496
Trade and other receivables	38,775
Inventories	13,909
Property plant and equipment	62,737
Investment property	3,207
Deferred tax asset	351,206
Trade and other payables	(27,272)
Lease liabilities	(2,264)
Deferred income	(7,671)
Provisions	(560,307)
Net liabilities disposed	**(127,184)**
Total consideration received	0
Gain on disposal	**127,184**
Total cash inflow on acquisition was as follows:	
Cash received	0
Net cash disposed with the subsidiaries	(496)
Net consolidated cash flow	**(496)**

The difference between the consideration and the net liabilities disposed of $127.2 million was recognised within gain on disposal from discontinued operations. See note below.

20.4. Financial performance and cash flow information

		2020 $'000
Revenue		81,994
Purchases		(62,422)
Administrative expenses		(2,508)
Impairment of producing and development assets		(24,495)
Change in estimate of decommissioning provisions		-
Gain on disposal/acquisition	20.1	127,184
Operating profit		119,753
Finance income		1,017
Finance costs		(12,497)
Foreign exchange (loss)/gain		(3,110)
Income tax credit/(expense)		44,073
Profit after income tax of discontinued operations		**149,236**
Exchange differences on translation of discontinued operations		6,151
Other comprehensive income from discontinued operations		**155,387**
Net cash outflow from operating activities		(84,284)
Net cash outflow from investing activities		(20,873)
Net increase in cash generated by the subsidiary		**(105,157)**

20.5. Acquisition in 2020: Acquisition of the Cotton license

On 4 February 2020, the Group acquired 100% of the equity of Speedwell Energy (1) Limited, the holder of 100% interest in the Cotton gas field in the UK sector of the Southern North Sea, for an initial consideration of £1, with the deferred consideration of £5.9 million contingent on Final Investment Decision (FID). Following evaluation of the discovery, the Group decided not to proceed to the FID and subsequently the license expired during 2020. An impairment charge of $0.1 million was recognised in relation to this acquisition in 2020.

21. Disposal group assets and liabilities classified as held for sale and discontinued operations

In December 2021, the Group signed SPA to sell its entire non-operated stake in the Foinaven oil field, West of Shetland, to BP. This oil field asset and associated liabilities, which is expected to be sold within 6 months, has been classified as an asset held for sale and presented separately in the consolidated statement of financial position at year end.

The proceeds of disposal are expected to be equal or exceed the carrying amount of the related net assets/(liabilities) and accordingly no impairment losses have been recognised as at balance sheet date.

The disposal of Foinaven constitute a discontinued operation as it represents the disposal of a separate major line of business or geographical area of operation.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	Foinaven asset
	$'000
Inventories	1,012
Property plant and equipment	56,084
Deferred tax asset	86,867
Disposal group assets held for sale	**143,963**
Trade and other payables	(7,147)
Provisions	(273,251)
Disposal group liabilities held for sale	**(280,398)**
Net liabilities of disposal group asset held for sale	**(136,435)**

21.1. Financial performance and cash flow information

	2021	2020
	$'000	$'000
Revenue	22,026	55,266
Purchases	(68,074)	(66,723)
Administrative expenses	(1,314)	(4,119)
Impairment of producing and development assets	(8,671)	-
Operating loss	**(56,033)**	**(15,576)**
Finance income	2,836	2,770
Finance costs	(4,464)	(6,393)
Foreign exchange (loss)/gain	823	-
Income tax credit/(expense)	-	7,686
Loss after income tax of discontinued operations	**(56,838)**	**(11,513)**

Net cash inflow from operating activities	1,609	7,429
Net cash used in investing activities	(2,738)	(31,534)
Net cash generated from financing activities	1,111	1,370
Net decrease in cash generated by the subsidiary	**(18)**	**(22,735)**

22. Interests in other entities

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

	Country of incorporation	Principal Activity	Interest (%) 2021
RockRose UKCS1 Limited	UK	Dormant	100%
RockRose (UKCS2) Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose (UKCS3) Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS4 Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS5 Limited[1]	UK	Dormant	100%
RockRose UKCS6 Limited[1]	UK	Dormant	100%
RockRose UKCS7 Limited[1]	UK	Dormant	100%
RockRose UKCS 9 Limited	UK	Provision of Group manpower and contracting/procurement services	100%
RockRose UKCS 10 Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS14 Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS15 Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS1 B.V.	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS2 B.V. [2]	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS3 B.V. [3]	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS4 B.V. [3]	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS5 B.V. [3]	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) Infrastructure B.V. [2]	NL	Provision of infrastructure	100%

1. These subsidiaries are wholly owned subsidiaries of RockRose UKCS4 Limited
2. These subsidiaries are wholly owned subsidiaries of RockRose (NL) CS1 B.V.
3. These subsidiaries are wholly owned subsidiaries of RockRose (NL) CS2 B.V.

The registered address for the Company is 9th Floor 107 Cheapside, London, United Kingdom, EC2V 6DN.

The registered address for the UK subsidiaries is 5th Floor Halton House, 20-23 Holborn, London, England, EC1N 2JD.

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

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

RockRose (UKCS2) Limited	RockRose (NL) CS2 B.V
RockRose (UKCS3) Limited	RockRose (NL) CS3 B.V
RockRose UKCS 9 Limited	RockRose (NL) CS4 B.V
RockRose UKCS 14 Limited	

23. Commitments

23.1. Capital commitments

In respect of its interest in joint arrangements, the Group is committed to the following as at 31 December 2021:

- Capital expenditure of $101.7 million (2020: $49.6 million) on Producing & Development assets;
- Decommissioning costs of $25.2 million (2020: $15.9 million).

24. Events occurring after the reporting period

In February 2022 Viaro Energy Limited, parent of Rockrose Energy Limited, obtained formal approval of its acquisition of Rockrose Energy Limited from Oil & Gas Authority's (OGA), subject to completion of Foinaven assets disposal and additional restricted cash contribution of $13 million in relation to future decommissioning liabilities.

Due to the rapid changes in geopolitical situation in Europe, management closely monitoring the situation and working closely with joint venture partners to minimise the disruption to the business. As a result of geopolitical events there has been significant increase in volatility of commodity prices that Company produces however, as of sign off date management believes that there has been no direct negative impact to Company's business.

25. Related party transactions

25.1. Subsidiaries

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

25.2. Key management personnel compensation

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

	2021	2020
	$'000	$'000
Short-term employee benefits	3,351	3,551
Post-employment benefits	157	176
Share-based payments	-	1,673
Total key management personnel compensation	**3,508**	**5,400**

In addition to above, Directors, who held shares in the Company, received nil dividends during 2021 (2020: $1.3 million). The following table details remuneration of Directors of the Group.

	2021	2020
	$'000	$'000
Short-term employee benefits	884	2,259
Post-employment benefits	57	106
Share-based payments	-	976
Total directors compensation	**941**	**3,341**

Francesco Mazzagatti was the highest paid Director in 2021 with total remuneration of $0.6 million (2020: Andrew Austin was paid $2.9 million). He was paid a bonus of $0.3 million (2020: Andrew Austin was paid $0.8 million), representing for Francesco Mazzagatti a bonus of 50% (2020: Andrew Austin 75%) of base salary.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

26. Summary of significant accounting policies

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

26.1. Basis of preparation

26.1.1. Going concern

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

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

26.1.2. Compliance with IFRS

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

26.1.3. Historical cost convention

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

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

26.1.4. New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

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

The Group also elected to adopt the following amendments early:

– Amendments to IAS 16 Property, Plant and Equipment

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

26.1.5. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

26.2. Principles of consolidation

26.2.1. Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 26.17).

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

26.2.2. Joint arrangements

Under IFRS 11 Joint Arrangements oil and gas operations are usually conducted by the Group as co-licensees in unincorporated joint operations with other companies. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the consent of the relevant parties sharing control. Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group reports its interests in joint operations using proportionate consolidation – the Group's share of the production, assets, liabilities, income and expenses of the joint operation are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Full details of Group's working interests in those oil and gas activities classified as joint operations are included within Operational review on pages 4 to 7.

26.3. Foreign currency translation

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

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

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

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

26.4. Revenue recognition

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

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

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

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

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

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

26.6. Decommissioning recovery asset
The Group's accounting policy for decommissioning recovery asset is explained in note 8.1.

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

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

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

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

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

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

26.9. Leases (continued)

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

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

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

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

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

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

26.10. Investment properties

Investment properties, principally office buildings, are held for long-term retail yields and are not occupied by the Group. They are carried at fair value. Change in fair values are presented in profit or loss as part of other income.

26.11. Employee benefits

26.11.1. Short-term obligations

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

26.11.2. Post-employment obligations

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

Pension obligations

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

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

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

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

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

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

26.12. Inventories

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

26.13. Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 11.1 for further information about the Group's accounting for trade receivables and note 26.18 for a description of the Group's impairment policies.

26.14. Cash and cash equivalents

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

26.15. Restricted cash

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

- Surety Bonds, under the terms of various decommissioning security agreements in place on certain fields in which the Group has an interest
- Letters of Credit, under the terms of the Defined Benefit Scheme

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

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

26.16. Crude oil under and overlift

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

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

26.17. Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

26.18. Financial assets

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

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

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

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

26.18.1. Derivative financial instruments

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

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

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

26.19. Financial liabilities

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

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

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

26.19.1. Trade and other payables

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

26.19.2. Financial liabilities at FVTPL

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

26.20. Provisions

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

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

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

Specific provisions recognition policies are listed below:

Decommissioning and restoration provision

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

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

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

26.21. Contributed equity

Ordinary shares are classified as equity.

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

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

26.22. Dividends

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

26.23. Rounding of amounts

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

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	31 December 2021	31 December 2020
		$'000	$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	2	130,254	51,408
Decommissioning recovery asset	10	214,320	-
Amount owed from parent	8.3	198,696	244,201
		543,270	**295,609**
Current assets			
Trade and other receivables	1	31,492	558
Decommissioning recovery asset	10	26,478	-
Amount owed from subsidiaries	1	44,825	93,899
Cash and cash equivalents	1	20,372	1,042
Restricted cash	1	18,378	471
		141,545	**95,970**
Total assets		**684,815**	**391,579**
LIABILITIES			
Non-current liabilities			
Provisions		3,149	1,478
Amount owed to subsidiaries	8.3	89,156	112,629
		92,305	**114,107**
Current liabilities			
Provisions		-	4,068
Trade and other payables	1.3	84,339	4,613
Amount owed to subsidiaries	1	83,577	98,692
		167,916	**107,373**
Total liabilities		**260,221**	**221,480**
Net assets		**424,594**	**170,099**
EQUITY			
Share capital and share premium	3.1	8,277	8,277
Other reserves	3.2	32,428	32,428
Retained earnings	3.3	383,889	129,394
Total equity		**424,594**	**170,099**

The above balance sheet should be read in conjunction with the accompanying notes. The company's profit for the year was $252.6 million (2020: Loss of $40.4 million).

In accordance with the exemption granted under section 408 of the Companies Act 2006 a separate income statement for the Company has not been presented.

These financial statements on pages 63 to 73 were approved and authorised for issue by the board of Directors on 17 March 2022 and were signed on its behalf by:

Francesco Dixit Dominus

Rockrose Energy Limited registered number 09665181

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Share capital $'000	Share premium $'000	Other reserves $'000	Retained earnings* $'000	Total $'000
Balance at 1 January 2020		**3,682**	**1,622**	**36,033**	**162,266**	**203,603**
Loss for the year		-	-	-	(40,365)	**(40,365)**
Other comprehensive income		-	-	-	7,088	**7,088**
Total comprehensive loss		**-**	**-**	**-**	**(33,277)**	**(33,277)**
Transactions with owners						
Issue of share capital	3	62	2,911	-	-	**2,973**
Employee share incentive plan	3	-	-	1,278	-	**1,278**
Reclassification to profit or loss		-	-	(4,883)	4,883	**-**
Dividend paid		-	-	-	(4,478)	**(4,478)**
		62	**2,911**	**(3,605)**	**405**	**(227)**
Balance as 31 December 2020		**3,744**	**4,533**	**32,428**	**129,394**	**170,099**
Balance at 1 January 2021		**3,744**	**4,533**	**32,428**	**129,394**	**170,099**
Profit for the year		-	-	-	252,647	**252,647**
Other comprehensive loss		-	-	-	1,848	**1,848**
Total comprehensive income		**-**	**-**	**-**	**254,495**	**254,495**
Balance as 31 December 2021		**3,744**	**4,533**	**32,428**	**383,889**	**424,594**

*Retained earnings include foreign currency translation reserves which represent gains and losses arising on translation of foreign currency subsidiaries' net assets and results. See note 3.4 for details of foreign currency translation reserve.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	**4**	**(11,467)**	**(41,982)**
Interest received		8,762	4,911
Interest paid		(2,851)	(2,805)
Share based payments		-	1,278
Net cash inflow/(outflow) from operating activities		**(5,556)**	**(38,598)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from subsidiaries		-	84,739
Payment for acquisition of subsidiary, net of cash acquired		15,640	(177)
Loans provided to parent company		-	(205,171)
Proceeds of loans from subsidiaries		45,505	-
Loan repayments to subsidiaries		(23,473)	-
(Increase)/decrease in restricted cash		(17,907)	51,642
Net cash used in investing activities		**19,765**	**(68,967)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	2,973
Dividends paid to Company's shareholders		-	(4,478)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**-**	**(1,505)**
Net increase in cash and cash equivalents		**14,209**	**(109,070)**
Cash and cash equivalents at 1 January		1,042	91,233
Effect of foreign exchange rate		5,121	18,879
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**20,372**	**1,042**

NOTES TO COMPANY FINANCIAL STATEMENTS

1. Financial assets and financial liabilities

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

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

The Company holds the following financial instruments:

	31 December 2021 $'000	31 December 2020 $'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	31,492	558
Loans owed by related parties	198,696	197,958
Amounts owed from subsidiaries	44,825	140,142
Cash and cash equivalents	20,372	1,042
Restricted cash	18,378	471
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	84,339	4,613
Provisions	3,149	5,546
Amount owed to group undertakings	83,577	98,692
Loans owed to subsidiaries	89,156	112,629

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

1.1. Financial assets at amortised cost

1.1.1. Classification of financial assets at amortised cost

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

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

Financial assets at amortised cost include the following debt investments:

	31 December 2021		31 December 2020	
	Current	Non-current	Current	Non-current
	$'000	$'000	$'000	$'000
Loan to subsidiary (i)	-	-	-	46,243
Loan to parent (ii)	-	198,696	-	197,958
	-	**198,696**	**-**	**244,201**

See note 11.7 for the relevant accounting policies.

Loans to subsidiary and parent

(i) During 2021 loan issued to its subsidiary, RockRose (NL) CS1 B.V was settled by subsidiary.
(ii) During 2020 Company issued a loan to its parent, Viaro Energy Limited. The loan is unsecured and repayable on 15 September 2025. Interest accrues at an annual rate of 3.25% per annum and is payable in cash.

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

1.1.2. Impairment and risk exposure

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

The intercompany loans outstanding as at 31 December 2021 are denominated in USD, GBP and Euro.

1.2. Restricted cash

	31 December 2021 $'000	31 December 2020 $'000
Restricted cash	18,378	471

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

1.3. Trade and other payables

	31 December 2021 $'000	31 December 2020 $'000
Trade payables	83,506	2,686
Accruals	833	1,927
	84,339	**4,613**

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

2. Investment in subsidiaries

Shares in Group undertakings	2021 $'000	2020 $'000
As at 1 January	51,408	149,078
Additions in year – Acquisition of RockRose UKCS15 Limited	80,907	-
Additions in year – Acquisition of RockRose UKCS14 Limited	-	177
Disposal in year – Disposal of RockRose UKCS8 LLC	-	(80,942)
Impairment of investments in subsidiaries	-	(21,848)
Exchange differences	(2,061)	4,943
As at 31 December	**130,254**	**51,408**

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

There are fixed and floating charges held against the shares of subsidiary companies, RockRose UKCS4 Limited and RockRose UKCS15 Limited details of which can be found in Companies House.

Please refer to note 20 to the consolidated financial statements for details of additions during 2021.

3. Equity

3.1. Share capital and share premium

Please refer to note 14 of the consolidated financial statements on page 44 for details.

3.2. Other reserves

The Capital redemption reserve relates to the issue and redemption of B shares as a part of the return to shareholders in 2019.

3.3. Retained earnings

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

3.4. Foreign currency translation reserve

	Foreign currency translation reserve $'000
At 1 January 2020	**(895)**
Exchange differences on translation of foreign operations	7,088
At 31 December 2020	**6,193**
Exchange differences on translation of foreign operations	1,848
At 31 December 2021	**8,041**

4. Cash flow information

	31 December 2021 $'000	31 December 2020 $'000
Cash flows from operations		
Profit/(loss) before income tax	**252,647**	**(125,104)**
Non-cash adjustments to reconcile profit/(loss) before tax for the year to net cash flows:		
Foreign exchange loss/(gain) on operating activities	4,815	(16,827)
Finance costs	2,851	2,805
Finance income	(8,762)	(4,911)
Decommissioning recovery income	(245,758)	-
Change in estimate of decommissioning recovery asset	2,946	-
Dividend income	-	(84,739)
Other expense	13,004	3,260
Disposal of subsidiaries	-	80,942
Impairment of investment of subsidiaries	-	21,848
Movement in provision	(2,378)	(1,491)
Operating cash flows before movements in working capital	**19,365**	**(124,217)**
Working capital adjustments		
Decrease in trade and other receivables	18,140	22,399
Increase in trade and other payables	(48,972)	59,836
Net cash used in operating activities	**(11,467)**	**(41,982)**

5. Employee information

The Company had no employees during the year (2020: nil). The Directors of the Company were remunerated by another company of the Group. See Directors' Report on page 13 for details of Directors served during the year.

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

6. Financial risk management

The company's exposure to financial risks is managed by the Group. Full details about the Group's exposure to financial risks and how these risks could affect the Group's future financial performance are given in note 18 to the consolidated financial statements. Information specific to the Company is given below.

6.1. Credit risk

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

Within other receivables $16.3 million expected credit loss recognised due to the increased certainty of recoverability of the balance due (2020: nil). A forward-looking assessment was consistent with the above, and as such no further provision for expected credit loss has been provided for.

6.2. Risk management

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

6.3. Liquidity risk

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

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

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Over 5 years	Total contractual cash flows	Carrying amount liabilities
As at 31 December 2021	$'000	$'000	$'000	$'000	$'000
Trade payables	83,506	-	-	83,506	83,506
Accruals	833	-	-	833	833
Amount owed to group subsidiaries	83,577	-	89,156	172,733	172,733
Total non-derivatives	**167,916**	**-**	**89,156**	**257,072**	**257,072**

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Over 5 years	Total contractual cash flows	Carrying amount liabilities
As at 31 December 2020	$'000	$'000	$'000	$'000	$'000
Trade payables	2,686	-	-	2,686	2,686
Accruals	1,927	-	-	1,927	1,927
Amount owed to group subsidiaries	98,692	-	112,629	211,321	211,321
Total non-derivatives	**103,305**	**-**	**112,629**	**215,934**	**215,934**

7. Capital management

The capital of the Company is managed as part of the capital of the Group as a whole. Full details, including details of dividends paid during the year, are contained within note 18.4 to the consolidated financial statements.

8. Related party transactions

8.1. Transactions with related parties

The following transactions occurred with related parties:

	2021	2020
	$'000	$'000
Dividend revenue:		
Dividends received from subsidiary undertakings	28,296	84,739
Sales and purchases of services:		
Purchase of services from subsidiary undertakings	3,159	5,465

8.2. Outstanding balances arising from sales/purchases of services

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

	2021	2020
	$'000	$'000
Current payables (purchases of services)		
Subsidiary undertakings	3,159	5,465

8.3. Loans to/from subsidiary undertaking

	2021 $'000	2020 $'000
Loan to Rockrose (NL) CS1 B.V.		
At 1 January	**46,243**	**42,131**
Interest charged	2,122	3,198
Interest received	(2,122)	(2,555)
Loan repaid	(46,243)	-
Exchange differences	-	3,469
At 31 December	**-**	**46,243**
Loan to Viaro Energy Limited		
At 1 January	**197,958**	**-**
Loan provided	-	287,410
Loan repayments received	-	(86,192)
Interest charged	6,407	1,990
Interest received	(6,407)	(1,990)
Expected credit loss	3,260	(3,260)
Exchange differences	(2,522)	
At 31 December	**198,696**	**197,958**
Loan from Rockrose UKCS10 Limited		
At 1 January	**(112,629)**	**(112,788)**
Loan repaid	23,473	-
Interest charged	2,801	2,752
Interest received	(2,801)	(2,752)
Exchange differences	-	159
At 31 December	**(89,156)**	**(112,629)**

An expected credit loss of $3.3 million has been derecognised in relation to the loan in the statement of profit or loss (2020: $3.3 million recognised).

8.4. Terms and conditions

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

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

The loan to Viaro Energy Limited matures on 15 September 2025 and accrues interest at 3.25% (2020: 3.25%).

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

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

9. Ultimate parent company and parent company of larger group

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

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

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

10. Information included in the notes to the consolidated

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

Decommissioning recovery – see note 8

Subsidiaries – see note 22

Dividends – see note 19

Events occurring after the reporting date – see note 24

Auditors' remuneration – see note 4.5

11. Summary of significant accounting policies

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

11.1. Basis of preparation

11.1.1. Compliance with IFRS

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

11.1.2. Compliance with IFRS

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

11.1.3. New and amended standards adopted by the company

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

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

The Group also elected to adopt the following amendments early:

- Amendments to IAS 16 Property, Plant and Equipment

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

11.1.4. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

11.1.5. Going concern

At year end, Company had cash and cash equivalent balance of $20.4 million (2020: $1.0 million) which indicates the Company has available sufficient financial resources to meet any future obligations.

The Directors believe that the Group has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis. Refer to page 14 on Director's report for the going concern policy of the Group.

11.2. Investment in subsidiaries

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

11.3. Functional and presentation currency

The financial statements are presented in US Dollar and the Company continues to have a GBP functional currency.

11.4. Income tax

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

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

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

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

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

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

11.5. Cash and cash equivalents

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

11.6. Restricted cash

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

- Surety Bonds, under the terms of various decommissioning security agreements in place on certain fields in which the Group has an interest
- Letters of Credit, under the terms of the Defined Benefit Scheme

The fair value of restricted cash is the same as the above book values. Refer to note 18.3 of the consolidated financial statements on page 47 for details.

11.7. Financial assets

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

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

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

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

11.8. Trade and other payables

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

11.9. Dividend income

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

11.10. Contributed equity

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

11.11. Rounding of amounts

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

COMPANY INFORMATION

Directors	Francesco Mazzagatti Francesco Dixit Dominus
Company secretary	OHS Secretaries Limited
Company number	09665181
Registered office	9th Floor 107 Cheapside London EC2V 6DN
Independent Auditor	MHA MacIntyre Hudson 6th Floor 2 London Wall Place London EC2Y 5AU

GLOSSARY

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

Boe – barrels of oil equivalent

Boepd – barrels of oil equivalent produced per day

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

Company – Rockrose Energy Limited

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

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

Group – Rockrose Energy Limited and its subsidiaries

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

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

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

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

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