ROCKROSE ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

ROCKROSE ENERGY LIMITED

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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 2020.

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

2020 was a year of significant changes and challenges for the Group. On 02 September 2020 the acquisition of the Company by Viaro Energy Limited was completed and subsequently the Company delisted from the London Stock Exchange and re-registered as a private company.

Despite the change of ownership, the Group's strategy of acquiring assets in the North Sea has not changed and 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 has an effective date of 31 March 2019 and is subject to regulatory approval and partner consent. 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 retain an obligation to pay 60% of the decommissioning costs. The transaction is expected to complete in August 2021.

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 to Fujairah International Oil and Gas Corporation, a company owned by the emirate of Fujairah in the United Arab Emirates for cash consideration of $1 (75p). For accounting purposes, the effective date of the transaction has been determined as 31 December 2020.

Aligned with the Group's growth strategy, on 30 April 2021 the Company acquired the entire share capital of Hague and London Oil BV, including associated subsidiaries. This has added 1,900 boepd of gas production to the Netherlands portfolio. The acquisition includes a non-operated equity share in the prolific, NAM operated, Joint Development Area.

The Company continues to pursue opportunities for future acquisitions in the North Sea as well as examine the upside opportunities presented by its existing portfolio of assets. In order to achieve its objectives, 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 debt-free 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 focused on increasing the decommissioning half-life of its assets. RockRose is continually looking for opportunities to extend the life of key infrastructure, be this through identifying additional development opportunities or third-party business.

OPERATIONAL REVIEW

2020 was another year of growth for the RockRose Group. For the first time in 2020 our Foinaven and Brae assets contributed a full year of production having been acquired mid-year 2019. Average production increased by 23% from 13,886 boepd to 17,025 boepd. Although 2020 was a year of extraordinary challenges as a result of Covid-19, it did not have a material direct impact on the Group's operations.

Development Projects

Arran (RRE 30.4%)

The Arran field is operated by Shell and is currently under development as a four-well, 55km subsea tieback to the Shearwater platform. Arran is a gas condensate field, with first gas planned for 2H 2021. The field is being developed at a gross cost of £330 million (£100 million net). Once onstream, Arran is expected to produce ~20,000 boepd gross (~6,000 boepd net). Gas will be exported via the Fulmar Gas Line (FGL) to the Shell Esso Gas & Associated Liquids (SEGAL) processing terminal. Liquids will be exported via the Forties Pipeline System (FPS).

Tain (RRE 50.0%)

The Tain oil field is operated by Repsol-Sinopec and is currently in the Define Phase of development. It is planned to be a 20km subsea tieback to the Bleo Holm FPSO. First oil is currently planned for Q3 2024. 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.

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 2,167 boepd (net) including associated gas in 2020, noting that there was a 100-day planned shutdown in 2020. Oil is exported via shuttle tanker and gas is exported via the Frigg Pipeline. The partners are investing over £130m (gross) to extend Blake field life by five years to 2029. This will also facilitate the development of the 12Mbbl (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 595 boepd (net) including associated gas in 2020. Howe production averaged 473 boepd (net) including associated gas in 2020. 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.

Brae Complex (RRE ~40.0%)

The Brae Complex, operated by RockRose up to 1st October 2020, remains focussed on evaluating further options to maximise economic recovery. A West Brae infill well was successfully completed in March 2020, producing ~1,600 boepd net. In light of the prevailing market conditions, further capital projects were deferred. Production efficiency during 2020 was hampered due to field power generation issues and an extended shutdown on East Brae while repairs to the diesel fire-water pump were carried out. Total Brae production averaged 4,935 boepd in 2020. RockRose's interest in the Brae Complex was disposed as part of the RockRose UKCS8 LLC divestment in December 2020.

Foinaven (RRE ~28.0%)

Foinaven (BP operated) production was below plan for the year, mainly attributable to unplanned breakdown and repair activities in the first and fourth quarters and planned project activities in the third quarter. Field redevelopment planning commenced early in the year with activities progressing towards a concept selection decision in 2H 2021. Average production for the year was 3,409 boepd (net). Following the balance sheet date production ceased, see note 23.

Other Oil Assets

The B-Block includes our interests in the Balmoral, Stirling, Beauly and Burghley oil fields, located 200km north-east of Aberdeen. Production is via the Balmoral purpose-built GVA 5000 semi-submersible floating production vessel. Oil is exported via the Forties Pipeline System to Cruden Bay. RockRose's production from its B-Block interests was 479 bopd (net) in 2020, up to Cessation of Production on 28th November.

In the Netherlands, production remained strong from both Hanze and Rijn due to good uptime for the period. In 2020, these assets produced an average of 738 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 97 MMscf/d (14 MMscf/d net) in 2020. Production is from shallow reservoirs at depths of between 350 metres and 700 metres. The partnership successfully took FID and commenced drilling of three wells on stage 3 of the undeveloped sands infill project. All three wells on the A12 and B13 structures completed drilling in February 2021 and are now successfully on production.

K4B-K5A (RRE AVERAGE 7.0%)

Gross production in the Total operated K4b/K5a licence averaged 52 MMscfd (6 MMscfd net) in 2020. 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 2020, production continued to be enhanced through intervention work which included velocity string installation and foam restart strategies. In addition, detailed subsurface studies are being conducted to examine potential future infill opportunities.

Other Gas Assets

RockRose's interests in the other Netherlands assets continued to perform well. These assets include Hanze, P15/P18, P/Q Area, Markham and J3C, and onshore Bergen (including Alkmaar PGI facility). In 2020, these assets produced an average of 770 boepd net to RockRose. The F15AB partners (Total operated) successfully restarted production in January, after it had ceased in 2017 in preparation for its planned decommissioning. Based on a new operating philosophy, operating expenditure has been greatly reduced. An intervention on F15a-A5 was successfully completed in Q1 2020 to resolve an annulus leak and reinstate the well.

In the UK Southern Gas Basin, RockRose has interests in the Tors, Grove, Galahad, Mordred, and Seven Seas fields. In 2020 both Mordred & Galahad and Tors were shut-in due to high unit operating expenditure. Both Seven Seas and Grove continued to produce well, with the Grove partners sanctioning an infill well in the NE block, for drilling in Q2 2021.

Decommissioning

RockRose continues to focus on the efficient decommissioning of its assets whilst meeting its regulatory obligations. In the previously RockRose-operated Brae field, work continues to ready Brae Bravo for removal. Brae Bravo was 'made safe' and down manned in July 2019 in preparation for the commencement of removal and disposal activities in Q2 2021. Work continued in 2020 on the East Brae drill rig recertification project in readiness for well plug and abandonment activities starting in 2021. Contractors were engaged Q4 2020 and invited to tender for the removal of the East Brae facilities. This is in advance of the anticipated cessation of production date, allowing time for structured planning and execution. Prior to the transfer of operatorship, RockRose developed the necessary regulatory documentation to support the approval of the various decommissioning projects.

Defined benefit pension scheme

During 2020 the Company entered into bulk annuity transaction agreement in respect of Defined benefit pension scheme with Trustees. Please refer to note 9 on page 36 for further details.

FINANCIAL REVIEW

Production and Revenue

Production on a working interest basis increased by 26% to 17,477 boepd in 2020, compared to 13,886 boepd in 2019. This increase primarily reflects the full year production of assets acquired from Marathon Oil on 1 July 2019.

Revenue from crude oil sales in 2020 totalled $177.7 million, 2% higher than 2019 ($173.8 million). The increase of $3.9 million was driven by increased sales volume from Brae and Foinaven which was offset by lower realised oil prices in 2020.

Revenue from the sale of gas in 2020 was $63.0 million (2019: $62.0 million), reflecting higher realised gas prices which were partly offset by lower production during the year.

The Group's commodity price hedges and other oil derivatives generated $2.8 million of realised gains (2019: realised gains of $10.7 million). The Group continues an active hedging policy.

Results of the year ended 31 December

		2020	2019	Change
Production	**boepd**			
Oil		11,776	7,481	57%
Gas		5,701	6,405	(11)%
		17,477	**13,886**	**26%**
Revenue	**$'000**			
Oil		177,706	173,779	2%
Gas		63,023	62,032	2%
Infrastructure		21,133	12,397	70%
Other		2,340	2,779	(16)%
		264,202	**250,987**	**5%**
Unit opex	**$/boe**			
Oil		36.6	43.8	(17)%
Gas		11.2	12.0	(6)%
		28.2	**29.1**	**(3)%**
Adjusted EBITDA	**$'000**			
Oil		29,141	57,271	(49)%
Gas		14,275	9,558	49%
Infrastructure		29,160	23,839	22%
Other		(16,740)	7,251	(331)%
		55,836	**97,919**	**(43)%**

Results of the year ended 31 December (continued)

		2020	2019	Change
Profit for the period	**$'000**	110,791	84,091	35%
Net cash (used in)/generated from operating activities	**$'000**	(3,854)	100,605	(104)%
Average realised price	**$/boe**			
Oil		42.4	63.5	(33)%
Gas		30.6	26.5	15%
Capital expenditure	**$'000**	109,728	76,903	43%
Abandonment expenditure	**$'000**	14,650	9,423	55%

Adjusted EBITDA	**2020**	**2019**
	$'000	**$'000**
Operating profit (continuing and discontinued operations)	**29,853**	**115,381**
Depreciation and amortisation expense	76,343	59,885
Acquisition and relisting expenses	-	10,940
Gain on disposal/acquisition	(127,184)	(15,242)
Increase/(Decrease) in decommissioning cost estimates	13,640	(76,360)
Impairment of producing and development assets	53,553	-
Impairment of exploration assets	6,248	-
Expected credit losses	3,260	-
Unrealised loss on oil hedges	(1,155)	-
Share options and rights granted to Directors and employees	1,278	3,315
Adjusted EBITDA	**55,836**	**97,919**

Cash Flow	**2020**	**2019**
	$'000	**$'000**
Cash and cash equivalents as at 1 January	**315,799**	**67,944**
Net cash (used in)/generated from operating activities	(3,854)	100,605
Net cash (used in)/generated from investing activities	(310,945)	162,194
Net cash used in financing activities	(1,748)	(10,794)
Net increase/(decrease) in cash and cash equivalents	**(316,547)**	**252,005**
Exchange gains/(losses)	2,682	(4,150)
Cash and cash equivalents as at 31 December	**1,934**	**315,799**
Restricted cash	29,920	59,742

Unit Opex

Unit opex costs were $37/bbl (2019: $44/bbl) for oil and $11/boe (2019: $12/boe) for gas in 2020. The oil cost benefited from higher production efficiency on certain key assets due to the shorter shutdowns in 2020 compared to 2019.

Adjusted EBITDA

Adjusted EBITDA decreased by $42.1 million in 2020 reflecting significantly lower oil prices due to the Covid-19 pandemic.

Cash Flow

The Group reported net cash used in operating activities of $3.9 million or $0.6 per boe in 2020 compared with net cash generated from operating activities of $100.6 million or $20 per boe a year earlier. The decrease is mainly driven by lower commodity prices and pension buyout. At the end of 2019 the Group had $8.3 million of decommissioning securities held in trust to cover the Group's obligations under its various Decommissioning Security Agreements (DSAs). As at early 2021, this amount had reduced to nil.

The Group replaced all cash securities held in trust in respect of DSAs with decommissioning surety bonds of the same value. At the end of 2020, the Group had in issue $223.0 million of surety bonds (2019: $206.5 million). The Group's A rated (Moody's) surety providers include Aspen, Liberty Mutual, Swiss Re, Endurance and Travelers.

Capital and Abandonment Expenditure

Consistent with our growth plans, capital expenditure increased to $109.7 million in 2020 (2019: $76.9 million), with expenditure of $65.3 million on the Arran development project, $24.4 million on Brae development wells, $10.4 million on Blake and Ross life extension, and $9.6 million on other development and maintenance capex.

Abandonment expenditure of $14.7 million was higher compared to 2019 mainly due to the higher spend in the Brae area. The Group's pre-tax decommissioning provisions are $655.1 million (2019: $1,095.3 million) the significant reduction resulting from the disposal of $559.9 million liability through the divestiture of RockRose UKCS8 LLC in December 2020.

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 and exposure to natural hazards such as extreme weather events.	Our Responsible Operating Management System (ROMS) is designed to reduce operational risk, and we leverage the skills and expertise of our experienced management teams as well as that of our partners to mitigate any potential impacts of unforeseen events on our operational performance.
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.
Oil & Gas Authority ("OGA") Approval	Group has not yet received approval of the OGA to the acquisition of Rockrose Energy plc in September 2020 by Viaro Energy Limited.	The OGA require Viaro Energy Limited, the parent of Rockrose Energy Limited, to demonstrate that the change in corporate control will not prejudice the group in its ability to meet its licence commitments, liabilities, and obligations. Although the OGA can require a further change of control, management considers this outcome highly unlikely as their responses to the OGA, supported by independent advisors, demonstrate the Group's ability to meet its licence commitments, liabilities, and obligations.
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 Investments Limited.

Francesco Dixit Dominus
Director
6 July 2021

ROCKROSE ENERGY LIMITED
DIRECTORS' REPORT

The Directors present the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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. A dividend of 25 pence was paid during 2020 in relation to 2019 financial year (2019: 85 pence).

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

Charitable Donations
The Group made charitable donations of $4,425 during the year.

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

Andrew Austin	(resigned 2 September 2020)
Richard Benmore	(resigned 2 September 2020)
John Morrow	(resigned 2 September 2020)
Francesco Mazzagatti	(appointed 2 September 2020)
Francesco Dixit Dominus	(appointed 2 September 2020)

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 and the potential outcome of the Oil & Gas Authority's (OGA) approval process.

As per note 22.2 to the financial statements the Group has not yet received approval of the OGA to the acquisition of Rockrose Energy plc in September 2020 by Viaro Energy Limited. The OGA has recently requested further detailed financial information which the Group is continuing to provide. Management expects approval from the OGA in due course. Management have also considered the situation where the OGA approval is not forthcoming and does not believe that this situation would have a significant impact on the ability of the Company to continue as a going concern.

The Directors believe 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.

This report was approved by the Board of Directors on 6 July 2021 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
6 July 2021

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 16 to 18 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.

The financial statements that we have audited comprise:

- Consolidated Statement of Profit or Loss for the year ended 31 December 2020.
- Consolidated Statement of Comprehensive Income for the year ended 31 December 2020.
- Consolidated Statement of Financial Position at 31 December 2020.
- Consolidated Statement of Changes In Equity for the year ended 31 December 2020.
- Consolidated Statement of Cash Flows for the year ended 31 December 2020.
- Notes 1 to 26 of the consolidated financial statements, including the accounting policies.
- Company Statement of Financial Position at 31 December 2020.
- Company Statement of Changes in Equity for the year ended 31 December 2020.
- Company Statement of Cash Flows for the year ended 31 December 2020.
- Notes 1 to 12 of the Company financial statements, including the accounting policies.

The financial reporting framework that has been applied in their preparation of the Group and Parent Company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

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 2020 and of the Group's profit for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 of cash flow projections.
- 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.
- A review of the alternative scenarios modelled by management in respect of the possible outcomes of the OGA assessment (as detailed in note 22.2) and their impact.
- Consideration of terms and conditions attaching to financing facilities in place as at the date of the approval of the financial statements 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.
- Viability assessment and business plans.

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	**2020**	**2019**	
Group	$9.3m	$14m	1% of total assets (2019: 1% of total assets)
Parent	$1.69m	$2.34m	1% of total assets (2019: 1% of total assets)
Key Audit Matters	• Oil and Gas Authority's approval • Decommissioning provisions • Impairment of oil and gas assets		
Scope	We conducted full scope audits at 5 significant components based on their size and risk characteristics: two operating entities in the UK, one operating entity in the Netherlands, one operating entity in the USA, 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. Our audit scope results in all major operations of the Group being subject to audit work. Full scope audit assignments covered in excess of 99% of the Group's Revenue, 97% of the Group's Total Assets. In addition to those subsidiaries subject to full scope audits by either ourselves or component auditors, additional coverage was obtained through group wide analytical procedures 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.

Oil and Gas Authority's Approval

Key audit matter description	We draw your attention to note 22.2 in the Group's consolidated financial statements and note 9 in the parent company financial statements which highlights that the parent company Viaro Energy Limited (Viaro) has not yet received approval from the Oil & Gas Authority (OGA) in relation to its acquisition of RockRose Energy Limited. The result of the approval process may be significant to the asset valuations recognised in the financial statements, and the assessment of its potential outcome requires judgement. For such reasons 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 correspondence between Viaro and the OGA to assess the current position. The company had engaged with a third party to assist with answering the detailed questions from the OGA in respect of Viaro and the Group's ability to meet its licence commitments, liabilities, and obligations. This included detailed financial projections. We reviewed the projections made by the management's expert and compared them against our Group's going concern model for consistency. We held separate discussions with the Group's Directors, Management, Legal Counsel, Lawyers and third-party expert to understand the position and their assessment of the likelihood of the OGA's approval. We considered the ramifications for the Group if the approval was not granted.
Key Observations	The assessment of the likely approval from the OGA is subjective and material in nature. We have concurred with management's assessment and concluded that the matter has been appropriately disclosed in the financial statements.

Decommissioning provisions

Key audit matter description	As at 31 December 2020 decommissioning provisions totalling \$666m (2019: \$1,095m) 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 reporting 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 1.0% (2019: 2.0%), 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 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 valuation specialists, who formed their own opinion on the matter, to ensure that the conclusions reached by management were in line with those of an independent party.
Key Observations	We concluded that the decommissioning provision appeared justifiable 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 2020 of $314,730 million (2019: $365,107 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 valuation specialists, who formed their own opinion on the cash flows, to ensure that the conclusions reached by management were 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.

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 $9.3m (2019: $14m) which was determined based on 1% of total assets (2019: 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 $5.6m (2019: $7m) which represents 60% (2020: 50%) 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 $1.69m (2019: $2.34m) which was determined on the basis of 1% of total assets (2019: 1% of total assets). The entity is a holding company for the Group's investments and total 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 $1m (2019: $1.7m) which represents 60% (2019: 50%) 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 $2.1m to $3.5m.

We agreed to report any corrected or uncorrected adjustments exceeding $465k to the Directors as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

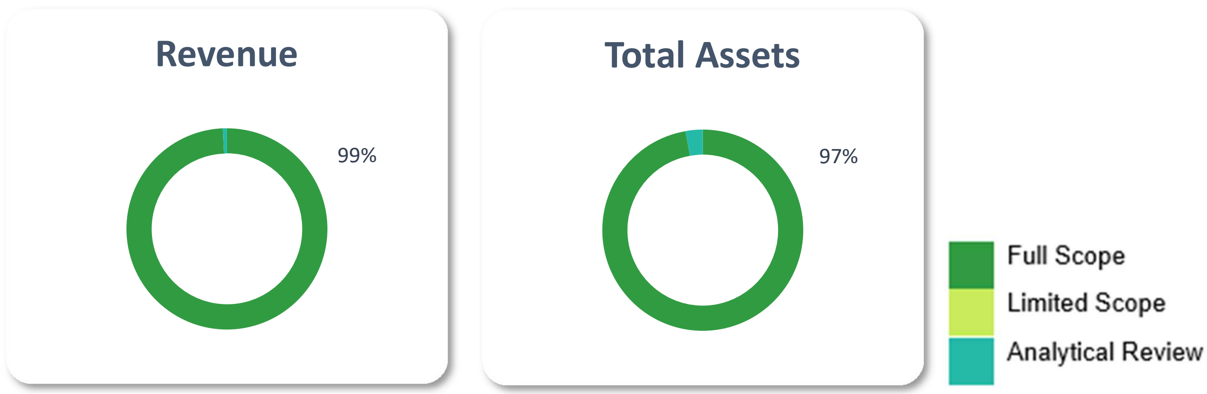
The scope of our audit

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 listed in the scope section above. As well as these, the parent Company was subject to a full scope audit.

There were a further 6 components that were subject to group-wide analytical procedures.



Reporting on other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion 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.

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

We have nothing to report in this regard.

Strategic report and directors report

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

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

In the light of the knowledge and understanding of the Group and 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received by branches not visited by us; or
- the 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, the Companies Act 2006 and applicable tax legislation.
- 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 control systems in place.
- 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 Auditors

London

6 July 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Revenue	3	182,208	203,309
Purchases	5.2	(201,546)	(188,016)
Impairment of producing and development assets	7	(29,058)	-
Administrative expenses		(20,029)	(7,507)
Impairment of exploration assets	8	(6,248)	-
Acquisition and relisting expenses	4	-	(10,940)
Change in estimate of decommissioning provisions	13	(13,640)	31,318
Gain on derivatives	5.1	1,674	10,697
Gain on acquisition	20.4	-	3,219
Expected credit losses	11.7	(3,260)	-
Operating (loss)/profit		**(89,899)**	**42,080**
Finance income	5.4	4,971	652
Finance costs	5.4	(16,192)	(14,509)
Foreign exchange gain		9,841	5,910
(Loss)/profit before income tax		**(91,279)**	**34,133**
Income tax credit	6.1	52,834	4,980
(Loss)/profit from continuing operations		**(38,445)**	**39,113**
Profit from discontinued operation (attributable to equity holders of the company)	20.2	149,236	44,978
Profit for the year		**110,791**	**84,091**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		2020	2019
		$'000	$'000
Profit for the year attributable to shareholders		**110,791**	**84,091**
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(16,346)	(1,497)
Exchange differences on translation of discontinued operation	20.2	6,151	1,414
Items that will not be reclassified to profit or loss:			
Actuarial (losses)/gains on defined benefit pension scheme	9	(162,170)	2,305
Deferred tax movement on defined benefit pension scheme		30,912	(392)
Other comprehensive (loss)/income for the year, net of tax		**(141,453)**	**1,830**
Total comprehensive (loss)/income for the year attributable to shareholders		**(30,662)**	**85,921**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	31 December 2020 $'000	31 December 2019 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	433,409	415,060
Investment properties		-	1,427
Intangible assets	8	33,705	35,841
Employee benefit assets	9	-	110,605
Amounts owed by related parties	11.7	197,958	-
Deferred tax assets	6.3	164,688	438,610
		829,760	**1,001,543**
Current assets			
Inventories	10	9,026	29,911
Trade and other receivables	11.1	68,006	63,945
Current tax receivable		-	5,654
Financial assets (FVTPL)	11.4	3,039	2,685
Cash and cash equivalents	11.2	1,934	315,799
Restricted cash	11.3	29,920	59,742
		111,925	**477,736**
Total assets		**941,685**	**1,479,279**
LIABILITIES			
Non-current liabilities			
Lease liabilities		117	5,749
Deferred income		-	6,995
Deferred tax liabilities	6.3	66,777	81,101
Provisions	13	650,533	1,069,353
		717,427	**1,163,198**
Current liabilities			
Lease liabilities		117	4,257
Trade and other payables	11.5	69,188	116,498
Current tax liabilities		6,637	5,717
Financial liabilities (FVTPL)	11.6	1,152	9,724
Employee benefit liabilities	9	8,201	-
Provisions	13	15,905	25,938
		101,200	**162,134**
Total liabilities		**818,627**	**1,325,332**
Net assets		**123,058**	**153,947**
EQUITY			
Share capital and share premium	14	8,277	5,304
Other reserves		32,428	36,033
Retained earnings		82,353	112,610
Total equity		**123,058**	**153,947**

These financial statements on pages 23 to 60 were approved and authorised for issue by the Board of Directors on 6 July 2021 and were signed on its behalf by:

Francesco Dixit Dominus

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Share capital $'000	Share premium $'000	Other reserves $'000	Retained earnings* $'000	Total $'000
Balance at 1 January 2019		**3,549**	**129**	**32,718**	**37,061**	**73,457**
Profit for the year		-	-	-	84,091	**84,091**
Other comprehensive income		-	-	-	1,830	**1,830**
Total comprehensive income		**-**	**-**	**-**	**85,921**	**85,921**
Transactions with owners						
Issue of share capital	14	133	1,493	-	-	**1,626**
Employee share incentive plan		-	-	3,315	-	**3,315**
Dividends paid	19	-	-	-	(10,372)	**(10,372)**
		133	**1,493**	**3,315**	**(10,372)**	**(5,431)**
Balance as 31 December 2019		**3,682**	**1,622**	**36,033**	**112,610**	**153,947**
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 as 31 December 2020		**3,744**	**4,533**	**32,428**	**82,353**	**123,058**

*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 2020

	Note	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**16.1**	**56,328**	**121,700**
Interest received		5,988	1,703
Interest paid		(6,017)	(3,277)
Decommissioning spend		(14,650)	(9,423)
Payment to defined benefit pension scheme		(44,804)	-
Income taxes paid		(699)	(10,098)
Net cash (outflow)/inflow from operating activities		**(3,854)**	**100,605**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from acquisition of subsidiaries	20.4	-	239,097
Payment for exploration assets		(1,822)	(4,573)
Payment for property, plant and equipment		(107,905)	(72,330)
Loan provided to parent company		(201,218)	-
Net cash generated from/(used in) investing activities		**(310,945)**	**162,194**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,973	1,626
Dividends paid to Company's shareholders		(4,479)	(10,372)
Principal elements of lease payments		(242)	(2,048)
Net cash used in financing activities		**(1,748)**	**(10,794)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(316,547)**	**252,005**
Cash and cash equivalents at 1 January		315,799	67,944
Effect of foreign exchange rate		2,682	(4,150)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,934**	**315,799**
Cash flows of discontinued operation	**20.2**	**(105,157)**	**(86,319)**

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 issued share capital of Rockrose Energy PLC ("Rockrose") by Viaro Energy Limited for cash consideration of £246 million. The transaction completed on 2 September 2020 and consequently Rockrose Energy PLC's shares delisted from the Main Market of the London Stock Exchange
- The Disposal of entire issued share capital of RockRose UKCS8 LLC and its subsidiaries ("UKCS8") to Fujairah International Oil and Gas Corporation for cash consideration of $1. The UKCS8 Disposal completed on 24 December 2020 (see note 20.1 and 20.2)
- Change in estimates in respect of decommissioning provisions (see note 13)
- Bulk annuity transaction in respect of Defined benefit pension scheme (see note 9)
- Impairment charge on producing and development and exploration assets (see notes 7 and 8)
- Gain on commodity hedges of $1.6 million (see note 5.1)

For a detailed discussion about the Group and its performance and financial position please refer to our operating and financial review on pages 3 to 7.

3. Revenue

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

	2020	2019
	$'000	$'000
Oil	121,452	142,918
Gas	55,705	57,175
Infrastructure	2,711	1,044
Others	2,340	2,172
	182,208	**203,309**

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 2 customers to which it associated 10% or more of revenue.

4. Acquisition and relisting expenses

All acquisition related expenditures were expensed to profit or loss account and were associated with the Marathon Acquisition and subsequent relisting of the Company in 2019. No such expenses occurred in 2020.

5. Other income and expense

This note provides a breakdown of the items included in other income, other gains/(losses), 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.

5.1. Gain/(loss) on derivatives

	2020 $'000	2019 $'000
Realised gain on oil hedges	2,828	10,697
Unrealised loss on oil hedges	(1,154)	-
	1,674	**10,697**

5.2. Breakdown of purchases by nature

	2020 $'000	2019 $'000
Production costs	124,666	122,842
Tariff and transportation expenses	5,664	4,657
Change in oil inventory value	8,245	3,861
Depreciation, depletion and amortisation	62,971	56,656
	201,546	**188,016**

5.3. Staff costs

	2020 $'000	2019 $'000
Wages and salaries (gross)	9,240	5,661
Social security costs	998	1,532
Defined contribution pension costs	346	227
Expense of share-based payments	1,277	3,315
Other staff cost	735	371
Staff costs from continuing operations	**12,596**	**11,106**
Staff costs from discontinued operations	24,111	16,076

The average monthly number of employees employed for continuing operations, including Directors in the year:

	2020	2019
Operations	4	4
Administrative	25	25
	29	**29**

The average monthly number of employees employed for discontinued operations were:

	2020	2019
Operations	178	119
Administrative	29	13
	207	**132**

5.4. Finance income and costs

	2020	2019
	$'000	$'000
Finance income	4,971	652
Finance costs	(4,499)	(1,187)
Unwinding of the discount on provisions (note 13)	(11,693)	(13,322)
	(11,221)	**(13,857)**

5.5. Auditor remuneration

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

	2020	2019
	$'000	$'000
Fees payable to the Company's auditor for the audit of the parent company and Group financial statements	239	400
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	348	526
Audit related assurance services (interim review)	-	28
Corporate finance services*	-	682
	587	**1,636**

*Relates to the reporting accountant's report on the unaudited pro forma financial information in the Company's combined prospectus and circular for the rights issue.

6. 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%.

6.1. Income tax (credit)/expense

	2020 $'000	2019 $'000
Current tax:		
Current tax credit on profits for the year	10,021	23,429
Adjustment for current tax on prior periods	999	-
Current overseas tax:		
Current tax credit/(expense) on profits for the year	4,728	(7,492)
Adjustment for current tax on prior periods	6,833	-
Total current tax credit	**22,581**	**15,937**
Deferred tax:		
Relating to the origination and reversal of temporary differences	52,536	(43,506)
Adjustment in respect of prior periods	(1,849)	1,359
Deferred overseas tax:		
Relating to the origination and reversal of temporary differences	23,556	420
Adjustments in respect of changes in tax rates	(92)	6,371
Adjustment in respect of prior periods	176	604
Total deferred tax credit/(expense)	**74,327**	**(34,752)**
Income tax credit/(expense)	**96,908**	**(18,815)**
Income tax credit/(expense) is attributable to:		
Profit/(loss) from continuing operations	52,834	4,980
Profit from discontinued operation	44,074	(23,795)

6.2. Reconciliation of total income tax charge

A reconciliation between the income tax (credit)/expense and the product of accounting profit multiplied by the combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2019: 40.0%) and non-ring fence tax rate of 19.0% (2019: 19.0%) for the year ended 31 December 2020 is as follows:

	2020	2019
	$'000	$'000
(Loss)/Profit from continuing operations before income tax expense	(91,279)	34,133
Profit from discontinued operation before income tax expense	105,163	68,773
	13,883	**102,906**
A combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2019: 40.0%) and non-ring fence tax rate of 19.0% (2019: 19.0%)	(5,553)	(42,492)
Expenses not deductible for tax purposes	(4,060)	5,977
Gain on disposal non-taxable	50,874	-
Small field and investment allowances	6,138	4,252
Prior period adjustments	6,159	(667)
Petroleum Revenue Tax (PRT)	14,471	1,859
Change in unrecognised deferred tax	1,037	2,606
Difference in overseas tax rates	18,745	3,247
Lower non-ring fence UK rate	12,789	-
Other differences	(3,692)	6,403
Total tax credit/(expense)	**96,908**	**(18,815)**

6.3. Deferred tax assets and liabilities

	31 December 2020 $'000	31 December 2019 $'000
Deferred tax assets		
Deferred Petroleum Revenue Tax (PRT)	-	123,770
Accelerated capital allowances - Corporation Tax	(105,245)	(80,022)
Decommissioning provisions	200,990	383,785
Tax losses	70,205	29,610
Defined Benefit Pension	1,558	-
Other temporary differences	(2,820)	(18,533)
	164,688	**438,610**
Deferred tax liability		
Accelerated capital allowances - Corporation Tax	(67,104)	(76,713)
Decommissioning provisions	2,992	(4,388)
Other temporary differences	(2,665)	-
	(66,777)	**(81,101)**
Net deferred tax asset	**97,911**	**357,509**

Deferred tax assets and liabilities include net $43.2 million payable within 12 months (2019: $125 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 $141.6 million (2019: $50.3 million) of ring fence corporation tax losses and $277.2 million (2019: $94.7 million) of allowances relievable against the supplementary charge.

The Group has further UK tax losses of approximately $68.5 million (2019: $65.1million) ring fenced and $nil (2019: $23.0 million) non-ring fenced, in respect of which no deferred tax asset is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits.

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

7. 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 2019	**393,286**	**1,257**	**-**	**641**	**395,184**
Acquired through business combinations (note 20.4)	50,486	-	6,786	592	57,864
Additions	33,054	38,934	1,879	342	74,209
Change in decommissioning estimates (note 13)	(9,469)	-	-	-	(9,469)
Exchange differences	(9,575)	-	-	-	(9,575)
At 31 December 2019	**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	-	(101,982)
At 31 December 2020	**497,529**	**115,868**	**230**	**3,450**	**617,077**
Accumulated depreciation and impairment					
At 1 January 2019	**(35,568)**	**-**	**-**	**(323)**	**(35,891)**
Depreciation charge	(57,107)	-	-	(155)	(57,262)
At 31 December 2019	**(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)**
Net book value					
At 31 December 2020	**314,730**	**115,868**	**230**	**2,581**	**433,409**
At 31 December 2019	**365,107**	**40,191**	**8,665**	**1,097**	**415,060**

7.1. Accounting for oil and gas assets

7.1.1. 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 $130.8 million (2019: $85.8 million) relating to capitalised decommissioning provisions on producing assets.

7.1.2. Appraisal and development assets

Please refer to note 8.1 for the Group's policy on appraisal and development assets.

7.1.3. 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.

7.1.4. 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%

7.2. 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 changes in oil and gas prices in 2020 and uncertainties caused by the Covid-19 pandemic, management performed an impairment review of the Group's assets. This review exercise has demonstrated that indicators of impairment existed at the balance sheet date, with impairment charges recognised across the UK and Dutch assets. An impairment charge totalling $53.6 million has been recognised in profit or loss. Within the UK assets, a total impairment charge of $41.0 million was recognised, comprising $8.6 million charge in Nelson field, $7.9 million in Tors field and $24.5 million charge in Brae area (which is included within discontinued operations). Within the Dutch assets, total charge of $12.5 million was recognised which was made up of $6.9 million charge in K4-K5 and $5.6 million in Rijn field.

8. Intangible assets

	Appraisal and Development assets $'000
At 1 January 2019	**32,287**
Additions	4,573
Exchange differences	(1,019)
At 31 December 2019	**35,841**
Acquired through business combinations (see note 20.3)	134
Additions	1,822
Impairment charge	(6,248)
Exchange differences	2,156
At 31 December 2020	**33,705**

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.

During 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 the evaluation of the discovery, the Group decided not to proceed to the FID and subsequently the license expired during the year. Impairment charge of $0.1 million was recognised in relation to this acquisition.

Within the Dutch assets, total charge of $6.1 million impairment was recognised in profit or loss in relation to Hanze field.

No further indicators of impairment have been identified as at 31 December 2020.

8.1. 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.

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 2020.

	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
At 1 January 2020	**567,004**	**(677,609)**	**(110,605)**
Interest expense/(income)	11,008	(13,499)	(2,491)
Loss on changes/introductions	-	-	-
Total amount recognised in profit or loss	11,008	(13,499)	(2,491)
Remeasurements:			-
Return on plan assets	-	88,217	88,217
Effect of changes in financial assumptions	75,151	-	75,151
Effect of experience adjustment	-	-	-
Effect of change in demographic assumptions	(1,198)	-	(1,198)
Total amount recognised in other comprehensive income	73,953	88,217	162,170
Contributions:			-
Employers	-	(44,804)	(44,804)
Benefit payments	(50,447)	50,447	-
Foreign exchange translation adjustment	21,002	(17,071)	3,931
At 31 December 2020	**622,520**	**(614,319)**	**8,201**

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 $44.8 million in 2020. Total expected contributions to the scheme in 2021 are $12.9 million.

A comprehensive actuarial valuation of the UKCS9 pension scheme, using the projected unit basis was carried out at 31 December 2020 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 2020	31 December 2019
Discount rate	1.40%	2.10%
Future salary increases	0.00%	0.00%
Future pension increases	2.80%	2.70%
Inflation assumption	2.30%	2.00%
Mortality rates		
- for a male aged 65 now	23.0	22.9
- at 65 for a male aged 45 now	24.0	24.0
- for a female aged 65 now	24.8	24.8
- at 65 for a female aged 45 now	26.3	26.3

Pension – Maturity profile

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 18 years (2019: 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.

9. Employee benefit obligations (continued)

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

	31 December 2020 $'000	31 December 2019 $'000
Cash and cash equivalents	5,682	3,480
Assets held by insurance company	608,637	247,401
Index-Linked Gilts	-	197,098
Insured pension	-	1,441
Corporate bonds	-	157,941
Diversified growth funds	-	70,248
Total scheme assets	**614,319**	**677,609**

10. Inventories

	31 December 2020 $'000	31 December 2019 $'000
Raw materials and stores	198	8,978
Oil and gas inventories	8,828	20,933
Total inventories	**9,026**	**29,911**

The carrying value of the Group's inventories as stated above is based on the Group's accounting policy for inventories in note 26.10.

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 2020 $'000	31 December 2019 $'000
Financial assets			
Financial assets at amortised cost			
Trade receivables	11.1	3,510	29,842
Amounts owed by related parties	11.1	35,604	-
Amounts owed by joint venture partners	11.1	2,082	12,917
Other financial assets	11.1	26,810	21,195
Cash and cash equivalents	11.2	1,934	315,799
Restricted cash	11.3	29,920	59,742
Financial assets at fair value through profit or loss (FVTPL)	11.4	3,039	2,685
Financial liabilities			
Liabilities at amortised cost			
Trade and other payables	11.5	34,620	50,104
Other financial liabilities	11.5	34,120	64,971
Lease liabilities		117	10,006
Financial liabilities at fair value through profit or loss (FVTPL)	11.6	1,152	9,724

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.

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11.1. Trade and other financial assets at amortised cost

	31 December 2020	31 December 2019
	$'000	$'000
Trade receivables	3,510	29,842
Amounts owed by related parties	35,604	-
Amounts owed by joint venture partners	2,082	12,917
Accrued income	7,026	10,397
Other receivables	19,784	10,789
Total trade and other financial assets at amortised cost	**68,006**	**63,945**

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 2020	31 December 2019
	$'000	$'000
Cash at bank and in hand	1,924	236,369
Term deposits	10	79,430
Total cash and cash equivalents	**1,934**	**315,799**

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 26.12 for the Group's other accounting policies on cash and cash equivalents.

11.3. Restricted cash

	31 December 2020	31 December 2019
	$'000	$'000
Restricted cash	29,920	59,742

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 2020	31 December 2019
	$'000	$'000
Underlift	3,039	2,685

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:

	2020	2019
	$'000	$'000
Change in inventory	(1,871)	10,068
Gain on hedging derivatives	1,674	10,697

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 2020	31 December 2019
	$'000	$'000
Trade payables	34,620	50,104
Accruals	33,370	60,344
Deferred income	448	1,423
Other payables	750	4,627
Total trade and other payables at amortised cost	**69,188**	**116,498**

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 2020	31 December 2019
	$'000	$'000
Overlift	1,152	9,724

11.7. Loan receivables

	2020	2019
	$'000	$'000
At 1 January	**-**	**-**
Loan provided	287,410	-
Loan repayments received	(86,192)	-
Interest charged	1,990	-
Interest received	(1,990)	-
Expected credit loss	(3,260)	-
At 31 December	**197,958**	**-**

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 recognised in relation to the loan in the statement of profit or loss.

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 2020 and 31 December 2019 on a recurring basis:

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**

31 December 2019	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets			
Underlift	2,685	-	2,685
Total financial assets	2,685	-	2,685
Financial liabilities			
Overlift	9,724	-	9,724
Total financial liabilities	9,724	-	9,724

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 2020 or 31 December 2019.

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 2020 or 31 December 2019.

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.

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 7)
  - intangible assets (note 8)
  - current and deferred tax balances (note 6)
  - 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	Other provisions	Total provision
	$'000	$'000	$'000
At 1 January 2019	**369,782**	**54**	**369,836**
Acquired through business combinations	805,351	130	805,481
Utilisation	(9,423)	-	(9,423)
Changes in estimates	(85,983)	35	(85,948)
Unwinding of the discount	18,397	-	18,397
Exchange differences	(3,052)	-	(3,052)
At 31 December 2019	**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**

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 1.0% (2019: 2.0%), representing Management's best estimate of the rate that reflects current market assessment of the time value of money.

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 2021 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, $98.7 million (2019: $9.5 million) of the $112.3 million (2019: $86 million) change in estimates has been taken to decommissioning assets within Property, Plant and Equipment (see note 7), with the balance of $13.6 million (2019: $76.4 million) taken to the profit or loss account.

The above decommissioning provision of $666.4 million (2019: $1,095.3 million) includes $15.9 million (2019: $25.9 million) classified within current liabilities.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Share capital and premium

	Shares Number	Share capital $'000	Share premium $'000	Total $'000
Issued and fully paid at 1 January 2019	12,591,603	3,549	129	3,678
Issue of shares - employee share scheme	27,622	7	442	449
Exercise of options - proceeds received	495,162	126	1,051	1,177
Balance 31 December 2019	**13,114,387**	**3,682**	**1,622**	**5,304**
Issued and fully paid at 1 January 2020	13,114,387	3,682	1,622	5,304
Issue of 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**

All new shares issued relate to the shares issued under the SIP and share option scheme to Company's employees.

15. Foreign currency translation reserve

	Foreign currency translation reserve $'000
At 1 January 2019	**(513)**
Exchange differences on translation of foreign operations	(83)
At 31 December 2019	**(596)**
Exchange differences on translation of foreign operations	(13,177)
At 31 December 2020	**(13,733)**

16. Cash flow information

16.1. Cash generated from operations

	31 December 2020 $'000	31 December 2019 $'000
Cash flows from operations		
Profit before income tax of continuing operations	(91,279)	34,133
Profit before income tax of discontinuing operations	105,163	68,773
Profit before income tax	**13,883**	**102,906**
Non-cash adjustments to reconcile profit before tax for the year to net cash flows:		
Foreign exchange gain on operating activities	(6,732)	(7,496)
Finance costs	28,690	21,674
Finance income	(5,988)	(1,703)
Gain on disposal/acquisition	(127,184)	(15,242)
Impairment of producing and development assets	53,553	-
Impairment of exploration assets	6,248	-
Other expense	3,260	-
Depreciation and amortisation	76,343	59,885
Share based payments	1,278	3,315
Change in estimate of decommissioning provisions	13,640	(76,360)
Operating cash flows before movements in working capital	**56,991**	**86,979**
Working capital adjustments		
Decrease in inventory	20,885	3,559
Decrease/(increase) in trade and other receivables	(4,061)	9,095
(Increase)/decrease in trade and other payables	(47,309)	28,462
(Decrease)/increase in restricted cash	29,822	(6,395)
Net cash generated from operating activities	**56,328**	**121,700**

16.2. Reconciliation of net debt

	Liabilities from financing activities	Other assets	Net debt
	Leases	Cash and cash equivalents	Total
	$'000	$'000	$'000
Net debt as at 1 January 2019	**(693)**	**67,944**	**67,251**
Acquired through business combinations	(6,985)	239,097	232,112
Cash flows	2,048	12,908	14,956
Acquisitions - leases	(4,426)	-	(4,426)
Foreign exchange adjustments	-	(4,150)	(4,150)
Other changes	50	-	50
Net debt as at 31 December 2019	**(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**

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 disposed and acquired – note 20
- estimation of provision for decommissioning liabilities – note 13
- estimation of defined benefit pension obligations – note 9
- estimation of recoverable values of producing 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 6.3
- judgement on indicators of impairment in relation to producing, development and exploration assets - note 7.2
- judgements on timing of when decommissioning costs will be incurred – note 13
- judgements on the outcome of the Oil & Gas Authority's approval process – note 22.2

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 2020 and 2019, 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 2020 the Group had 1.35 million barrels of oil hedged at average price of $47.73/bbl (2019: nil).

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.

	2020	2019
Financial performance		
Crude oil sales during the year ($'000s)	121,452	142,918
Gas sales during the year ($'000s)	55,705	57,175
Average crude oil price ($) per bbl	43.48	67.05
Average gas price ($) per boe	31.51	27.27
Sensitivities		
Impact of decrease of crude oil prices by 10% (2019: 30%) ($'000s)	(12,145)	(42,875)
Impact of decrease of gas prices by 10% (2019: 30%) ($'000s)	(5,571)	(17,153)

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:

	2020	2019
	$'000	$'000
As at 31 December (GBP to US$)	1.365	1.320
Average for the year (GBP to US$)	1.280	1.280
As at 31 December (EUR to US$)	1.228	1.120
Average for the year (EUR to US$)	1.132	1.120

Exposure

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

		2020		2019
	£'000	$'000	£'000	$'000
Cash at bank	632	863	52,788	69,733
Working capital accruals	(19,272)	(26,303)	(30,314)	(40,044)
Trade payables	(6,959)	(9,498)	(22,206)	(29,334)
	(25,599)	**(34,938)**	**268**	**355**
	€'000	$'000	€'000	$'000
Cash at bank	526	646	29,090	32,662
Working capital accruals	(2,168)	(2,661)	(2,298)	(2,580)
Trade payables	(1,378)	(1,692)	(586)	(658)
	(3,020)	**(3,707)**	**26,206**	**29,424**

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:

	2020	2019
	$'000	$'000
Impact of decrease of GBP vs USD by 10% ($'000s)	3,494	(35)
Impact of decrease of EUR vs USD by 10% ($'000s)	371	(2,942)

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 (at 31 December 2020: Citibank, Lloyds TSB and HSBC). 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 at 31 December 2020 there were nil trade receivables past due (2019: $0.24 million), nil of joint venture receivables past due (2019: nil) and nil of other receivables past due (2019: nil). A forward-looking assessment was consistent with the above, and as such no 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:

As at 31 December 2020	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount liabilities $'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**

As at 31 December 2019	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
Trade payables	50,104	-	-	-	50,104	50,104
Lease liabilities	2,067	2,535	3,683	2,043	10,328	10,006
Financial liabilities (FVTPL)	9,724	-	-	-	9,724	9,724
	61,895	**2,535**	**3,683**	**2,043**	**70,156**	**69,834**

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 $223.0 million of surety bonds as at 31 December 2020 (2019: $206.5 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, Liberty Mutual, Travelers, Endurance and Swiss Re.

18.4. Capital risk management

The Group's capital structure is debt free (with the exception of IFRS 16 lease liabilities). 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 gas price on a rolling basis to protect its capital expenditure programmes.

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 2020 financial year. A dividend of 25 pence was paid during 2020 in relation to 2019 financial year (2019: 85 pence).

20. Discontinued operations and Business combinations

20.1. 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 has been determined as 31 December 2020.

The fair value of the identifiable assets and liabilities of the Transaction assets as at the date of acquisition 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 (2019: Gain on acquisition of $15.2 million), has been recognised within gain on disposal from discontinued operations. See note below.

20.2. Financial performance and cash flow information

		2020 $'000	2019 $'000
Revenue		81,994	47,678
Purchases		(62,422)	(20,729)
Administrative expenses		(2,508)	(10,713)
Impairment of producing and development assets		(24,495)	-
Change in estimate of decommissioning provisions		-	45,042
Gain on disposal/acquisition	20.1	127,184	12,023
Operating profit		119,753	73,301
Finance income		1,017	1,051
Finance costs		(12,497)	(7,165)
Foreign exchange (loss)/gain		(3,110)	1,586
Income tax credit/(expense)		44,073	(23,795)
Profit after income tax of discontinued operations		**149,236**	**44,978**
Exchange differences on translation of discontinued operations		6,151	1,414
Other comprehensive income from discontinued operations		**155,387**	**46,392**

20.2. Financial performance and cash flow information (continued)

	2020 $’000	2019 $’000
Net cash outflow from operating activities	(84,284)	(72,483)
Net cash outflow from investing activities	(20,873)	(13,836)
Net increase in cash generated by the subsidiary	**(105,157)**	**(86,319)**

20.3. 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 the year. An impairment charge of $0.1 million was recognised in relation to this acquisition.

20.4. Acquisition in 2019: The Marathon Acquisition

On 25 February 2019, the Group entered into a sale and purchase agreement with MOHL to acquire the entire membership in MOUK and entire issued share capital of MOWOS (together the “Marathon Acquisition” or “Transaction assets”). The total consideration payable, under a locked box mechanism, was cash of US$95.4 million. The Effective Date of the transaction was 1 January 2019. The parties agreed that subject to completion occurring they would treat economic risk as having passed to the Company on 1 January 2019, as such, the Company was entitled to the target assets’ revenues and assumes its liabilities on and from 1 January 2019 and there would be no post-completion adjustments to the equity price other than for pre-identified claims for value leakage. The Completion Date, determined to be the acquisition date, of the transaction was 1 July 2019, at which point the parties’ obligations under the sale and purchase agreement were fulfilled and regulatory approval obtained.

The Transaction assets constitute a business and the acquisition has been accounted for using the acquisition method, in accordance with IFRS 3 Business Combinations. The consolidated financial statements include the fair values of the identifiable assets and liabilities as at the acquisition date and the results of the assets for the six-month period from the acquisition date. The results of the assets for the six-month period preceding the effective date are not consolidated and recognised within gain on acquisition.

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 receivable 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 July 2019, none of the trade receivables have been impaired. The fair value of the identifiable assets and liabilities of the Transaction assets as at the date of acquisition were:

	Fair value $'000
Cash and cash equivalents	334,534
Trade and other receivables	55,945
Inventories	28,380
Property plant and equipment	51,078
Right-of-use assets	6,786
Investment property	1,297
Post-employment asset	91,741
Deferred tax asset	416,213
Trade and other payables	(69,814)
Provisions	(805,481)
Net assets acquired	110,679
Total consideration paid	(95,437)
Gain on acquisition/Bargain purchase	**(15,242)**
Total cash inflow on acquisition was as follows:	
Cash paid	(95,437)
Net cash acquired with the subsidiaries	334,534
Net consolidated cash flow	**239,097**

20.4. Acquisition in 2019: The Marathon Acquisition (continued)

The difference between the bargain purchase consideration and the net assets acquired of $15.2 million, has been recognised within gain on acquisition and represents a gain resulting from the differences between the effective date and the acquisition date and as such the retained profits during the period.

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 31 March 2019.

b) Commodity prices
The oil price assumptions used are $60/bbl for 2020 and $65 plus inflation from 2021 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 2.0%.

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 31 March 2019.

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.

Revenue and profit contribution

The acquired business contributed revenues of $83.3 million and net profit of $5.6 million to the Group for the period from 1 July to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro forma revenue, Adjusted EBITDA and net profit for the period ended 31 December 2019 would have been $390.5 million, $162.4 million and $80.5 million respectively. These amounts have been calculated using the MOUK's and MOWOS's results and adjusting them for:

- differences in the accounting policies between the Group and that of MOUK and MOWOS; and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

Acquisition-related expenses of $10.9 million are included in acquisition and relisting expenses in the statement of profit or loss and operating cashflows in the statement of cashflows.

21. Interests in other entities

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

	Country of incorporation	Principal Activity	Interest (%) 2020
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[2]	UK	Provision of Group manpower and contracting/procurement services	100%
RockRose UKCS 10 Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS 14 Limited	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) CS1 B.V.	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) Infrastructure B.V. [3]	NL	Provision of infrastructure	100%

1. These subsidiaries are wholly owned subsidiaries of RockRose UKCS4 Limited

2. The ownership of this subsidiary was transferred from RockRose UKCS8 LLC to RockRose Energy Limited prior to the disposal of RockRose UKCS8 LLC on 24 December 2020

3. This subsidiary is wholly owned subsidiary of RockRose (NL) CS1 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.

22. Commitments

22.1. Capital commitments

In respect of its interest in joint arrangements, the Group is committed to the following as at 31 December 2020:

- Capital expenditure of $49.6 million (2019: $143.6 million) on Producing & Development assets;
- Decommissioning costs of $15.9million (2019: $25.9 million).

22.2. Contingencies

Following a change in corporate control of Rockrose Energy plc in September 2020, management are liaising with the Oil & Gas Authority's (OGA) in accordance with their normal licencing management process. The OGA require Viaro Energy Limited, the parent of Rockrose Energy Limited, to demonstrate that the change in corporate control will not prejudice the group in its ability to meet its licence commitments, liabilities, and obligations. Whilst the OGA to date has not concluded their assessment process, management have supplied comprehensive responses, and continue to liaise with the Authority to satisfy any further information request and believe they have satisfactorily demonstrated that the change of control will not prejudice Group's ability to meet its licence commitments, liabilities, and obligations.

Although the OGA can require a further change of control, which could be significant in terms of asset valuation, management considers this outcome highly unlikely as their responses to the OGA, supported by independent advisors, demonstrate the Group's ability to meet its licence commitments, liabilities, and obligations. No associated costs or impairments have been recognised in relation to these matters in the consolidated financial statements as at 31 December 2020. At the current time, the timing and quantum of potential future costs, impairment of assets or other consequences arising from failure to obtain approvals from the OGA cannot be determined or measured.

23. Events occurring after the reporting period

Aligned with the Group's growth strategy, on 30 April 2021 the Company acquired the entire share capital of Hague and London Oil BV, including associated subsidiaries, for consideration of $1.2 million. The fair value of assets and liabilities acquired is equal to the book value of the assets and liabilities in the balance sheet of the acquired group. This has added 1,900 boepd of gas production to the Netherlands portfolio. The acquisition includes a non-operated equity share in the prolific, NAM operated, Joint Development Area.

During Q1 2021, the operator of Foinaven field identified issues with the existing FPSO which has led to the decision being taken in Q2 2021 to suspend operations and commence activities to prepare the vessel for moving off-station. Current field activities include preservation of existing infrastructure to ensure availability for future redevelopment. The operator continues to review options for redevelopment of the stated "up to 200 mmboe recoverable in the area" with the intent to reach an option decision gate late 2021. At the 31 December 2020, the carrying value of assets associated with the Foinaven field is $60.9m. The carrying value of these assets will be reviewed in the following financial period based on outcome of the operator's assessment for redevelopment, it is not possible to estimate the impact of the outcome.

24. Related party transactions

24.1. Subsidiaries

Interests in subsidiaries are set out in note 21. The transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

24.2. 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.

	2020 $'000	2019 $'000
Short-term employee benefits	3,551	3,073
Post-employment benefits	176	96
Share-based payments	1,673	959
Total key management personnel compensation	**5,400**	**4,128**

In addition to above, Directors, who held shares in the Company, received dividends of $1.3 million (£1.0 million) during 2020 (2019: $3.2 million). The following table details remuneration of Directors of the Group.

	2020 $'000	2019 $'000
Short-term employee benefits	2,259	2,026
Post-employment benefits	106	53
Share-based payments	976	881
Total directors compensation	**3,341**	**2,960**

Andrew Austin was the highest paid Director in 2020 with total remuneration of $2.9 million (2019: $1.6 million) including $0.1 million payment in lieu of pension (2019: $0.1 million). At the discretion of the Remuneration Committee, Andrew Austin was paid a bonus of $0.8 million (2019: $0.8 million), representing for Andrew Austin a bonus of 75% (2019: 125%) 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.

25. Share based payments

25.1. Share option

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

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

Set out below are summaries of options granted under the plan:

		2020		2019
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	£8.63	157,276	£1.98	525,752
Granted during the year	£18.38	70,278	£9.82	126,686
Exercised during the year	£8.98	(161,534)	£1.88	(495,162)
Lapsed during the year	£18.65	(66,020)	-	-
As at 31 December	-	-	£8.63	157,276

The fair value of the awards granted under the plan are measured at grant date using a Binominal Valuation Model.

During the year a total of 70,278 options were awarded under the scheme and 4,258 of those granted were exercised and the remaining 66,020 shares lapsed in 2020. No performance conditions were attached to these awards which vest over a 3 year period. On 25 June 2019 total of 107,817 options were exercised by Richard Benmore, Non-Executive Director.

The total charge for the year was $1.3 million (2019: $0.3 million) which was charged to the profit or loss account.

Following the acquisition of the Group by Viaro Energy Limited and delisting of shares of the Company from London Stock Exchange, all options are either exercised or lapsed and the plan was subsequently closed.

25.2. Share Incentive Plan (SIP)

In 2019, the Group adopted HMRC approved SIP for all employees of the Group. The scheme was a tax efficient incentive plan pursuant to which all employees were eligible to acquire up to £150 (or 10% of salary, if less) worth of RockRose ordinary shares per month or £1,800 per year. Under the SIP employees were invited to make contributions to buy company shares. If an employee agreed to buy company shares the Company matched the number of shares bought with an award of shares (matching shares), on a two-for-one basis. Following the acquisition of the Group by Viaro Energy Limited and delisting of shares of the Company from the London Stock Exchange, the SIP scheme was closed.

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 and the potential outcome of the Oil & Gas Authority's (OGA) approval process.

As per note 22.2 to the financial statements the Group has not yet received approval of the OGA to the acquisition of Rockrose Energy plc in September 2020 by Viaro Energy Limited. The OGA has recently requested further detailed financial information which the Group is continuing to provide. Management expects approval from the OGA in due course. Management have also considered the situation where the OGA approval is not be forthcoming and do not believe that this situation would have a significant impact on the ability of the company to continue as a going concern.

The Directors believe 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.

26.1.2. Compliance with IFRS

The consolidated financial statements of the Rockrose Energy Limited Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under IFRS.

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 and liabilities 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 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The Group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle

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 2020 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 26.15).

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.

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. Property, plant and equipment

The Group's accounting policy for property, plant and equipment is explained in note 7.1.1 and 7.1.2.

The depreciation methods and periods used by the Group are disclosed in note 7.1.3.

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 7.2).

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.

26.7. Leases

In 2019 the Group has changed its accounting policy for leases where the Group is the lessee. Until 31 December 2019 leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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.

26.7. 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.

26.8. 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.

26.9. Employee benefits

26.9.1. 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.

26.9.2. 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 a cash refund or a reduction in the future payments is available.

26.9.3. Share based payments

Share-based compensation benefits are provided to employees via the Rockrose Energy Limited Employee Option Plan, an employee share scheme, the executive short-term incentive scheme and share appreciation rights.

Employee options

The fair value of options granted under the Rockrose Energy Limited Employee Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (such as the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) and
- including the impact of any non-vesting conditions (such as the requirement for employees to save or hold shares for a specific period of time)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

26.10. 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.

26.11. 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 26.16 for a description of the Group's impairment policies.

26.12. 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.

26.13. 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.

26.14. 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.

26.15. 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, and
- 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 gain on acquisition.

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.

26.16. 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.

26.16.1. Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations of oil and gas prices. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value at each period end. All changes in fair value are directly taken to the income statement in the period.

26.17. 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.

26.17.1. 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.

26.17.2. 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.

26.18. 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 based on expected future rates and year end spot rates respectively. 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.

26.19. 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.

26.20. 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.

26.21. 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 2020

	Note	31 December 2020	31 December 2019
		$'000	$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	2	51,408	149,078
Amount owed from subsidiary and parent	8.3	244,201	42,131
		295,609	**191,209**
Current assets			
Trade and other receivables	1	558	825
Amount owed from subsidiaries	1	93,899	31,292
Cash and cash equivalents	1	1,042	91,233
Restricted cash	1	471	52,113
		95,970	**175,463**
Total assets		**391,579**	**366,672**
LIABILITIES			
Non-current liabilities			
Provisions		1,478	6,812
Amount owed to subsidiaries	8.3	112,629	112,788
		114,107	**119,600**
Current liabilities			
Provisions		4,068	-
Trade and other payables	1.3	4,613	3,252
Amount owed to subsidiaries	1	98,692	40,217
		107,373	**43,469**
Total liabilities		**221,480**	**163,069**
Net assets		**170,099**	**203,603**
EQUITY			
Share capital and share premium	3.1	8,277	5,304
Other reserves	3.2	32,428	36,033
Retained earnings	3.3	129,394	162,266
Total equity		**170,099**	**203,603**

The above balance sheet should be read in conjunction with the accompanying notes.

The company's loss for the year was $40.4 million (2019: Profit of $166.5 million).

These financial statements on pages 61 to 71 were approved and authorised for issue by the board of Directors on 6 July 2021 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 2020

	Note	Share capital $'000	Share premium $'000	Other reserves $'000	Retained earnings* $'000	Total $'000
Balance at 1 January 2019		**3,549**	**129**	**32,718**	**1,686**	**38,082**
Profit for the year		-	-	-	166,463	**166,463**
Other comprehensive income		-	-	-	4,489	**4,489**
Total comprehensive income		**-**	**-**	**-**	**170,952**	**170,952**
Transactions with owners						
Issue of share capital	3	133	1,493	-	-	**1,626**
Employee share incentive plan	3	-	-	3,315	-	**3,315**
Dividend paid		-	-	-	(10,372)	**(10,372)**
		133	**1,493**	**3,315**	**(10,372)**	**(5,431)**
Balance as 31 December 2019		**3,682**	**1,622**	**36,033**	**162,266**	**203,603**
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 income		**-**	**-**	**-**	**(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**

*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 2020

	Note	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations		**9,660**	**(89,633)**
Interest received		4,911	2,532
Interest paid		(2,805)	(3,061)
Share based payments		1,278	3,315
Net cash inflow/(outflow) from operating activities		**13,044**	**(86,847)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from subsidiaries		84,739	163,212
Payment for acquisition of subsidiary, net of cash acquired		(177)	(95,437)
Loans provided to parent company		(205,171)	-
Proceeds of loans from subsidiaries		-	112,788
Net cash used in investing activities		**(120,609)**	**180,563**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,973	1,626
Dividends paid to Company's shareholders		(4,478)	(10,372)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**(1,505)**	**(8,746)**
Net increase in cash and cash equivalents		**(109,070)**	**84,970**
Cash and cash equivalents at 1 January		91,233	824
Effect of foreign exchange rate		18,879	5,439
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,042**	**91,233**

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 2020 $'000	31 December 2019 $'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	558	825
Amounts owed from subsidiaries	338,100	73,423
Cash and cash equivalents	1,042	91,233
Restricted cash	471	52,113
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	4,613	3,252
Provisions	4,068	-
Amounts owed to subsidiaries	211,321	153,005

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 2020		31 December 2019	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Loan to subsidiary (i)	-	46,243	-	42,131
Loan to parent (ii)	-	197,958	-	-
	-	**244,201**	**-**	**42,131**

See note 10.7 for the relevant accounting policies.

Loans to subsidiary and parent

(i) In 2018 Company issued a loan to its subsidiary, Rockrose (NL) B.V. (subsequently merged with Rockrose (NL) CS1 B.V.). The loan is unsecured and repayable on 31 December 2028. Interest accrues at an annual rate of 6% per annum and is payable in cash.

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

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

1.1.2. Impairment and risk exposure

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

The intercompany loans outstanding as at 31 December 2020 are denominated in USD, GBP and Euro.

1.2. Restricted cash

	31 December 2020 $'000	31 December 2019 $'000
Restricted cash	471	52,113

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 2020 $'000	31 December 2019 $'000
Trade payables	2,686	294
Accruals	1,927	2,958
	4,613	**3,252**

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	2020 $'000	2019 $'000
As at 1 January	149,078	51,323
Additions in year – Acquisition of Rockrose UKCS14 Limited	177	
Additions in year – Acquisition of Rockrose UKCS10 Limited	-	20,156
Disposal in year – Disposal of Rockrose UKCS8 LLC	(80,942)	75,281
Impairment of investments in subsidiaries	(21,848)	-
Exchange differences	4,943	2,318
As at 31 December	**51,408**	**149,078**

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.

Please refer to note 20 to the consolidated financial statements for details of disposals and additions during 2020.

3. Equity

3.1. Share capital and share premium

Please refer to note 14 of the consolidated financial statements on page 42 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 2019	**(513)**
Exchange differences on translation of foreign operations	(382)
At 31 December 2019	**(895)**
Exchange differences on translation of foreign operations	7,088
At 31 December 2020	**6,193**

4. Cash flow information

	31 December 2020 $'000	31 December 2019 $'000 *(Restated)*
Cash flows from operations		
(Loss)/profit before income tax	**(125,104)**	**166,463**
Non-cash adjustments to reconcile profit/(loss) before tax for the year to net cash flows:		
Foreign exchange gain on operating activities	(16,827)	(4,249)
Finance costs	2,805	3,061
Finance income	(4,911)	(2,532)
Dividend income	(84,739)	(171,396)
Other expense	3,260	
Impairment of investment of subsidiaries	102,790	-
Movement in provision	(1,491)	466
Operating cash flows before movements in working capital	**(124,217)**	**(8,187)**
Working capital adjustments		
(Decrease)/increase in trade and other receivables	22,399	(16,961)
Decrease/(increase) in trade and other payables	59,836	(12,372)
Decrease/(increase) in restricted cash	51,642	(52,113)
Net cash generated from/(used in) operating activities	**9,660**	**(89,633)**

5. Employee information

The Company had no employees during the year (2019: nil). The Directors of the Company were remunerated by another company of the Group. See Directors' Report on page 10 for details of Directors served during the year.

Please refer to note 5.3 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 11 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).

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 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**

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 2019	$'000	$'000	$'000	$'000	$'000
Trade payables	294	-	-	294	294
Accruals	2,958	-	-	2,958	2,958
Amount owed to group subsidiaries	40,217	-	112,788	153,005	153,005
Total non-derivatives	**43,469**	**-**	**112,788**	**156,257**	**156,257**

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:

	2020	2019
	$'000	$'000
Dividend revenue:		
Dividends received from subsidiary undertakings	84,739	171,396
Sales and purchases of services:		
Purchase of services from subsidiary undertakings	5,465	2,200

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:

	2020	2019
	$'000	$'000
Current payables (purchases of services)		
Subsidiary undertakings	5,465	2,200

8.3. Loans to/from subsidiary undertaking

	2020 $'000	2019 $'000
Loan to Rockrose (NL) CS1 B.V.		
At 1 January	**42,131**	**42,081**
Interest charged	3,198	2,473
Interest received	(2,555)	(2,473)
Exchange differences	3,469	50
At 31 December	**46,243**	**42,131**
Loan to Viaro Energy Limited		
At 1 January	**-**	**-**
Loan provided	287,410	-
Loan repayments received	(86,192)	-
Interest charged	1,990	-
Interest received	(1,990)	-
Expected credit loss	(3,260)	-
At 31 December	**197,958**	**-**
Loan from Rockrose UKCS10 Limited		
At 1 January	**(112,788)**	-
Loan received	-	(124,988)
Loan repaid	-	12,200
Interest charged	2,752	(2,430)
Interest received	(2,752)	2,430
Exchange differences	159	-
At 31 December	**(112,629)**	**(112,788)**

Expected credit loss of $3.3 million recognised in relation to the loan in the statement of profit or loss in relation to the loan to parent, Viaro Energy Limited. No loss allowance was recognised in relation to the intercompany loan to Rockrose (NL) CS1 B.V.

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 Rockrose NL B.V. (merged with Rockrose CS1 B.V.) matures on 31 December 2028 and accrues interest at 6% (2019: 6%).

The loan to Viaro Energy Limited matures on 15 September 2025 and accrues interest at 3.25% (2019: nil).

The loan from Rockrose UKCS10 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. Contingencies

As disclosed in note 22.2 of the consolidated accounts, following a change in corporate control of Rockrose Energy plc in September 2020 management are liaising with the Oil & Gas Authority's (OGA) in accordance with their normal licencing management process.

At the current time, the timing and quantum of potential impairment in investments or other consequences, if any, arising from failure to obtain approvals from the OGA cannot be determined or measured.

10. 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 Investments Limited, which owns 100% of the issued ordinary shares of the Viaro Energy Limited.

The financial statements of the Company are consolidated by Viaro Investments Limited, which incorporated and domiciled in England and Wales.

11. 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:

Subsidiaries – see note 21

Dividends – see note 19

Events occurring after the reporting date – see note 23

Share-based payments – see note 25

Auditors' remuneration – see note 5.5

12. 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.

12.1. Basis of preparation

12.1.1. Compliance with IFRS

The financial statements of Rockrose Energy Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under IFRS.

12.1.2. Compliance with IFRS

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

12.1.3. New and amended standards adopted by the company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The Company also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle

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.

12.1.4. New standards and interpretations not yet adopted

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

12.1.5. Going concern

At year end, Company had cash and cash equivalent balance of $1.5 million (2019: $143.3 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 11 on Director's report for the going concern policy of the Group.

12.2.Investment in subsidiaries

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

12.3.Functional and presentation currency

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

12.4. 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.

12.5. 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.

12.6. Restricted cash

Restricted cash balances are amounts deposited with Trustees issuing 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 pension contributions made.

12.7. 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.

12.8. 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.

12.9. 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.

12.10. 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.

12.11. 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 (appointed 2 September 2020) Francesco Dixit Dominus (appointed 2 September 2020) Andrew Austin (resigned 2 September 2020) Richard Benmore (resigned 2 September 2020) John Morrow (resigned 2 September 2020)
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

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